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)

(Stock Code: 1318)

RESULTS ANNOUNCEMENT FOR THE YEAR ENDED DECEMBER 31, 2024

The board of directors (the "**Board**") of Mao Geping Cosmetics Co., Ltd. (the "**Company**") hereby announces the audited results of the Company and its subsidiaries (the "**Group**") for the year ended December 31, 2024. This announcement, containing the full text of the 2024 annual report of the Company, complies with the relevant requirements of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited in relation to information to accompany preliminary announcement of annual results.

The Group's final results for the year ended December 31, 2024 have been reviewed by the audit committee of the Company.

PUBLICATION OF ANNUAL RESULTS ANNOUNCEMENT AND ANNUAL REPORT

This results announcement will be published on the website of Hong Kong Exchanges and Clearing Limited (www.hkexnews.hk) and the Company's website (www.maogeping.com). The Company's 2024 annual report will be published on the aforesaid websites in due course.

By order of the Board
Mao Geping Cosmetics Co., Ltd.
MAO Geping
Chairman of the Board and Executive Director

Hong Kong
March 27, 2025

As of the date of this announcement, the board of directors of the Company comprises: (i) Mr. MAO Geping, Ms. WANG Liqun, Ms. MAO Niping, Ms. MAO Huiping, Mr. WANG Lihua and Ms. SONG Hongquan as executive directors; and (ii) Mr. GU Jiong, Mr. HUANG Hui and Mr. LI Hailong as independent non-executive directors.

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CORPORATE INFORMATION

Board of Directors

Executive Directors

Mr. MAO Geping (毛戈平) *(Chairman of the Board)*
Ms. WANG Liqun (汪立群)
Ms. MAO Niping (毛霓萍)
Ms. MAO Huiping (毛慧萍)
Mr. WANG Lihua (汪立華)
Ms. SONG Hongquan (宋虹佺)

Independent Non-executive Directors

Mr. GU Jiong (顧炯)
Mr. HUANG Hui (黃輝)
Mr. LI Hailong (李海龍)

Audit Committee

Mr. GU Jiong (顧炯) *(Chairperson)*
Mr. HUANG Hui (黃輝)
Mr. LI Hailong (李海龍)

Nomination Committee

Mr. MAO Geping (毛戈平)
Ms. MAO Niping (毛霓萍)
Mr. GU Jiong (顧炯)
Mr. HUANG Hui (黃輝)
Mr. LI Hailong (李海龍) *(Chairperson)*

Remuneration Committee

Mr. MAO Geping (毛戈平)
Ms. MAO Huiping (毛慧萍)
Mr. GU Jiong (顧炯)
Mr. HUANG Hui (黃輝)
Mr. LI Hailong (李海龍) *(Chairperson)*

Supervisory Committee

Ms. GAO Yan (高妍)
Mr. YANG Weiqing (羊偉青)
Ms. WU Meijuan (吳美娟)

Joint Company Secretaries

Mr. DONG Leqin (董樂勤)
Ms. ZHANG Xiao (張瀟) *(an associate member of both The Hong Kong Chartered Governance Institute and The Chartered Governance Institute in the United Kingdom)*

Auditor

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

Authorized Representatives

Ms. MAO Niping (毛霓萍)
Ms. ZHANG Xiao (張瀟)

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Headquarters and Principal Place of Business in the PRC

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Hangzhou, Zhejiang
PRC

Principal Place of Business in Hong Kong

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Legal Advisor as to PRC Law

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Company's Website

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Stock Code

01318

FOUR-YEAR FINANCIAL SUMMARY

	Year ended December 31,			
	2024	2023	2022	2021
	RMB'000	RMB'000	RMB'000	RMB'000
Revenue	**3,884,694**	2,885,964	1,829,112	1,577,347
Cost of sales	**(607,176)**	(437,719)	(295,834)	(261,341)
Gross profit	**3,277,518**	2,448,245	1,533,278	1,316,006
Profit before tax	**1,176,751**	887,864	466,987	443,885
Profit and total comprehensive income for the year	**881,329**	663,470	352,095	330,943
Dividends	**1,000,000**	250,000	–	40,000
Earnings per share (RMB yuan)	**2.18**	3.31	1.76	1.66
Dividends per share (RMB yuan)	**2.47**	1.25	–	0.20

	As at December 31,			
	2024	2023	2022	2021
	RMB'000	RMB'000	RMB'000	RMB'000
Total assets	**4,473,469**	2,094,568	1,555,910	1,130,944
Total liabilities	**969,946**	546,582	421,394	348,523
Net assets	**3,503,523**	1,547,986	1,134,516	782,421
Return on equity (%)	**34.9%**	49.5%	36.7%	52.0%
Return on total assets (%)	**26.8%**	36.3%	26.2%	35.9%

CHAIRMAN'S STATEMENT

Dear Shareholders,

On behalf of the Board of Directors of Mao Geping Cosmetics Co., Ltd., I hereby present to you the annual report of the Group for the year ended December 31, 2024.

In 2024, the H Shares of Mao Geping Cosmetics Co., Ltd. were successfully listed on the Main Board of the Hong Kong Stock Exchange, marking a historic leap in the Company's development. As a leading premium beauty group in China, we have consistently integrated traditional oriental aesthetic concepts into our products and services using modern artistic expressions. Leveraging on the unique aesthetic concepts of our founder, our internationally leading quality control capabilities, and our presence in mid-to-high-end department stores, we have established differentiated competitive advantages. We continue to drive business through the synergy among our products, research and development, and education.

In 2024, we continued to expand our high-end department store channels by launching our counters in Wuhan SKP, Chengdu SKP and Hangzhou Tower among other premium locations. As of December 31, 2024, our brand counters were present in over 120 cities nationwide, including 378 self-operated counters and 31 distributor-operated counters. Additionally, our counters were staffed with over 2,800 professional beauty advisors. Through our offline counters and these beauty advisors, we maintained close contact with our customers, offering them an exceptional beauty experience. Regarding product categories, we have been continuously enriching and expanding our beauty product matrix, upgrading and developing over 100 SKUs throughout 2024. As of December 31, 2024, our product portfolio comprised more than 400 SKUs across two categories.

In 2024, we launched the new "Splendid Aura" series of products in collaboration with TEAM CHINA. This series achieves the integration of Eastern and Western cultures by melding elements of sports, Western classical art concepts, and Chinese aesthetics, all with positive symbolic meanings. We designed distinctive makeup looks for members of China's artistic swimming team, using the specialised products we provided. It was a delightful moment when China's artistic swimming team won its first Olympic gold medal at the 2024 Paris Olympics. Our co-branded product series also includes previously launched collections such as the five collections of the Palace Museum series (故宮系列) and the Asian Games series (亞運會系列). Through innovation in cultural integration and IP collaboration, we convey our brand's cultural connotations and value propositions, enrich our brand's essence, and shape our brand image.

Our makeup artistry training business continued to expand during the Reporting Period. In 2024, revenue from makeup artistry training and related sales reached RMB151.7 million, representing a year-on-year increase of 45.8% and surpassing pre-pandemic levels. This growth not only contributed positively to the Company's annual performance but also further enhanced our comprehensive competitiveness and brand influence. During 2024, we enriched our teaching content and launched personal IP development courses alongside makeup skills training, offering comprehensive support to students interested in developing their careers via the internet. We also focused on upgrading our online training platform, actively introducing online courses to convey MAOGEPING Beauty's artistic philosophy in the most convenient way to all beauty enthusiasts, further advancing MAOGEPING's mission and vision to empower every woman to embrace beauty.

CHAIRMAN'S STATEMENT

While maintaining the steady development of our domestic business, we are also gradually advancing our presence in overseas markets according to strategic plans. In 2024, we further strengthened our cooperation with Sephora, a world-leading beauty chain group, and introduced our products to the Hong Kong market for the first time, receiving positive market feedback. In terms of taking our culture and brand expansion overseas, we jointly created the documentary program "Traces of Fragrance" (《香跡》) with Douyin. This program was initiated by our founder, Mr. MAO Geping, setting against the backdrop of the 60th anniversary of diplomatic relations between China and France. Using our brand's perfume as a thread, the programme facilitated cultural exchange between China and France around the themes of 'Olympics, aesthetics, and perfume'. It connected people and culture through fragrance, showcasing the unique charm of Chinese brands and designs and shaping a multidimensional perception of high-end brands originating from the East.

Attributed to the above efforts, we have seen remarkable growth in our operating results. Our total revenue increased from RMB2,886.0 million in 2023 to RMB3,884.7 million in 2024, representing an increase of 34.6%. Our net profit increased by 32.8% from RMB663.5 million in 2023 to RMB881.3 million in 2024. Thanks to our excellent sales performance, we have been consolidating our market-leading position and brand equity in the high-end beauty industry.

Finally, on behalf of our Group and the Board of Directors, I would like to express our gratitude to all users for their enduring recognition and support for our brand. We also extend our appreciation to all our partners, investors, and shareholders for their trust, and to all employees for their dedication and contribution over the past year. Looking forward, we aim to actively leverage the Hong Kong capital market platform to attract more international talents to join our beauty business. We will persist in strengthening product research and development and channel construction to create perfect products and foster customer satisfaction. We will continuously sharpen our brand competitiveness with attractive products, advanced technologies and satisfactory services to enhance the global recognition and reputation of our brand. We aspire to build an international high-end beauty group originating from China, rewarding our shareholders and investors with stable and sustainable business performance.

MANAGEMENT DISCUSSION AND ANALYSIS

INDUSTRY OVERVIEW

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, increased from RMB402.6 billion in 2018 to RMB579.8 billion in 2023, representing a CAGR of 7.6%. The market size is projected to continue growing at a CAGR of 8.6% from 2023 to 2028, reaching RMB876.3 billion by 2028.

Premium beauty brands are positioned to meet the demands of consumers for prestige, high quality, and exclusivity through perceived-value products. Typically, premium brands command a price range that is at least 50% higher than the industry average, and their products are selectively distributed, often 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 high price performance products that are affordable to consumers. 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.

Beauty products in China are sold through online and offline channels. Offline channels mainly include the department store, cosmetics specialty store, supermarket and other offline channels. Other offline channels mainly include pharmacies and duty-free stores. The department store of offline channels refers to a retail establishment offering a wide range of mid to high-end consumer goods across 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 by showcasing brand concepts through exquisite displays and professional consulting services. The influence accumulated by beauty brands across online and 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. According to Frost & Sullivan, the retail sales of beauty products through offline channels increased from RMB235.3 billion in 2018 to RMB264.1 billion in 2023, representing a CAGR of 2.3%, while online retail sales increased from RMB167.3 billion in 2018 to RMB315.8 billion in 2023, representing a CAGR of 13.5%. With the resumption of social activities and the release of consumer enthusiasm after the epidemic, offline channels will continue to recover and maintain sustainable and stable development in the future. The market size of offline channels is expected to grow further at a CAGR of 5.5% to RMB344.6 billion by 2028, while the market size of online channels is projected to grow at a CAGR of 11.0% to RMB531.7 billion by 2028.

MANAGEMENT DISCUSSION AND ANALYSIS

In addition, according to the research data from the Industrial Research Center of China Association of Fragrance Flavour and Cosmetic Industries (香料香精化妝品工業協會產業研究中心), the total transaction volume of the Chinese cosmetics market in 2024 was RMB1,073.822 billion, representing a year-on-year increase of 2.8%. In terms of brand structure, taking the top 1,000 brands in terms of online transaction volume as sample data, the transaction volume of Chinese cosmetics brands accounted for 55.2% in 2024, an increase of 2.9 percentage points compared with the previous year. In 2024, there were a total of 819 brands with a transaction volume of over RMB100 million, among which 534 brands maintained positive growth, accounting for more than 65%. Compared with 2023, the number of brands with a scale of over RMB100 million in 2024 increased by 73, reaching a record high. At the product and raw material ends, the total number of newly filed products in 2024 and products that had been filed in the past and were still within the valid period reached 2.012 million, the highest in the past five years. At the same time, the number of newly filed and registered raw materials in 2024 reached 90, setting a new historical record.

From the above data, we can see that China's cosmetics market as a whole maintains a stable development trend, while structural changes are particularly significant. Firstly, the market share of domestic brands has increased significantly, and consumers' recognition of local brands continues to grow; Secondly, the number of brands with an annual turnover of more than RMB100 million has increased significantly, and the market is gradually moving towards high-end, centralized direction; Thirdly, with the continuous improvement of the industry's regulatory system and innovation in designs and raw materials, cosmetic categories and raw materials are more diverse to satisfy and stimulate the diversified needs of consumers. As a result, the cosmetics industry is moving towards a new stage of high-quality development.

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, such as beauty advisors, styling designers, etc. According to Frost & Sullivan, the makeup artistry training industry in China has experienced rapid growth in recent years, with the market size increasing from RMB5.6 billion in 2018 to RMB9.8 billion in 2023, with a CAGR of 11.8%. 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 categories of makeup products, the threshold for making good makeup is getting higher. It is expected that the industry will be consolidated and grow at a CAGR of 14.5% to reach RMB19.3 billion by 2028.

BUSINESS REVIEW

Principal Activities

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.

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, appealing 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. 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. Throughout the reporting period, we primarily derived our revenue from product sales of MAOGEPING.

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. For the year ended December 31, 2024, the Luminous Cream Foundation product series and Luxury Caviar Facial Mask contributed retail sales of over RMB400 million and RMB800 million, respectively. As of December 31, 2024, our product portfolio comprised more than 400 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,			
	2024		2023	
	Sales Volume	Average Selling Price	Sales Volume	Average Selling Price
	Unit in thousands	RMB per unit	Unit in thousands	RMB per unit
Color cosmetics	12,979.5	177.5	9,718.8	166.9
Skincare	4,577.6	312.2	3,598.1	322.3
Overall	17,557.1	212.6	13,316.9	208.9

Note:

(1) The average selling price refers to 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 and includes 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.

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

Ivory Skin Primer Cream

Luminous Perfect Cream Foundation

Luminous Moisture Liquid Foundation

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, Light Highlighting Cream Foundation (光影塑顏高光粉膏):

Light Highlighting Cream Foundation (光影塑顏高光粉膏)

The 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 continuous iterations, and is in its fourth generation as of the date of this report.

Based on the philosophy of light and shadow makeup artistry, the 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 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:


Radiance Sculpting Duo Highlight Palette

3D Light Three-color Shading Compact


3D Shadow Compact Powder

3D Light Nose Bridge Lifting Palette

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

Sculpture Duo Eyebrow Powder


Sculpture Exquisite Liquid Eyeliner


Sculpture Water-proof Mascara

Lip Makeup

Our lip makeup range is meticulously formulated to enhance the natural hue of lips, 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

Crystal Shine Hydrating Lip Gloss


Allure Moisturizing Lipstick


Silky Elegant Lipstick

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, Asian Games Tribute (亞運禮獻), and Splendid Aura collections.

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 the 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, Eastern Aura Elegance, 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

Sunny Spring with Flying Butterfly Rouge

Calligraphy And Bamboo Charming Dual Color Highlight Palette

Dancing Crane Eternity Pressed Powder

Fragrance And Shadow Wear Pressed Powder

Rouged Lotus Brilliance Lip Powder Palette

MANAGEMENT DISCUSSION AND ANALYSIS

Asian Games Tribute

The joint gift box of MAOGEPING Cosmetics and the Asian Games is inspired by the verse of Su Shi, a poet in Song Dynasty: "West Lake may be compared to Xizi; Whether she is richly adorned or plainly dressed." With the most representative "water culture" of Hangzhou as the creative theme, it contains the welcome to the world and the expectation for the future. Each item in the gift box is taken from traditional elements and the beautiful scenery of Hangzhou, combined with the atmosphere of the Asian Games, such as swaying lotus flowers, the moonlight on the West Lake, the Qiantang River tide, the auspicious cloud totem and the dragon through waves. All of them carry the delicate expression of oriental aesthetics and are a tribute to the Hangzhou Asian Games. MAOGEPING Cosmetics, with enthusiasm and sincerity, has created beautiful memories of Hangzhou's "water charm" and the "Hangzhou Asian Games". Below sets forth our representative products in the "Asian Games Tribute" collection:


Light Lily Gentle Glorious Blusher


Cloud and Tide Highlighting Pressed Powder


Lakeside Moonlight Multi-Purpose Eyeshadow Palette


Fiery Dragon Satin Lipstick

Splendid Aura

"Splendid Aura" is a co-branded product series launched by MAOGEPING Cosmetics and TEAM CHINA during the reporting period. Its name originates from a unique insight: Although there are slight differences in aesthetics between the East and the West, the sense of beauty comes from the deepest love, and the form of its beauty display is the expression of the self and the attitude. Therefore, only those who follow their love and bravely express themselves can release "Splendid Aura" that shines brightly in the world on the field. MAOGEPING Cosmetics has integrated the cultural landmarks of Chinese and French cities, elements of competitive spirit and the cool postures of athletes into the patterns of flower windows. Through the "flower windows" of the East and the West, we can see more beautiful "light and shadow". Below sets forth our representative products in the "Splendid Aura" collection:

Splendid Aura Auspicious Dragon Radiance Pressed Powder

Splendid Aura Artistry Eye & Cheek Palette


Splendid Aura Luminous Highlighting Powder


Splendid Aura Smooth Hydrating Liquid Foundation

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. Below sets forth our best-selling and signature skincare product, Luxury Caviar Facial Mask:

Luxury Caviar Facial Mask

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. For the year ended December 31, 2024, the product achieved retail sales of over RMB800 million.

Below sets forth our representative skincare products:

Luxury Caviar Lotion

Luxury Caviar Multi Functional Ampoule Essence

Luxury Time-inverse Recovery Eye Essence

Luxury Regenerating Energizing Essence

Luxury Regenerating Black Cream

Premium Nutritive Anti-aging Eye Cream

Premium Nutritive Light Moisturizing Cream

Luxury Time-Inverse Recovery Cream

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 date of this report. 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 December 31, 2024, we had 226 training personnel enrolled in our training institutes. Throughout the entire year of 2024, our nine training institutions enrolled more than 6,000 students in total, representing an increase of 20.4% compared to the year 2023. 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.

Product Design and Development

Our success stems from our robust product design and development capabilities, driven by our product development team's comprehensive expertise and meticulous approach to create high-quality beauty products.

Our Product Development Team. Our product design and development efforts are spearheaded by Mr. Mao who possesses profound knowledge 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 December 31, 2024, our product development team was comprised of 57 seasoned personnel, with 82.5% holding a bachelor's degree or higher. These team members bring an average of over 13 years of experience in fields like molecular biology and chemical engineering, having held 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 nurturing skilled professionals who embody our brand philosophy and aesthetics, we maintain a strong foundation for future product development.

Our Comprehensive Expertise. Our comprehensive expertise drives 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.

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 ODM Providers. According to Frost & Sullivan, engaging ODM Providers 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.

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 closely with our ODM providers to establish product development standards. Our marketing team and Art Committee determine the initiatives of product design and development.

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 suited to the skin conditions and facial features of target consumers, adjusting color temperature and brightness to create visual depth. Additionally, we choose 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, conducting compatibility and functionality tests for new products, as well as quality inspections for initial batches of products and packaging.

Sample Testing: Our makeup artists from makeup artistry training institutes and frontline marketing employees participate in product trials, offering assessments of the samples based on their professional experience.

Mass Production: After achieving 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. As of December 31, 2024, this approach to packaging has earned us 43 design patents and a Muse Design Award, 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 expertise in 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. In 2024, we developed and upgraded a total of over 100 new SKUs for MAOGEPING and Love Keeps.

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 established 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.

Production

To ensure optimal efficiency and uphold stringent quality control standards, we have selectively partnered with reliable ODM/OEM providers for product production. We retain decisive authority over the products' attributes, efficacy and aesthetic presentation in such partnership. Our efforts are concentrated on refining 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, captivating 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 consider a variety 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 2024, we engaged 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. During the Reporting Period, we maintained good relationships with multiple ODM/OEM providers. However, in event that we need to engage a replacement service provider, there are sufficient ODM/OEM providers with comparable production capabilities.

Our Production Expansion Plan

We plan to establish an in-house production base to build up our independent production capacity. As of the date of this report, we had one production facility under construction in Hangzhou, China, which is expected to commence operation by mid-2026. This facility will focus on color cosmetics and skincare products, with a designed annual production capacity of approximately 15.4 million units. Our in-house production strategy and R&D capabilities will gradually evolve through different stages. Initially, we will focus on accumulating research experience and filling and packaging semi-finished products to refine our process and establish a solid foundation for future production. In the next phase, we will transition to manufacturing and packaging of self-developed products, integrating 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 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 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, boosting operational efficiency and potential margin improvement as we scale up production capabilities, reduce external dependencies, cut costs and enhance turnaround times.

Warehousing and Logistics

We primarily engage 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.

OUR SALES NETWORK

We sell our products through an extensive sales network integrating offline and online channels. Our offline channels include (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. 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 Reporting Period.

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. As of December 31, 2024, we had 378 self-operated counters and 31 distributor-operated counters in over 120 cities across the country. Such a counter network enables us to expand our product coverage, foster direct consumer relationships and enhance brand visibility. As of December 31, 2024, we had over 2,800 beauty advisors staffed at our counters, which constituted one of the largest counter-based service teams among all domestic and international beauty brands in China, committed to delivering an experiential consumer experience with high-quality customer services.

Our counters are carefully designed to offer customized consultations and proficient makeup trial services, creating an experiential and personalized shopping experience for consumers. The following pictures showcase our counter designs in department stores:

We conduct our product sales via online channels in two ways (i) direct sales via 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 in 2024, with our revenue increasing from online sales increasing from RMB1,179.8 million in 2023 to RMB1,784.3 million in 2024.

Branding and Marketing

Brand Building

Brand reputation is at the core of our competitiveness. We employ a content-driven branding and marketing strategy to build our brand's reputation. In terms of brand building, we engage in branding activities every year, such as new product launch conferences and makeup artistry shows. Upholding the aesthetic philosophy of combining oriental aesthetics and the essence of light and shadow, we convey master-level makeup artistry. Our co-branded series with the Palace Museum has been launched for the fifth time. We also combine the brand with a positive lifestyle by collaborating with athletes and sports events.

In June 2024, we hosted the "Nation's Pride, Parisian Radiance (國之光耀巴黎): Team China × MAOGEPING 2024 Collection Launch & Grand Commencement Ceremony" at Hangzhou International Conference Center. At this landmark event, we co-launched the Splendid Aura collection and Team China Athlete Image Enhancement Kits in collaboration with TEAMCHINA. By using beauty products to set off the athletes' glory and enhance their impressive presence, we presented a positive and uplifting brand image. In addition, during the Paris Olympics, MAOGEPING Makeup settled in the "China House". By adding luster to the Chinese sports spirit with makeup, we conveyed the concept of the most exquisite and beautiful Eastern aesthetics to the world. (Note: The "China House" is a comprehensive service facility established and operated by the Chinese Olympic Committee for the Chinese sports delegation participating in international comprehensive sports games.)

In 2024, witnessing the important moment of the 60th anniversary of diplomatic relations between China and France, the MAOGEPING brand launched the cultural IP project headed "Beauty Inheriting the Orient (美承東方)", integrating traditional culture into contemporary life. During the first Spring Festival designated as a United Nations holiday, Mr. Mao Geping, together with the inheritors of intangible cultural heritage of lantern art from the Southern and Northern Schools, deeply participated in the China-France Cultural Exchange Forum in Paris, which was organized under the guidance of the Chinese Embassy in France. They shared the beauty of Eastern culture with users at home and abroad, celebrating the Chinese Lunar New Year. In August 2024, the documentary program "Traces of Fragrance" (《香跡》), initiated by our founder Mr. Mao Geping and co-launched with Douyin platform, was officially released. Against the backdrop of the 60th anniversary of diplomatic relations between China and France, taking the brand perfume as a clue, the program connects the cultures and emotions of China and France with "scent", conducts cultural exchanges between China and France around "Olympics", "aesthetics" and "perfume", and conveys the brand's emotional values of "pleasing others (悦人)", "pleasing oneself (悦己)" and "pleasing the heart (悦心)".

Marketing Initiatives

During the Reporting Period, we collaborated with social media platforms, sales channels and well-known IPs to carry out various marketing activities, including:

The launch of "Air Cushion Lip Glaze (空氣倉唇釉)" in Tmall in September 2024: The MAOGEPING brand's lip makeup, the new "Air Cushion Lip Glaze" (Feathery Air Matte Lip Glaze), was launched. Through collaborations with the brand's Light and Shadow Ambassador Chen Lijun (陳麗君) and the Tmall platform, we expanded the brand's influence and color perception on social media and e-commerce platforms, achieved category breakthroughs and attracted new makeup customers.

Multi-platform New Year's Eve Event: "Fireworks Welcome the New Year – Wishes Come True (煙火迎新 · 願願相成)" was held on Douyin and Tmall. As the New Year approached, the MAOGEPING brand collaborated with Liuyang Culture and Tourism (瀏陽文旅) to combine the oriental aesthetic symbol of "fireworks", a Chinese intangible cultural heritage, with the New Year's scene. We merged marketing initiatives for the year-end Christmas and New Year's Day holidays and the Chinese New Year, creatively introduced a limited-edition fireworks eyeshadow palette and makeup sets. This event generated over 400 million exposures on social media platforms during the New Year period, successfully attracting new gift-giving customers and expanding our customer base.

Membership

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, accessible via our self-operated online stores on Douyin and Tmall, features a tiered VIP levels structure. 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 promote brand loyalty. The online membership system is designed to reward not only 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 in line with our comprehensive privacy policy.

In addition, our offline membership system supports registration at physical 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.

Our consumers can join both of our online and offline membership loyalty programs to enjoy membership benefits. As of December 31, 2023 and December 31, 2024, we had a total of approximately 10.3 million and 15.1 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 differ in their 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. Through our brand-building and targeted marketing initiatives, we aim to enhance our brand image, boost consumer loyalty, and drive sustainable growth. Our content-oriented brand promotion approach, combined with our marketing strategies, has yielded positive results. Our overall repurchase rate further increased from 26.8% in 2023 to 30.9% in 2024.

The following table sets forth our registered members' repurchase rate by sales channel for the periods indicated:

	For the year ended December 31,	
	2024	2023
Online channels	**27.5%**	22.0%
Offline channels	**34.9%**	32.8%
Overall	**30.9%**	26.8%

Note: 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 by the number of registered members who made at least one purchase during the same period of time.

Business Achievements

As the leader among China's domestic premium beauty brands, we continued to maintain rapid growth during the Reporting Period. Our total revenue increased from RMB2,886.0 million in 2023 to RMB3,884.7 million in 2024, representing an increase of 34.6%. In addition, our net profit increased by 32.8% from RMB663.5 million in 2023 to RMB881.3 million in 2024. With outstanding sales performance, we consistently solidify our market leadership and brand equity within the premium beauty industry.

FUTURE PROSPECTS

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 increasing the coverage of our offline sales channels by establishing brand stores in cities where we already have a presence and penetrating surrounding area, 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 approach aims to optimise our online presence, increase our product accessibility to consumers and attract 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 key opinion leaders (KOLs) 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. Concurrently, we intend 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 founded on 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. In terms of skincare, we aim to enhance our skincare product offering by adopting effective ingredients and technologies to introduce more popular skincare products.

In addition, our product development plans involve exploring new product categories. Notably, we have launched the MAOGEPING EAU DE PARFUM "Guoyun Ningxiang (國韻凝香)" fragrance line in January 2025. In the future, we will further introduce 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.

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 date of this report, 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 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 Artisanship, 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 date of this report, 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.

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. We recognize the significant potential of overseas 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 branding. We are committed to strengthening our training personnel, ensuring a high standard of training quality and continuous improvement.

FINANCIAL REVIEW

Revenue

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

	Year ended December 31,			
	2024		2023	
	Amount		Amount	
	RMB'000	**%**	RMB'000	%
Product sales				
– Color cosmetics	**2,304,071**	**59.3**	1,622,185	56.2
– Skincare	**1,428,908**	**36.8**	1,159,707	40.2
Subtotal	**3,732,979**	**96.1**	2,781,892	96.4
Makeup artistry training and related sales	**151,715**	**3.9**	104,072	3.6
Total	**3,884,694**	**100.0**	2,885,964	100.0

Analysis of changes:

Our revenue increased by 34.6% from RMB2,886.0 million in 2023 to RMB3,884.7 million in 2024, primarily due to an increase in product sales from RMB2,781.9 million in 2023 to RMB3,733.0 million in 2024. Our revenue from makeup artistry training and related sales increased by 45.8% from RMB104.1 million in 2023 to RMB151.7 million in 2024, primarily due to an increase in the number of participants enrolled in makeup artistry training courses.

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

	Year ended December 31,			
	2024		2023	
	Amount		Amount	
	RMB'000	%	RMB'000	%
Offline channels				
Offline direct sales	1,756,963	47.1	1,438,182	51.7
Sales to offline distributors	87,334	2.3	69,804	2.5
Sales to a premium multinational beauty retailer	104,424	2.8	94,080	3.4
Subtotal	1,948,721	52.2	1,602,066	57.6
Online channels				
Online direct sales	1,428,585	38.3	931,164	33.5
Sales to online distributors	355,673	9.5	248,662	8.9
Subtotal	1,784,258	47.8	1,179,826	42.4
Total	3,732,979	100.0	2,781,892	100.0

Analysis of changes:

Our revenue from product sales through our offline channels increased by 21.6% from RMB1,602.1 million in 2023 to RMB1,948.7 million in 2024, primarily due to an increase in offline direct sales from RMB1,438.2 million in 2023 to RMB1,757.0 million in 2024. This was mainly attributable to an increase in the average sales per counter in 2024, resulting from our enhanced sales and marketing efforts.

Our revenue from product sales through our online channels increased by 51.2% from RMB1,179.8 million in 2023 to RMB1,784.3 million in 2024, primarily due to an increase in online direct sales from RMB931.2 million in 2023 to RMB1,428.6 million in 2024, and an increase in sales to online distributors from RMB248.7 million in 2023 to RMB355.7 million in 2024. This was mainly attributable to our strengthened sales and marketing activities on e-commerce platforms.

The following table sets forth the breakdown of our revenue from product sales by domestic and overseas market for the periods indicated:

	Year ended December 31,			
	2024		2023	
	Amount		Amount	
	RMB'000	**%**	RMB'000	%
Product sales				
– Domestic	**3,731,124**	**99.9**	2,781,892	100
– Overseas	**1,855**	**0.1**	0	0
Total	**3,732,979**	**100.0**	2,781,892	100

Analysis of Changes:

We recorded additional revenue of RMB1.8 million from product sales in overseas market in 2024, mainly because we had additional overseas distributors such as Sephora Hong Kong Cosmetics Sales Co., Limited (絲芙蘭香港化妝品銷售有限公司) in 2024.

Cost of Sales

	Year ended December 31,			
	2024		2023	
	Amount		Amount	
	RMB'000	**%**	RMB'000	%
Costs of inventories sold	**489,504**	**80.6**	355,109	81.1
Employee benefit expenses	**25,832**	**4.3**	19,021	4.3
Logistics and transportation costs	**70,685**	**11.6**	45,176	10.3
Depreciation and amortization	**11,755**	**1.9**	11,103	2.5
Others	**9,400**	**1.6**	7,310	1.8
Total	**607,176**	**100.0**	437,719	100.0

Analysis of Changes:

Our cost of sales increased by 38.7% from RMB437.7 million for the year ended December 31, 2023 to RMB607.2 million for the year ended December 31, 2024, which was in line with the growth of sales revenue. Logistics and transportation costs increased rapidly from RMB45.2 million in 2023 to RMB70.7 million in 2024, representing an increase of 56.5%. This was primarily due to our strengthened sales on e-commerce platforms, with online direct sales revenue growing by 53.4%.

Gross Profit and Gross Profit Margin

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,			
	2024		2023	
	Gross Profit RMB'000	Gross Profit Margin (%)	Gross Profit RMB'000	Gross Profit Margin (%)
Product sales				
– Color cosmetics	**1,927,078**	**83.6**	1,369,058	84.4
– Skincare	**1,245,712**	**87.2**	1,012,548	87.3
Subtotal	**3,172,790**	**85.0**	2,381,606	85.6
Makeup artistry training and related sales	**104,728**	**69.0**	66,639	64.0
Total	**3,277,518**	**84.4**	2,448,245	84.8

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,			
	2024		2023	
	Gross Profit RMB'000	Gross Profit Margin (%)	Gross Profit RMB'000	Gross Profit Margin (%)
Offline channels				
Offline direct sales	1,538,268	87.6	1,268,840	88.2
Sales to offline distributors	66,156	75.8	52,453	75.1
Sales to a premium multinational beauty retailer	68,479	65.6	65,726	69.9
Subtotal	1,672,903	85.8	1,387,019	86.6
Online channels				
Online direct sales	1,203,234	84.2	787,275	84.5
Sales to online distributors	296,653	83.4	207,312	83.4
Subtotal	1,499,887	84.1	994,587	84.3
Total	3,172,790	85.0	2,381,606	85.6

Analysis of changes:

Our gross profit increased by 33.9% from RMB2,448.2 million in 2023 to RMB3,277.5 million in 2024, which was in line with the increase in sales revenue. Our gross profit margin remained largely stable comparing to 2023.

Other Income and Gains

Our other income and gains amounted to RMB46.6 million and RMB68.4 million in 2023 and 2024, respectively, mainly due to an increase in the amount of government grants.

Selling and Distribution Expenses

The selling and distribution expenses of the Group were RMB1,904.1 million in 2024, representing an increase of 34.8% from RMB1,412.4 million in 2023. In 2024, the selling and distribution expenses accounted for 49.0% of the Group's revenue, representing an increase of 0.1 percentage points compared with that of 48.9% in 2023. Among them, marketing and promotion expenses increased from RMB556.7 million in 2023 to RMB867.1 million in 2024, mainly due to increased investments in brand promotion and channel construction in order to enhance brand exposure. The employee benefit expenses included in selling expenses increased from RMB471.6 million in 2023 to RMB580.2 million in 2024, primarily due to an increase in the number of sales employees in 2024 to support the Group's business expansion.

Administrative Expenses

Our administrative expenses increased by 39.4% from RMB192.1 million in 2023 to RMB267.8 million in 2024, mainly due to an increase in listing expenses in relation to the Global Offering; an increase in employee benefit expenses; and an increase in sales tax and surcharges in tandem with the growth in our revenue.

Reversal of Impairment Losses on Financial Assets, Net

We had a reversal of impairment loss on financial assets of RMB1.0 million in 2023 and RMB3.4 million in 2024, respectively, mainly due to the subsequent recovery of trade and bills receivable.

Other Expenses

Our other expenses remained relatively stable at RMB0.8 million and RMB0.5 million in 2023 and 2024, respectively.

Financial Costs

Our financial costs amounted to RMB2.0 million and RMB5.3 million in 2023 and 2024, respectively, mainly due to an increase in the discount amount of bank acceptance bills.

Income Tax Expense

With the increase in profit before tax, our income tax expense amounted to RMB224.4 million in 2023 and RMB295.4 million in 2024, respectively.

Profit for the year

In view of the above, our profit for the year amounted to RMB663.5 million and RMB881.3 million in 2023 and 2024, respectively.

Non-HKFRS Measure

To supplement our consolidated financial statements, which are presented in accordance with HKFRS Accounting Standards, we also use adjusted net profit as an additional financial measure, which is not required by or presented in accordance with HKFRS Accounting Standards. 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 Accounting Standards.

Adjusted Profit for the Year

We define adjusted profit for the year (Non-HKFRS measure) as profit for the year adjusted by adding back listing expenses (net of tax) and equity-settled share award expense. The following table reconciles our adjusted profit for the year (Non-HKFRS measure) with profit for the year presented in accordance with HKFRS Accounting Standards:

	Year ended December 31,	
	2024	2023
	RMB'000	RMB'000
Profit for the year	**881,329**	663,470
Add:		
Listing expenses (net of tax)[(1)]	**28,118**	713
Equity-settled share award expense[(2)]	**15,024**	–
Adjusted profit for the year (Non-HKFRS measure)	**924,471**	664,183

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.

Liquidity and Capital Resources

We mainly financed our capital requirements through cash generated from our business operations and the net proceeds from the Global Offering. In 2024, net cash generated from operating activities was approximately RMB968.6 million, as compared to net cash generated from operating activities of RMB699.7 million in 2023. As of 31 December 2024, the Group had cash and cash equivalents of approximately RMB2,796.5 million and bank borrowings of approximately RMB320.0 million, while as at 31 December 2023, the Group had cash and cash equivalents of approximately RMB1,137.9 million and bank borrowings of nil. All of our borrowings were denominated in Renminbi, and had an effective interest rate ranging from 0.85% to 1.25% per annum. The Group's gearing ratio (defined as total liabilities divided by total assets) was 21.7% and 26.1% as of December 31, 2024 and 2023, respectively. As at December 31, 2024 and 2023, the Group's current ratio (defined as current assets divided by current liabilities) was 3.6 times and 3.2 times, respectively. The Group's net gearing ratio (defined as total liabilities divided by total equity) was 27.7% and 35.3% as of December 31, 2024 and 2023, respectively. With the cash and bank balances in hand, the Group's liquidity position remains strong to meet its working capital requirements.

Cash Flow

	Year ended December 31,	
	2024	2023
	RMB'000	RMB'000
Cash generated from operations	**1,242,554**	878,942
Income tax paid	**(273,958)**	(179,234)
Net cash generated from operating activities	**968,596**	699,708
Net cash flows used in investing activities	**(627,952)**	(194,707)
Net cash flows from/(used in) financing activities	**1,311,023**	(255,006)
Net increase in cash and cash equivalents	**1,651,667**	249,995
Cash and cash equivalents at beginning of year	**1,137,894**	887,899
Effect of foreign exchange rate changes, net	**2,158**	–
Cash and cash equivalents at end of year	**2,791,719**	1,137,894

Analysis of changes:

The Group's net cash flows from operating activities increased from a cash inflow of RMB699.7 million in 2023 to a cash inflow of RMB968.6 million in 2024, mainly due to the increase in the amount of cash inflow generated from sales growth. The Group's net cash flows from investing activities increased from a cash outflow of RMB194.7 million in 2023 to a cash outflow of RMB628.0 million in 2024, mainly due to the purchase of leasehold land for the construction of the headquarter building generating a cash outflow of RMB492.2 million. The Group's net cash flow from financing activities was a cash outflow of RMB255.0 million in 2023, mainly due to a cash outflow of RMB225.0 million arising from the distribution of dividends, and a cash inflow of RMB1,311.0 million in 2024, mainly due to a cash outflow of RMB1,025 million arising from the distribution of dividends, and a cash inflow of RMB2,071.1 million arising from the proceeds from the Listing.

In conclusion, the Group's net increase in cash and cash equivalents was RMB250.0 million in 2023 and RMB1,651.7 million in 2024.

Interest Rate Risk and Exchange Rate Risk

The Group's operations are mainly carried out in the PRC, with most transactions settled in Renminbi. The reporting currency of the Group is Renminbi. In Hong Kong, China, the Group uses local currency as its functional currency, including Hong Kong dollar. A portion of the Group's cash and bank deposits are denominated in Hong Kong dollar and US dollar. The Group continues to adopt a prudent policy on foreign exchange risk management. In 2024, the Group does not have a foreign currency hedging policy for foreign currency transactions, assets and liabilities. The Group reviews its foreign exchange risks periodically and uses derivative financial instruments to hedge against such risks when necessary.

Capital Expenditure and Commitments

In 2023 and 2024, our capital expenditures primarily consisted of expenditures for 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:

	Year ended December 31,	
	2024	2023
	RMB'000	RMB'000
Purchase of leasehold land	**492,215**	12,654
Purchase of items of property, plant and equipment	**122,634**	72,193
Purchases of other intangible assets	**1,058**	1,312
Total	**615,907**	86,159

In 2023 and 2024, our contractual commitments were mainly related to construction in progress. Our Group had the following contractual commitments as of the indicated dates:

	Year ended December 31,	
	2024	2023
	RMB'000	RMB'000
Construction in progress	**293,485**	137,260
Total	**293,485**	137,260

Significant Investments, Material Acquisitions and Disposal Of Subsidiaries, Associates and Joint Ventures

For the year ended December 31, 2024, we had no material acquisitions or disposals of subsidiaries, associates and joint ventures. As at December 31, 2024, we did not hold any significant investments (including any investment in an investee company) with a value of 5% or more of the Group's total assets.

Charges on the Group's Assets

As at December 31, 2024, the Group's restricted cash of RMB48,000,000 were used as deposits for the bank loans granted to the Group. Save as disclosed in this report, we did not pledge any assets.

Future Plans for Material Investments or Purchase of Capital Assets

As of the date of this report, we had no plans for material investment or purchase of capital assets.

Contingent Liabilities

We did not have any material contingent liabilities as of December 31, 2024.

Subsequent Events after the Reporting Period

The Company announces that the over-allotment option has been fully exercised by the sole overall coordinator (for itself and on behalf of the international underwriters), on 4 January 2025, in respect of an aggregate of 11,763,500 shares, representing approximately 15% of the total number of the offer shares available under the global offering (after taking into account the partial exercise of the offer size adjustment option but before any exercise of the over-allotment option) at HK$29.80 per share. The additional net proceeds of approximately HK$336,500,000 (equivalent to RMB311,105,000) have been received by the Company from the allotment and issue of the over-allotment shares after deduction of underwriting fees and commissions and estimated expenses payable by the Company in connection with the full exercise of the over-allotment option on 8 January 2025.

DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

MEMBERS OF THE BOARD OF DIRECTORS

Executive Directors

Mr. MAO Geping (毛戈平)
Ms. WANG Liqun (汪立群)
Ms. MAO Niping (毛霓萍)
Ms. MAO Huiping (毛慧萍)
Mr. WANG Lihua (汪立華)
Ms. SONG Hongquan (宋虹佺)

Independent Non-executive Directors

Mr. GU Jiong (顧炯)
Mr. HUANG Hui (黃輝)
Mr. LI Hailong (李海龍)

MEMBER(S) OF THE SUPERVISORY COMMITTEE

Ms. GAO Yan (高妍)
Mr. YANG Weiqing (羊偉青)
Ms. WU Meijuan (吳美娟)

SENIOR MANAGEMENT

Mr. MAO Geping (毛戈平)
Ms. MAO Niping (毛霓萍)
Ms. MAO Huiping (毛慧萍)
Mr. WANG Lihua (汪立華)
Ms. SONG Hongquan (宋虹佺)
Mr. XU Weiguo (徐衛國)
Mr. DONG Leqin (董樂勤)

JOINT COMPANY SECRETARIES

Mr. DONG Leqin (董樂勤)
Ms. ZHANG Xiao (張瀟) *(an associate member of both The Hong Kong Chartered Governance Institute and The Chartered Governance Institute in the United Kingdom)*

CHANGE OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

There was no change of the Directors, Supervisors and Senior Management since the Listing Date and up to the date of this report.

INFORMATION OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

DIRECTORS

Executive Directors

Mr. MAO Geping (毛戈平) (former name 毛革平), aged 60, is the founder, chairman of the Board and an executive Director of our Group. 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 Makeup Art Co., Ltd. (杭州毛戈平化妝藝術有限公司), the predecessor of our Company ("**Hangzhou Mao Geping**"), 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 40 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 China Society of Motion Picture and Television Engineers. 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. Mr. Mao is the spouse of Ms. Wang Liqun and the younger brother of Ms. Mao Niping and Ms. Mao Huiping.

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 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. Wang is the spouse of Mr. Mao Geping and the elder sister of Mr. Wang Lihua.

Ms. MAO Niping (毛霓萍), aged 65, is an executive Director, the vice chairperson of the Board and the co-founder of Mao Geping Cosmetics Co., Ltd.

Ms. Mao Niping assisted Mr. Mao Geping in establishing Hangzhou Mao Geping Makeup Art Co., Ltd. (杭州毛戈平化妝藝術有限公司) in 1998 and served as the broker and general manager. She assisted Mr. Mao Geping to establish Hangzhou Mao Geping, the predecessor of our Company in 2000, and joined the Group since its initial establishment and served as the general manager. From March 2005 to September 2010, she acted as the director and general manager of Hangzhou Mao Geping. From September 2010 to February 2011, she concurrently served as the senior vice president of Hangzhou Mao Geping. Ms. Mao has served as a Director and vice chairperson of the board of the directors and senior vice president of our Company successively since February 2011, being responsible for the affairs of the Board and the management of our Group companies, and being in charge of the Group's board secretary office, legal department, administration and human resources center. During the period, she concurrently acted as the brand general manager of Hangzhou Love Keeps, a director of Zhejiang Huidu, the general manager of Hangzhou Shang Du Hui and the general manager of Hangzhou Xingyi. Since April 1, 2024, she was re-designated as an executive Director, vice chairperson of the Board and senior vice president of the Company.

Ms. Mao completed the in-service managerial business administration program at Tsinghua University in the PRC in November 2003. Ms. Mao is the elder sister of Mr. Mao Geping and Ms. Mao Huiping.

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. Ms. Mao is the elder sister of Mr. Mao Geping and the younger sister of Ms. Mao Niping.

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 ceased to exist as at 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 China Society of Motion Picture and Television Engineers 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. Mr. Wang is the younger brother of Ms. Wang Liqun.

Ms. SONG Hongquan (宋虹佺) (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.

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. 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, being responsible for brand building, marketing and sales management of MAOGEPING. 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 media resource 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).

Since April 2018, Mr. Gu has been an independent non-executive director of Ascletis 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.

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.

Save as disclosed above, there are no other relationships (including financial, business, family or other material/ relevant relationship(s)) between the Board members.

SUPERVISORS

Ms. GAO Yan (高妍), aged 46, 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.

Ms. WU Meijuan (吳美娟) (former name 吳敏娟), aged 45, has served as the Supervisor of our Company 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.

Ms. Wu obtained an online associate degree in business administration from Tianjin University in the PRC in January 2014.

Mr. YANG Weiqing (羊偉青), aged 34, has served as the Supervisor of our Company since October 9, 2020. Mr. Yang joined our Group in May 2012 as a junior logistics manager, and has served as the logistics 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.

Save as disclosed above, none of the Directors or Supervisors of our Company 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 annual report. 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 the Shareholders of our Company and there is no information relating to the Directors and Supervisors of our Company 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 the text above for his biographical details.

Ms. MAO Niping (毛霓萍), aged 65, is an executive Director, the vice chairperson of the Board, senior vice president and the co-founder of Mao Geping Cosmetics Co., Ltd. See the text 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 the text above for her biographical details.

Mr. WANG Lihua (汪立華), aged 51, is an executive Director and vice president of our Company. See the text above for his biographical details.

Ms. SONG Hongquan (宋虹佺), aged 50, is an executive Director, president and general manager of "MAOGEPING" branding division of our Company. See the text 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 chief financial officer at Jinyao (Shanghai) Business Management Co., Ltd. from December 2007 to April 2009.

Mr. Xu obtained his bachelor's degree in economics at Fudan University in the PRC in June 1999 and his master's degree 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 the text above 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, a master's degree in corporate governance from The Open University of Hong Kong (currently known as Hong Kong Metropolitan University) in 2018 and a master's degree in accountancy from Hong Kong Baptist University in 2024.

EMPLOYEES AND REMUNERATION POLICIES

The Group is committed to promoting gender diversity. As at December 31, 2024, the Group had a total of 4,084 employees, of which 545 were male and 3,539 were female. The Group integrates its human resources strategy with remuneration plans based on different job sequences to provide competitive salaries and incentives based on performance contributions to all employees. The Group also contributes to social security and provident funds for all employees in accordance with the law, and provides a comprehensive benefit plan including retirement schemes, supplementary medical insurance, accident insurance, annual health check and various subsidies.

EMPLOYEE TRAINING

The Group provides trainings to employees at different departments according to their specific needs. Staff training provided by the Group includes induction training, business skills training, professional aptitude training, product training, anti-fraud and anti-corruption training, compliance training, etc. Training programmes will be arranged for new employees upon their induction according to their job positions, including but not limited to industry knowledge, theoretical structure of the expertise, as well as practical skills such as operation methods and processes, and instructors will be assigned to provide supervision. In-service staff may take part in trainings and sharing activities organised by the Group based on their job requirements and capabilities, or conduct online and offline self-learning based on their personal career planning.

INCENTIVE SCHEME

The 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.

As of December 31, 2024, 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 1,200,000 Unlisted Shares, representing approximately 0.24% of the aggregate amount of the Shares in issue of the Company as of the date of this report. As of December 31, 2024, the four participants were our employees and management members of the 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.

PENSION SCHEMES

The employees of the Group's subsidiaries which operate in Chinese Mainland are required to participate in defined contribution plans 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.

During the Reporting Period, there was no forfeiture of contributions under the defined contribution plans of the Group, and there were no forfeited contributions had been used by the Group to reduce the existing level of contributions.

REPORT OF THE DIRECTORS

The Board is pleased to present this annual report together with the audited financial statements of the Group for the year ended December 31, 2024.

GLOBAL OFFERING

The Company was incorporated in the PRC on July 28, 2000, and was converted into a joint stock limited company on December 29, 2015. The Shares were listed on the Main Board of the Stock Exchange on December 10, 2024 through the Global Offering. The Company listed on the Stock Exchange with an initial issue of 78,423,400 H Shares at an offer price of HK$29.80. The Company issued 11,763,500 H Shares on January 8, 2025 as a result of the full exercise of over-allotment option on January 4, 2025 at the same price. The aggregate nominal value of the H Shares issued under the Global Offering was RMB45,093,450. The net proceeds raised from the Global Offering amounted to approximately HK$2,523.76 million representing a net price of approximately HK$27.98 per H Share. For details of the Global Offering, please refer to the Prospectus.

PRINCIPAL BUSINESSES AND ACTIVITIES

The Group are the leading Chinese premium beauty group. Founded in 2000 by a renowned makeup artist in China's beauty industry, Mr. Mao, the Company have established a strong presence in China's beauty industry. The Group 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 Company's 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. As of December 31, 2024, the Company's product portfolio comprised over 400 SKUs under both brands. 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.

The Group's commitment extends beyond product development to include professional makeup artistry training. Dedicated to raising the standard of makeup artistry and aesthetic literacy in China, the Group offers 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, the Company actively cultivates aspiring talents in our industry which provides a continuous source of artistry creativity.

BUSINESS REVIEW AND PROSPECTS

The business review and prospects of the Company for the year ended are set out in the "Management Discussion and Analysis" section of this report.

RESULTS

The Group's results for the year ended December 31, 2024 are set out in the Audited Consolidated Statement of Profit or Loss and Other Comprehensive Income on page 143 of this report. The financial position of the Group as at December 31, 2024 are set out in the Audited Consolidated Statement of Financial Position on pages 144 to 145 of this report.

FINAL DIVIDEND

The Board proposed the payment of a final dividend of RMB0.72 per Share (tax inclusive) for the year ended December 31, 2024 on July 8, 2025, amounting to a total of RMB352.93 million (tax inclusive). The aforesaid proposal will be put forward for consideration and approval at the annual general meeting to be held thereafter. The specific arrangements for the declaration and payment of the final dividend and the time and arrangement of the closure of register of members of H Shares will be separately disclosed in the circular for annual general meeting.

Withholding and Payment of Dividends Income Tax

Dividends Income Tax Applicable to Overseas Shareholders

Withholding and Payment of Enterprise Income Tax on behalf of Overseas Non-Resident Enterprise Shareholders

Pursuant to the applicable provisions of the Enterprise Income Tax Law of the PRC (《中華人民共和國企業所得税法》) and its implementing rules and the requirements under the Notice of the State Administration of Taxation on the Issues Concerning Withholding the Enterprise Income Tax on the Dividends Paid by PRC Resident Enterprises to Overseas Non-Resident Enterprise Shareholders of H Shares (Guo Shui Han [2008] No. 897) (國家税務總局《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税有關問題的通知》(國税函[2008]897號)), the Company will withhold and pay enterprise income tax at the rate of 10% when it distributes dividends to overseas non-resident enterprise holders of H Shares (including any H Shares of the Company registered in the name of HKSCC Nominees Limited, but excluding any H Shares of the Company registered in the name of HKSCC Nominees Limited which are held by China Securities Depository and Clearing Corporation Limited as nominee holder on behalf of investors who invest in the H Shares of the Company through Hong Kong Stock Connect and H Share "Full Circulation"). The non-resident enterprise Shareholders may, on their own or through an authorized agent, apply to the competent tax authorities of the Company to enjoy the tax preferential treatments under the tax treaty (arrangement) by providing information of them being the actual beneficiaries of the tax treaty (arrangement).

Withholding and Payment of Individual Income Tax on behalf of Overseas Individual Shareholders

Pursuant to the applicable provisions of the Individual Income Tax Law of the PRC《中華人民共和國個人所得税法》) and its implementing rules, The Tax Measures, the Notice of the State Taxation Administration on Issues Concerning Levying and Administration of Individual Income Tax After the Repeal of the Document (Guo Shui Fa [1993] No. 045) (Guo Shui Han [2011] No. 348)《國家税務總局關於國税發 ([1993]045號文件廢止後有關個人所得税徵管問題的通知》(國税函[2011]348號)) and other relevant laws and regulations and requirements under normative documents, the Company's overseas individual Shareholders may enjoy the relevant tax concessions in accordance with the provisions of the tax treaty entered into between the country (region) where such Shareholders are domiciled and the PRC, and the tax arrangements between the mainland of the PRC, Hong Kong and Macao. The Company will implement the following arrangements in relation to the withholding and payment of individual income tax on behalf of the overseas individual H Shareholders:

(1) For individual H Shareholders whose country (region) of domicile is a country (region) which has entered into a tax treaty or tax arrangement with the PRC stipulating a tax rate of 10%, the Company will withhold and pay individual income tax at the rate of 10% on behalf of these individual H Shareholders in the distribution of the dividends;

(2) For individual H Shareholders whose country (region) of domicile is a country (region) which has entered into a tax treaty with the PRC stipulating a tax rate of less than 10%, the Company will temporarily withhold and pay individual income tax at the rate of 10% on behalf of these individual H Shareholders in the distribution of the dividends. If relevant individual H Shareholders would like to apply for a refund of the excess amount of tax withheld and paid, they may, on their own or through the Company, handle the applications for tax preferential treatments under relevant tax treaties according to the Tax Measures;

(3) For individual H Shareholders whose country (region) of domicile is a country (region) which has entered into a tax treaty with the PRC stipulating a tax rate of more than 10% but less than 20%, the Company will withhold and pay individual income tax at the effective tax rate stipulated in the relevant tax treaty on behalf of these individual H Shareholders in the distribution of the dividends; and

For individual H Shareholders whose country (region) of domicile is a country (region) which has not entered into any tax treaties with the PRC, or under any other circumstances, the Company will withhold and pay individual income tax at the rate of 20% on behalf of these individual H Shareholders in the distribution of the dividends.

Dividends Income Tax Applicable to Shareholders in Mainland China Investing in H Shares of the Company through Hong Kong Stock Connect and H Share "Full Circulation"

Withholding and Payment of Individual Income Tax on behalf of Domestic Individual Shareholders Investing through Hong Kong Stock Connect and H Share "Full Circulation"

Pursuant to 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 (Cai Shui [2014] No. 81) (《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》(財稅[2014]81號)) and 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 (Cai Shui [2016] No.127) (《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》(財稅[2016]127號)), for domestic individual Shareholders who invest in H Shares of the Company through Hong Kong Stock Connect (such H Shares are registered in the name of HKSCC Nominees Limited and held by China Securities Depository and Clearing Corporation Limited as a nominee shareholder), the Company will withhold and pay individual income tax at the rate of 20% on their behalf in the distribution of the dividends. For domestic Shareholders who are securities investment funds investing in H Shares of the Company through Hong Kong Stock Connect (such H Shares are registered in the name of HKSCC Nominees Limited and held by China Securities Depository and Clearing Corporation Limited as a nominee shareholder), the Company will withhold and pay individual income tax at the rate of 20% on their behalf in the distribution of the dividends. Where the Company distributes the annual final dividends to individual Shareholders under the H Share "Full Circulation", it is required to withhold and pay the individual income tax at the rate of 20%.

No Withholding and Payment of Enterprise Income Tax on behalf of Domestic Enterprise Shareholders Investing through Hong Kong Stock Connect

Pursuant to 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 (Cai Shui [2014] No. 81) (《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》(財稅[2014]81號)) and 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 (Cai Shui [2016] No.127) (《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》(財稅[2016]127號)), for domestic enterprise Shareholders who invest in H Shares of the Company through Hong Kong Stock Connect (such H Shares are registered in the name of HKSCC Nominees Limited and held by China Securities Depository and Clearing Corporation Limited as a nominee shareholder), the Company will not withhold or pay enterprise income tax on their behalf in the distribution of the dividends, and the domestic enterprise Shareholders shall report and pay the relevant taxes payable by themselves. Any dividend received in respect of H Shares of the Company which have been continuously held by a domestic enterprise Shareholder for 12 months shall be exempted from enterprise income tax.

H Shareholders of the Company are recommended to consult their own tax advisers on the relevant tax impact in the PRC, Hong Kong and other countries (regions) on the possession and disposal of H Shares of the Company.

ISSUED SHARE CAPITAL

As of December 31, 2024, the total share capital of the Company was RMB239,211,700, divided into 228,344,600 Unlisted Shares with a nominal value of RMB0.50 each and 250,078,800 H Shares with a nominal value of RMB0.5 each. On January 8, 2025, the Company issued 11,763,500 H Shares after the completion of the full exercise of the over-allotment option, the total share capital of the Company was RMB245,093,450, divided into 228,344,600 Unlisted Shares with a nominal value of RMB0.50 each and 261,842,300 H Shares with a nominal value of RMB0.5 each. Details of the movements in the share capital of the Company during the Reporting Period are set out in Note 27 to the financial statements.

SUBSIDIARIES

Details of the Company's principal subsidiaries are set out in Note 1 to the consolidated financial statements of this annual report.

DISTRIBUTABLE RESERVES

As of December 31, 2024, the Company had distributable reserves of RMB812.4 million, which were available for distribution to our equity shareholders.

Details of the movements in the Group's and the Company's reserves are set out in Note 29 and 37 to the financial statements, respectively.

DONATIONS

During the Reporting Period, the Group donated RMB2,862,157.

BANK BORROWINGS AND OTHER BORROWINGS

As of December 31, 2024, the Group's borrowings amounted to RMB320.0 million (December 31, 2023: nil). Details of the Group's bank borrowings and other borrowings as of December 31, 2024 are set out in Note 24 to the financial statements.

USE OF PROCEEDS FROM THE GLOBAL OFFERING

On December 10, 2024, the H Shares of the Company were listed on the Main Board of the Stock Exchange. The net proceeds from the Global Offering (including the full exercise of the over-allotment option as disclosed in the Company's announcement dated January 6, 2025) were approximately HK$2,523.76 million. For details of the intended use of proceeds from the Global Offering, please refer to the section "Future Plans and Use of Proceeds" in the Prospectus. The net proceeds from the Global Offering will be utilized in accordance with the purposes set out in the Prospectus. There was no change in the intended use of net proceeds as previously disclosed in the Prospectus. The table below sets out the applications of the net proceeds and actual usage up to December 31, 2024:

Use of proceeds	Approximate percentage of total amount	Amount of net proceeds allocated upon Listing (HK$ million)	**Utilized amount from the Listing Date to December 31, 2024 (HK$ million)**	**Unutilized amount as at December 31, 2024 (HK$ million)**	Expected Timeline of full utilization
Expansion of the Group's sales network	25.0%	630.94	**0**	**630.94**	Before December 31, 2026
Branding activities	20.0%	504.75	**0**	**504.75**	Before December 31, 2027
Overseas expansion and acquisitions	15.0%	378.56	**0**	**378.56**	Before December 31, 2028
Strengthening the Company's production and supply chain capabilities	10.0%	252.38	**0**	**252.38**	Before December 31, 2028
Enhancing the Company's product design and development capabilities	9.0%	227.14	**0**	**227.14**	Before December 31, 2028
Makeup artistry training institutes	6.0%	151.43	**0**	**151.43**	Before December 31, 2029
Digitalization of operations and information infrastructure	5.0%	126.19	**0**	**126.19**	Before December 31, 2028
Working capital and general corporate purposes	10.0%	252.38	**0**	**252.38**	Before December 31, 2028
Total	100%	2,523.76	**0**	**2,523.76**	

Note: For illustrative purposes only, the unutilized amount as of December 31, 2024 includes proceeds from the exercise of over-allotment options.

Since the Listing Date and up to the date of this report, the Group has not utilized any other portion of the net proceeds and will gradually utilize the remaining net proceeds in accordance with the intended purposes as stated in the Prospectus. The expected timeline is based on the best estimation of future market conditions and business operations made by the Company currently and remains subject to change based on future development of market conditions and actual business needs.

MAJOR 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. The total revenue attributable to the Group's five largest customers accounted for less than 30% of the Group's total revenue.

Our suppliers primarily comprise suppliers of cosmetic materials and finished products, ODM/OEM providers, and logistics and transportation services providers. The aggregate purchases attributable to the Group's largest supplier for the year ended December 31, 2024 accounted for approximately 19.7% (2023: 22.7%) of the Group's total purchases. The aggregate purchases attributable to the Group's five largest suppliers for the year ended December 31, 2024 accounted for approximately 53.3% (2023: 53.6%) of the Group's total purchases.

To the best knowledge of the Directors of the Company, none of the Directors or their associates or any Shareholders who owned more than 5% of the Company's issued share capital, had any beneficial interest in any of the Group's five largest suppliers during the year ended December 31, 2024.

PROPERTY, PLANT AND EQUIPMENT

The details of the property, plant and equipment of the Group and their movements during the year ended December 31, 2024 are set out in Note 13 to the consolidated financial statements of this annual report. None of the percentage ratios (as defined in Rule 14.04(9)) of the Company's properties held for development and/or sale or for investment purposes, exceeds 5%.

CONFIRMATION OF INDEPENDENCE OF INDEPENDENT NON-EXECUTIVE DIRECTORS

The Company has received written annual confirmation from each of the independent non-executive Directors in respect of his/her independence in accordance with independence guidelines set out in Rule 3.13 of the Listing Rules, and is of the view that each of the independent non-executive Directors are independent during the Reporting Period and as at the date of this report.

SERVICE CONTRACTS OF DIRECTORS AND SUPERVISORS

There are no service contracts or letters of appointment between the Company or its subsidiaries and any of the Directors or Supervisors which is not determinable by the Company within one year without payment of compensation apart from statutory compensation.

REMUNERATION OF DIRECTORS, SUPERVISORS AND THE FIVE HIGHEST PAID INDIVIDUALS

In compliance with the CG Code, the Company has established the Remuneration Committee to formulate the remuneration policies.

The remuneration is determined and recommended based on the qualifications and experience of each Director and Supervisor as well as the current market conditions. The remuneration of independent non-executive Directors is determined by the Board based on the recommendation from the Remuneration Committee of the Company.

Details of the remuneration of the Directors, Supervisors and the five highest paid individuals of the Group are set out in Note 8 and 9 to the consolidated financial statements of this annual report.

None of the Directors and Supervisors waived or agreed to waive any remuneration and there were no emoluments paid by the Group to any of the Directors and Supervisors as an inducement to join, or upon joining the Group, or as compensation for loss of office for the year ended December 31, 2024.

INTERESTS OF DIRECTORS AND SUPERVISORS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS

No transactions, arrangements and contracts of significance in relation to the Group's business to which the Company or any of its subsidiaries was a party and in which a Director or Supervisors had a material interest, whether directly or indirectly, subsisted at the end of the year under December 31, 2024 or at any time during the year ended December 31, 2024.

MANAGEMENT CONTRACTS

Other than the Directors'service contracts and appointment letters, no contracts concerning the management and administration of the whole or any substantial part of the business of the Group were entered into or existed during the year ended December 31, 2024 or subsisted at the end of the year ended December 31, 2024.

CONTRACT OF SIGNIFICANCE WITH CONTROLLING SHAREHOLDERS

Save as disclosed under the section headed "Connected Transactions" and paragraphs under Note 32 to the financial statements of this report, there is no contract of significance, whether for the provision of services or otherwise, to the business of the Group between the Company, or any of its subsidiaries, or the controlling shareholders or any of its subsidiaries during the Reporting Period.

DIRECTORS'INTERESTS IN COMPETING BUSINESS OF THE COMPANY

Each of our Directors has confirmed that he/she did not have any interest under Rule 8.10(2)(b) of the Listing Rules in a business which materially competes or is likely to compete, directly or indirectly, with our business as of the date of the Prospectus and as at the date of this report.

INTERESTS AND SHORT POSITIONS OF DIRECTORS, SUPERVISORS AND CHIEF EXECUTIVE IN SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY AND ITS ASSOCIATED CORPORATIONS

As of December 31, 2024, based on the information available to the Company and to the best knowledge of the Directors, the interests and short positions of the Directors, Supervisors and chief executive of the Company in the Shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO), which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including those taken or deemed as their interests and short position in accordance with such provisions of the SFO), or which were required, pursuant to section 352 of the SFO, to be entered in the register kept by the Company referred to therein, or which were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") as set out in Appendix C3 to the Listing Rules, to be notified to the Company and the Hong Kong Stock Exchange were as follows:

Name	Nature of interest	Class of Shares	Long position/ Short position	Number of Shares held	Approximate percentage shareholding in the relevant class of Shares of the Company	Approximate percentage of total shareholdings of the Company
Mr. MAO Geping[2]	Beneficial owner	Unlisted Shares	Long position	113,680,000		
	Interest of spouse	Unlisted Shares	Long position	29,556,800		
				143,236,800	62.73%	29.94%
	Beneficial owner	H Shares	Long position	60,840,000		
	Controlled corporation	H Shares	Long position	2,200,000		
	Interest of spouse	H Shares	Long position	22,778,400		
				85,818,400	34.32%	17.94%

Name	Nature of interest	Class of Shares	Long position/ Short position	Number of Shares held	Approximate percentage shareholding in the relevant class of Shares of the Company	Approximate percentage of total shareholdings of the Company
Ms. WANG Liqun[3]	Beneficial owner	Unlisted Shares	Long position	29,556,800		
	Interest of spouse	Unlisted Shares	Long position	113,680,000		
				143,236,800	62.73%	29.94%
	Beneficial owner	H Shares	Long position	15,818,400		
	Interest of spouse	H Shares	Long position	60,840,000		
	Controlled corporation	H Shares	Long position	9,160,000		
				85,818,400	34.32%	17.94%
Ms. MAO Niping	Beneficial owner	Unlisted Shares	Long position	29,556,800	12.94%	6.18%
	Beneficial owner	H Shares	Long position	15,818,400	6.33%	3.31%
Ms. MAO Huiping	Beneficial owner	Unlisted Shares	Long position	25,009,600	10.95%	5.23%
	Beneficial owner	H Shares	Long position	13,384,800	5.35%	2.80%
Mr. WANG Lihua	Beneficial owner	Unlisted Shares	Long position	15,915,200	6.97%	3.33%
	Beneficial owner	H Shares	Long position	8,517,600	3.41%	1.78%
Ms.SONG Hongquan	Beneficial owner	Unlisted Shares	Long position	10,231,200	4.48%	2.14%
	Beneficial owner	H Shares	Long position	10,711,200	4.28%	2.24%

Notes:

(1) As at December 31, 2024, the total number of Shares of the Company was 478,423,400, comprising 228,344,600 Unlisted Shares and 250,078,800 H Shares.

(2) As at December 31, 2024, Mr. Mao Geping 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 Geping; and (ii) 29,556,800 Unlisted Shares held directly by Ms. Wang Liqun, the spouse of Mr. Mao Geping; and

(b) a total of 85,818,400 H Shares comprising (i) 60,840,000 H Shares held directly by Mr. Mao Geping; (ii) 15,818,400 H Shares directly held or controlled by Ms. Wang Liqun, the spouse of Mr. Mao Geping; (iii) 2,200,000 H Shares held by Dijing Investment; and (iv) 6,960,000 H Shares held directly by Jiachi Investment.

As at December 31, 2024, Dijing Investment was controlled by its general and executive partner, Mr. Mao Geping, as to 10% and its limited partner, Ms. Wang Liqun, as to 35.45%. As such, Mr. Mao Geping was deemed to be interested in the Shares of our Company held by Dijing Investment.

(3) As at December 31, 2024, Ms. Wang Liqun 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 Liqun; and (ii) 113,680,000 Unlisted Shares held directly by Mr. Mao, the spouse of Ms. Wang Liqun; and

(b) a total of 85,818,400 H Shares comprising (i) 15,818,400 H Shares held directly by Ms. Wang Liqun; (ii) 60,840,000 H Shares held directly by Mr. Mao Geping, the spouse of Ms. Wang Liqun; (iii) 2,200,000 H Shares directly held by Dijing Investment; and (iv) 6,960,000 H Shares directly held by Jiachi Investment.

As at December 31, 2024, Dijing Investment was controlled by its general and executive partner, Mr. Mao Geping, as to 10% and its limited partner, Ms. Wang Liqun, as to 35.45%. As such, Ms. Wang Liqun was deemed to be interested in the Shares of our Company held by Dijing Investment. Further, Jiachi Investment was held by Ms. Wang Liqun, 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 Liqun and Mr. DONG Leqin acting as joint general partners while Ms. Wang Liqun shall have the casting vote and decision-making power in the general partner arrangement. As such, Ms. Wang Liqun was deemed to be interested in the Shares of our Company held by Jiachi Investment.

Interest in associated corporations

Name	Name of associated corporation	Nature of interest	Long position/ Short position	Number of Shares held	Approximate Percentage of shareholding
Mr. MAO Geping	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)[1]	Beneficial owner	Long position	0	1%
Ms. WANG Liqun[2]	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)[1]	Interest of spouse	Long position	0	1%

Notes:

(1) 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) is a limited liability company established in the PRC, and did not issue any shares. It is a subsidiary of the Company held by the Company as to 99.00%, and by Mr. MAO Geping as to the remaining 1%, respectively.

(2) Ms. WANG Liqun is the spouse of Mr. MAO Geping. Under the SFO, Ms. WANG Liqun was deemed to be interested in any Shares in which Mr. MAO Geping was interested.

Save as disclosed above, as at December 31, 2024, none of the Directors, Supervisors or the chief executive of the Company had or was deemed to have any interest or short position in the Shares, underlying Shares and debentures of the 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/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.

SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES OF THE COMPANY

So far as is known to the Directors or chief executive of the Company, as at December 31, 2024, the following persons who had or were deemed as having interests and short positions in the Shares and underlying shares of the Company, which would be required to be disclosed to the Company and the Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept under section 336 of the SFO are as follows:

Name	Nature of interest	Class of Shares	Long position/ Short position	Number of Shares held	Approximate percentage shareholding in the relevant class of Shares of the Company	Approximate Percentage of total shareholdings of the Company
Mr. MAO Geping[2]	Beneficial owner	Unlisted Shares	Long position	113,680,000		
	Interest of spouse	Unlisted Shares	Long position	29,556,800		
				143,236,800	62.73%	29.94%
	Beneficial owner	H Shares	Long position	60,840,000		
	Controlled corporation	H Shares	Long position	2,200,000		
	Interest of spouse	H Shares	Long position	22,778,400		
				85,818,400	34.32%	17.94%
Ms. WANG Liqun[3]	Beneficial owner	Unlisted Shares	Long position	29,556,800		
	Interest of spouse	Unlisted Shares	Long position	113,680,000		
				143,236,800	62.73%	29.94%
	Beneficial owner	H Shares	Long position	15,818,400		
	Interest of spouse	H Shares	Long position	60,840,000		
	Controlled corporation	H Shares	Long position	9,160,000		
				85,818,400	34.32%	17.94%

Name	Nature of interest	Class of Shares	Long position/ Short position	Number of Shares held	Approximate percentage shareholding in the relevant class of Shares of the Company	Approximate Percentage of total shareholdings of the Company
Ms. MAO Niping	Beneficial owner	Unlisted Shares	Long position	29,556,800	12.94%	6.18%
	Beneficial owner	H Shares	Long position	15,818,400	6.33%	3.31%
Ms. MAO Huiping	Beneficial owner	Unlisted Shares	Long position	25,009,600	10.95%	5.23%
	Beneficial owner	H Shares	Long position	13,384,800	5.35%	2.80%
Hangzhou Dijing Investment Management Partnership (Limited Partnership) (杭州帝景投資管理合夥企業(有限合夥))[4]	Interests jointly held with another person	Unlisted Shares	Long position	143,236,800	62.73%	29.94%
	Beneficial owner	H Shares	Long position	2,200,000		
	Interests jointly held with another person	H Shares	Long position	83,618,400		
				85,818,400	34.32%	17.94%
Hangzhou Jiachi Investment Management Partnership (Limited Partnership) (杭州嘉馳投資管理合夥企業(有限合夥))[4]	Interests jointly held with another person	Unlisted Shares	Long position	143,236,800	62.73%	29.94%
	Beneficial owner	H Shares	Long position	6,960,000		
	Interests jointly held with another person	H Shares	Long position	78,858,400		
				85,818,400	34.32%	17.94%

Notes:

(1) As at December 31, 2024, the total number of Shares of the Company was 478,423,400, comprising 228,344,600 Unlisted Shares and 250,078,800 H Shares.

(2) As at December 31, 2024, Mr. Mao Geping 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 Geping; and (ii) 29,556,800 Unlisted Shares held directly by Ms. Wang Liqun, the spouse of Mr. Mao Geping; and

(b) a total of 85,818,400 H Shares comprising (i) 60,840,000 H Shares held directly by Mr. Mao Geping; (ii) 15,818,400 H Shares directly held or controlled by Ms. Wang Liqun, the spouse of Mr. Mao Geping; (iii) 2,200,000 H Shares held by Dijing Investment; and (iv) 6,960,000 H Shares held directly by Jiachi Investment.

As at December 31, 2024, Dijing Investment was controlled by its general and executive partner, Mr. Mao Geping, as to 10% and its limited partner, Ms. Wang Liqun, as to 35.45%. As such, Mr. Mao Geping was deemed to be interested in the Shares of our Company held by Dijing Investment.

(3) As at December 31, 2024, Ms. Wang Liqun 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 Liqun; and (ii) 113,680,000 Unlisted Shares held directly by Mr. Mao, the spouse of Ms. Wang Liqun; and

(b) a total of 85,818,400 H Shares comprising (i) 15,818,400 H Shares held directly by Ms. Wang Liqun; (ii) 60,840,000 H Shares held directly by Mr. Mao Geping, the spouse of Ms. Wang Liqun; (iii) 2,200,000 H Shares directly held by Dijing Investment; and (iv) 6,960,000 H Shares directly held by Jiachi Investment.

As at December 31, 2024, Dijing Investment was controlled by its general and executive partner, Mr. Mao Geping, as to 10% and its limited partner, Ms. Wang Liqun, as to 35.45%. As such, Ms. Wang Liqun was deemed to be interested in the Shares of our Company held by Dijing Investment. Further, Jiachi Investment was held by Ms. Wang Liqun, 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 Liqun and Mr. DONG Leqin acting as joint general partners while Ms. Wang Liqun shall have the casting vote and decision-making power in the general partner arrangement. As such, Ms. Wang Liqun was deemed to be interested in the Shares of our Company held by Jiachi Investment.

(4) Mr. MAO Geping, Ms. WANG Liqun, Hangzhou Dijing Investment Management Partnership (Limited Partnership) (杭州帝景投資管理合夥企業(有限合夥)) and Hangzhou Jiachi Investment Management Partnership (Limited Partnership) (杭州嘉馳投資管理合夥企業(有限合夥)) comprise a group of controlling shareholders of Mao Geping Cosmetics Co., Ltd. Under the SFO, each controlling shareholder will be deemed to be interested in the shares beneficially owned by other controlling shareholders.

Save as disclosed above, as at December 31, 2024, the Company is not aware of any other person who had an interest or short position in the Shares or underlying shares of the Company which would fall to be disclosed under Divisions 2 and 3 of Part XV of the SFO, or which would be required to be recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO.

ISSUANCE OF DEBENTURES

During the year ended December 31, 2024, the Group did not issue any debentures.

DIRECTORS' AND SUPERVISORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed in the section "Interests and Short Positions of Directors, Supervisors and Chief Executive in Shares, Underlying Shares and Debentures of the Company and its Associated Corporations" of this annual report, at no time during the Reporting Period or at the end of the Reporting Period was the Company or any of its subsidiaries or its fellow subsidiaries, a party to any arrangement to enable the Directors or chief executives of the Company or their respective close associates (as defined in the Listing Rules) to have any right to subscribe for securities of the Company or any of its associated corporations (as defined in the SFO) or to acquire benefits by means of acquisition of shares in, or debentures of, the Company or any other body corporate.

EQUITY-LINKED AGREEMENTS

Save as disclosed in this annual report, the Company did not enter into any equity-linked agreements from the Listing Date up till the year ended December 31, 2024.

PERMITTED INDEMNITY PROVISION

The Company has arranged for appropriate insurance in respect of legal actions arising out of corporate activities against the current Directors, Supervisors and senior management of the Company and its associated companies and the Directors and senior management of the Company and its associated companies who resigned during the year ended December 31, 2024. The permitted indemnity provision is in force for the benefit of the Directors and Supervisors as required by the provisions of the Companies Ordinance.

SUFFICIENCY OF PUBLIC FLOAT

Based on information that is publicly available to the Company and within the knowledge of the Directors, the Company has maintained the prescribed public float under the Listing Rules since the Listing Date and up to the date of this annual report.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

From the Listing Date to December 31, 2024, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities (including sale of treasury shares). As of the end of the Reporting Period, there were no treasury shares held by the Company.

CONTINUING CONNECTED TRANSACTIONS

Property Leasing Framework Agreement

On November 26, 2024, our Company (for itself and on behalf of its subsidiaries) entered into a property leasing framework agreement with Hangzhou Shangdu Technology Co., Ltd. (杭州尚都科技有限公司) ("**Shangdu Technology**") (for itself and on behalf of its associates) (the "**Property Leasing Framework Agreement**"), pursuant to which the Group 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. The maximum aggregate annual amounts of the rents payable by the Company 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 of December 31, 2024, Shangdu Technology was held by Ms. WANG Liqun and Mr. WANG Lihua, as to 80% and 20%. Ms. WANG Liqun 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. The transactions between the Company and Shangdu Technology constitute continuing connected transactions under Chapter 14A of the Listing Rules.

For the year ended December 31, 2024, the actual rent was RMB4.8 million, and 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 was RMB0.3 million.

Confirmation of Independent Non-executive Directors

The independent non-executive directors of the Company have reviewed the above continuing connected transactions and confirmed that:

(1) The above continuing connected transactions were entered into in the ordinary and usual course of business of the Group;

(2) The above continuing connected transactions were entered into on normal commercial terms or better; and

(3) The above continuing connected transactions were entered into in accordance with the framework agreements, the terms of which were fair and reasonable and in the interests of the shareholders of the Company as a whole.

Confirmation of Independent Auditor

The independent auditor was engaged to perform the relevant procedures regarding the continuing connected transactions in accordance with Hong Kong Standard on Assurance Engagements 3000 (Revised) "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 (Revised) "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants. The independent auditor has issued its letter of unqualified opinion, and confirmed that:

(1) Nothing has come to their attention that causes them to believe that the disclosed continuing connected transactions have not been approved by Board of Directors of the Company.

(2) Nothing has come to their attention that causes them to believe that the transactions were not entered into, in all material respects, in accordance with the relevant agreements governing such transactions.

(3) With respect to the aggregate amount of the continuing connected transactions, nothing has come to their attention that causes them to believe that the disclosed continuing connected transactions have exceeded the annual cap set out by the Company.

Save as disclosed above, there are no other related party transactions set out in Note 32 to the consolidated financial statements that are connected transactions or continuing connected transactions that are required to be disclosed under the Listing Rules. During the Reporting Period, the Company has complied with the disclosure requirements under Chapter 14A of the Listing Rules.

AUDITOR

A resolution will be proposed at the forthcoming annual general meeting of the Company to re-appoint Ernst & Young as the auditor of the Company. There is no change of auditor of the Company since the Listing Date.

PRE-EMPTIVE RIGHTS

During the year ended December 31, 2024, the Company had no pre-emptive rights. There are no specific provisions under the PRC laws or the Articles of Association of the Company in relation to pre-emptive rights.

COMPLIANCE WITH THE CG CODE

The Company recognizes the importance of good corporate governance for enhancing the management of the Company as well as preserving the interests of the Shareholders as a whole. The CG Code set out in Part 2 of Appendix C1 to the Listing Rules has become applicable to the Company with effect from the Listing Date. The Company has adopted the code provisions set out in the CG Code as its own code to govern its corporate governance practices since Listing. Please refer to the paragraph headed "Corporate Governance Practices" in the Corporate Governance Report in this annual report for details of compliance with the CG Code.

Details of the Group's corporate governance practices can be found in the Corporate Governance Report of this annual report.

AUDIT COMMITTEE

The Audit Committee has reviewed and agreed with the accounting principles and practices adopted by the Group and has discussed matters in relation to internal controls and financial reporting with the management, including the review of the audited consolidated financial statements of the Group for the year ended December 31, 2024. The Audit Committee considers that the financial results for the year ended December 31, 2024 are in compliance with the relevant accounting standards, rules and regulations and appropriate disclosures have been duly made.

SIGNIFICANT LEGAL PROCEEDINGS

During the year ended December 31, 2024, the Group was not involved in any litigation of material importance.

TAX RELIEF

The Company is not aware of any tax relief or exemption available to any Shareholders as a result of holding the securities of the Company.

COMPLIANCE WITH LAWS AND REGULATIONS

The Group has compliance policies and procedures in place to ensure adherence to applicable laws, rules and regulations, in particular, those that have a significant impact on it. The Group would seek professional legal advice from its legal advisers to ensure that transactions and business to be performed by the Group are in compliance with the applicable laws and regulations. During the Reporting Period and up to the date of this report, the Group was not aware of any non-compliance with the laws, regulations and regulatory requirements of the places where the Group operates in all material respects.

RELATIONSHIP BETWEEN THE COMPANY AND EMPLOYEES, CUSTOMERS AND SUPPLIERS

The Company recognizes that the employees are key to corporate sustainability and are keen on developing long-term relationships with employees. Attracting, retaining, and motivating qualified employees is crucial to our success. The Company utilize various recruitment channels, including professional recruitment websites, campus recruitment, and referrals to attract talents. The Company are committed to creating a fair and equal working environment for our employees. The Company endeavor to motivate our employee by providing competitive salaries, comprehensive welfare packages, and merit-based incentive schemes based on their performance. The Company understands that it is important to maintain good relationship with customers. The Company is committed to offering quality products to its customers. The Company has established procedures for handling customers' feedback in order to ensure customers' feedback is dealt with in a prompt and timely manner. The Company is also dedicated to developing good relationship with suppliers to ensure long-term stable supply. For details of an account of the Company's key relationships with its employees, customers, suppliers and others that have a significant impact on the Company is set out in the separate Environmental, Social and Governance Report.

PRINCIPAL RISKS AND UNCERTAINTIES

The beauty industries and the demand for our products are subject to changes in the general economic conditions and our consumers' consumption desire.

While people's demand for beauty and personality expression is growing, the beauty industries 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 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 beauty products. As such, any decrease in our customers' affordability of such beauty products may lead to reduced customer flow, which in turn could have an adverse impact on our business, financial condition and results of operations. To resist risks of changes in the general economic conditions and consumer sentiment, we will stick to the principle of cost efficiency, and consider entering into niche market segments through differentiated positioning of multiple brands, while actively exploring overseas markets. We will address challenges through strategic adjustments across multiple dimensions.

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. 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. In order to maintain and improve our market position, we continuously invest in developing, producing and marketing new products, optimizing our product offerings and improving our sales and marketing strategies, maintaining and increasing our brand awareness, thereby building a popular premium beauty brand in China.

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 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. In 2024, our revenue generated from online sales amounted to RMB1,784.3 million, accounting for 47.8% of our revenue generated from the product sales of the same period. In addition, 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. In response to these risks, we will remain committed to consumers' demand, deepen our strategic cooperation with leading platforms, optimize traffic operation and private domain conversion of users to continuously strengthen brand building. We will explore emerging channels such as social e-commerce and cross-border platforms to reach consumers in a more diversified manner.

Production delays, product quality risks and confidential information leakage from ODM/OEM providers may lead to brand reputation damage, legal disputes and reduced market competitiveness.

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 portfolio. We screen ODM and OEM providers based on strict criteria. However, we cannot guarantee that our ODM and OEM providers have sufficient capabilities to meet the growing demand for our products, which may result in delays in the launch of new products and deliveries, and damage our market reputation and relationships with consumers. In addition, as our ODM and OEM providers typically take three to four months to produce our products, such production cycle may affect our ability to manage inventory and implement our demand planning policies and procedures to ensure that the scheduled production meets the expected market demand. Any material deterioration in our relationships with these 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. To cope with these risks, when screening cooperative providers, we attach great importance to their business reputation, and sign confidentiality agreements with them. We require providers to ensure that the formulas, processes, and production techniques used in the products sold and delivered to us have legally obtained all relevant intellectual property rights and will not infringe on the legitimate rights of any third parties. To reduce the risk of delayed deliveries from providers, we will seek alternative solutions while taking into account operational efficiency, such as developing alternate providers for key categories of products. In addition, we are also building our own production facilities as an important supplement to the existing production model to ensure the timely and reliable supply of products. Our quality management team will also make adaptive adjustments in response to changes in the scale of production and sales to ensure that there are sufficient professionals to carry out quality management.

We may be exposed to the risk of resources diversion, integration failures, financial burdens (such as equity dilution and debt restrictions) and potential impairment of goodwill resulting from acquisitions. Coupled with approval delays or unknown liabilities, we may fail to achieve the anticipated benefits, which could harm our business development.

We may acquire assets, technologies, or businesses that are complementary to our existing operations. 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. 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. To this end, we need to establish a prudent acquisition evaluation mechanism, conducting thorough due diligence to screen target companies that are in line with our brand strategic positioning and synergize with our existing business, and presetting integration plans and exit mechanisms. Diversified payment methods are required to control financial risks. In addition, we need to establish a special integration team and retain core talents to reduce the diversion of management attention, plan the approval process in advance and prioritize compliance to reduce policy risks, and establish a dynamic monitoring system for financial indicator to regularly assess the risks of impairment of goodwill and intangible asset, and then adjust and optimize the asset portfolio in a timely manner.

CONTINUING DISCLOSURE OBLIGATIONS PURSUANT TO THE LISTING RULES

Save as disclosed in this annual report, the Company does not have any other disclosure obligations under Rules 13.20, 13.21 and 13.22 of the Listing Rules.

ENVIRONMENTAL POLICIES AND PERFORMANCE

Discussions on the environmental policies and performance, compliance by the Group with the relevant laws and regulations that have a significant impact on the Group and the account of the key relationships of the Group with its stakeholders are set out in the "Environmental, Social and Governance Report"of the Company.

SIGNIFICANT SUBSEQUENT EVENTS AFTER THE END OF REPORTING PERIOD

Save as disclosed and as at the date of this report, the Group has no significant events occurred after the Reporting Period.

By order of the Board
Mao Geping

Hong Kong
March 27, 2025

REPORT OF THE SUPERVISORY COMMITTEE

Dear Shareholders,

During the Reporting Period, all members of the Supervisory Committee conscientiously performed their supervisory duties and earnestly safeguarded the interests of the Shareholders and the Company in accordance with the relevant requirements including the Company Law and the Articles of Association.

During the Reporting Period, the Supervisory Committee convened three meetings in total, at which, among others, resolutions on the overseas issuance and listing of shares of the Company, were considered and approved. During the Reporting Period, the members of the Supervisory Committee attended the Board meetings and Shareholders' general meetings of the Company. By attending these meetings, the Supervisory Committee supervised significant decision making of the Company and the duty performance of the members of the Board and senior management. Through supervision and regulation on the production, operation and financial management of the Company, the Supervisory Committee and all the Supervisors believed that, the Company had resolutely implemented the decisions and arrangements made by the Board, continued to advance the development strategy of the premium beauty market and makeup training business and committed to R&D and the offering of high-quality products, to make the Company well-positioned in market competition. The Supervisory Committee had no objection to the matters of supervision during the Reporting Period.

The Supervisory Committee is of the opinion that, in 2024, all members of the Board and senior management of the Company complied with applicable laws and regulations, and performed their duties in accordance with the Articles of Association. They also safeguarded the legitimate interests of the Shareholders, the Company and its employees, earnestly implemented various resolutions of the Shareholders' general meetings and the Board meetings, and operated strictly in accordance with the regulatory requirements for a listed company. During the Reporting Period, no Directors or senior management of the Company were found to violate laws, regulations, or the Articles of Association or damage the interests of the Company or Shareholders.

The Supervisory Committee carefully reviewed the information such as the financial results and report for the year ended December 31, 2024 which was prepared according to relevant requirements. The Supervisory Committee is of the opinion that the financial report gives a true, accurate, complete and objective view of the Company's financial position and operating results.

During the Reporting Period, the internal control system of the Company is sound and effective, with no material defect found.

By order of the Supervisory Committee
Gao Yan

Hong Kong
March 27, 2025

CORPORATE GOVERNANCE REPORT

For the year ended December 31, 2024 (the "**Reporting Period**"), the Board of Directors is pleased to report to the shareholders on the corporate governance of the Company.

CORPORATE GOVERNANCE PRACTICES

The Board is committed to achieving high corporate governance standards with a view to safeguarding the interests of our Shareholders.

The Board believes that high corporate governance standards are essential in providing a framework for the Company to safeguard the interests of Shareholders, enhance corporate value, formulate its business strategies and policies, and enhance its transparency and accountability.

The Company has adopted the principles and code provisions of the CG Code contained in Appendix C1 to the Listing Rules as the basis of the Company's corporate governance practices.

The Company's H Shares were listed on the Main Board of the Stock Exchange on December 10, 2024, to the best knowledge of the Directors, the Company has complied with all applicable code provisions set out in the CG Code since the Listing Date and up to the date of this annual report.

CULTURE AND VALUES

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.

BOARD OF DIRECTORS

Board Composition

The Board of Directors of the Company 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, formulating the annual financial budgets and final accounts of our Group, formulating 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 composition of the Board is as follows:

Executive Directors

Mr. MAO Geping *(Chairman of the Board)*
Ms. WANG Liqun
Ms. MAO Niping
Ms. MAO Huiping
Mr. WANG Lihua
Ms. SONG Hongquan

Independent non-executive Directors

Mr. GU Jiong
Mr. HUANG Hui
Mr. LI Hailong

Save as disclosed in this report, to the best knowledge of the Company, there are no financial, business, family, or other material relationship among members of the Board.

Chairman and President

The Chairman of the Company is Mr. Mao Geping and the President (chief executive) of the Company is Ms. SONG Hongquan.

Board Independence

The Company recognizes the importance of board independence to ensure a strong independent element on the Board, which allows the Board effectively exercises independent judgment to better safeguard Shareholders' interests.

Pursuant to the terms of reference of the Nomination Committee and the Board Diversity Policy, the Nomination Committee will conduct an annual assessment on the independence of the Board, in particulars the independent non-executive Directors according to the Listing Rules.

The Remuneration Committee will ensure that the Company shall not generally grant equity-based remuneration (e.g. share options or grants) with performance-related elements to independent non-executive Directors.

The Company has received the annual written confirmation from each of the independent non-executive Directors in respect of his/her independence in accordance with the independence guidelines as set out in Rule 3.13 of the Listing Rules, and consider each of the independent non-executive Directors to be independent.

Appointment, Re-election and Removal of Directors

All executive Directors, non-executive Directors and independent non-executive Directors are appointed for a specific term of three years. None of the Directors has a service contract or letter of appointment with the Company or any of its subsidiaries other than the contracts/letters of appointment expiring or determinable by the employer within one year without payment of compensation (other than statutory compensation).

The ordinary resolutions to approve the appointment of Directors shall be passed by votes representing more than one-half of the voting rights represented by the Shareholders (including proxies) present at the general meeting.

If the term of office of a Director has expired but re-election is not timely made, or the said Director has resigned within his/her term of office, resulting in the numbers of members of the Board falls short of the quorum, the said Director shall continue to perform his/her duties as Director pursuant to relevant laws, administrative regulations, departmental rules and the Articles until a new Director is elected.

Responsibilities, Accountabilities and Contributions of the Board and Management

The Board should assume responsibility for leadership and control of the Company, and is collectively responsible for directing and supervising the Company's affairs.

The Board directly, and indirectly through its committees, leads and provides direction to management by laying down strategies and overseeing their implementation, monitors the Group's operational and financial performance, and ensures that sound internal control and risk management systems are in place.

All Directors, including independent non-executive Directors, have brought a wide spectrum of valuable business experience, knowledge and professionalism to the Board for its efficient and effective functioning. The independent non-executive Directors are responsible for ensuring a high standard of regulatory reporting of the Company and providing a balance in the Board for bringing effective independent judgement on corporate actions and operations.

All Directors have full and timely access to all the information of the Company and may, upon request, seek independent professional advice in appropriate circumstances at the Company's expenses for discharging their duties to the Company.

The Directors shall disclose to the Company details of other offices held by them.

The Company has arranged appropriate insurance coverage on Directors' and officers' liabilities in respect of any legal actions taken against Directors and senior management arising out of corporate activities. The insurance coverage would be reviewed on an annual basis.

The Board reserves for its decision all major matters relating to policy matters, strategies and budgets, internal control and risk management, material transactions (in particular those that may involve conflict of interests), financial information, appointment of Directors and other significant operational matters of the Company. Responsibilities relating to implementing decisions of the Board, directing and co-ordinating the daily operation and management of the Company are delegated to the management.

CONTINUOUS PROFESSIONAL DEVELOPMENT OF DIRECTORS

Directors shall keep abreast of regulatory developments and changes in order to effectively perform their responsibilities and to ensure that their contribution to the Board remains informed and relevant. The newly appointed Directors were also provided with a detailed induction to the Group's businesses by senior management. Pursuant to code provision C.1.4 in the CG Code, Directors should participate in appropriate continuous professional development to develop and refresh their knowledge and skills to ensure that their contribution to the Board remains informed and relevant. Internally-facilitated briefings for Directors would be arranged and reading materials on relevant topics would be provided to Directors where appropriate. All Directors are encouraged to attend relevant training courses at the Company's expenses.

The Directors are required to submit to the Company details of the training they received in each financial year for the Company's maintenance of proper training records of the Directors.

The records of training received by the Directors throughout the Reporting Period is summarized below:

Directors	Training
Executive Directors	
Mr. Mao Geping	✔
Ms. Wang Liqun	✔
Ms. Mao Niping	✔
Ms. Mao Huiping	✔
Mr. Wang Lihua	✔
Ms. Song Hongquan	✔
Independent Non-Executive Directors	
Mr. Gu Jiong	✔
Mr. Huang Hui	✔
Mr. Li Hailong	✔

Before the Listing, the Company organized training sessions conducted by the qualified professionals for all Directors. The training sessions covered a wide range of relevant topics including Directors' duties and responsibilities, corporate governance and regulatory updates. In addition, relevant reading materials including legal and regulatory updates have been provided to the Directors for their reference and studying.

BOARD ACTIVITIES

Board meetings include regular meetings and extraordinary meetings. Board meetings should be held at least four times a year at approximately quarterly intervals.

Board members were provided with complete, adequate and timely information to allow them to fulfill their duties properly. Notice shall be given to all Directors and Supervisors at least 14 days prior to a regular meeting of the Board, and at least 5 days prior to an extraordinary meeting of the Board. The responsible body of the Company shall serve a written notice of the meeting convened to all Directors, Supervisors and the general manager by hand, fax, express mail service or other means of electronic communication. The agenda and accompanying board papers are despatched to the Directors or Board committees members at least three days before such meetings to ensure that they have sufficient time to review the papers and are adequately prepared for the meetings. When Directors or Board committees members are unable to attend a meeting, they will be advised of the matters to be discussed and given an opportunity to make their views known to the chairman prior to the meeting. Minutes of meetings are kept by the joint company secretary of the Company with copies circulated to all Directors for information and records.

The matters considered by the Board and Board committees and the decisions reached are recorded in sufficient details in the minutes of the Board meetings and Board committees meetings. Such details include, but are not limited to, any concerns raised by the Directors. The draft minutes of each Board meeting and Board committees meeting are sent to the relevant Directors for comments within a reasonable time after the date on which the meeting is held. Minutes of the Board meetings are open for inspection by Directors.

As the Company's H Shares were listed on the Stock Exchange on December 10, 2024, no Board meeting or Board Committee meeting was held and no general meeting was convened during the period from the Listing Date until December 31, 2024. During the period from the Listing Date until the date of this report, the Company held 1 extraordinary general meeting, the Board held 2 Board meetings, the Audit Committee held 2 meetings, the Nomination Committee and the Remuneration Committee each held 1 meeting. The attendance records of each Director at the above meetings are set out below:

	Attendance rate/Number of meetings from the Listing Date until the Date of this report				
Name of Director	**Board**	**Audit Committee**	**Nomination Committee**	**Remuneration Committee**	**General Meeting**
Executive Directors					
Mr. Mao Geping	2/2	/	1/1	1/1	1/1
Ms. Wang Liqun	2/2	/	/	/	1/1
Ms. Mao Niping	2/2	/	1/1	/	1/1
Ms. Mao Huiping	2/2	/	/	1/1	1/1
Mr. Wang Lihua	2/2	/	/	/	0/1
Ms. Song Hongquan	2/2	/	/	/	1/1
Independent Non-Executive Directors					
Mr. Gu Jiong	2/2	2/2	1/1	1/1	1/1
Mr. Huang Hui	2/2	2/2	1/1	1/1	1/1
Mr. Li Hailong	2/2	2/2	1/1	1/1	1/1

Board Committees

The Board has established three committees, namely the Audit Committee, the Remuneration Committee and the Nomination Committee, for overseeing particular areas of the Company's affairs. All Board committees of the Company have been established with clear written terms of reference specifying their powers and duties. The terms of reference of the Audit Committee, the Remuneration Committee and the Nomination Committee are published on the websites of the Company and Hong Kong Exchanges and Clearing Limited.

Audit Committee

The Audit Committee has been established with effect from the Listing Date and currently comprises three members, including three independent non-executive Directors, namely Mr. Gu Jiong, Mr. Huang Hui and Mr. Li Hailong. Mr Gu Jiong is the chairman of the Audit Committee.

The terms of reference of the Audit Committee are not inferior to those set out in the CG Code. The primary duties of the Audit Committee are to review the Group's financial control, internal control and risk management systems, to oversee the integrity of the Company's financial statements, to review and supervise the independence of the external auditors and the objectivity and effectiveness of the audit process, and to perform other duties and tasks assigned by the Board.

The Company's H Shares were listed on the Stock Exchange on December 10, 2024, and no meeting of the Audit Committee has been convened from the Listing Date up to December 31, 2024.

Remuneration Committee

The Remuneration Committee has been established with effect from the Listing Date and currently comprises five members, including two executive Directors, namely Mr. Mao Geping and Ms. Mao Huiping, and three independent non-executive Directors, namely Mr. Gu Jiong, Mr. Huang Hui and Mr. Li Hailong. Mr. Li Hailong is the chairman of the Remuneration Committee.

The terms of reference of the Remuneration Committee are of no less exacting terms than those set out in the CG Code. The primary duties of the Remuneration Committee are to establish and review the policy and structure for the remuneration of Directors and senior management and to make recommendations on the remuneration packages of individual executive Directors and senior management.

The Company's remuneration policy is designed to ensure that the remuneration packages offered to employees (including executive Directors and senior management personnel) are based on their skills, knowledge, responsibilities, and the extent of their involvement in the Company's affairs. The Company pays fees, wages, salaries, discretionary bonuses, pension contributions, housing provident fund, medical insurance, other social insurance, share-based remuneration expenses and other employee benefits to the executive Directors and senior management personnel (as employees of the Company). The non-executive Directors and independent non-executive Directors will be remunerated in accordance with their duties, including membership or chairmanship of Board committees.

The remuneration of the senior management personnel during the year ended December 31, 2024 fell within the following ranges and their biographical details are set out in the section "Directors' and Senior Management's Biographies" of this annual report:

Remuneration	Number of persons
RMB1,000,001 to RMB2,000,000	3
RMB4,000,001 to RMB5,000,000	2
RMB5,000,001 to RMB6,000,000	1
RMB6,000,001 to RMB7,000,000	1

The Company's H Shares were listed on the Stock Exchange on December 10, 2024, and no meeting of the Remuneration Committee has been convened from the Listing Date up to December 31, 2024.

Nomination Committee

The Nomination Committee has been established with effect from the Listing Date and currently comprises five members, including two executive Directors, namely Mr. Mao Geping and Ms. Mao Niping, and three independent non-executive Directors, namely Mr. Gu Jiong, Mr. Huang Hui and Mr. Li Hailong. Mr Li Hailong is the chairman of the Nomination Committee.

The terms of reference of the Nomination Committee are of no less exacting terms than those set out in the CG Code.

The primary duties of the Nomination Committee are to review the structure, size and composition of the Board, to make recommendations to the Board on the appointment or re-appointment of Directors and to review the Company's Board diversity policy.

In assessing the composition of the Board, the Nomination Committee will take into account the different dimensions as well as the factors relating to the diversity of the Board as set out in the Company's Board Diversity Policy.

In identifying and selecting suitable Director candidates, the Nomination Committee will take into account the relevant criteria set out in the Directors' Nomination Policy and the Board Diversity Policy of the candidates that are compatible with the corporate strategy and the achievement of Board diversity, where applicable, before making a recommendation to the Board.

The Company's H Shares were listed on the Stock Exchange on December 10, 2024, and no meeting of the Nomination Committee has been convened from the Listing Date up to December 31, 2024. The Nomination Committee is of the view that the diversity of views of the Board is appropriately balanced.

Board and Employee Diversity Policy

In order to enhance the effectiveness of the Board and to maintain the high standard of corporate governance, the Company has adopted the board diversity policy which sets out the objective and approach to achieve and maintain diversity of the 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 the 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 the Board.

The Company's Nomination Committee is responsible for reviewing the structure and diversity of the Board and selecting individuals to be nominated as Directors. After the Listing, the 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 necessary revisions and recommend any such revisions to the Board for consideration and approval.

The Directors of the Company currently comprise four female Directors and five male Directors, having a balanced mix of knowledge and skills, including overall management and strategic development, quality assurance and control, finance and accounting, corporate governance and industry experience relevant to our Group's operations and business. They obtained degrees in various majors including law, financial management and business administration. Accordingly, the Company has achieved gender diversity on the Board. We have three independent non-executive Directors with different industry backgrounds, representing one third of the members of our Board. Furthermore, our Board has a diverse age and gender representation. Taking into account our existing business model, specific needs and the different background of our Directors, the Nomination Committee believes that the composition of our Board satisfies our Board Diversity Policy.

An analysis of the current composition of the Board based on measurable objectives is as follows:

Gender:
Male Director: five
Female Director: four

Age Group:
41 to 50 years old: three
51 to 60 years old: four
61 to 70 years old: two

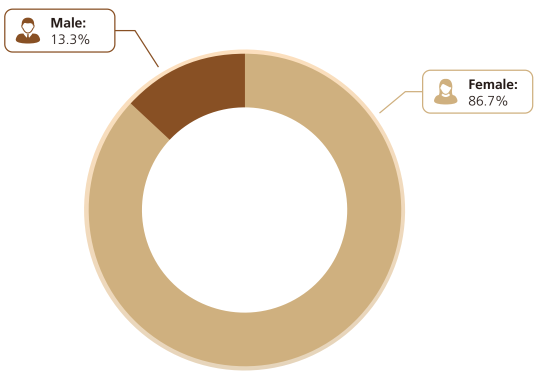
Appointment:
Executive Director: six
Independent Non-executive Directors: three

Educational Background:
Law: two
Financial Management: one
Business Administration: four
Other: two

Nationality:
Chinese: nine

Gender Diversity

The Company values gender diversity across all levels of the Group. The following diagram sets out the gender ratio in the workforce of the Group that the Board had expected to achieve and achieved, including the Board and senior management as at December 31, 2024 (Male: 13.3% (545); Female: 86.7% (3,539)). The Board believes that there is no situation that makes gender diversity difficult.



Director Nomination Policy

The Board has delegated its responsibilities and authority for selection and appointment of Directors to the Nomination Committee of the Company.

The Company has adopted Director Nomination Procedures which set out the selection criteria and nomination process and the Board succession planning considerations in relation to nomination and appointment of Directors of the Company and aims to ensure that the Board has a balance of skills, experience and diversity of perspectives appropriate to the Company and the continuity of the Board and appropriate leadership at Board level.

The nomination process set out in the Director Nomination Procedures is as follows:

The Nomination Committee will recommend to the Board for the appointment of a Director in accordance with the following procedures and process:

(a) The Nomination Committee may consult any source it deems appropriate in identifying or selecting suitable candidates, such as referrals from existing Directors, advertising, recommendations from a third party agency firm and proposals from the Shareholders of the Company with due consideration given to the criteria which include but are not limited to the following:

    i Diversity in the aspects, amongst others, of gender, age, cultural and educational background, professional experience, skills, knowledge and length of service;

    ii Commitment for responsibilities of the Board in respect of available time and relevant interest;

    iii Qualifications, including accomplishment and experience in relevant industries in which our Group's business is involved;

    iv Independence;

    v Reputation for integrity;

    vi Potential contributions that the individual can bring to the Board; and

    vii Plan(s) in place for the orderly succession of the Board.

(b) The Nomination Committee may adopt any process it deems appropriate in evaluating the suitability of the candidates, such as interviews, background checks, presentations and third-party reference checks;

(c) The proposed candidates will be required to submit the necessary personal information for the consideration of the Nomination Committee. If necessary, the Nomination Committee may request the candidates to provide additional information and documents;

(d) Upon considering a candidate suitable for the directorship, the Nomination Committee will hold a meeting and/or by way of written resolutions to, if thought fit, approve the recommendation to the Board for appointment;

(e) The Nomination Committee will provide the relevant information of the selected candidate to the Company's Remuneration Committee for consideration of the remuneration package of such selected candidate;

(f) The Nomination Committee will thereafter make the recommendation to the Board in relation to the proposed appointment, and where a non-executive Director is considered, the Remuneration Committee will make the recommendation to the Board on the proposed remuneration package;

(g) The Board may arrange for the selected candidate to be interviewed by the members of the Board, who are not members of the Nomination Committee and the Board will thereafter deliberate and decide the appointment as the case may be; and

(h) All appointment of Directors will be confirmed by the filing of the consent to act as Director of the relevant Director (or any other similar filings requiring the relevant Director to acknowledge or accept the appointment as Director, as the case may be) with the Registrar of Companies in Hong Kong and updating the register of Directors of the Company. A Director should consent to the public disclosure of his personal information in any document or in connection with his appointment as a Director on the relevant website.

Shareholder can serve a notice to the Company within the lodgement period of its intention to propose a resolution to elect a certain person as a director, without the Board's recommendation or the Nomination Committee's consideration and nomination, other than those candidates set out in the shareholder circular. The particulars of the candidates so proposed will be sent to all shareholders for information by a supplementary circular.

The Board shall have the final decision on all matters relating to the recommendation of candidates for election at any general meeting.

Corporate Governance Functions

The Board is responsible for performing the functions set out in the code provision A.2.1 of the CG Code. Board should disclose the policy for the nomination of directors in the Corporate Governance Report every financial year. This includes the nomination procedures and the process and criteria adopted by the nomination committee to select and recommend candidates for directorship. Please see the paragraph headed "Director Nomination Policy" above for details.

The Board shall review the Company's corporate governance policies and practices, training and continuous professional development of Directors and senior management, the Company's policies and practices on compliance with legal and regulatory requirements, the compliance of the Model Code and the Company's insider dealing policy, and the Company's compliance with the CG Code in 2024.

COMPLIANCE WITH THE MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS AND SUPERVISORS

The Company has adopted the Model Code as set out in Appendix C3 of the Listing Rules regarding Directors' securities transactions. Having made specific enquiry by the Company, all Directors and Supervisors confirmed that they have complied with the provisions of the Model Code throughout the period from the Listing Date to December 31, 2024.

RISK MANAGEMENT AND INTERNAL CONTROL

To establish, improve and effectively implement internal control is the responsibility of the Board, and the Board of the Company is responsible for (a) developing and maintaining effective internal control, including ongoing supervisory activities; (b) ensuring the adequacy of, and the retention of, documentation and evidence of internal control; and (c) identifying all laws and regulations applicable to the Company's activities and ensuring that the Company complies with applicable laws and regulations.

Risks are inherent in all accounting, information and operating systems. To monitor and manage these risks, the Company's management is required to implement internal control. When designing these measures, the Company needs to ensure that: (a) the Company's operations are conducted effectively and efficiently; (b) the Company complies with the requirements of applicable laws and regulations; and (c) the Company's financial and operating information is reliable and accounting records are properly maintained.

Control Environment

The Company has established an employee handbook, which contains clear provisions on the Company's corporate culture, penalty clauses for misconduct, and behaviors beyond the bottom line. The Human Resources Department will circulate the employee handbook to new employees upon their entry and conduct induction training on the contents of the employee handbook.

The Company has, in the board resolution titled "Proposal on the Formulation of the 'Internal Information Management System of Mao Geping Cosmetics Co., Ltd.' and Other Internal Systems", clearly approved the adoption of the Corporate Governance Code in Appendix C1 of the Listing Rules as the guidelines for regulating the Company's governance, and the adoption of the Model Code for Securities Transactions by Directors of Listed Issuers in the Listing Rules as the rules for regulating the transactions of the Company's listed securities by directors and supervisors.

At present, the Company requires personnel in key positions to sign the "Non-compete Agreement" and the "Confidentiality Agreement", and clearly states in the employee handbook that employees shall not engage in activities that pose a conflict of interest with the Company and their positions. Meanwhile, the Company has formulated the "Investigation Form for Directors, Supervisors and Senior Management", requiring directors, senior management, etc. to submit personal and family members' interest declarations every six months and sign for confirmation. The Company has formulated the "Conflict of Interest Declaration System" to standardize the definition of conflicts of interest, the rules for declaring conflicts of interest, etc.

The Company has established the "Anti-Fraud, Anti-Money Laundering and Anti-Bribery Management System", which defines fraudulent, money laundering and bribery behaviors, clarifies the relevant responsibilities of the supervisory departments for the anti-fraud, anti-money laundering and anti-bribery mechanisms, and specifies the reporting acceptance channels and punishment measures for relevant matters.

The Company has confirmed the list of the Board of Directors, appointed the company secretary and authorized representatives, and established professional committees under the Board of Directors. The Company has revised the "Company Information Disclosure Management Measures" to clarify the working procedures for the external release, disclosure, monitoring and handling of information upon the Listing, which was approved by the resolution of the Board of Directors meeting and subsequently officially issued. The Company has established the "Management System of the Connected Transactions of the Company" and sorted out the list of connected persons, which were approved by the resolution of the Board of Directors meeting and subsequently issued.

The Company has established the Audit Committee under the Board of Directors and formulated detailed working rules and regulatory documents, which stipulate the committee's composition, member qualifications, principal responsibilities, and other key provisions. The Audit Committee is chaired by Mr. Gu Jiong, an independent non-executive Director, with Mr. Huang Hui and Mr. Li Hailong, both of whom are independent non-executive Directors, serving as members. The "Working Rules of the Audit Committee of the Board" stipulates that the Audit Committee is responsible for proposing the appointment or replacement of external audit firms; supervising the Company's internal audit system and its implementation; being responsible for the communication between the internal and external auditors; reviewing the Company's financial information and its disclosure; examining the Company's internal control system; and other authorities authorized by the Board.

The Company's audit department is responsible for supervising the internal control system, monitoring various risk matters in business processes, and other tasks. Every year, the audit department conducts spot checks on some business processes according to actual business operations or participates in the audit work of major special activities. The audit manager prepares and submits the Internal Special Audit Report to the chief executive and monitors the implementation of subsequent rectifications. The Company has formulated the "Internal Audit System", and the audit department implements appropriate review procedures in accordance with relevant regulations to assess the effectiveness of the Company's internal control.

The Company's legal department is responsible for drafting, reviewing, revising, and archiving relevant contracts and legal documents of the Company. It provides legal advice on relevant contracts to strengthen the standardized management of the Company's contracts. It is also responsible for the application, maintenance, and management of the Company's intellectual property rights, and provides risk warnings and professional advice related to intellectual property rights for the Company. In addition, it is responsible for docking with external legal advisors, handling the Company's infringement, litigation, and non-litigation matters, and defusing risks, to safeguard the Company's interests.

In terms of risk management, the Company's internal control department is mainly responsible for establishing an internal control management system, improving and perfecting various systems and processes, evaluating the supportiveness, effectiveness, enforceability, and compliance of systems and processes for business operations, and promoting the rectification of relevant internal control deficiencies.

Internal Control

1. Management Processes

Management primarily understands and discusses risks and corresponding response strategies through meetings. The Company has established the "Risk Management System", which clearly stipulates the contents, objectives and department with primary responsibility, as well as the implementation procedures, supervision and rectification of risk assessment.

2. Legal and Regulatory Compliance

Handling of Legal Affairs: The legal department of the Company is responsible for drafting, reviewing, revising, and archiving relevant contracts and legal documents of the Company. It provides legal advice on relevant contracts to strengthen the standardized management of the Company's contracts. It is also responsible for the application, maintenance, and management of the Company's intellectual property rights, and provides risk warnings and professional advice related to intellectual property rights for the Company. In addition, it is responsible for docking with external legal advisors, handling the Company's infringement, litigation and non-litigation matters, and defusing risks, to safeguard the Company's interests.

Internal Control System and Procedures: The Company has established an audit department to inspect and supervise the authenticity and integrity of the Company's financial information, as well as the establishment and implementation of the internal control system. Every year, the audit department conducts spot checks on some business processes according to actual business operations or participates in the audit work of major special activities. The audit manager prepares and submits internal special audit reports to the management. The audit manager then tracks the subsequent rectification situation.

3. Identification, Prevention and Reporting Procedures of Fraudulent Behaviors

The Company has established an employee handbook, which contains clear provisions on the Company's corporate culture, penalty clauses for misconduct, and behaviors beyond the bottom line. The Human Resources Department will issue the employee handbook to new employees upon their entry and conduct induction training on the contents of the employee handbook.

The Company has established the "Anti-Fraud, Anti-Money Laundering and Anti-Bribery Management System", which defines fraudulent, money laundering and bribery behaviors, clarifies the relevant responsibilities of the legal department as the supervisory department for the anti-fraud, anti-money laundering and anti-bribery mechanisms, and specifies the reporting acceptance channels and punishment measures for relevant matters. At the same time, the Company has clearly stated the channels for complaints, reports and appeals in the employee handbook. The audit department and the management have access to the email serving as the internal reporting channel for employees.

4. Procedures for Identifying and Responding to Changes in the Operating Environment

In the daily management of the Company, the management primarily understands and discusses risks and the corresponding response strategies through meetings. The Company's management listens to the reports of each department on the business operation status through regular business meetings (monthly meetings/weekly meetings) of each department and various other special event meetings, to understand whether there have been major changes in each department in terms of sales, procurement, financial reporting, laws and regulations, etc., and discusses the corresponding contingency measures and handling methods, so as to manage the changes in the operating environment. The management reports the Company's development situation and major decisions to the Board.

5. Information Security

The Company has currently formulated the "System for Data Security and Data Leakage Prevention", which standardizes the processes such as network and communication security, and access control of programs and data. The Company's employee handbook contains relevant confidentiality requirements, clearly stating that employees shall not privately disclose the information in their work computers, company secrets, etc. to any third party. In addition, the information system administrator sets the permissions in the system according to the job responsibilities of each position. Users can only perform operations such as data query and data modification within their authorized scope.

The Company has established the "Information Classification and Grading Management System", which clearly stipulates the scope and confidentiality level of confidential information, confidentiality management, and the handling of confidentiality breaches.

6. Connected Transaction

The Company has established the "Management System of the Connected Transactions of the Company" and sorted out the list of connected persons, which were approved by the resolution of the Board of Directors meeting and subsequently issued.

7. Information Disclosure

The secretary of the Company's Board is responsible for coordinating the Company's listing work, information disclosure, and investor relations management, and regularly releasing various information to the public on behalf of the Company. The Company has revised the "Information Disclosure Management Measures" to clarify the working procedures for the external release, disclosure, monitoring and handling of information upon the Listing, and it has been officially issued after being approved by the resolution of the Board meeting. The Company has formulated the "Insider Information Management System", which clearly stipulates the scope, management, disclosure of insider information, as well as the management of those with knowledge of insider information.

The Company attaches great importance to the internal control management, promotes the effective implementation of internal control measures by all departments and subsidiaries of the Company, urges the Company to earnestly carry out internal control evaluation work, enables all departments and subsidiaries to effectively implement internal control measures and risk management, and ensures the orderly conduct of the Company's production and business activities. The Company has inspected and evaluated the risk management and internal control system during the Reporting Period. We believe that this inspection and supervision mechanism can assess the effectiveness of the operation of the Company's internal control and risk management. After assessment, during the Reporting Period, the Company has incorporated all business and matters involving significant risks (including those in the financial, operational and compliance aspects) in the assessment scope. Internal control systems have been established for all important business and matters and have been effectively implemented, achieving the objectives of the Company's internal control. The Company has complied with the relevant systems regarding risk management and internal control. In carrying out the internal control assessment, the Company has earnestly listened to the reports on the internal control assessment situation, and no major or significant deficiencies in the Company's internal control have been found.

The Board is of the opinion that the Group's risk management and internal control system are effective and adequate by reviewing all material controls over financial, operational and compliance controls for the year ended December 31, 2024. The Board will review the Group's risk management and internal control system annually.

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The Directors acknowledge their responsibility for preparing the financial statements of the Company for the Reporting Period.

The Board shall be responsible for presenting a fair, clear and understandable assessment of annual and interim reports, inside information announcements and other disclosures required under the Listing Rules and other regulatory requirements. The senior management has provided to the Board such interpretations and information as are necessary to enable the Board to carry out an informed assessment of the Company's financial statements and position, which are submitted to the Board for approval.

The Directors are not aware of any event or circumstance of material uncertainties that may cast significant doubt on the Company's ability to continue as a going concern. The auditor's statement of reporting responsibilities on the Company's consolidated financial statements for the Reporting Period are set out in the section headed "Independent Auditor's Report" of this annual report.

AUDITOR'S REMUNERATION

The remuneration paid and payable for audit and non-audit services provided by Ernst & Young, the Company's auditor, for the year ended December 31, 2024 is set out below:

Service Category	Fees paid/payable RMB
Audit services	2,600,000
Non-audit services	–
Total	2,600,000

JOINT COMPANY SECRETARIES

Mr. Dong Leqin and Ms. Zhang Xiao have been appointed as the joint company secretaries of the Company. Ms. Zhang Xiao is an assistant vice president of SWCS Corporate Services Group (Hong Kong) Limited, a professional services provider specializing in corporate services.

All Directors have access to the advice and services of the joint company secretaries on corporate governance and board practices and matters. Mr. Dong Leqin, the joint company secretary of the Company, is the principal contact person of Ms. Zhang Xiao, and is responsible for working on and communicating with Ms. Zhang Xiao regarding the Company's corporate governance as well as secretarial and administrative matters.

For the year ended December 31, 2024, Mr. Dong Leqin and Ms. Zhang Xiao have each complied with Rule 3.29 of the Listing Rules by receiving not less than 15 hours of relevant professional training.

SHAREHOLDERS' RIGHTS

Procedures for Shareholder Request to Convene Extraordinary General Meeting

If the shareholders of the Company request the convening of an extraordinary general meeting of shareholders, the procedures stipulated in Article 49 of the Company's Articles of Association shall be followed. According to Article 49, shareholders who individually or jointly hold more than 10% (including 10%) of the Company's shares have the right to request the Board of Directors to convene an extraordinary general meeting of shareholders and shall submit a written request to the Board of Directors, clarifying the agenda of the meeting. The Board of Directors shall, in accordance with the provisions of laws, administrative regulations, listing rules and these Articles of Association, submit a written feedback opinion on whether to agree or disagree to convene an extraordinary general meeting of shareholders or a class shareholders' meeting within 10 days after receiving the written request.

If the shareholders of the Company require to put forward a new resolution at the general meeting of shareholders, the procedures stipulated in Article 54 of the Company's Articles of Association shall be followed. According to Article 54, when the Company convenes an annual general meeting of shareholders, shareholders who individually or jointly hold more than 3% of the total number of the Company's shares have the right to submit a new proposal to the Company in writing and submit it to the convener 10 days before the general meeting of shareholders is held. The convener of the general meeting of shareholders shall issue a supplementary notice of the general meeting of shareholders within 2 days after receiving the proposal and announce the content of the temporary proposal.

Communication with Shareholders and Investors

The Company considers that effective communication with Shareholders is essential for enhancing investor relations and investor understanding of the Group's business performance and strategies. The Company endeavours to maintain an on-going dialogue with Shareholders and in particular, through annual general meetings and other general meetings. At the annual general meetings, Directors (or their delegates as appropriate) are available to meet Shareholders and answer their enquiries.

To safeguard Shareholder interests and rights, separate resolution should be proposed for each substantially separate issue at general meetings, including the election of individual Director. All resolutions put forward at general meetings will be voted on by poll pursuant to the Listing Rules and poll results will be posted on the websites of the Company and the Stock Exchange after each general meeting.

The Company has the Shareholders' communication policy in place. The policy aims to set out the provisions with the objective of ensuring that the Company's Shareholders, both individual and institutional, and, in appropriate circumstances, ordinary investors, are provided with comprehensive, equal and understandable information about the Company (including its financial performance, strategic goals and plans, material developments, governance and risk profile) in a timely manner, in order to enable Shareholders to exercise their rights in an informed manner, and to enhance the communication among Shareholders and investors and the Company.

The Company's shareholder communication policy is as follows:

1. Purpose

   1.1. The policy is designed to ensure that individuals and institutions (hereinafter referred to as "**shareholders**") of the Company and, where applicable, the entire investment community can obtain comprehensive and understandable information about the Company (including its financial performance, strategic objectives and plans, major developments, governance and risk profile) in a timely and equal manner. On the one hand, this enables shareholders to exercise their rights in an informed manner, and on the other hand, it encourages shareholders and the investment community to communicate more actively with the Company.

   1.2. For the purposes of this policy, the "investment community" includes potential investors of the Company as well as analysts who report on and analyze the Company's performance.

2. Overall policy

   2.1. The Board shall maintain continuous dialogue with shareholders and the investment community, and shall regularly review this policy to ensure its effectiveness.

   2.2. The Company will mainly communicate information to shareholders and the investment community through financial reports (semi-annual reports, annual reports and quarterly reports, if applicable), the annual general meeting of shareholders and other general meetings of shareholders that the Company may convene. All disclosure documents submitted to the Stock Exchange, its corporate communications and other corporate publications will be posted on the website of the Stock Exchange (www.hkexnews.hk) and the Company's website (http://www.maogeping.com).

   2.3. The Company's policy is to ensure that information is effectively and promptly communicated to shareholders and the investment community at all times. Any queries regarding this policy should be directed to the company secretary.

The policies are regularly reviewed to ensure their effectiveness. The Board has reviewed the aforesaid policies and is of the opinion that there are sufficient means and channels for Shareholders to express their views to the Company, and the Company's Shareholders' communication policy was effectively implemented and executed during the year ended December 31, 2024.

SHAREHOLDERS' ENQUIRIES

Enquiries about Shareholdings

Shareholders should direct their enquiries about their shareholdings to the Company's Hong Kong Share Registrar, Computershare Hong Kong Investor Services Limited, via its online holding enquiry service at https://www.computershare.com/Investor, or visit the website www.computershare.com/hk/contact, contact us by calling the hotline at +852 2862 8555, or come in person at the public counter on 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong.

ENQUIRIES ABOUT CORPORATE GOVERNANCE OR OTHER MATTERS TO BE PUT TO THE BOARD AND THE COMPANY

The Company will not normally deal with verbal or anonymous enquiries. Shareholders may send any enquiries to the Board by email: ir@maogeping.com or by post to 10th Floor, Wanyin International, No. 100 Minxin Road, Shangcheng District, Hangzhou City for the attention of Office of the Secretary to the Board.

DIVIDEND POLICY

Any dividends paid by the Company will be determined at the sole discretion of the Board of Directors, taking into consideration factors including our actual and expected operating results, cash flow and financial position, overall business conditions and business strategies, expected working capital requirements and future expansion plans, legal, regulatory and other contractual restrictions, as well as other factors that the Board of Directors deems appropriate. We currently do not have any fixed dividend payout ratio. Shareholders may approve any dividend declaration recommended by the Board of Directors at the general meeting of shareholders.

As at December 31, 2024, no arrangement was reached pursuant to which the Shareholders waived or agreed to waive their dividends.

AMENDMENTS TO ARTICLES OF ASSOCIATION

The Company's Articles of Association came into effect on the Listing Date. The Board of Directors proposed amendments to the Articles of Association on January 13, 2025. The amended Articles of Association was considered and approved at the extraordinary general meeting held on February 13, 2025, and took effect on the same day. For details of the amendments to the Articles of Association, please refer to the Company's announcements dated January 13, 2025 and February 13, 2025, as well as the circular dated January 24, 2025. The amended Articles of Association can be accessed on the websites of the Company and the Stock Exchange respectively.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

ABOUT THE REPORT

The Environmental, Social and Governance Report (the "**Report**") is the first environmental, social and governance report (the "**ESG Report**") or (the "**Report**") released by Mao Geping Cosmetics Co., Ltd. ("**Mao Geping**" or the "**Company**") and its subsidiaries (collectively referred to as the "**Group**", "**we**" or "**us**"), which outlines our environmental, social and governance ("**ESG**") strategies, objectives and efforts, and elaborates our sustainable development philosophies.

The Report reflects the Group's performance, strategies, objectives and efforts in the aspects of ESG in 2024.

Reporting Standards

The Report is prepared in accordance with the Environmental, Social and Governance Reporting Guidelines (hereinafter referred to as the "**Guide**") in Appendix C2 to the Listing Rules of The Stock Exchange of Hong Kong Limited (hereinafter referred to as the "**Stock Exchange**"). The Group has complied with the reporting requirements in the Guide, including the mandatory disclosure provisions, the "comply or explain" provisions and the requirements of the four reporting principles (materiality, quantitative, balance and consistency).

Materiality	In compliance with the requirements of materiality principle defined by the Stock Exchange, the process of and the criteria for the selection of material ESG factors, as well as the description of major stakeholders, the process and results of their participation are identified and disclosed in the Report.
Quantitative	Statistical standards, methodologies, assumptions and/or calculation tools used to report emissions/energy consumption (where appropriate), and the sources of the conversion factors are explained in the definitions of the Report.
Balance	The Report shall provide an unbiased picture of the Group's performance during the Reporting Period and should avoid selections, omissions, or presentation formats that may inappropriately influence the decision or judgment made by the report readers.
Consistency	This is the first report of the Group. In the event of any changes in the statistical methodologies or KPIs used herein, or any other relevant factors that may affect meaningful comparisons, the Group will make disclosures in subsequent reports.

Reporting Scope

The disclosure scope of the Report covers Mao Geping Cosmetics Co., Ltd. and its subsidiaries. The scope of social disclosure covered in the Report is in consistent with that in the annual report, and the environmental key performance indicators include data from headquarters, offices and training organizations. The Report elaborates the Group's sustainable development policies, measures, and key performance indicators (hereinafter referred to as the "**KPIs**") related to the core business of the Group from January 1, 2024, to December 31, 2024 (hereinafter referred to as the "**Year**" or "**Reporting Period**").

Reporting Language

The Report is published in both traditional Chinese and English. In case of any discrepancies between the traditional Chinese and English version the traditional Chinese version shall prevail.

Approval of the Report

Upon confirmation by the management, the Report was approved by the board of directors (the "**Board**") on March 27, 2025.

AWARDS AND HONORS

In 2024, we forged ahead with determination and achieved remarkable results in the cosmetics industry and brand building, winning high praise from all parties thanks to our excellent product quality and innovative marketing strategies. Below are awards and honors we have received during the Year:

Awards	Organizers
Shortlisted for the China Brand Day List of People's Daily (入圍人民日報中國品牌日榜單)	People.cn (人民網)
Annual National Trend Brand "Jiemian Anxin Award" (年度國潮品牌「界面安心獎」)	Jiemian News (界面新聞)
2024 Golden Signboard Brand Innovation Model (2024金字招牌品牌創新典範)	CBN (第一財經)
People's Ingenuity Brand (人民匠心品牌)	People.cn (人民網)
WISE2024 King of Business-Most Valuable Enterprise in Business (WISE2024 商業之王最具商業價值企業)	36Kr
2024 Annual Innovation Excellent Case-Annual Potential Consumption Brand (2024年度創新優秀案例－年度潛力消費品牌)	The Paper (澎湃)
Top 100 High-quality Consumption Brands 2024 (2024高品質消費品牌TOP100)	Southern Metropolis Daily (南方都市報)
"Annual Innovation Case" at the 2024 Brand Conference of the Annual Ceremony of Southern Weekend (南方週末年度盛典2024品牌大會「年度創新案例」)	Southern Weekend (南方週末)
Advanced Unit in Cosmetics Regulatory Industry Collaboration of Zhejiang Province (浙江省化妝品監管行業協作先進單位)	Zhejiang Health Products and Cosmetics Industry Association (浙江省健康產品化妝品行業協會)
Selected as one of the "Top 100 Beauty Industry Brands in China by Forbes China during 2023-2024" (被評選「2023-2024福布斯中國美業品牌T0P100」)	Forbes China (福布斯中國)
2024 Annual Three-star Headquarter Enterprise in Hangzhou (2024年度杭州三星級總部企業)	Hangzhou Municipal People's Government (杭州市人民政府)
The "Administrative Award Certificate" for the Asian Games and the collective commendation for the Hangzhou Asian Games were issued by the Hangzhou Municipal People's Government (杭州市人民政府頒亞運「行政獎勵證書」暨杭州亞運會集體嘉獎)	Hangzhou Municipal People's Government (杭州市人民政府)

1. STRENGTHEN THE CORNERSTONE OF GOVERNANCE

1.1 Statement of the Board of Directors

We actively incorporate ESG concepts into our daily operations and management and are committed to building an ESG governance structure with clear responsibilities. At the same time, we will continue to optimize our ESG governance structure and functions in light of operational development needs and regulatory requirements. The Board is responsible for and conducts overall supervision on the Group's sustainable development. The main responsibilities of the Board include regular discussing, reviewing and approving the Group's ESG strategic plans, objectives and material ESG-related matters, as well as monitoring the progress of the objectives. Our ESG Board Office assists the Board in carrying out ESG-related work, including identifying and evaluating ESG risks and opportunities, formulating ESG objectives and indicators, and monitoring ESG strategies and implementation measures; the ESG working group is responsible for implementing ESG policies and measures, collating indicators and information, and promoting the implementation of ESG by various departments.

During the Year, the Group has promoted management philosophy of sustainability in the course of daily operation. The Board has reviewed the Group's environmental objectives and their progress, and will continue to monitor the progress of their implementation. The Board will continue to seek opportunities to enhance ESG performance, with the aim of creating long-term value for the Group.

1.2 Sustainability Governance

The Group actively integrates the concept of sustainable development into our corporate culture and long-term development strategies, and has established a top-down ESG governance structure comprising the Board, the ESG Board Office and the ESG Working Group, which are well-positioned for future challenges and opportunities. The Board is the highest responsible body for the Group's ESG management and operation and public disclosure, and is fully responsible for and oversees the Group's ESG management and operation. The ESG Board Office is a specialized working body of the Board, which assign its duty to the Office of the Secretary of the Board to assist the Board in promoting ESG management on an on-going basis. The ESG Working Group consists of the Office of the Secretary of the Board, the Corporate Management Department, the Human Resources Center, the Marketing Department, the Supply Chain Department, and other functional departments of the headquarters, as well as other departments of the relevant subsidiaries related to the responsibilities of the ESG Board Office.

The Group has always been committed to the development of low-carbon philosophy and advocation of long-term sustainable development values, and has integrated ESG concepts into the Group's management policies, strategies, business plans and policies. Our ESG governance structure clearly delineates the responsibilities of each level in the ESG governance structure to ensure the synergies and cooperation of various levels for the comprehensive implementation of the ESG work.

The Board

- Consider and approve the Company's ESG strategic plan and objectives, as well as the ESG governance structure and major systems;
- Consider and approve the Company's ESG report and disclosure of significant ESG governance information;
- Consider and approve material ESG matters and ESG-related major risk response programs.

ESG Board Office

- Identify and assess ESG risks and opportunities related to the Company's business;
- Set ESG objectives and indicators, develope and evaluate ESG strategic plans and mitigation measures;
- Monitor and manage ESG-related matters:
- Report to and communicate with the Board on the effectiveness of the Company's ESG governance measures.

ESG Working Group

- Carry out relevant work in line with the management requirements of the ESG Board Office;
- Responsible for communicating with various relevant departments, collating relevant indicators and information;
- Concern on ESG-related risk matters in daily management and provide feedback;
- Jointly coordinate and promote the implementation of ESG-related matters.

1.3 Stakeholder Engagement

The Group strives to create sustainable growth for its stakeholders. The stakeholders of the Group include shareholders/investors, customers, employees, business partners, the government, suppliers, the media, communities/non-government organizations and regulatory authorities, who play an important role in our business development and strategies. We continue to listen to the stakeholders' expectations and pursuits and respond in a timely manner, and the main relevant communication channels are set out below:

Stakeholders	Major Methods of Communications and Feedback	Major Expectations and Requests
Shareholders/ Investors	Annual general meeting and other general meetings Interim reports and annual reports Company announcements Corporate communications, such as letters/circulars to shareholders and notices of meeting Shareholders'/investors' visit activities Results announcements/Results presentation On-site inspections Investor meetings	Customer satisfaction Employee rights and interests Compliant employment Improve the training and development system Prevent risks of corruption and non-compliance
Consumers and Clients	Customer service center and hotline Service complaints and responses Online service platform Telephone Text messages Customer satisfaction surveys and feedback forms Daily operations/communications Email	Customer satisfaction Health and safety of products and services Customer privacy protection Supply chain management Diversified product demands

Stakeholders	Major Methods of Communications and Feedback	Major Expectations and Requests
Employees	Work performance evaluation and interviews Meeting interviews Employee activities Company email Company telephone HR official WeChat account Employee communication conferences	Employment relationship and employee communication Employee health and safety Compensation and benefits Employee rights and interests Employment compliance Improved training and development system Prevention of corruption and non-compliance risks
Government, Regulatory Authorities	Regular information submission Meetings On-site inspections Inspections and supervision Compliance reports	Employment relationship and employee communication Employee rights and interests Employment compliance Compensation and benefits Employee health and safety Participating in public welfare, charity and volunteer activities
Suppliers	Face-to-face communication Online platform to communicate Telephone	Supply chain management Preventing corruption and non-compliance risks
Media	Company website or social media Proactive Communication	Customer satisfaction Building a green community Diversified product demands
Communities/ Non-governmental Organizations	Participating in community activities Company website/company announcements/social media platforms Seminars/workshops/lectures	Participating in public welfare, charity and volunteer activities Building a green community Customer satisfaction

1.4 Materiality Assessment

Policy and Market Analysis

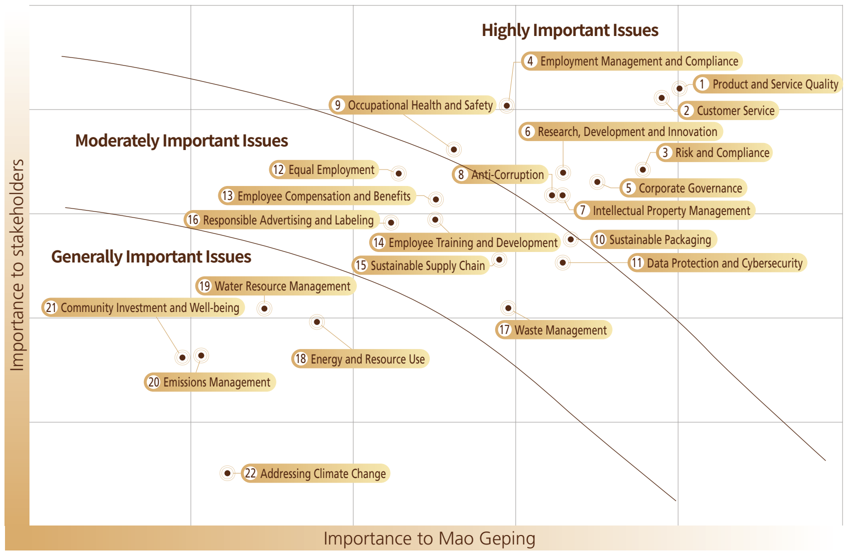
We analyze the disclosure obligations under the Guide issued by the Hong Kong Stock Exchange and the Materiality Map issued by the Sustainability Accounting Standards Board (SASB), as well as peers' disclosure issues.

Stakeholder Engagement

We have identified various stakeholders, including directors, senior management, shareholders/investors, employees, consumers, partners, suppliers, the government and regulatory authorities, the community and public and conducted a survey on ESG materiality issues in the form of a questionnaire and ranked them.

Ranking and Verification of Materiality Issues

We analyzed the identified materiality issues from two dimensions, namely "importance to Mao Geping" and "importance to stakeholders", and finally the Board considerred and confirmed 22 ESG materiality issues, including 10 highly important issues, 7 moderately important issues, and 5 generally important issues.



Mao Geping 2024 Materiality Matrix

Highly Important Issues	Moderately Important Issues	Generally Important Issues
Product and Service Quality	Data Protection and Cybersecurity	Energy and Resource Use
Customer Service	Equal Employment	Water Resource Management
Risk and Compliance	Employee Compensation and Benefits	Emissions Management
Employment Management and Compliance	Employee Training and Development	Community Investment and Well-being
Corporate Governance	Sustainable Supply Chain	Addressing Climate Change
Research, Development and Innovation	Responsible Advertising and Labeling	
Intellectual Property Management	Waste Management	
Anti-Corruption		
Occupational Health and Safety		
Sustainable Packaging		

Based on the results of our materiality issue assessment, the major ESG tasks of the Group during the Year focus on six key areas including "strengthen the cornerstone of governance", "strictly control product quality", "protect customer rights and interests", "respect the value of employees", "safeguard our green homeland", and "shoulder social responsibilities", which we will address and disclose in the Report.

1.5 Risk Reduction Through Compliance

In order to better manage the risks associated with our business development, we formulated the Risk Management System in compliance with national laws and regulations, such as the CG Code issued by Stock Exchange, and implemented corresponding control measures to continuously improve our risk management and internal control system.

The Group has adopted the Risk Management System to ensure the prevention, control and resolution of risks and crises that may occur or emerge in the course of the Group's operation and management, including strategic risks, financial risks, market risks, operational risks and legal risks, etc., so as to promote stable development. The Board is fully responsible for risk management, including determining the overall objective, risk appetite and risk tolerance for corporate risk management, approving risk management strategies and major risk management measures, comprehending and managing each major risk faced by the enterprise and its existing management situations, and making effective risks control decisions. The general manager is responsible for overseeing the comprehensive risk management on a daily basis, and organizing the establishment of an organisational structure for risk management and its terms of reference. Each functional department and business unit shall accept the coordination and guidance of the general manager in its comprehensive risk management and be responsible for the implementation of the basic process of risk management. The internal control department is mainly responsible for establishing the internal control management system, improving and perfecting various systems and processes, evaluating the supportiveness, effectiveness, enforceability and compliance of the systems and processes for the business, and promoting the rectification of relevant internal control defects. In respect of risk management, the internal audit department is mainly responsible for establishing an internal audit supervision system, formulating a supervision and evaluation mechanism, supervising and evaluating the risk management work, and issuing the evaluation report on internal control.

We have continued to strengthen the construction of our risk management information system and gradually applied information technology to various aspects of comprehensive risk management, reflecting the monitoring status of major risks, major decisions, major projects and important business processes in real time, and making timely warning to major risks exceeding the upper limit of the risk warning.

At the same time, the Group has actively established a corporate culture with a risk awareness to improve the risk management of the Company and the quality of risk management of its employees, so as to ensure the goals in risk management are achieved. We have integrated the building of risk management culture with the remuneration system and personnel system, gradually established a pre-employment risk management training system for managers and business operators of major management and business processes and risk control points, and extensively, thoroughly and persistently publicized the awareness of ethics and integrity, compliant operation and risk awareness in various forms, and seriously investigated and dealt with acts such as violation of the state laws and corporate governance system, fraud, favoritism and corruption.

1.6 Anti-Corruption and Anti-Bribery Construction

The Group strictly complies with laws and regulations such as the Criminal Law of the People's Republic of China (《中華人民共和國刑法》), 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》), and the Company Law of the People's Republic of China (《中華人民共和國公司法》). Through system construction and long-term investment, we ensures legal compliance in our operations and prevent various illegal acts such as bribery, extortion, fraud, and money laundering. We firmly oppose commercial fraud and any other acts that violate the principle of fair competition. To further enhance employees' awareness of integrity, self-discipline, and risk prevention, the Group has formulated and strictly implemented the Anti-Fraud, Anti-Money Laundering and Anti-Bribery Management System (《反舞弊、反洗錢、反賄賂管理制度》) and the Risk Management System (《風險管理制度》), which define acts of fraud, money laundering and bribery, clarify the relevant responsibilities of the responsible departments for the anti-fraud, anti-money laundering, and anti-bribery mechanisms, and explain the reporting acceptance channels and punishment measures for relevant matters. At the same time, we have clearly stated the complaints, whistleblowing and grievance channels in the Employee Handbook (《員工手冊》), which specifies that the company mailbox is the internal whistleblowing channel for employees, and the audit department and the management have the authority to view this email. In addition, we have anti-corruption requirements for business partners, and requires them to sign the Letter of Commitment Relating to Partner Integrity (《合作夥伴廉潔誠信承諾書》), which clears the liability for breach of contract, so as to protect the legitimate rights and interests of both parties.

Through these measures, we strive to create a fair and transparent working environment to ensure all business practices are based on integrity and trust. During the Year, we provided 3 hours of anti-corruption training to 6 Directors and 2 hours of anti-corruption training to 4,078 employees in order to maintain a clean and honest working attitude.

During the Reporting Period, the Group was not involved in any litigation relating to corruption or fraud, or received any complaint or reporting concerning corruption

2. STRICT PRODUCT QUALITY CONTROL

2.1 Innovative Product Services

Based on our light and shadow makeup artistry, our Group 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. During the Year, we have developed and upgraded over 100 new SKUs in total.

Our product design and development efforts are led by Mr. Mao, our founder and a makeup art master, who has 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 and a Core Product Design and Development Team. 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 December 31, 2024, our product development team was comprised of 57 experienced personnel, with 82.5% holding a bachelor's degree or above. These team members bring an average of over 13 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 Expertise	Significance
Knowledge of product ingredients, formulas and design	Our knowledge of product ingredients, formulas and design allows us to create products with good functionality and performance.
Selecting high-quality raw materials	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.
Aesthetic philosophy	Our aesthetic philosophies 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.
Professional makeup artistry	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.

Our thorough product design and development process 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 → Comparable Product Analysis → Product Design and Development → Product Testing → Sample Testing → Mass Production

2.2 Strengthening Quality Management

Adhering to our customer-oriented and quality-driven philosophy, we have been optimizing our sustainable development strategies and polices to promote product safety and quality. We have established a comprehensive quality management system to achieve full-process quality risk control in compliance with laws and regulations such as *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》), *the Product Quality Law of the People's Republic of China* (《中華人民共和國產品質量法》), *the Safety and Technical Specification for Cosmetics* (《化妝品安全技術規範》), and *the Regulation on the Supervision and Administration of Cosmetics* (《化妝品監督管理條例》) to ensure that our products meet customer and regulatory requirements.

Quality Management

We have formulated *the Rules for Quality and Safety Accountability* (《質量安全責任制度》), which enhances product quality and promotes the continuous improvement of the quality management system by setting quality objectives and regularly assessing and analyzing the achievement of those objectives. These rules clearly define the responsibilities of the legal representative (or principal person in charge), the person in charge of quality and safety, the person in charge of quality and quality team personnel, covering all aspects from the initial setting of quality objectives to the subsequent implementation, monitoring and review, ensuring the effective operation of quality objective management.

To ensure product compliance certification, we have set up strict compliance assessment and audit checkpoints throughout the entire process from R&D and production to sales, ensuring that all products undergo safety certification and compliance testing before being launched, from design and development, prototype verification, trial production, and mass production to each stage, to meet safety and compliance standards. Through rules and processes such as *the Product Development Management Process* (《產品開發管理流程》), *the Laboratory Management System* (《實驗室管理制度》), *the Registration and Filing and External Inspection Management Process* (《註冊備案及外檢管理流程》), *the Operation Process for Material Inspection* (《料體檢驗操作流程》), *the Management Process for Material Re-inspection* (《物料重檢管理流程》), *the Management Process for Finished Products in Warehouse* (《倉庫成品管理流程》), *the Warehouse Receipt and Delivery Process* (《倉庫收發貨流程》), *the Operation Process for Finished Product Inspection* (《成品檢驗操作流程》), and *the Operation Process for Packaging Material Inspection* (《包材檢驗操作流程》), we comprehensively cover all stages of product planning, R&D, raw material procurement, production and manufacturing, logistics and transportation and warehouse management, comprehensively improving product quality management. We have also formulated *the Process for Supervision and Management of Entrusted Enterprises* (《受託企業監督管理流程》) to ensure product quality through on-site and off-site supervision and management of entrusted production enterprises. To enhance employees' knowledge and capabilities in cosmetic safety, our employees participated in the National Medical Products Administration's cosmetic safety assessment training during the Year.

Before the products are delivered by the factory, we strictly implement quality inspections, conducting comprehensive reviews through scientific inspection standards and established procedures to minimize or avoid potential quality and safety risks. For unqualified products that appear in various stages such as material arrival, production, finished products, warehousing and customer returns, we judge unqualified products in accordance with the Handling Process for Unqualified Products (《不合格處理流程》), record them in *the Quality Anomaly Sheet* (《品質異常單》), and carry out disposal procedures such as acceptance on deviation, rework, return and scrapping in accordance with regulations. Through this series of measures, the Group is committed to providing quality, safe and reliable products, ensuring customer satisfaction and trust.

Logistics Quality Assurance

Our Group implements rules and measures such as *the Rules for Inventory and Warehouse Management* (《存貨及倉儲管理制度》)and *the Measures for Logistics and Transportation Management* (《物流運輸管理辦法》) to supervise various materials involved in warehousing and logistics processes, including our product packaging, marketing materials and finished products. We require all departments to perform their respective duties, support the work of the logistics department, procurement department, quality control department and other departments, and fulfill responsibilities including receiving inspection, product delivery and inventory counting. We strictly control indicators such as product packaging, quantity and quality to ensure that our goods are delivered to consumers with guaranteed quality and quantity.

2.3 Intellectual Property Protection

Our Group strictly abides by relevant laws and regulations such as *the Patent Law of the People's Republic of China* (《中華人民共和國專利法》), *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 Trademark Law of the People's Republic of China* (《中華人民共和國商標法》), and *the Copyright Law of the People's Republic of China* (《中華人民共和國著作權法》) to strengthen intellectual property protection.

We have formulated *the Intellectual Property Management Measures* (《知識產權管理辦法》) to regulate intellectual property management work. Intellectual properties include, among other things, patents, trademarks, company names and trade secrets. We have established an intellectual property leadership team responsible for approving the Company's basic policies and strategies for intellectual property management, organizing the formulation of relevant work plans and measures, improving protection systems, developing practical intellectual property strategies based on the Company's current situation and development strategy, supervising the work of the intellectual property management department, coordinating relevant matters of various departments, reviewing annual plans and incorporating them into the Company's annual management plan, and other tasks. The intellectual property department is responsible for intellectual property management work, including formulating management regulations, coordinating work, defining job responsibilities, guiding and supervising relevant departments, reviewing business applications, establishing file management, handling external matters such as intellectual property applications, disputes, and litigation on the Company's behalf, participating in the signing and reviewing of relevant contracts and agreements, establishing contract files, and organizing intellectual property law knowledge publicity and learning and experience exchanges. Various functional departments or institutions are mainly responsible for the creation, use, maintenance and management of intellectual properties within their respective work scope, and consciously maintain intellectual properties.

We formulated training and publicity plans for employees, and strengthening intellectual property protection publicity work. We have also established reward and punishment regulations for intellectual property management, rewarding those who have made outstanding contributions in related work, and punishing those who violate relevant regulations, holding them accountable, and promptly reporting to judicial authorities if a crime is constituted.

We actively monitor the market and may take legal actions against acts that infringe on our intellectual property where feasible. 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.

2.4 Sustainable Supply Chain

We attach great importance to the management of our cooperation with suppliers and are always committed to providing customers with high-quality products and services. We explicitly require suppliers to strictly abide by local laws and regulations, including but not limited to *the Tender and Bidding Law of the People's Republic of China* (《中華人民共和國招標投標法》), *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》), and *the Interim Provisions on Prohibiting Commercial Bribery* (《關於禁止商業賄賂行為的暫行規定》). In addition, we have also formulated a series of internal systems to regulate suppliers' behaviors, ensure the stability and reliability of the supply chain, and strive to create a win-win cooperative relationship.

Our Group adheres to the principles of fairness and impartiality in selecting suppliers. We have formulated *the Supplier Development and Management Process* (《供應商開發及管理流程》), *the Procurement Management Process* (《採購管理流程》), and *the Procurement Contract Management Process* (《採購合同管理流程》). When selecting new suppliers, we conduct supplier market research based on our business needs, collect and screen potential new supplier information, require potential new suppliers to fill out *the New Supplier Evaluation Form* (《新供應商評估表》) and provide legal qualification documents, and then apply to enter the supplier resource library through *the Candidate Supplier Application Form* (《候選供應商申請表》). The procurement department conducts preliminary screening of supplier basic information, and the quality control department conducts on-site assessments and quality system evaluations of the selected suppliers, requiring suppliers to cooperate and complete improvements on time. Qualified suppliers will be included in *the Qualified Supplier List* (《合格供應商名錄》) and become qualified suppliers of the Company.

We conduct regular supplier performance evaluations based on comprehensive supplier performance evaluation standards, with each supplier undergoing a performance evaluation at least once a year according to *the Supplier Performance Evaluation Form* (《供應商績效評估表》). In addition to regulations related to product quality and safety, we have formulated *the OEM Supplier Audit Checklist* (《OEM供應商審核清單》) and *the Material Supplier Audit Checklist* (《資材供應商審核清單》) to review supplier performance from multiple indicators, including environmental protection and social responsibility, such as whether they have passed environmental (ISO14000) or social responsibility (SA8000) certification, whether the production raw materials used are environmentally friendly materials, the environmental protection measures taken, whether they properly handle emissions and waste, and the supplier's anti-discrimination, human rights protection and health protection measures. We also record relevant performance in our *Supplier Audit Record*《供應商審核記錄》, *Entrusted Production Enterprise Supervision Record Form* (《受託生產企業監督記錄表》) during on-site audits, continuously strengthening supplier supervision and continuously promoting the sustainable development of our supply chain. We have standardized the work of procurement management procedures and require cooperating suppliers to comply with laws and regulations. If any violations are found, the Group will suspend or terminate the relationship with the supplier.

During the Reporting Period, the Group had 123 suppliers, of which 123 have implemented supplier-related practices. The number of suppliers by region is as follows: 93 in East China, 24 in South China and 6 in North China, mainly providing the Group with raw materials, ingredients and logistics transportation services.

3. CUSTOMER RIGHTS AND INTERESTS PROTECTION

3.1 Quality Customer Service

Our Group adheres to the customer-centric philosophy and is committed to providing customers with excellent products and services, ensuring that customer complaints are resolved and customer inquiries are answered promptly and reasonably. To further improve after-sales service quality and enhance customer satisfaction with products and brands, we have opened online and offline channels for customer complaints to ensure that the problems are resolved in a satisfactory and timely manner, and continuously optimize the user experience.

Improving Customer Service

We attach great importance to online and offline customer service, with a professional customer service team dedicated to providing customers with an exceptional experience. In terms of online services, we have established strict standards for the entire process of pre-sales consultation, after-sales service, and returns and refunds, and have established a scientific quality inspection system. By quantifying service quality, we ensure that every aspect reaches a high standard, thereby providing customers with an efficient, professional, and considerate service experience. As for offline services, we have carefully crafted the "eight steps of service (服務八部曲)," with carefully designed service steps, aiming to provide customers with comfortable, considerate and personalized services, allowing customers to feel meticulous care and comprehensively improve customer satisfaction.

Complaint Handling and Responding Mechanism

In order to handle complaints more effectively and enhance customer satisfaction, we have formulated *the Complaint Management Process* (《投訴管理流程》) to ensure that customer complaints can be handled promptly and efficiently. After the complaints are received and registered, the customer service department will cooperate with the quality control department to handle and investigate the complaints. Consumers can provide feedback through various channels, including offline stores, customer service hotlines, the Fashion Club (風尚薈), competent authorities of State Administration for Market Regulation and China Consumers Association, and other online platforms, including the brand's official WeChat account, client applications, Xiaohongshu, Weibo, etc. After receiving the feedback, we will classify the complaints in accordance with *the Process and Authority for Customer Complaint Handling* (《客訴處理流程及權限》) and *the Complaint Types and Handling Methods* (《投訴類型及處理方式》). We will clearly define the receivers, initial reviewers, decision-makers for each type of complaints, as well as the persons responsible for docking with external departments, archiving, and inventory write-offs, ensuring that there is a definite person in charge at each step to avoid situations of shirking responsibility and delays. At the same time, we have strictly regulated the handling cycle to ensure that complaints can be handled promptly and effectively, so as to safeguard the legitimate rights and interests of customers. For different types of complaints, we have formulated detailed processes that cover all aspects of complaint handling, providing specific operation guidelines and cautions. Through these standardized processes, we can ensure that each complaint is handled consistently and with high quality. Whether it is in terms of product returns and exchanges, service improvements or customer relationship maintenance, we can meet high-standard requirements.

When the cause of a complaint is identified through investigation, we will formulate corrective measures as required. When a customer complaint is determined to be an issue affecting an entire batch of products, we will remove the complained products from the shelves or initiate a recall. In order to ensure that products sold by us can be promptly recalled and properly handled in the event that quality and safety issues or quality defects are discovered, so as to minimize potential harm or losses and guarantee the personal safety of consumers, we have formulated *the Recall Management Process* (《召回管理流程》) to ensure the rapidity and effectiveness of the recall process. When we receive a return request from a consumer, our customer service team will determine whether the product needs to be recalled. Once a recall is confirmed, a professional testing team will conduct a detailed inspection and analysis of the returned product to identify the problem, and record the process and results at the same time. If further inspection is required, the product will be safely sealed and sent back to specialized facilities in the country, ensuring that consumers can keep track of the handling status of their products at any time. We ensure the transparency of the recall process and the traceability of products to safeguard the rights and interests of consumers. After the complaint handling is completed, we will arrange for a dedicated person to conduct follow-up work to ensure that the customer's problem is completely resolved and that the customer is satisfied with the handling result, thus enhancing the customer's trust and loyalty towards the brand. We believe that through the above efforts, we can better protect the rights and interests of consumers, and at the same time, safeguard and enhance the brand image, and provide customers with a more high-quality and considerate service experience. During the Year, the Group received a total of 1,504 complaints regarding products and services, with a complaint resolution rate exceeding 99%.

During the Reporting Period, we did not receive any major complaints from customers regarding product recalls due to safety and health reasons, nor were there any product recalls due to safety and health reasons.

3.2 Information and Data Security

Information security is an important part of the Group's comprehensive risk management. It is a crucial factor in maintaining the stability of our operations, protecting customer privacy, safeguarding business secrets and ensuring the security of technical assets. In respect of information security, the Group strictly complies with relevant laws and regulations including but not limited to *the Cybersecurity Law of the People's Republic of China* (《中華人民共和國網絡安全法》) and *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》). The Group has formulated a number of information management rules, such as *the Informationization Management Rules* (《信息化管理制度》), *the Data Backup and Recovery Management Rules* (《數據備份與恢復管理制度》), *the Computer Room Safety Management Measures* (《機房安全管理辦法》), *the Network Security Management Measures* (《網絡安全管理辦法》), *the Emergency Plan for Network Data Security Incidents* (《網數安全事件應急預案》), *the Information Classification and Grading Management Rules* (《信息分類分級管理制度》), *the Privacy Policy* (《隱私政策》), *the User Self-discipline Convention* (《用戶自律公約》), *the Rules for the Protection of Important Data* (《重要數據保護制度》), *the Risk Assessment Report for Important Data* (《重要數據風險評估報告》), and *the Rules for the Cancelation of MAOGEPING Accounts* (《毛戈平賬戶註銷規則》), etc.

In terms of safeguarding the security of customer data, we have established strict access control and monitoring mechanisms to prevent unauthorized access to data and ensure that data processing practices comply with domestic and international data protection standards. We have formulated *the Informationization Management Rules* (《信息化管理制度》) which covers the overall informationization management of the Company, including asset management and computer setup. And we have implemented *the Information Classification and Grading Management System Rules* (《信息分類分級管理制度》) to classify and manage information at different levels, ensuring the security of important assets. For important data, we have formulated *the Rules for the Protection of Important Data* (《重要數據保護制度》) and carried out risk assessments of important data, providing a basis for management. In accordance with *the Data Backup and Recovery Management Rules* (《數據備份與恢復管理制度》) and *the Computer Room Safety Management Measures* (《機房安全管理辦法》), we adopt advanced encryption technologies for data storage and transmission, and conduct regular audits to identify and reduce potential security vulnerabilities.

With the prior consent of customers, we collect and maintain certain customer information in the course of our daily business, but only to the extent necessary for the sale and delivery of our products and the provision of services. We have taken measures to keep such information confidential to ensure compliance with regulatory requirements. We have established *the Privacy Policy* (《隱私政策》) to clearly define the specific policies and implementation methods for protecting consumers' data and privacy. On different platforms, we require customers to read and sign *the User Self-discipline Convention* (《用戶自律公約》) to regulate user behavior and ensure that users comply with privacy protection regulations. At the same time, we provide our employees with comprehensive training on data privacy and security agreements to enhance their relevant capabilities.

We strive to ensure network security. In accordance with *the Network Security Management Measures* (《網絡安全管理辦法》), we adopt technologies such as firewalls and encryption to prevent the leakage of sensitive information, protect the privacy of users and the Company, and ensure the stability of the network environment. At the same time, we have formulated *the Emergency Plan for Network Security Incidents* (《網絡安全事件應急預案》) to effectively prevent, promptly control and minimize the harm and impact of network security incidents. In order to improve the emergency response level for personal information security incidents, it is stipulated that the emergency response team should organize at least one drill of the emergency plan every six months, actively identify weakness, take countermeasures, analyze personal information security issues, find out the causes of incidents, and check whether the communication, coordination, command, etc. among all steps of the emergency plan meet the requirements of being rapid and efficient.

During the Year, we did not receive any complaints regarding major data breaches, nor did we have any complaints that were found to be true regarding the leakage of customer privacy or the loss of customer data.

3.3 Responsible Advertising Promotion

The Group conducts advertising, marketing and promotion for our brands and products through a variety of online and offline channels, and complies with relevant Chinese 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》).

Our brand development department and marketing department are mainly responsible for the management of online and offline promotional materials. In order to ensure that the advertisements do not contain any false, inaccurate or misleading content about the products, the product promotions need to be reviewed by the legal department on the OA platform before they are released, and can only be publicly released after passing the review. We have formulated a standardized review process for the promotional content produced in cooperation with well-known KOLs. For product-related livestreaming sessions, we also implement comprehensive control measures to avoid false and harmful information. In response to the false information generated on various platforms, we will actively appeal according to the platform rules to reduce the risk of the spread of negative information. We always adhere to the legality, legitimacy, honesty and authenticity of the advertising content, earnestly fulfill our social responsibilities, and ensure that the advertising and promotion are in compliance with the requirements of laws and regulations and ethical norms.

During the Reporting Period, there were no disputes related to advertising and information promotion that had a significant impact on the Group.

4. RESPECT FOR THE VALUE OF EMPLOYEES

The Group is well aware that talent is an important source of the core competitiveness of an enterprise. We are committed to creating a diverse, equal and inclusive workplace environment, providing employees with a healthy and safe workplace and a broad professional development platform. We continuously attract and retain outstanding talents, expand our talent team, and continuously enhance our competitiveness. As of December 31, 2024, the total number of our employees was 4,084, and the specific classification is as follows:

Employee Profile		Number of employees
Employee distribution by gender	Female employees	3,539
	Male employees	545
Employee distribution by employee category	Supervisor and below	3,902
	Manager level	143
	Director and above	39
Employee distribution by age group	Employees aged below 30	2,109
	Employees aged between 30–50	1,917
	Employees aged above 50	58
Employee distribution by geographical location[1]	East China	1,731
	South China	377
	Southwest China	712
	Central China	464
	North China	535
	Northeast China	120
	Northwest China	145

4.1 Equal Employment System

We are committed to shaping an equal and diverse workplace culture, complying with relevant laws and regulations such as *the Labor Law of the People's Republic of China* (《中華人民共和國勞動法》), *the Labor Contract Law of the People's Republic of China* (《中華人民共和國勞動合同法》) and *the Regulations on the Prohibition of Child Labor* (《禁止使用童工規定》). We continuously improve our internal compliant recruitment regulations to safeguard the legitimate rights and interests of our employees. We conduct recruitment through various channels such as recruitment websites, campus recruitment, and internal referrals. We place emphasis on assessing the comprehensive abilities of applicants and their suitability for the positions intended, and will not include factors like race, skin color, nationality, ethnicity, gender, age, etc. in the screening criteria, thus eliminating any form of discrimination. When reviewing the information of applicants, we rigorously examine details including educational backgrounds, work experiences and actual ages. We will only sign formal labor contracts with those who fully meet our recruitment requirements. In the labor contracts, we clearly specify essential information such as salaries and the methods of payment to ensure that there is no occurrence of employing child labor or forced labor. If any child labor or forced labor is found, we will handle it in accordance with relevant laws and regulations. If we find any cases of child labor or forced labor, we will deal with them according to relevant laws and regulations. If the Company discovers that the materials provided by an employee upon joining are false or inconsistent with the facts, the employee will not be admitted to the Company. If the employee has already been admitted to the Company, the Company will terminate the labor contract with that employee and will not pay any compensation.

[1] Location is defined as the region where an employee performs his or her duties

When an employee submits a resignation, a department specialist or a human resources specialist will conduct an exit interview to learn about the reasons for his or her departure, as well as his or her suggestions regarding the Company's operations and human resources management. We will take the initiative to assist them in completing the resignation procedures and work handover, continuously optimize our human resources management, and safeguard the rights of both the Group and the employees.

During the Reporting Period, there were no cases within the Group related to illegal employment, human rights violations, the employment of child labor or forced labor.

4.2 Remuneration and Benefits

Compensation and benefits are important factors in attracting and retaining talents. The Group provides employees with competitive market remuneration packages and comprehensive welfare guarantees. We pay the five social insurances and one housing fund for employees as fixed benefits, including payment for pension insurance, medical insurance, maternity insurance, work-related injury insurance, unemployment insurance and the housing fund, in accordance with local regulations. We also offer supplementary and special benefits, such as meal allowances, overtime and business trip subsidies, housing allowances and seniority-based (length-of-service) pay. In addition, we organize domestic and overseas employee trips for the employees on the official payroll of the headquarters once every two years, and arrange free health check-ups for employees once every two years. At the same time, employees at the headquarters can also enjoy product benefits. We distribute free welfare products to headquarters employees once every six months and they can enjoy an internal purchase discount of 65% off. Free welfare products are distributed to terminal employees once every quarter, and all employees can enjoy an internal purchase discount of 30% off daily.

In terms of vacations, in addition to legal holidays, we also provide employees with welfare vacations such as annual leave, maternity leave, bereavement leave, marriage leave and prenatal check-up leave. We have formulated a detailed overtime management system, implementing both the standard 8-hour working hour system and special working hour systems. In principle, overtime work is not encouraged. If overtime work is indeed necessary for special tasks, employees should apply in advance and obtain approval. The Group will arrange compensatory leave according to the specific situation.

The Group has established a labor union, which provides a channel for employees to participate in management decision-making and communicate upwards, fully safeguarding the rights of employees. We also organize a variety of colorful employee activities through the labor union to help employees balance work and life and create a good and harmonious workplace atmosphere.

Activity Case: MAOGEPING Fashion Grand Ceremony (毛戈平風尚大典)

MAOGEPING held the Fashion Grand Ceremony in 2024, which served as a grand gathering at the corporate level. The event covered segments such as the commendation of outstanding teams, art performances and interactive sessions with the audience. More than 700 people participated in it, fully demonstrating the corporate culture of the Company featuring unity, innovation and vitality. This Fashion Grand Ceremony is not only a platform for review and celebration but also an important opportunity to gather strength and boost morale. The Company will continue to grow and make progress together with its employees towards an even more brilliant future.

4.3 Employee Growth and Development

We encourage our outstanding talents to grow and develop alongside the Group's business. The Group is committed to supporting the needs of employees at all levels and encouraging them to strive for excellence. We have established various training programs and performance evaluation systems to support them in enhancing their technical skills and achieving higher accomplishments.

Employee Training

The Human Resources Department formulates the annual training plan by integrating the Company's strategy, budget, and the survey findings on the employee training needs, while also coordinating the needs of various departments. After each department identifies its own training needs and provides feedback to the Human Resources Department, the latter, based on the actual situation, breaks down the annual plan into quarterly schedules and compiles a list of training courses.

We place a high premium on employee training and development, considering it a crucial driving force for our continuous growth and innovation. To ensure that employees can fully unleash their potential in their respective positions, we have established a comprehensive training system as follows:

Training Category	Training Objective	Training Method	Training Content
New Employee Induction Training	Orient new employees to quickly adapting to the new working environment and smoothly transition into the working state.	Regular in-house lectures	The curriculum is divided into two categories: general modules and professional and technical modules. The specific content of the two categories can be selected according to different positions held. a) General modules: 1. Company overview (including the Company's history, culture, departmental functions, etc.) 2. Company system introduction 3. Others b) Professional and technical modules: 1. Job design and workflow for technical positions 2. Process of project management and intensive training 3. Others
Mentorship On-the-job Training for Interns	Enable new employees to quickly get familiar with the business content and work processes according to the requirements of their positions.	Fixed mentor responsibility system of "one-to-one (一帶一)" or "one-to-two (一帶二)"	Education on ideological quality and corporate culture; Development of professional knowledge and skills; Guidance on resolving work-related challenges, etc.
Internal Training	Leverage the internal expertise of the Company to maximize resource efficiency, strengthen internal communication, cultivate a learning atmosphere of mutual help, and enrich employees' spare-time learning experiences.	In-house lectures, seminars, or knowledge-sharing sessions	Multiple aspects involving the Company's technical and management fields, as well as supplementary knowledge and information aligned with employees' interests.

Training Category	Training Objective	Training Method	Training Content
External Training	Enhance employees' professional knowledge and skills required for their roles by relying on external experts, so as to improve the completion quality of various tasks and work efficiency.	Participation in public courses, exchange seminars or on-site external instructor-led training	a) General practical training: covers professional technical knowledge, management methods and leadership skills; b) Training suitable for senior management: covers corporate strategy and development; c) Personal development training: includes MBA programs and professional technical certification.

In order to guarantee the effects of training, subsequent to the training sessions, evaluations are conducted in two key dimensions: the quality of instruction and the learning achievements of the trainees. The evaluation of instruction encompasses the assessment of the course content, instructors and training effectiveness of external training institutions, as well as the evaluation of the course content, preparatory work and teaching techniques of internal instructors. The evaluation of trainees is primarily carried out through post-training assessments to examine their knowledge retention and learning effectiveness. The training outcomes are quantified through an Internal Training Feedback Form (《內部培訓反饋意見表》) to maximize training value, thereby aligning with the Company's development objectives.

The Group organized induction training for nearly 1,600 newly recruited employees in 2024. The training content comprehensively covered multiple aspects, including corporate culture, organizational structure, company regulations, the utilization of internal systems and professional competence, thereby assisting new employees in rapidly familiarizing themselves with the Company's business operations and job responsibilities, smoothly transitioning into the working state and fostering their work enthusiasm and team spirit.

During the Year, the Group implemented product training for all employees of the training team and the sales team, engaging approximately 2,700 relevant employees. This training achieved 100% coverage nationwide, 100% online completion rate on the Cloud Academy (雲學院) platform and 100% pass rate of assessments of on-site sales service procedures. This training provided employees with explanations of the professional knowledge related to new products, their unique selling points and on-site sales techniques, comprehensively enhancing employees' familiarity with products and their sales capabilities.

The training indicators for the Year are as follows:

Indicators		Number of Trainees	Participation Rate[2]
By Gender	Female employees	3,539	100%
	Male employees	545	100%
By Employee Category	Supervisors and below	3,902	100%
	Managerial level	143	100%
	Directors and above	39	100%

Employee Promotion Path

We have formulated internal policies including *the Employee Handbook* (《員工手冊》), *the Employee Performance Management System* (《員工績效管理制度》) and *the Employee Attendance Management Regulations* (《員工考勤管理規定》) to provide employees with a comprehensive assessment system and a clear career development path, thus stimulating employees' work enthusiasm. We conduct assessments on employees across different positions on a monthly, quarterly, semi-annual and annual basis. Based on the assessment results, employees are categorized into S for outstanding strivers, A for good strivers, B for qualified contributors, C for improvement-needed employees and D for inefficient performers. On this basis, employees who have received S and A grades for consecutive years or multiple quarters are rated as star strivers and will be given priority in promotion and salary increases. In addition, we have also formulated *the MGPIN National Sales Elite Promotion System* (《MGPIN 全國銷售精英晉升制度》) and *the MGPIN National Counter Makeup Artist Promotion System* (《MGPIN 全國專櫃彩妝師晉升制度》), which respectively outline specialized promotion paths for sales talents and makeup artists of the Company, motivating talents across different business lines to pursue continuous advancement.

4.4 Occupational Health and Safety

The Group places utmost importance on employee occupational health and safety, strictly adhering to laws and regulations such as *the Work Safety Law of the People's Republic of China* (《中華人民共和國安全生產法》), *the Fire Protection Law of the People's Republic of China* (《中華人民共和國消防法》) and *the Labor Law of the People's Republic of China* (《中華人民共和國勞動法》). It has formulated and implemented internal policies including *the Health and Hygiene Management System* (《健康衛生管理制度》) and *the Laboratory Management System* (《實驗室管理制度》), establishing standardized operating procedures for processes involving potential occupational health risks to minimize safety hazards. The Group has also established protocols for handling and remedying safety incidents, ensuring immediate medical treatment for injured employees, conducting post-incident reviews to prevent recurrence and achieving zero work-related fatalities over the past three years (including the Year). During the Reporting Period, five work-related injuries occurred with 238 lost workdays, all of which were appropriately resolved.

2 Calculation methodology: (number of trainees in the category/total number of trainees in the category) × 100%

The Health and Hygiene Management System (《健康衛生管理制度》) and *the Staff Handbook* (《員工手冊》) outline clear regulations on regional hygiene, personal hygiene, and health records, providing employees with standardized sanitary procedures and necessary knowledge and skills. Daily personal waste disposal is required between 5:00 PM and closing time, with office waste to be placed in designated areas to maintain clean and comfortable work environments. The Group prioritizes employee well-being by collaborating with medical institutions to offer regular health check-ups, allowing eligible employees to schedule appointments based on personal needs for proactive health monitoring.

The Laboratory Management System (《實驗室管理制度》) specifies detailed guidelines for laboratory environments, covering chemicals, equipment, personnel operations and exhaust gas treatment to prevent injuries or property damage during experiments. For fire safety management, *the Fire Safety Emergency Plan* (《消防安全應急預案》) has been implemented across all campuses, encompassing responsibility allocation, fire prevention, on-site response, post-incident management, emergency supplies, and training and drills. During the Year, MAOGEPING School (毛戈平學校) organized fire drills and training sessions in campuses across Beijing, Shenzhen, Shanghai, Chengdu, Qingdao and other locations, enhancing awareness of fire risks, and self-protection and self-rescue capabilities among faculty and students to safeguard lives and property.

MAOGEPING School conducted fire drills.

5 GREEN HOMELAND PRESERVATION

The Group is acutely aware of the significance of environmental protection for corporate development. It is dedicated to reducing the environmental impact of its business activities to the bare minimum. By strictly adhering to laws and regulations such as *the Environmental Protection Law of the People's Republic of China* (《中華人民共和國環境保護法》), the Group has put in place comprehensive environmental, energy-saving and low-carbon practices in office areas and production bases, with the aim of actively promoting a balanced harmony between business growth and environmental conservation. Although the Group's current operations do not directly involve product manufacturing or wastewater discharge and exhaust gas emissions, it still monitors key performance indicators in areas such as energy consumption, greenhouse gas emissions and waste management so as to ensure that the implemented environmental practices yield results.

During the Reporting Period, the Group was not aware of any instances of non-compliance with environmental protection laws and regulations.

5.1 Greenhouse Gas Emissions

The Group strictly complies with laws and regulations such as *the Law of the People's Republic of China on the Prevention and Control of Atmospheric Pollution* (《中華人民共和國大氣污染防治法》), conducting regular monitoring of carbon emissions within its operational scope. With 2022 as the base year, the Group aims to reduce operational carbon intensity (Scope 1 and Scope 2) by 5% over five years, and the progress towards this year's objective is on track. To this end, the Group has implemented rigorous controls over corporate vehicle emissions, including comprehensive evaluation of vehicle service life and emission performance, regular maintenance based on mileage and replacement of components like air filters and spark plugs; while meeting operational requirements, the Group prioritizes the use of new energy and hybrid vehicles to ensure optimal performance and minimal emissions. Additionally, employees are encouraged to utilize public transportation, and replace non-essential business travel with video conferences reducing greenhouse gas emissions through multiple approaches. During the Reporting Period, our greenhouse gas emission data are as follows:

Greenhouse Gas Emissions Indicators	Unit	2024
Greenhouse Gas Emissions[3]		
Direct Greenhouse Gas Emissions (Scope 1)	tCO_2e	**509.22**
Indirect Greenhouse Gas Emissions (Scope 2)	tCO_2e	**820.95**
Total Greenhouse Gas Emissions (Scope 1&2)	tCO_2e	**1,330.17**
Greenhouse Gas Emission Intensity		
Emissions per million RMB in revenue (Scope 1&2)	tCO_2e/million RMB in revenue	**0.34**
Emissions per Capita (Scope 1&2)[4]	tCO_2e/person	**0.19**

Scope 1: Greenhouse gas emissions generated from all sources owned and controlled by the Group, including fuel consumption from the Group's vehicles.

Scope 2: Greenhouse gas emissions resulting from electricity generation, heating, cooling, or steam purchased by the Group, including electricity consumption during the Group's operations.

In addition to greenhouse gases, the types and data of emissions generated by vehicles are as follows:

Emission Types[5]	Unit	2024
Nitrogen Oxides (NO_X)	kg	**200.78**
Sulfur Dioxide (SO_2)	kg	**0.28**
Particulate Matter (PM)	kg	**18.90**

3 Calculated using the emission factors specified in Appendix 2: Reporting Guidance on Environmental KPIs of the Stock Exchange and the Fifth Assessment Report of IPCC

4 Calculation includes employees of the Group and students from our training schools

5 Calculated using the emission factors specified in Appendix 2: Reporting Guidance on Environmental KPIs of the Stock Exchange

5.2 Resource Consumption Management

In alignment with China's "carbon peak and carbon neutrality" strategy, the Group comprehensively pursues low-carbon and energy-saving development paths by considering environmental protection, low-carbon practices and energy efficiency from design phase and enforcing environmental protection policies in key areas such as offices and production bases. These initiatives focus on optimizing resource utilization, power systems and structural facilities to further enhance the environmental protection framework for operational scenarios.

Electricity Management

➢ **Energy-saving Design**
Our production facilities undergo environmental impact assessments during the phase of design, incorporating such factors as energy efficiency, spatial optimization and functionality into renovations. For example, high-efficiency thermal insulation materials are used to insulate thermal bridge components, and optimized design structures are adopted to reduce construction material usage.

➢ **Utilization Improvement**
We have relocated from noise-generating and polluted areas based on operational needs, while rooms requiring sunlight and ventilation are positioned in suitable location. The Group maximizes the use of natural light and natural airflow to maintain stable and comfortable indoor temperatures and air quality, avoiding unnecessary resource consumption.

➢ **Environmental Equipment**
Technical measures such as power factor correction are employed to match electricity demand. Core facilities like substations are installed in high-load areas to minimize power transmission losses.

Air Conditioning System	• Strictly regulate air conditioning temperatures: set to no lower than 26°C in summer and no higher than 20°C in winter; air conditioners are managed by department heads, with unauthorized operation prohibited
Lighting System	• Deploy energy-efficient LED lighting sources, install timed switches for public area fixtures, and assign designated personnel to collectively turn off lights after work • Implement an equipment monitoring and management system to conduct real-time performance tracking and optimization of lighting systems, ensuring optimal operation at all times
Computer and Other Electronic Devices	• Configure automatic sleep or hibernation modes for electronic devices inactive during specified periods; designated staff perform post-work inspections to ensure all equipment is powered off

Taking 2022 as the base year, our energy efficiency objective is to cut down the energy consumption intensity by 5% within five years, and the progress towards this year's objective is on track. To this end, we will keep raising employees' awareness of conservation and constantly employ innovative ways to reduce energy use. The energy consumption data during the Reporting Period are as follows:

Energy Consumption Indicators	Unit	2024
Total Electricity Consumption	kWh	**1,529,911.86**
Electricity Consumption per Million RMB in Revenue	kWh/million RMB in revenue	**393.83**
Electricity Consumption per Capita[4]	kWh/person	**213.76**

Water Management

While our current operations do not involve wastewater discharge, we place significant emphasis on water resource management and actively promote water conservation practices. A variety of initiatives have been implemented to encourage employees to adopt sustainable habits in both work and daily life. Water conservation slogan has been posted in key water-using areas such as restrooms and washrooms. Traditional faucets at sinks have been replaced with sensor-activated faucets bearing water-saving certifications, and water-efficient toilets have been deployed. Any detected leaks or drips are promptly addressed by dispatched personnel. All water consumed by the Group is sourced from the municipal water supply network, ensuring no operational water source issues during our activities. During the Year, we have set a target for water use efficiency, aiming to reduce water resource consumption and enhance water use efficiency through water-saving measures. We strive to maintain or reduce water consumption intensity per capita while operating at a comparable level.

During the Reporting Period, the Group's water consumption indicators are as follows:

Water Consumption Indicators	Unit	2024
Total Water Consumption	m^3	**28,898.91**
Water Consumption Intensity per Million RMB in Revenue	m^3/million RMB in revenue	**7.44**
Water Consumption Intensity per Capita[4]	m^3/person	**4.04**

Packaging Consumables

The Group actively adheres to green packaging principles by adopting minimalist designs for product exteriors to minimize material usage. For internal packaging, we have implemented recyclable materials and refillable solutions across diverse product categories. Examples include transitioning plastic packaging to glass for certain products and engineering lipstick tubes and cream jars with refillable inserts. Through continuous product design and technological innovation, we strive to minimize packaging material consumption.

5.3 Waste Management

The Group does not directly engage in any manufacturing activities, and currently the main wastes are office supplies and daily necessities. We aim to ensure that the general and hazardous waste generated in our operations are disposed of in compliance with regulations in all aspects, and the progress towards this year's objective is on track. Specific measures we took for different types of wastes have been conveyed to employees through the Employee Handbook.

Regarding non-hazardous office waste, the Group adheres to the attitude of "Diligence and Thrift, Benefiting Work" and encourages employees to minimize the usage. We classify office supplies into fixed assets, non-consumables and consumables, which are under overall management of the administrative management center. We facilitate paperless office by encouraging employees to use electronic versions for non-essential documents whenever possible. If a paper version is required, printing on two sides of the paper should be given priority. We conduct centralized collection of waste paper such as invalid documents and dated newspapers for regular recollection by professional recycling companies. In addition, for office supplies such as gel pens, paper clips, and binder clips, we advocate an internal recycling among employees, ensuring each item is fully utilized before it is disposed of. During the Year, the amount of non-hazardous waste generated by us was 185.02 tons, with per capita amount of non-hazardous waste generated being 0.03 tons. For hazardous waste such as waste toner from the printers, we have signed contracts with qualified professional recycling companies. to reduce the waste to landfill and increase the recycling and reuse volume through standard services from the third parties, continuously improving our environmental friendliness. During the Year, the the amount of hazardous waste generated by us was 159.60 kilograms, with per capita amount of hazardous waste generated being 0.02 kilograms.

5.4 Addressing Climate Change

In order to actively respond to the national strategy of "Carbon Peak and Carbon Neutrality", better assess the potential risks of climate change posed on our business, and further seize the opportunities brought by climate change, we have identified the physical risks and transition risks existing in the process of our business operations, and adopted counter measures. We intend to integrate greenhouse gas management performance into our supplier selection and evaluation criteria, with the aim of reducing greenhouse gas emission across the entire value chain.

Identified Climate Risks	Cases	Potential Consequences	Responses to Mitigate Risks
Physical climate risks	• Floods, cyclones	• Damage the facilities and equipment at the places where we operate, including inventories • Employee commuting and supply chain may be affected by flooding or cyclones, which may cause business disruption or affect the quality and cost of materials • Increase health and safety risks to employees	• We do not rely on any single ODM/OEM provider for the production of our core products. In event that we need to engage a replacement service provider, there are other ODM/OEM providers with comparable production capabilities • Prepare flood prevention materials based on the terrain of the operation site, equipment requirements, etc., and properly place the goods to avoid flooding • Conduct regular flood and wind inspections to ensure that doors, windows, and other facilities are secure
	• Extreme Temperature	• Need to install additional air-conditioning in branded stores and training institutes to improve the working environment, thus increasing operating costs • High temperatures may affect employee's health and productivity • Temperature rising due to climate change may lead to a reduction in the supply or a decline in the quality of materials	• Choose energy-efficient refrigeration equipment for warehouse to maintain proper air-conditioning temperatures in the office space. • Allowance for high temperature: the Company provides all employees with cooling beverage subsidies from June to September every year in accordance with relevant regulations • Diversification of supplier sources

Identified Climate Risks	Cases	Potential Consequences	Responses to Mitigate Risks
Transition climate risks	• Policy and regulation risks	• As global climate regulation is tightening, companies need to comply with more compliance standards • Facing the dual-carbon policy, companies that fails to adjust their strategies in time may suffer additional costs and even losses from lawsuits and fines	• Keep abreast of changes in policies and regulations, and protect the environment in accordance with the law, thus reducing compliance risks • Incorporate climate risk factors into the Company's management strategy
	• Market and reputation risk – changes in user preferences	• Consumers tend to choose low-carbon companies. If the companies do not adjust their strategies, they may lose market share	• Publicly disclose the Company's GHG emissions data and reduction targets in the ESG report to demonstrate to stakeholders the efforts made in low-carbon operations

6. SOCIAL RESPONSIBILITY

Mao Geping proactively responds to the national policies. It is constantly aware of the community needs and takes the initiative to fulfill the social responsibilities that enterprises should bear. In recent years, we have made investments in several focal areas such as rural revitalization and gender equality, which have received attention and recognition from the society. During the Year, nearly 400 employees of the Group and nearly a thousand community residents participated in public welfare activities. We donated a total of RMB66,787 to community charity activities.

Case 1: Autism Caring Project of MAOGEPING MGP X Caopeng Charity Foundation

Mr. Mao Geping, together with the MAOGEPING MGP brand, reached a consensus on cooperation for public welfare with the Shanghai Caopeng Charity Foundation (上海市曹鵬公益基金會), to support the autism public welfare cause through jointly developing public welfare products. Inspired by the paintings of children with autism, auctioned by Mr. Mao Geping, the MAOGEPING MGP brand designed charitable hand cream products. Through these products, we show the aesthetic of children with autism to more consumers, hoping that more people could concern the autism groups and their families with our minor efforts. At the same time, the brand donated a portion of the revenue from the welfare products to the foundation for supporting the autism-related public welfare projects of the foundation in a long term.

Design the packaging of the MGP charitable hand cream inspired by the auctioned painting "Nadou’s Courtyard"

Site picture of Mr. Mao attending the charity auction

Case 2: MAOGEPING Beauty Education Institute Provided Makeup Services for activities across the Country

MAOGEPING Beauty Education Institute (毛戈平美妝教育) (MAOGEPING Institute (毛戈平學校)), founded in 2000 by Mr. Mao Geping, a renowned makeup art master, is a professional institute of makeup artistry mainly focusing on makeup training and image design training. Since its establishment, the brand has successively established 9 branch schools in Beijing, Shanghai, Hangzhou, Shenzhen and other places, realizing a sustainable chain model. In 2024, the MAOGEPING Institute walked into communities in various areas to support cultural and sports activities, providing makeup and styling services for more than 700 participants. It actively promotes the development of makeup and plastic art, and enhances the technical level of the industry, promoting the standardization and branding of makeup training.

Shooting of the promotional video "120th Anniversary of Henan Provincial People's Hospital from 1904 to 2024"

"Decibel of Love" 2024 Hearing Impaired Industry Development and Communication Conference

The "Splendid Beauty and Grace" Fashion Grand Ceremony of the 2024 Super Model Power Show

Fashion for Everyone – Dalang Lady Show

APPENDIX I: SUMMARY OF SUSTAINABLE DEVELOPMENT DATA

The following is a summary of sustainable development information in the environmental scope for this Year:

The Environmental Scope[6]	Unit	2024
Air emissions[7]		
Nitrogen oxides (NO_X)	kg	**200.78**
Sulfur oxides (SO_X)	kg	**0.28**
Particulate matter (PM)	kg	**18.90**
Greenhouse gas emissions[8]		
Direct GHG emissions (Scope 1)	tonnes of CO_2e	**509.22**
Indirect GHG emissions (Scope 2)	tonnes of CO_2e	**820.95**
GHG emissions in total (Scope 1 and 2)	tonnes of CO_2e	**1,330.17**
GHG emissions per million RMB in revenue (Scope 1 and 2)	tonnes of CO_2e/million RMB in revenue	**0.34**
GHG emissions per capita (Scope 1 and 2)[4]	tonnes of CO_2e/person	**0.19**
Energy consumption		
Energy consumption in total	kWh	**1,706,458.24**
Energy consumption per million RMB in revenue	kWh/million RMB in revenue	**439.28**
Energy consumption per capita[4]	kWh/person	**238.43**
Diesel consumption	liter	**2,688.00**
Gasoline consumption	liter	**16,205.00**
Consumption of purchased electricity	kWh	**1,529,911.86**
Electricity consumption per million RMB in revenue	kWh/million RMB in revenue	**393.83**
Electricity consumption per capita[4]	kWh/person	**213.76**
Water consumption		
Water consumption in total	m^3	**28,898.91**
Water consumption intensity per million RMB in revenue	m^3/million RMB in revenue	**7.44**
Water consumption intensity per capita[4]	m^3/person	**4.04**

6 The data covers the whole group

7 The calculation is based on the emission factors in the Appendix II "Reporting Guidance on Environmental KPIs" issued by the Stock Exchange

8 The calculation is based on the emission factors in the Appendix II "Reporting Guidance on Environmental KPIs" issued by the Stock Exchange and the IPCC Fifth Assessment Report

The Environmental Scope[6]	Unit	2024
Waste[9]		
Non-hazardous waste in total	tonnes	185.02
Non-hazardous waste per million RMB in revenue	tonnes/million RMB in revenue	0.05
Non-hazardous waste produced per capita[4]	tonnes/person	0.03
Hazardous waste in total	kg	159.60
Hazardous waste per million RMB in revenue	kg/million RMB in revenue	0.04
Hazardous waste produced per capita[4]	kg/person	0.02
Paper consumption		
Paper consumption	kg	1,988.98
Paper consumption per million RMB in revenue	kg/million RMB in revenue	0.51
Paper consumption per capita[4]	kg/person	0.28
Packaging materials consumption of finished products		
Paper	tonnes	298.70
Glass	tonnes	232.70
Plastic	tonnes	378.00
Metal	tonnes	18.00
Other[10]	tonnes	20.70
Packaging materials consumption of finished products in total	tonnes	948.10
Packaging materials consumption per million RMB in revenue	tonnes/million RMB in revenue	0.24

9 Hazardous wastes involved in the Group's operations are mainly batteries. Non-hazardous wastes involved in the Group's operations are mainly domestic waste and recyclable waste, which are processed by a third party. The data is provided by a third-party cleaning company.

10 Other packaging materials include velvet bags, etc.

The following is a summary of the Group's sustainability development information in the social scope for this Year:

The Social Scope	Unit	2024
Number of employees[11]		
Total number of employees	person	**4,084**
Number of employees by gender		
Female	person	**3,539**
Male	person	**545**
Number of employees by employee category		
Short-term contractual/part-time employees	person	**6**
Supervisor and below	person	**3,902**
Manager level	person	**143**
Director and above	person	**39**
Number of employees by age group		
Aged below 30	person	**2,109**
Aged 30–50	person	**1,917**
Aged over 50	person	**58**
Number of employees by geographical region[1]		
East China	person	**1,731**
South China	person	**377**
Southwest China	person	**712**
Central China	person	**464**
North China	person	**535**
Northeast China	person	**120**
Northwest China	person	**145**
Employee turnover rate[12]		
Total employee turnover rate	%	**14.55**
Employee turnover rate by gender		
Female	%	**14.22**
Male	%	**16.70**

11 The employee-related data covers the whole group and is the number of employees as of December 31 this Year.

12 Employee turnover rate = (the number of employees who left the company in 2024 – the number of employees who joined and left the company in 2024)/the number of employees as at the beginning of 2024 (i.e., the incumbent staff members as at January 1, 2024).

The Social Scope	Unit	2024
Employee turnover rate by age group		
Aged below 30	%	20.55
Aged 30–50	%	9.01
Aged over 50	%	12.31
Employee turnover rate by geographical region		
East China	%	13.87
South China	%	17.20
Southwest China	%	15.56
Central China	%	14.47
North China	%	13.73
Northeast China	%	10.81
Northwest China	%	15.38
Work health and safety		
Number of work-related fatalities (2022, 2023 and 2024)	person	0
Rate of work-related fatalities (2022, 2023 and 2024)	%	0
Number of employees suffering from work-related injuries during the Year	person	5
Number of lost days due to work injury	day	238
Development and training[13]		
Percentage of employees trained by gender		
Female	%	100
Male	%	100
Percentage of employees trained by employee category		
Supervisor and below	%	100
Manager level	%	100
Director and above	%	100

13 The percentage of employees trained for the Year is calculated as the number of trained employees in each category ÷ the total number of employees in each category.

APPENDIX II: INDEX TO THE ESG REPORTING GUIDE OF STOCK EXCHANGE

Indicators			Related Chapters
A. Environmental Aspects			
A1: Emissions	General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to air and greenhouse gas emissions, discharges into water and land, and generation of hazardous and non-hazardous waste.	5. Green Homeland Preservation
	A1.1	The types of emissions and respective emissions data.	5.1 Greenhouse Gas Emissions 5.3 Waste Management Appendix I: Summary of Sustainable Development Data
	A1.2	Direct (Scope 1) and energy indirect (Scope 2) greenhouse gas emissions in total (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	5.1 Greenhouse Gas Emissions Appendix I: Summary of Sustainable Development Data
	A1.3	Total hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	5.3 Waste Management Appendix I: Summary of Sustainable Development Data
	A1.4	Total non-hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	5.3 Waste Management Appendix I: Summary of Sustainable Development Data
	A1.5	Description of emission target(s) set and steps taken to achieve them.	5. Green Homeland Preservation
	A1.6	Description of how hazardous and non-hazardous wastes are handled, and a description of reduction target(s) set and steps taken to achieve them.	5.3 Waste Management

Indicators			Related Chapters
A2: Use of Resources	General Disclosure	Policies on the efficient use of resources, including energy, water and other raw materials.	5.2 Resource Consumption Management
	A2.1	Direct and/or indirect energy consumption by type (e.g. electricity, gas or oil) in total (kWh in'000s) and intensity (e.g. per unit of production volume, per facility).	5.2 Resource Consumption Management Appendix I: Summary of Sustainable Development Data
	A2.2	Water consumption in total and intensity (e.g. per unit of production volume, per facility).	5.2 Resource Consumption Management Appendix I: Summary of Sustainable Development Data
	A2.3	Description of energy use efficiency target(s) set and steps taken to achieve them.	5.2 Resource Consumption Management
	A2.4	Description of whether there is any issue in sourcing water that is fit for purpose, water efficiency target(s) set and steps taken to achieve them.	5.2 Resource Consumption Management
	A2.5	Total packaging material used for finished products (in tonnes) and, if applicable, with reference to per unit produced.	Appendix I: Summary of Sustainable Development Data
A3: The Environment and Natural Resources	General Disclosure	Policies on minimising the issuer's significant impacts on the environment and natural resources.	5. Green Homeland Preservation
	A3.1	Description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them.	5. Green Homeland Preservation
A4: Climate Change	General Disclosure	Policies on identification and mitigation of significant climate-related issues which have impacted, and those which may impact, the issuer.	5.4 Addressing Climate Change
	A4.1	Description of the significant climate-related issues which have impacted, and those which may impact, the issuer, and the actions taken to manage them.	5.4 Addressing Climate Change

<table>
<tr><th colspan="3">Indicators</th><th>Related Chapters</th></tr>
<tr><td colspan="4">B. Social Aspects</td></tr>
<tr><td rowspan="3">B1: Employment</td><td>General Disclosure</td><td>Information on:
(a) the policies; and
(b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, and other benefits and welfare.</td><td>4. Respect for the Value of Employees</td></tr>
<tr><td>B1.1</td><td>Total workforce by gender, employment type (for example, full or parttime), age group and geographical region.</td><td>Appendix I: Summary of Sustainable Development Data</td></tr>
<tr><td>B1.2</td><td>Employee turnover rate by gender, age group and geographical region.</td><td>Appendix I: Summary of Sustainable Development Data</td></tr>
<tr><td rowspan="4">B2: Health and Safety</td><td>General Disclosure</td><td>Information on:
(a) the policies; and
(b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to providing a safe working environment and protecting employees from occupational hazards.</td><td>4.4 Occupational Health and Safety</td></tr>
<tr><td>B2.1</td><td>Number and rate of work-related fatalities occurred in each of the past three years including the reporting year.</td><td>4.4 Occupational Health and Safety
Appendix I: Summary of Sustainable Development Data</td></tr>
<tr><td>B2.2</td><td>Lost days due to work injury.</td><td>4.4 Occupational Health and Safety
Appendix I: Summary of Sustainable Development Data</td></tr>
<tr><td>B2.3</td><td>Description of occupational health and safety measures adopted, and how they are implemented and monitored.</td><td>4.4 Occupational Health and Safety</td></tr>
</table>

Indicators			Related Chapters
B3: Development and Training	General Disclosure	Policies on improving employees' knowledge and skills for discharging duties at work. Description of training activities.	4.3 Employee Development
	B3.1	The percentage of employees trained by gender and employee category (e.g. senior management, middle management).	4.3 Employee Development Appendix I: Summary of Sustainable Development Data
	B3.2	The average training hours completed per employee by gender and employee category.	No statistics have been compiled for the Year and relevant information will be compiled and disclosed next year.
B4: Labor Standards	B4	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to preventing child and forced labor.	4.1 Equal Employment System
	B4.1	Description of measures to review employment practices to avoid child and forced labor.	4.1 Equal Employment System
	B4.2	Description of steps taken to eliminate such practices when discovered.	4.1 Equal Employment System
B5: Supply Chain Management	General Disclosure	Policies on managing environmental and social risks of the supply chain.	2.4 Sustainable Supply Chain
	B5.1	Number of suppliers by geographical region.	2.4 Sustainable Supply Chain
	B5.2	Description of practices relating to engaging suppliers, number of suppliers where the practices are being implemented, and how they are implemented and monitored.	2.4 Sustainable Supply Chain
	B5.3	Description of practices used to identify environmental and social risks along the supply chain, and how they are implemented and monitored.	2.4 Sustainable Supply Chain
	B5.4	Description of practices used to promote environmentally preferable products and services when selecting suppliers, and how they are implemented and monitored.	2.4 Sustainable Supply Chain

Indicators			Related Chapters
B6: Product Responsibility	General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to health and safety, advertising, labelling and privacy matters relating to products and services provided and methods of redress.	2. Strict Product Quality Control 3. Customer Rights and Interests Protection
	B6.1	Percentage of total products sold or shipped subject to recalls for safety and health reasons.	3.1 Quality Customer Service
	B6.2	Number of products and service related complaints received and how they are dealt with.	3.1 Quality Customer Service
	B6.3	Description of practices relating to observing and protecting intellectual property rights.	2.3 Intellectual Property Protection
	B6.4	Description of quality assurance process and recall procedures.	2.2 Strengthening Quality Management 3.1 Quality Customer Service
	B6.5	Description of consumer data protection and privacy policies, and how they are implemented and monitored.	3.2 Information and Data Security
B7: Anti-corruption	General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to bribery, extortion, fraud and money laundering.	1.5 Risk Reduction through Compliance 1.6 Anti-Corruption and Anti-Bribery Construction
	B7.1	Number of concluded legal cases regarding corrupt practices brought against the issuer or its employees during the reporting period and the outcomes of the cases.	1.6 Anti-Corruption and Anti-Bribery Construction
	B7.2	Description of preventive measures and whistle-blowing procedures, and how they are implemented and monitored.	1.6 Anti-Corruption and Anti-Bribery Construction
	B7.3	Description of anti-corruption training provided to directors and staff.	1.6 Anti-Corruption and Anti-Bribery Construction

Indicators			Related Chapters
B8: Community Investment	General Disclosure	Policies on community engagement to understand the needs of the communities where the issuer operates and to ensure its activities take into consideration the communities' interests.	6. Social Responsibility
	B8.1	Focus areas of contribution (e.g. education, environmental concerns, labor needs, health, culture, sport).	6. Social Responsibility
	B8.2	Resources contributed to the focus area.	6. Social Responsibility

INDEPENDENT AUDITOR'S REPORT

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To the shareholders of Mao Geping Cosmetics Co., Ltd.
(Incorporated in the People's Republic of China with limited liability)

Opinion

We have audited the consolidated financial statements of Mao Geping Cosmetics Co., Ltd. (the "**Company**") and its subsidiaries (the "**Group**") set out on pages 143 to 235, which comprise the consolidated statement of financial position as at 31 December 2024, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including material accounting policy information.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2024, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with HKFRS Accounting Standards as issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

Basis for opinion

We conducted our audit in accordance with Hong Kong Standards on Auditing ("**HKSAs**") as issued by the HKICPA. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report. We are independent of the Group in accordance with the HKICPA's *Code of Ethics for Professional Accountants* (the "**Code**"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying consolidated financial statements.

Key audit matters *(continued)*

Key audit matter	How our audit addressed the key audit matter
Revenue recognition – Online direct sales 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 online direct sales and online distributors. The Group recognised revenue of RMB3,732,979,000 from sale of products where direct online sales amounted to RMB1,428,585,000, accounting for approximately 38.3% of the total revenue from sale of products for the year ended 31 December 2024. Considering the risks arising from the large volume of transactions generated from the sales of different products to a significant number of online customers, recognition of revenue from online direct sales required significant audit attention to test the occurrence of the transactions. Relevant disclosures are included in notes 2.4 and 5 to the financial statements.	Our procedures in relation to revenue recognition of online direct sales included: – Obtaining an understanding of the key controls over the recognition of revenue from online direct sales and testing the controls; – Performing walkthrough and testing IT general controls and key application controls for the IT supporting applications which governed the revenue recognition; – Comparing the orders generated from online direct sales with the financial records; – Performing data analytical procedures such as concentration analysis of orders made by account users during the year; and – Performing reconciliation between revenue of direct online sales recorded in the financial system and cash collections.

Key audit matters *(continued)*

Key audit matter	How our audit addressed the key audit matter
Contract liability arising from membership loyalty programme	
The Group operates a membership loyalty programme, which allows customers to accumulate loyalty points when they purchase products. Loyalty points are redeemable for discounts of future purchase. The membership loyalty programme gives rise to a separate performance obligation because it provides a material right to customers and the Group allocates a portion of the transaction price to the loyalty points awarded to customers based on the relative stand-alone selling price. As of 31 December 2024, contract liabilities arising from loyalty points programme amounted to RMB73,572,000. The fair value of the loyalty points was estimated by reference to the discount that the customer would obtain when redeeming the loyalty points for goods and the proportion of loyalty points expected to be forfeited, which required management's significant judgement and estimation. Relevant disclosures are included in notes 2.4, 3 and 23 to the financial statements.	Our procedures in relation to contract liability arising from membership loyalty programme included: – Obtaining an understanding of the policy of loyalty points programme; – Performing walkthrough and testing IT general controls and key application controls for the IT supporting applications in relation to the grant and subsequent redemption and utilisation of loyalty points; – Assessing management's estimate of the stand-alone selling price and the allocation of considerations among sales of goods and loyalty points granted to customers; – Evaluating management's estimation of the percentage of loyalty points that might be redeemed by customers by comparing with the historical information and the settlement of loyalty points subsequent to year end; and – Assessing the adequacy of the Group's disclosures of the loyalty points programme in the financial statements.

Other information included in the Annual Report

The directors of the Company are responsible for the other information. The other information comprises the information included in the Annual Report, other than the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the directors for the consolidated financial statements

The directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with HKFRS Accounting Standards as issued by the HKICPA and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors of the Company are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors of the Company either intend to liquidate the Group or to cease operations or have no realistic alternative but to do so.

The directors of the Company are assisted by the Audit Committee in discharging their responsibilities for overseeing the Group's financial reporting process.

Auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Our report is made solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with HKSAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

Auditor's responsibilities for the audit of the consolidated financial statements *(continued)*

- Plan and perform the group audit to obtain sufficient appropriate audit evidence regarding the financial information of the entities or business units within the Group as a basis for forming an opinion on the consolidated financial statements. We are responsible for the direction, supervision and review of the audit work performed for purposes of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with the Audit Committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Hooi Wan Yee.

Ernst & Young
Certified Public Accountants
Hong Kong
27 March 2025

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

Year ended 31 December 2024

	Notes	2024 RMB'000	2023 RMB'000
REVENUE	5	**3,884,694**	2,885,964
Cost of sales		**(607,176)**	(437,719)
Gross profit		**3,277,518**	2,448,245
Other income and gains	5	**68,360**	46,633
Selling and distribution expenses		**(1,904,060)**	(1,412,361)
Administrative expenses		**(267,771)**	(192,093)
Reversal of impairment losses on financial assets, net		**3,428**	998
Other expenses		**(455)**	(822)
Finance costs	7	**(5,289)**	(2,033)
Share of profit/(loss) of an associate		**5,020**	(703)
PROFIT BEFORE TAX	6	**1,176,751**	887,864
Income tax expense	10	**(295,422)**	(224,394)
PROFIT AND TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**881,329**	663,470
Attributable to:			
Owners of the parent		**880,611**	661,928
Non-controlling interests		**718**	1,542
		881,329	663,470
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT			
Basic and diluted (RMB yuan)	12	**2.18**	3.31

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2024

	Notes	31 December 2024 RMB'000	31 December 2023 RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment	13	278,890	167,971
Investment properties	14	3,042	3,164
Right-of-use assets	15(a)	666,686	52,054
Other intangible assets	16	2,778	2,555
Investment in an associate	17	36,554	9,297
Prepayments, other receivables and other assets	20	–	118,540
Deferred tax assets	26	38,313	42,970
Total non-current assets		1,026,263	396,551
CURRENT ASSETS			
Inventories	18	323,774	342,206
Trade receivables	19	214,543	157,677
Prepayments, other receivables and other assets	20	62,266	56,990
Restricted cash	21	50,167	3,250
Cash and cash equivalents	21	2,796,456	1,137,894
Total current assets		3,447,206	1,698,017
CURRENT LIABILITIES			
Trade payables	22	92,065	103,589
Other payables and accruals	23	390,209	299,367
Interest-bearing bank and other borrowings	24	320,000	–
Due to related parties	32(b)	2,948	1,135
Due to a director	32(b)	166	–
Provision	25	90	374
Lease liabilities	15(b)	25,539	21,683
Tax payable		120,366	103,157
Total current liabilities		951,383	529,305
NET CURRENT ASSETS		2,495,823	1,168,712
TOTAL ASSETS LESS CURRENT LIABILITIES		3,522,086	1,565,263

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2024

	Notes	31 December 2024 RMB'000	31 December 2023 RMB'000
TOTAL ASSETS LESS CURRENT LIABILITIES		**3,522,086**	1,565,263
NON-CURRENT LIABILITIES			
Lease liabilities	15(b)	**18,563**	17,277
Total non-current liabilities		**18,563**	17,277
Net assets		**3,503,523**	1,547,986
EQUITY			
Equity attributable to owners of the parent			
Share capital	27	**239,212**	60,000
Reserves	29	**3,262,096**	1,485,670
		3,501,308	1,545,670
Non-controlling interests		**2,215**	2,316
Total equity		**3,503,523**	1,547,986

MAO Niping
Director

MAO Huiping
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2024

	Attributable to owners of the parent							
	Share capital RMB'000 (note 27)	Share premium* RMB'000 (note 29)	Capital Reserve* RMB'000	Statutory surplus reserve* RMB'000 (note 29)	Retained profits* RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity 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	60,000	49,550	140	108,219	1,327,761	1,545,670	2,316	1,547,986

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2024

	Attributable to owners of the parent							
	Share capital RMB'000 (note 27)	Share premium* RMB'000 (note 29)	Capital Reserve* RMB'000	Statutory surplus reserve* RMB'000 (note 29)	Retained profits* RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity 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 year	–	–	–	–	880,611	880,611	718	881,329
Share conversion	140,000	(49,550)	–	(90,450)	–	–	–	–
Disposal of partial shareholding in a subsidiary	–	–	1	–	–	1	(1)	–
Capital injection from non-controlling shareholders	–	–	–	–	–	–	96,000	96,000
Acquistion of non-controlling interests	–	–	118	–	–	118	(96,818)	(96,700)
Issue of shares from initial public offerings	39,212	2,122,716	–	–	–	2,161,928	–	2,161,928
Share issue expenses	–	(102,044)	–	–	–	(102,044)	–	(102,044)
Equity-settled share award expense	–	–	15,024	–	–	15,024	–	15,024
Transfer to statutory surplus reserves	–	–	–	139,812	(139,812)	–	–	–
Dividends declared to shareholders	–	–	–	–	(1,000,000)	(1,000,000)	–	(1,000,000)
At 31 December 2024	239,212	2,020,672	15,283	157,581	1,068,560	3,501,308	2,215	3,503,523

* These reserve accounts comprise the consolidated reserves of RMB3,262,096,000 (2023: RMB1,485,670,000) in the consolidated statements of financial position.

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 December 2024

	Notes	2024 RMB'000	2023 RMB'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		**1,176,751**	887,864
Adjustments for:			
Interest income	5	**(14,402)**	(19,779)
Finance costs	7	**5,289**	2,033
Depreciation of property, plant and equipment	13	**40,963**	40,093
Depreciation of investment properties	14	**122**	122
Amortisation of other intangible assets	16	**835**	717
Loss on disposal of items of property, plant and equipment		**(242)**	(23)
Depreciation of right-of-use assets		**36,577**	29,229
Gain on termination of leases, net		**(548)**	(472)
Reversal of impairment losses on trade and other receivables, net		**(3,428)**	(998)
Equity-settled share award expense		**15,024**	–
(Reversal of write-down)/write-down of inventories to net realisable values		**(615)**	1,597
Share of (profit)/loss of an associate	17	**(5,020)**	703
Foreign exchange differences, net		**(2,158)**	–
		1,249,148	941,086
Decrease/(increase) in inventories		**19,047**	(44,330)
Increase in trade receivables		**(55,993)**	(44,625)
Increase in prepayments, other receivables and other assets		**(2,980)**	(25,360)
Increase in restricted cash		**(46,917)**	(1,896)
Decrease in trade payables		**(11,524)**	(9,351)
Increase in other payables and accruals		**90,078**	61,940
(Decrease)/increase in provision		**(284)**	374
Increase in amounts due to related parties		**1,813**	1,104
Increase in amounts due to a director		**166**	–
Cash generated from operations		**1,242,554**	878,942
Cash generated from operations		**1,242,554**	878,942
Income tax paid		**(273,958)**	(179,234)
Net cash flows from operating activities		**968,596**	699,708

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 December 2024

	Notes	2024 RMB'000	2023 RMB'000
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchases of items of property, plant and equipment		**(122,634)**	(72,193)
Purchases of other intangible assets		**(1,058)**	(1,312)
Purchase of leasehold land		**(492,215)**	(12,654)
Payment of bidding deposit for land use right		**–**	(118,540)
Purchase of a shareholding in an associate		**(22,237)**	(10,000)
Proceeds from disposal of items of property, plant and equipment		**527**	213
Loans to related parties		**(265,000)**	–
Repayment of loans to related parties		**265,000**	–
Interest received		**9,665**	19,779
Net cash flows used in investing activities		**(627,952)**	(194,707)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issue of shares		**2,071,073**	–
Dividends paid		**(1,025,000)**	(225,000)
Repayment of principal portion of lease liabilities		**(38,408)**	(27,973)
Interest paid		**(2,230)**	(2,033)
Proceeds from bank borrowings		**416,941**	–
Repayment of bank borrowings		**(100,000)**	–
Payment of listing expenses		**(10,653)**	–
Acquisition of non-controlling interests		**(96,700)**	–
Capital injection from non-controlling shareholders of a subsidiary		**96,000**	–
Net cash flows from/(used in) financing activities		**1,311,023**	(255,006)
NET INCREASE IN CASH AND CASH EQUIVALENTS		**1,651,667**	249,995
Cash and cash equivalents at beginning of year		**1,137,894**	887,899
Effect of foreign exchange rate changes, net		**2,158**	–
CASH AND CASH EQUIVALENTS AT END OF YEAR		**2,791,719**	1,137,894

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 December 2024

	Notes	2024 RMB'000	2023 RMB'000
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and bank balances	21	**2,846,623**	1,141,144
Restricted cash	21	**(50,167)**	(3,250)
Unreceived interest		**(4,737)**	–
Cash and cash equivalents as stated in the consolidated statement of financial position and the consolidated statement of cash flows		**2,791,719**	1,137,894

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 year, 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.

In the opinion of the directors of the Company, the ultimate controlling shareholders of the Company is Mr. Mao Geping, Ms. Wang Liqun, Hangzhou Dijing Investment Management Partnership (Limited Partnership) ("**Dijing Investment**") and Hangzhou Jiachi Investment Management Partnership (Limited Partnership) ("**Jiachi Investment**").

As at the end reporting period, 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	Issued ordinary/ 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)	PRC/ Mainland China 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)	PRC/ Mainland China 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)	PRC/Mainland China 10 August 2010	RMB10,000,000	100	–	Provision of makeup artistry training
Hangzhou Diyue Cosmetics Co., Ltd.* ("**Hangzhou Diyue**") (杭州迪悦化妝品有限公司)	PRC/Mainland China 2 June 2016	RMB10,000,000	100	–	Sale of beauty products

1. CORPORATE AND GROUP INFORMATION *(continued)*

Name	Place and date of incorporation/ registration and place of operations	Issued ordinary/ registered share capital	Percentage of equity attributable to the Company		Principal activities
			Direct	Indirect	
Beijing Diyue Cosmetics Co., Ltd.* ("**Beijing Diyue**") (北京迪悦化妝品有限公司)	PRC/Mainland China 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)	PRC/Mainland China 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)	PRC/Mainland China 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)	PRC/Mainland China 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/Mainland China 2 January 2024	RMB650,000,000	100	–	Properties holding

* 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.

These entities are registered as domestic enterprises under PRC law.

The above table lists the subsidiaries of the Company which, in the opinion of the directors, principally affected the results for the year 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. ACCOUNTING POLICIES

2.1 BASIS OF PREPARATION

These financial statements have been prepared in accordance with HKFRS Accounting Standards (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("**HKASs**") and Interpretations) as issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**") and the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention. These financial statements are presented in Renminbi ("**RMB**") and all values are rounded to the nearest thousand except when otherwise indicated.

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries (collectively referred to as the "**Group**") for the year ended 31 December 2024. 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 period as the Company, using consistent accounting policies. The results of subsidiaries are consolidated from the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

2. ACCOUNTING POLICIES *(continued)*

2.1 BASIS OF PREPARATION *(continued)*

Basis of consolidation *(continued)*

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 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The Group has adopted the following revised HKFRS Accounting Standards for the first time for the current year's financial statements.

Amendments to HKFRS 16	*Lease Liability in a Sale and Leaseback*
Amendments to HKAS 1	*Classification of Liabilities as Current or Non-current* (the "***2020 Amendments***")
Amendments to HKAS 1	*Non-current Liabilities with Covenants* (the "***2022 Amendments***")
Amendments to HKAS 7 and HKFRS7	*Supplier Finance Arrangements*

The nature and the impact of the revised HKFRS Accounting Standards are described below:

(a) Amendments to HKFRS 16 specify the requirements that a seller-lessee uses in measuring the lease liability arising in a sale and leaseback transaction to ensure the seller-lessee does not recognise any amount of the gain or loss that relates to the right of use it retains. Since the Group has no sale and leaseback transactions with variable lease payments that do not depend on an index or a rate occurring from the date of initial application of HKFRS 16, the amendments did not have any impact on the financial position or performance of the Group.

2. ACCOUNTING POLICIES *(continued)*

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES *(continued)*

(b) The 2020 Amendments clarify the requirements for classifying liabilities as current or non-current, including what is meant by a right to defer settlement and that a right to defer must exist at the end of the reporting period. Classification of a liability is unaffected by the likelihood that the entity will exercise its right to defer settlement. The amendments also clarify that a liability can be settled in its own equity instruments, and that only if a conversion option in a convertible liability is itself accounted for as an equity instrument would the terms of a liability not impact its classification. The 2022 Amendments further clarify that, among covenants of a liability arising from a loan arrangement, only those with which an entity must comply on or before the reporting date affect the classification of that liability as current or non-current. Additional disclosures are required for non-current liabilities that are subject to the entity complying with future covenants within 12 months after the reporting period.

(c) The Group has reassessed the terms and conditions of its liabilities as at 1 January 2023 and 2024 and concluded that the classification of its liabilities as current or non-current remained unchanged upon initial application of the amendments. Accordingly, the amendments did not have any impact on the financial position or performance of the Group.

(d) Amendments to HKAS 7 and HKFRS 7 clarify the characteristics of supplier finance arrangements and require additional disclosure of such arrangements. The disclosure requirements in the amendments are intended to assist users of financial statements in understanding the effects of supplier finance arrangements on an entity's liabilities, cash flows and exposure to liquidity risk. As the Group does not have supplier finance arrangements, the amendments did not have any impact on the Group's financial statements.

2. ACCOUNTING POLICIES *(continued)*

2.3 ISSUED BUT NOT YET EFFECTIVE HKFRS ACCOUNTING STANDARDS

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

HKFRS 18	*Presentation and Disclosure in Financial Statements*[3]
HKFRS 19	*Subsidiaries without Public Accountability: Disclosures*[3]
Amendments to HKFRS 9 and HKFRS 7	*Amendments to the Classification and Measurement of Financial Instruments*[2]
Amendments to HKFRS 9 and HKFRS 7	*Contracts Referencing Nature-dependent Electricity*[2]
Amendments to HKFRS 10 and HKAS 28	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[4]
Amendments to HKAS 21	*Lack of Exchangeability*[1]
Annual Improvements to HKFRS Accounting Standards – Volume 11	Amendments to HKFRS 1, HKFRS 7, HKFRS 9, HKFRS 10 and HKAS 7[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 HKFRS Accounting Standards that are expected to be applicable to the Group is described below.

2. ACCOUNTING POLICIES *(continued)*

2.3 ISSUED BUT NOT YET EFFECTIVE HKFRS ACCOUNTING STANDARDS *(continued)*

HKFRS 18 replaces HKAS 1 Presentation of Financial Statements. While a number of sections have been brought forward from HKAS 1 with limited changes, HKFRS 18 introduces new requirements for presentation within the statement of profit or loss and other comprehensive income, including specified totals and subtotals. Entities are required to classify all income and expenses within the statement of profit or loss and other comprehensive income into one of the five categories: operating, investing, financing, income taxes and discontinued operations and to present two new defined subtotals. It also requires disclosures about management-defined performance measures in a single note and introduces enhanced requirements on the grouping (aggregation and disaggregation) and the location of information in both the primary financial statements and the notes. Some requirements previously included in HKAS 1 are moved to HKAS 8 Accounting Policies, Changes in Accounting Estimates and Errors, which is renamed as HKAS 8 Basis of Preparation of Financial Statements. As a consequence of the issuance of HKFRS 18, limited, but widely applicable, amendments are made to HKAS 7 Statement of Cash Flows, HKAS 33 Earnings per Share and HKAS 34 Interim Financial Reporting. In addition, there are minor consequential amendments to other HKFRS Accounting Standards. HKFRS 18 and the consequential amendments to other HKFRS Accounting Standards are effective for annual periods beginning on or after 1 January 2027 with earlier application permitted. Retrospective application is required. The Group is currently analysing the new requirements and assessing the impact of HKFRS 18 on the presentation and disclosure of the Group's financial statements.

HKFRS 19 allows eligible entities to elect to apply reduced disclosure requirements while still applying the recognition, measurement and presentation requirements in other HKFRS Accounting Standards. To be eligible, at the end of the reporting period, an entity must be a subsidiary as defined in HKFRS 10 Consolidated Financial Statements, cannot have public accountability and must have a parent (ultimate or intermediate) that prepares consolidated financial statements available for public use which comply with HKFRS Accounting Standards. Earlier application is permitted. As the Company is a listed company, it is not eligible to elect to apply HKFRS 19. Some of the Company's subsidiaries are considering the application of HKFRS 19 in their specified financial statements.

2. ACCOUNTING POLICIES *(continued)*

2.3 ISSUED BUT NOT YET EFFECTIVE HKFRS ACCOUNTING STANDARDS *(continued)*

Amendments to HKFRS 9 and HKFRS 7 *Amendments to the Classification and Measurement of Financial Instruments* clarify the date on which a financial asset or financial liability is derecognised and introduce an accounting policy option to derecognise a financial liability that is settled through an electronic payment system before the settlement date if specified criteria are met. The amendments clarify how to assess the contractual cash flow characteristics of financial assets with environmental, social and governance and other similar contingent features. Moreover, the amendments clarify the requirements for classifying financial assets with non-recourse features and contractually linked instruments. The amendments also include additional disclosures for investments in equity instruments designated at fair value through other comprehensive income and financial instruments with contingent features. The amendments shall be applied retrospectively with an adjustment to opening retained profits (or other component of equity) at the initial application date. Prior periods are not required to be restated and can only be restated without the use of hindsight. Earlier application of either all the amendments at the same time or only the amendments related to the classification of financial assets is permitted. The amendments are not expected to have any significant impact on the Group's financial statements.

Amendments to HKFRS 9 and HKFRS 7 *Contracts Referencing Nature-dependent Electricity* clarify the application of the "own-use" requirements for in-scope contracts and amend the designation requirements for a hedged item in a cash flow hedging relationship for in-scope contracts. The amendments also include additional disclosures that enable users of financial statements to understand the effects these contracts have on an entity's financial performance and future cash flows. The amendments relating to the own-use exception shall be applied retrospectively. Prior periods are not required to be restated and can only be restated without the use of hindsight. The amendments relating to the hedge accounting shall be applied prospectively to new hedging relationships designated on or after the date of initial application. Earlier application is permitted. The amendments to HKFRS 9 and HKFRS 7 shall be applied at the same time. The amendments are not expected to have any significant impact on the Group's financial statements.

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

2. ACCOUNTING POLICIES *(continued)*

2.3 ISSUED BUT NOT YET EFFECTIVE HKFRS ACCOUNTING STANDARDS *(continued)*

Amendments to HKAS 21 specify how an entity shall assess whether a currency is exchangeable into another currency and how it shall estimate a spot exchange rate at a measurement date when exchangeability is lacking. The amendments require disclosures of information that enable users of financial statements to understand the impact of a currency not being exchangeable. Earlier application is permitted. When applying the amendments, an entity cannot restate comparative information. Any cumulative effect of initially applying the amendments shall be recognised as an adjustment to the opening balance of retained profits or to the cumulative amount of translation differences accumulated in a separate component of equity, where appropriate, at the date of initial application. The amendments are not expected to have any significant impact on the Group's financial statements.

Annual Improvements to HKFRS Accounting Standards – Volume 11 set out amendments to HKFRS 1, HKFRS 7 (and the accompanying Guidance on implementing HKFRS 7), HKFRS 9, HKFRS 10 and HKAS 7. Details of the amendments that are expected to be applicable to the Group are as follows:

- HKFRS 7 Financial Instruments: Disclosures: The amendments have updated certain wording in paragraph B38 of HKFRS 7 and paragraphs IG1, IG14 and IG20B of the Guidance on implementing HKFRS 7 for the purpose of simplification or achieving consistency with other paragraphs in the standard and/or with the concepts and terminology used in other standards. In addition, the amendments clarify that the Guidance on implementing HKFRS 7 does not necessarily illustrate all the requirements in the referenced paragraphs of HKFRS 7 nor does it create additional requirements. Earlier application is permitted. The amendments are not expected to have any significant impact on the Group's financial statements.

- HKFRS 9 Financial Instruments: The amendments clarify that when a lessee has determined that a lease liability has been extinguished in accordance with HKFRS 9, the lessee is required to apply paragraph 3.3.3 of HKFRS 9 and recognise any resulting gain or loss in profit or loss. In addition, the amendments have updated certain wording in paragraph 5.1.3 of HKFRS 9 and Appendix A of HKFRS 9 to remove potential confusion. Earlier application is permitted. The amendments are not expected to have any significant impact on the Group's financial statements. HKFRS 10 Consolidated Financial Statements: The amendments clarify that the relationship described in paragraph B74 of HKFRS 10 is just one example of various relationships that might exist between the investor and other parties acting as de facto agents of the investor, which removes the inconsistency with the requirement in paragraph B73 of HKFRS 10. Earlier application is permitted. The amendments are not expected to have any significant impact on the Group's financial statements.

- HKFRS 10 Consolidated Financial Statements: The amendments clarify that the relationship described in paragraph B74 of HKFRS 10 is just one example of various relationships that might exist between the investor and other parties acting as de facto agents of the investor, which removes the inconsistency with the requirement in paragraph B73 of HKFRS 10. Earlier application is permitted. The amendments are not expected to have any significant impact on the Group's financial statements.

2. ACCOUNTING POLICIES *(continued)*

2.3 ISSUED BUT NOT YET EFFECTIVE HKFRS ACCOUNTING STANDARDS *(continued)*

- HKAS 7 Statement of Cash Flows: The amendments replace the term "cost method" with "at cost" in paragraph 37 of HKAS 7 following the prior deletion of the definition of "cost method". Earlier application is permitted. The amendments are not expected to have any impact on the Group's financial statements.

2.4 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

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.

2. ACCOUNTING POLICIES *(continued)*

2.4 MATERIAL ACCOUNTING POLICY INFORMATION *(continued)*

Fair value measurement *(continued)*

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

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

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

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

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

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

For assets and liabilities that are recognised in the financial statements 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 reporting period.

Impairment of non-financial assets

Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than inventories, 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.

2. ACCOUNTING POLICIES *(continued)*

2.4 MATERIAL ACCOUNTING POLICY INFORMATION *(continued)*

Impairment of non-financial assets *(continued)*

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 reporting period as to whether there is an indication that previously recognised impairment losses may no longer exist or may have decreased. If such an indication exists, the recoverable amount is estimated. A previously recognised impairment loss of an asset other than goodwill is reversed only if there has been a change in the estimates used to determine the recoverable amount of that asset, but not to an amount higher than the carrying amount that would have been determined (net of any 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;

2. ACCOUNTING POLICIES *(continued)*

2.4 MATERIAL ACCOUNTING POLICY INFORMATION *(continued)*

Related parties *(continued)*

(b) the party is an entity where any of the following conditions applies: *(continued)*

(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	10 months to 5 years
Motor vehicles	3 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.

2. ACCOUNTING POLICIES *(continued)*

2.4 MATERIAL ACCOUNTING POLICY INFORMATION *(continued)*

Property, plant and equipment and depreciation *(continued)*

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.

2. ACCOUNTING POLICIES *(continued)*

2.4 MATERIAL ACCOUNTING POLICY INFORMATION *(continued)*

Intangible assets (other than goodwill) *(continued)*

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 and warehouses	1 to 9 years
Leasehold land	40 to 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.

2. ACCOUNTING POLICIES *(continued)*

2.4 MATERIAL ACCOUNTING POLICY INFORMATION *(continued)*

Leases *(continued)*

Group as a lessee (continued)

(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 warehouses and self-operated counters (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.

2. ACCOUNTING POLICIES *(continued)*

2.4 MATERIAL ACCOUNTING POLICY INFORMATION *(continued)*

Leases *(continued)*

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 term 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.

2. ACCOUNTING POLICIES *(continued)*

2.4 MATERIAL ACCOUNTING POLICY INFORMATION *(continued)*

Investments and other financial assets

Initial recognition and measurement

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

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

Subsequent measurement

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

Financial assets at amortised cost (debt instruments)

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

Financial assets at fair value through 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.

2. ACCOUNTING POLICIES *(continued)*

2.4 MATERIAL ACCOUNTING POLICY INFORMATION *(continued)*

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.

2. ACCOUNTING POLICIES *(continued)*

2.4 MATERIAL ACCOUNTING POLICY INFORMATION *(continued)*

Impairment of financial assets *(continued)*

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.

2. ACCOUNTING POLICIES *(continued)*

2.4 MATERIAL ACCOUNTING POLICY INFORMATION *(continued)*

Impairment of financial assets *(continued)*

General approach (continued)

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.

2. ACCOUNTING POLICIES *(continued)*

2.4 MATERIAL ACCOUNTING POLICY INFORMATION *(continued)*

Financial liabilities *(continued)*

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.

2. ACCOUNTING POLICIES *(continued)*

2.4 MATERIAL ACCOUNTING POLICY INFORMATION *(continued)*

Cash and cash equivalents

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

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

Provisions

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

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

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 the reporting period, taking into consideration interpretations and practices prevailing in the countries in which the Group operates.

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

2. ACCOUNTING POLICIES *(continued)*

2.4 MATERIAL ACCOUNTING POLICY INFORMATION *(continued)*

Income tax *(continued)*

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

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

2. ACCOUNTING POLICIES *(continued)*

2.4 MATERIAL ACCOUNTING POLICY INFORMATION *(continued)*

Income tax *(continued)*

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.

2. ACCOUNTING POLICIES *(continued)*

2.4 MATERIAL ACCOUNTING POLICY INFORMATION *(continued)*

Revenue recognition *(continued)*

Revenue from contracts with customers (continued)

(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.

2. ACCOUNTING POLICIES *(continued)*

2.4 MATERIAL ACCOUNTING POLICY INFORMATION *(continued)*

Revenue recognition *(continued)*

Revenue from contracts with customers (continued)

(a) *Sale of products (continued)*

(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).

2. ACCOUNTING POLICIES *(continued)*

2.4 MATERIAL ACCOUNTING POLICY INFORMATION *(continued)*

Right-of-return assets

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

Refund liabilities

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

Share-based payments

The Company operates 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 28 to the financial statements.

The cost of equity-settled transactions is recognised in employee benefit expense, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled. The cumulative expense recognised for equity-settled transactions at the end of each reporting period 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.

2. ACCOUNTING POLICIES *(continued)*

2.4 MATERIAL ACCOUNTING POLICY INFORMATION *(continued)*

Share-based payments *(continued)*

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 Mainland China 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.

Events after the reporting period

If the Group receives information after the reporting period, but prior to the date of authorisation for issue, about conditions that existed at the end of the reporting period, it will assess whether the information affects the amounts that it recognises in its financial statements. The Group will adjust the amounts recognised in its financial statements to reflect any adjusting events after the reporting period and update the disclosures that relate to those conditions in light of the new information. For non-adjusting events after the reporting period, the Group will not change the amounts recognised in its financial statements, but will disclose the nature of the non-adjusting events and an estimate of their financial effects, or a statement that such an estimate cannot be made, if applicable.

Dividends

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

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

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

Judgements

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 financial statements:

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:

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES *(continued)*

Judgements *(continued)*

Revenue from contracts with customers *(continued)*

(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.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES *(continued)*

Estimation uncertainty

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

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 financial statements.

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 reporting period. The carrying amount of inventories is given in note 18 to the financial statements.

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.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES *(continued)*

Estimation uncertainty *(continued)*

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

	2024 **RMB'000**	2023 RMB'000
Mainland China	**3,882,839**	2,885,964
Hong Kong	**1,855**	–
Total	**3,884,694**	2,885,964

The revenue information above is based on the locations of the customers. All of the non-current assets of the Group were located in Mainland China.

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 reporting period.

5. REVENUE, OTHER INCOME AND GAINS

An analysis of the Group's revenue is as follows:

	2024 RMB'000	2023 RMB'000
Revenue from contracts with customers	**3,884,694**	2,885,964

Revenue from contracts with customers

(i) Disaggregated revenue information

	2024 RMB'000	2023 RMB'000
Types of goods or services		
Sale of products	**3,732,979**	2,781,892
Makeup artistry training and related sales	**151,715**	104,072
Total	**3,884,694**	2,885,964

The following table shows the breakdown of revenue from product sales by sales channel:

	2024 RMB'000	2023 RMB'000
Offline channels		
Offline direct sales	**1,756,963**	1,438,182
Sales to offline distributors	**87,334**	69,804
Sales to a premium multinational beauty retailer	**104,424**	94,080
Subtotal	**1,948,721**	1,602,066
Online channels		
Online direct sales	**1,428,585**	931,164
Sales to online distributors	**355,673**	248,662
Subtotal	**1,784,258**	1,179,826
Total	**3,732,979**	2,781,892

5. REVENUE, OTHER INCOME AND GAINS *(continued)*

Revenue from contracts with customers *(continued)*

(i) Disaggregated revenue information *(continued)*

	2024 RMB'000	2023 RMB'000
Geographical markets		
Mainland China	3,882,839	2,885,964
Hong Kong	1,855	–
Total	3,884,694	2,885,964
Timing of revenue recognition		
Goods transferred or services provided at a point in time	3,758,253	2,805,230
Services provided over time	126,441	80,734
Total	3,884,694	2,885,964

The following table shows the amounts of revenue recognised in the current reporting period that were included in the contract liabilities at the beginning of the reporting period:

	2024 RMB'000	2023 RMB'000
Sale of products	63,193	47,287
Makeup artistry training and related sales	22,907	15,634
Total	86,100	62,921

5. REVENUE, OTHER INCOME AND GAINS *(continued)*

Revenue from contracts with customers *(continued)*

(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.

5. REVENUE, OTHER INCOME AND GAINS *(continued)*

Revenue from contracts with customers *(continued)*

(ii) Performance obligations *(continued)*

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 are as follows:

	2024 **RMB'000**	2023 RMB'000
Amounts expected to be recognised as revenue:		
Within one year	**28,703**	22,907

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.

5. REVENUE, OTHER INCOME AND GAINS *(continued)*

Revenue from contracts with customers *(continued)*

(ii) Performance obligations *(continued)*

Makeup artistry training and related sales (continued)

An analysis of the Group's other income and gains is as follows:

	2024 RMB'000	2023 RMB'000
Other income		
Bank interest income	**14,209**	19,779
Interest income from loans to a related party	**193**	–
Government grants*	**49,311**	25,103
Gross rental income from investment property operating leases	**196**	328
Others	**3,661**	928
Total other income	**67,570**	46,138
Gains		
Gain on disposal of items of property, plant and equipment	**242**	23
Gain on termination of leases, net	**548**	472
Total gains	**790**	495
Total other income and gains	**68,360**	46,633

* 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	2024 RMB'000	2023 RMB'000
Cost of inventories sold		**489,504**	355,109
Cost of makeup artistry training services provided and related sales		**46,987**	37,434
Depreciation of property, plant and equipment	13	**40,963**	40,093
Depreciation of investment properties	14	**122**	122
Depreciation of right-of-use assets	15(a)	**40,882**	29,462
Less: Amount capitalised in construction in progress		**(4,305)**	(233)
Net depreciation of right-of-use assets		**36,577**	29,229
Amortisation of other intangible assets (i)	16	**835**	717
Research and development costs (ii)		**32,311**	23,975
Variable lease payments not included in the measurement of lease liabilities (included in selling and distribution expenses)	15(c)	**12,470**	6,518
Expenses relating to short-term leases and low-value leases (included in administrative expenses and selling and distribution expenses)	15(c)	**4,977**	5,583
Bank interest income		**(14,209)**	(19,779)
Interest income from loans to a related party		**193**	–
Government grants		**(49,311)**	(25,103)
Auditor's remuneration		**2,940**	3,655
Listing expenses		**37,490**	950
Employee benefit expense (excluding directors' and chief executives' remuneration (note 8)):			
Wages, salaries and bonuses		**586,416**	471,869
Equity-settled share award expense (iii)	28	**15,024**	–
Pension scheme contributions (defined contribution scheme) (iv)		**37,939**	30,305
Staff welfare expenses		**56,845**	46,252
Total		**696,224**	548,426

6. PROFIT BEFORE TAX *(continued)*

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

	Notes	2024 RMB'000	2023 RMB'000
Gain on termination of leases, net		**(548)**	(472)
Gain on disposal of items of property, plant and equipment, net		**(242)**	(23)
Reversal of impairment losses on trade and other receivables, net		**(3,428)**	(998)
Write-down/(reversal of write-down) of inventories to net realisable values (v)		**(615)**	1,597

(i) The amortisation of other intangible assets is included in "Administrative expenses" in the consolidated statement of profit or loss and other comprehensive income.

(ii) Research and development costs include part of employee benefit expense, depreciation of property, plant and equipment and depreciation of right-of-use assets.

(iii) The equity-settled share award expense is included in "Administrative expenses" in the consolidated statement of profit or loss and other comprehensive income.

(iv) There are no forfeited contributions that may be used by the Group as the employer to reduce the existing level of contributions.

(v) 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	2024 RMB'000	2023 RMB'000
Interest on bank and other borrowings		**3,059**	–
Interest on lease liabilities	15(b)	**2,230**	2,033
Total		**5,289**	2,033

8. DIRECTORS', CHIEF EXECUTIVE'S AND SUPERVISORS' REMUNERATION

Directors' and chief executive's remuneration for the year, disclosed pursuant to the Listing Rules, section 383(1)(a), (b), (c) and (f) of the Hong Kong Companies Ordinance and Part 2 of the Companies (Disclosure of Information about Benefits of Directors) Regulation, is as follows:

	2024 RMB'000	2023 RMB'000
Fees	**484**	320
Other emoluments:		
Salaries, allowances and benefits in kind	**14,974**	14,544
Bonuses	**9,511**	8,047
Pension scheme contributions	**254**	259
Subtotal	**24,739**	22,850
Total	**25,223**	23,170

(a) Independent non-executive directors

The fees paid to independent non-executive directors during the year were as follows:

	2024 RMB'000	2023 RMB'000
Mr. Dong Liming	**20**	80
Ms. Chen Weihua	**20**	80
Ms. Wang Hongwen	**20**	80
Mr. Li Hailong	**80**	80
Mr. Gu Jiong	**172**	–
Mr. Huang hui	**172**	–
Total	**484**	320

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 year.

8. DIRECTORS', CHIEF EXECUTIVE'S AND SUPERVISORS' REMUNERATION *(continued)*

(b) Executive directors and the chief executive

	Salaries, allowances and benefits in kind RMB'000	Bonus RMB'000	Pension scheme contributions RMB'000	Total remuneration RMB'000
Year ended 31 December 2024				
Executive director:				
Mr. Mao Geping*	3,196	3,313	25	6,534
Ms. Wang Liqun	1,024	500	40	1,564
Ms. Mao Niping	2,648	1,510	–	4,158
Ms. Mao Huiping	2,644	1,510	–	4,154
Mr. Wang Lihua	1,026	400	43	1,469
Ms. Song Hongquan*	3,378	1,860	44	5,282
Mr. Zhang Jianfeng**	285	–	10	295
Total	14,201	9,093	162	23,456

8. DIRECTORS', CHIEF EXECUTIVE'S AND SUPERVISORS' REMUNERATION *(continued)*

(b) Executive directors and the chief executive *(continued)*

	Salaries, allowances and benefits in kind RMB'000	Bonus RMB'000	Pension scheme contributions RMB'000	Total remuneration RMB'000
Year ended 31 December 2023				
Executive director:				
Mr. Mao Geping*	3,218	2,680	40	5,938
Ms. Wang Liqun	1,029	–	37	1,066
Ms. Mao Niping	2,409	1,460	–	3,869
Ms. Mao Huiping	2,381	1,485	–	3,866
Mr. Wang Lihua	1,029	–	37	1,066
Ms. Song Hongquan*	2,850	1,860	40	4,750
Mr. Zhang Jianfeng**	976	320	40	1,336
Total	13,892	7,805	194	21,891

* 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.

8. DIRECTORS', CHIEF EXECUTIVE'S AND SUPERVISORS' REMUNERATION *(continued)*

(c) Supervisors

	Salaries, allowances and benefits in kind RMB'000	Bonus RMB'000	Pension scheme contributions RMB'000	Total remuneration RMB'000
Year ended 31 December 2024				
Ms. Gao Yan	**233**	**79**	**24**	**336**
Mr. Yang Weiqing	**213**	**86**	**25**	**324**
Ms. Wu Meijuan	**327**	**253**	**43**	**623**
Total	**773**	**418**	**92**	**1,283**

	Salaries, allowances and benefits in kind RMB'000	Bonus RMB'000	Pension scheme contributions RMB'000	Total remuneration RMB'000
Year ended 31 December 2023				
Ms. Gao Yan	212	41	22	275
Mr. Yang Weiqing	197	51	18	266
Ms. Wu Meijuan	243	150	25	418
Total	652	242	65	959

There was no arrangement under which a director or a supervisor waived or agreed to waive any remuneration during the year.

During the year, 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 the year included three directors (2023: four directors), details of whose remuneration are set out in note 8 above. Details of the remuneration for the year of the remaining two (2023: one) highest paid employees who are neither a director nor chief executive of the Company, are as follows:

	2024 RMB'000	2023 RMB'000
Salaries, allowances and benefits in kind	1,993	1,115
Bonuses	1,277	2,260
Equity-settled share award expense	12,175	–
Pension scheme contributions	111	37
Total	15,556	3,412

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	
	2024	2023
HK$3,000,001 to HK$3,500,000	–	1
HK$5,000,001 to HK$5,500,000	1	–
HK$10,000,001 to HK$10,500,000	1	–
Total	2	1

During the year, share awards were granted to two non-director and non-chief executive highest paid employees in respect of their services to the Group, further details of which are included in the disclosures in note 28 to the financial statements. The fair value of such options, which has been recognised in the statement of profit or loss and other comprehensive income over the vesting period, was determined as at the date of grant and the amount included in the financial statements for the current year is included in the above non-director and non-chief executive highest paid employees' remuneration disclosures.

During the year, 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 2023, 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.

During the year of 2024, Chongqing Diyue Cosmetics Co., Ltd. and five 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 year are analysed as follows:

	2024 **RMB'000**	2023 RMB'000
Current – Charge for the year	**290,765**	222,612
Deferred tax (note 26)	**4,657**	1,782
Total tax charge for the year	**295,422**	224,394

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

	2024 **RMB'000**	2023 RMB'000
Profit before tax	**1,176,751**	887,864
Tax at the statutory tax rate of 25% in Mainland China	**294,188**	221,966
Effect of preferential lower tax rate entitled	**(1,905)**	(66)
Expenses not deductible for tax	**4,394**	2,318
(Profit)/loss attributable to an associate	**(1,255)**	176
Tax charge at the Group's effective tax rate	**295,422**	224,394

11. DIVIDENDS

	2024 RMB'000	2023 RMB'000
Dividends	**1,000,000**	250,000

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.

The proposed final dividend of RMB72 cent per ordinary share for the year ended 31 December 2024 to the shareholders of the Company, amounting to a total of approximately RMB352,935,000 is subject to the approval of the Company's shareholders at the forthcoming annual general meeting.

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

The calculation of the basic earnings per share amount is based on the profit for the year attributable to ordinary equity holders of the parent, and the weighted average number of ordinary shares of 404,713,975 (2023: 200,000,000) outstanding during the year, as adjusted to reflect the share conversion on 21 March 2024 (note 27). The Group had no potentially dilutive ordinary shares outstanding during the year ended 31 December 2024 (2023: nil).

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

	2024 RMB'000	2023 RMB'000
Earnings		
Profit attributable to ordinary equity holders of the parent, used in the basic earnings per share calculation	**880,611**	661,928

12. EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT *(continued)*

	Number of shares	
	2024	2023
Shares		
Weighted average number of ordinary shares outstanding during the year used in the basic earnings per share calculation	**404,713,975**	200,000,000

13. PROPERTY, PLANT AND EQUIPMENT

	Leasehold improvements RMB'000	Motor vehicles RMB'000	Office equipment RMB'000	Buildings RMB'000	Construction in progress RMB'000	Total RMB'000
31 December 2024						
At 1 January 2024:						
Cost	175,889	10,382	17,736	88,698	60,106	352,811
Accumulated depreciation	(125,917)	(7,630)	(12,500)	(38,793)	–	(184,840)
Net carrying amount	49,972	2,752	5,236	49,905	60,106	167,971
At 1 January 2024, net of accumulated depreciation	49,972	2,752	5,236	49,905	60,106	167,971
Additions	41,185	1,229	3,031	–	106,722	152,167
Disposals	–	(20)	(265)	–	–	(285)
Depreciation provided during the year (note 6)	(34,034)	(1,264)	(2,622)	(3,043)	–	(40,963)
At 31 December 2024, net of accumulated depreciation	57,123	2,697	5,380	46,862	166,828	278,890
At 31 December 2024:						
Cost	206,244	11,221	19,057	88,698	166,828	492,048
Accumulated depreciation	(149,121)	(8,524)	(13,677)	(41,836)	–	(213,158)
Net carrying amount	57,123	2,697	5,380	46,862	166,828	278,890

13. PROPERTY, PLANT AND EQUIPMENT *(continued)*

	Leasehold improvements RMB'000	Motor vehicles RMB'000	Office equipment RMB'000	Buildings RMB'000	Construction in progress RMB'000	Total RMB'000
31 December 2023						
At 1 January 2023:						
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	56,538	3,270	4,867	52,708	–	117,383
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)	(33,851)	(1,059)	(2,105)	(3,078)	–	(40,093)
At 31 December 2023, net of accumulated depreciation	49,972	2,752	5,236	49,905	60,106	167,971
At 31 December 2023:						
Cost	175,889	10,382	17,736	88,698	60,106	352,811
Accumulated depreciation	(125,917)	(7,630)	(12,500)	(38,793)	–	(184,840)
Net carrying amount	49,972	2,752	5,236	49,905	60,106	167,971

14. INVESTMENT PROPERTIES

	2024 **RMB'000**	2023 RMB'000
At beginning of year:		
Cost	**3,891**	3,891
Accumulated depreciation	**(727)**	(605)
Net carrying amount	**3,164**	3,286
At beginning of year, net of accumulated depreciation	**3,164**	3,286
Depreciation provided during the year (note 6)	**(122)**	(122)
At end of year, net of accumulated depreciation	**3,042**	3,164
At end of year:		
Cost	**3,891**	3,891
Accumulated depreciation	**(849)**	(727)
Net carrying amount	**3,042**	3,164

The Group rented out certain office and reclassified this office as an investment property accordingly. The investment property is leased to third parties under operating leases, futher summary details of which are included in note 15 to the financial statements.

The investment property is measured at cost. The fair value of the investment property was RMB4,530,000 as at 31 December 2024 (2023: RMB5,090,000), based on valuation performed by an independent professionally qualified valuer.

14. INVESTMENT PROPERTIES *(continued)*

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 2024

	Fair value measurement using			
	Quoted prices in active markets (Level 1) RMB'000	Significant observable inputs (Level 2) RMB'000	Significant unobservable inputs (Level 3) RMB'000	Total RMB'000
Office	–	–	**4,530**	**4,530**

As at 31 December 2023

	Fair value measurement using			
	Quoted prices in active markets (Level 1) RMB'000	Significant observable inputs (Level 2) RMB'000	Significant unobservable inputs (Level 3) RMB'000	Total RMB'000
Office	–	–	5,090	5,090

The fair value of investment properties disclosed in the financial statements 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	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, warehouses and leasehold land used in its operations. Leases of self-operated counters generally have lease terms between 10 months and 4 years. Leases of office generally have lease terms between 1 and 9 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 RMB'000	Office and warehouses RMB'000	Leasehold land RMB'000	Total RMB'000
As at 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)
As at 31 December 2023 and 1 January 2024	**13,674**	**25,959**	**12,421**	**52,054**
Additions	**12,249**	**16,916**	**610,755**	**639,920**
Termination	**–**	**(7,747)**	**–**	**(7,747)**
Increase as a result of lease modifications	**7,035**	**16,306**	**–**	**23,341**
Depreciation provided during the year (note 6)	**(16,504)**	**(20,073)**	**(4,305)**	**(40,882)**
As at 31 December 2024	**16,454**	**31,361**	**618,871**	**666,686**

15. LEASES *(continued)*

The Group as a lessee *(continued)*

(b) Lease liabilities

The carrying amount of lease liabilities and the movements during the year are as follows:

	2024 RMB'000	2023 RMB'000
Carrying amount at beginning of year	**38,960**	52,735
New leases	**29,165**	15,679
Accretion of interest recognised during the year	**2,230**	2,033
Termination	**(8,295)**	(7,602)
Lease modifications	**22,680**	6,121
Payments	**(40,638)**	(30,006)
Carrying amount at end of year	**44,102**	38,960
Analysed into:		
Current portion	**25,539**	21,683
Non-current portion	**18,563**	17,277

	2024 RMB'000	2023 RMB'000
Analysed into:		
Lease liabilities repayable:		
Within 1 year	**25,539**	21,683
1 to 2 years	**11,979**	9,740
2 to 5 years	**6,584**	7,537
Total	**44,102**	38,960

The maturity analysis of lease liabilities is disclosed in note 35 to the financial statements.

15. LEASES *(continued)*

The Group as a lessee *(continued)*

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

	2024 RMB'000	2023 RMB'000
Interest on lease liabilities	**2,230**	2,033
Depreciation charge of right-of-use assets	**36,577**	29,229
Gain on termination of leases, net	**(548)**	(472)
Variable lease payments not included in the measurement of lease liabilities (included in selling and distribution expenses)	**12,470**	6,518
Expenses relating to short-term leases and low-value leases (included in administrative expenses and selling and distribution expenses)	**4,977**	5,583
Total amount recognised in profit or loss	**55,706**	42,891

(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 2024

	Fixed payments RMB'000	Variable payments RMB'000	Total RMB'000
Fixed rent	**40,638**	**–**	**40,638**
Variable rent with minimum payment	**–**	**12,470**	**12,470**
Total	**40,638**	**12,470**	**53,108**

15. LEASES *(continued)*

The Group as a lessee *(continued)*

(d) Variable lease payments *(continued)*

Year ended 31 December 2023

	Fixed payments RMB'000	Variable payments RMB'000	Total RMB'000
Fixed rent	30,006	–	30,006
Variable rent with minimum payment	–	6,518	6,518
Total	30,006	6,518	36,524

(e) The total cash outflow for leases is disclosed in note 30(c) to the financial statements.

The Group as a lessor

The Group leases its investment properties (note 14) consisting of certain office in Mainland China 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 year is as follows:

	2024 RMB'000	2023 RMB'000
Rental income from operating leases (note 5)	**196**	328

As at the end of each reporting period, the undiscounted lease payments receivable by the Group in future periods under operating lease with its tenant are as follows:

	2024 RMB'000	2023 RMB'000
Within one year	**99**	109
After one year but within two years	**218**	213
After two years but within three years	**131**	218
After three years but within four years	**–**	131
Total	**448**	671

16. OTHER INTANGIBLE ASSETS

	Software RMB'000
31 December 2024	
Cost at 1 January 2024, net of accumulated amortisation	**2,555**
Additions	**1,058**
Amortisation provided during the year (note 6)	**(835)**
At 31 December 2024, net of accumulated amortisation	**2,778**
At 31 December 2024:	
Cost	**6,996**
Accumulated amortisation	**(4,218)**
Net carrying amount	**2,778**
31 December 2023	
Cost at 1 January 2023, net of accumulated amortisation	1,006
Additions	2,266
Amortisation provided during the year (note 6)	(717)
At 31 December 2023, net of accumulated amortisation	2,555
At 31 December 2023:	
Cost	5,938
Accumulated amortisation	(3,383)
Net carrying amount	2,555

17. INVESTMENT IN AN ASSOCIATE

	2024 RMB'000	2023 RMB'000
Share of net assets	**16,215**	3,092
Goodwill on acquisition	**20,339**	6,205
Total	**36,554**	9,297

The following table illustrates the aggregate financial information of the Group's associate that is not individually material:

	2024 RMB'000	2023 RMB'000
Share of the associate's profit/(loss) for the year	**5,020**	(703)
Aggregate carrying amount of the Group's investment in the associate	**36,554**	9,297

18. INVENTORIES

	2024 RMB'000	2023 RMB'000
Raw materials	**16,858**	19,624
Work in progress	**44,046**	32,315
Finished goods	**262,870**	290,267
Total	**323,774**	342,206

19. TRADE RECEIVABLES

	2024 RMB'000	2023 RMB'000
Trade receivables	**215,187**	159,523
Impairment	**(644)**	(1,846)
Net carrying amount	**214,543**	157,677

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 reporting period, based on the transaction date, is as follows:

	2024 RMB'000	2023 RMB'000
Within 3 months	**214,777**	157,778
3 to 6 months	**274**	585
6 to 12 months	**15**	246
1 to 2 years	**121**	7
over 2 years	**–**	907
Total	**215,187**	159,523

19. TRADE RECEIVABLES *(continued)*

The movements in the loss allowance for impairment of trade receivables are as follows:

	2024 RMB'000	2023 RMB'000
At beginning of year	**1,846**	3,125
Reversal of impairment losses, net	**(873)**	(1,279)
Amount written off as uncollectible	**(329)**	–
At end of year	**644**	1,846

An impairment analysis is performed at the end of each reporting period 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 reporting period 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 2024		
	Gross carrying amount RMB'000	Expected credit loss rate	Expected credit losses RMB'000
Defaulted receivables	**–**	**100.00%**	**–**
Other trade receivables aged:			
Within 3 months	**214,777**	**0.29%**	**626**
3 to 6 months	**274**	**0.36%**	**1**
6 to 12 months	**15**	**0.00%**	**–**
1 to 2 years	**121**	**14.05%**	**17**
Total	**215,187**	**0.30%**	**644**

19. TRADE RECEIVABLES *(continued)*

	As at 31 December 2023		
	Gross carrying amount RMB'000	Expected credit loss rate	Expected credit losses 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	159,523	1.16%	1,846

20. PREPAYMENTS, OTHER RECEIVABLES AND OTHER ASSETS

	2024 RMB'000	2023 RMB'000
Prepayments	**35,951**	37,539
Deposits and other receivables (note)	**22,636**	137,841
Deductible input value-added tax	**3,699**	3,127
Tax recoverable	**494**	92
	62,780	178,599
Impairment allowance	**(514)**	(3,069)
Total	**62,266**	175,530
Analysed into:		
Current portion	**62,266**	56,990
Non-current portion	**–**	118,540

20. PREPAYMENTS, OTHER RECEIVABLES AND OTHER ASSETS *(continued)*

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 Mainland China 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 reporting period. 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.

	2024 **RMB'000**	2023 RMB'000
At beginning of year	**3,069**	2,788
(Reversal of impairment)/impairment, net	**(2,555)**	281
At end of year	**514**	3,069

21. CASH AND CASH EQUIVALENTS AND RESTRICTED CASH

	2024 **RMB'000**	2023 RMB'000
Cash and bank balances	**2,846,623**	1,141,144
Less: restricted cash	**50,167**	3,250
Cash and cash equivalents	**2,796,456**	1,137,894
Denominated in RMB	**718,492**	1,137,894
Denominated in HKD	**2,077,042**	–
Denominated in USD	**922**	–
Cash and cash equivalents	**2,796,456**	1,137,894

The RMB is not freely convertible into other currencies, however, under Mainland China'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. The bank balances and restricted cash are deposited with creditworthy banks with no recent history of default.

Restricted cash mainly represents RMB48,000,000 pledged for interest-bearing bank loans and RMB2,000,000 reserved for performance security.

22. TRADE PAYABLES

An ageing analysis of the trade payables as at the end of each reporting period, based on the invoice date, is as follows:

	2024 RMB'000	2023 RMB'000
Within 3 months	**91,793**	103,193
3 to 6 months	**6**	116
6 to 12 months	**3**	180
Over 1 year	**263**	100
Total	**92,065**	103,589

The trade payables are non-interest-bearing and are normally settled on 30-day to 60-day terms.

23. OTHER PAYABLES AND ACCRUALS

	Notes	2024 RMB'000	2023 RMB'000
Contract liabilities	(a)	**108,960**	86,100
Other payables	(b)	**74,406**	40,943
Refund liabilities	(c)	**974**	766
Taxes payable other than corporate income tax		**55,257**	30,491
Accruals		**37,975**	33,334
Payroll payable		**112,558**	82,389
Advances from customers		**79**	344
Dividends payable		**–**	25,000
Total		**390,209**	299,367

23. OTHER PAYABLES AND ACCRUALS *(continued)*

Notes:

(a) Details of contract liabilities are as follows:

	As at 1 January	As at 31 December	
	2023	2023	**2024**
	RMB'000	RMB'000	**RMB'000**
Short-term advances received from customers			
Sales of products	10,320	3,614	**789**
Makeup artistry training services and related sales	15,634	22,907	**28,703**
Membership loyalty programme	34,991	54,514	**73,572**
Subtotal	60,945	81,035	**103,064**
Liabilities arising from sales rebate			
Sales of products	1,976	5,065	**5,896**
Total	62,921	86,100	**108,960**

Contract liabilities mainly include sales of products, sales rebate, makeup artistry training services and related sales and membership loyalty programme.

The increase in contract liabilities as of 31 December 2023 and 31 December 2024 were mainly due to the growth of sales of products, 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 reporting period.

24. INTEREST-BEARING BANK AND OTHER BORROWINGS

	As at 31 December 2024		
	Effective interest rate (%)	**Maturity**	**RMB'000**
Current			
Interest-bearing bank loans – secured (note a)	**0.85-1.25**	**2025**	**320,000**

24. INTEREST-BEARING BANK AND OTHER BORROWINGS *(continued)*

	2024	2023
	RMB'000	RMB'000
Analysed into:		
Interest-bearing bank loans:		
Within one year	**320,000**	–
Total	**320,000**	–

Note:

(a) As at 31 December 2024, the Group's restricted cash of RMB48,000,000 were pledged to secure the bank loans granted to the Group (note 21).

As at 31 December 2024, the Group's banking facilities amounting to RMB300,000,000, of which RMB272,000,000 had been utilised.

25. PROVISION

	Warranties
	RMB'000
At 1 January 2023	–
Additional provision	374
At 31 December 2023 and 1 January 2024	**374**
Additional provision	**90**
Amounts utilised during the year	**(374)**
At 31 December 2024	**90**

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.

26. DEFERRED TAX

The movements in deferred tax assets and liabilities during the year are as follows:

Deferred tax assets

	Impairment of trade and other receivables RMB'000	Impairment of inventories RMB'000	Unredeemed membership loyalty points RMB'000	Unrealised profits from inter-company transactions RMB'000	Lease liabilities RMB'000	Accrued expense RMB'000	Refund liabilities and provision RMB'000	Decelerated depreciation for tax purposes RMB'000	Tax losses RMB'000	Total RMB'000
At 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 year (note 10)	**(853)**	**(154)**	**4,771**	**(2,725)**	**2,418**	**(2,189)**	**(19)**	**217**	**(2,848)**	**(1,382)**
At 31 December 2024	**289**	**1,819**	**18,046**	**16,258**	**11,025**	**1,947**	**266**	**217**	**456**	**50,323**

Deferred tax liabilities

	Right-of-use assets RMB'000	Right-of-return assets RMB'000	Total RMB'000
At 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 year (note 10)	**3,266**	**9**	**3,275**
At 31 December 2024	**11,972**	**38**	**12,010**

26. DEFERRED TAX *(continued)*

Deferred tax liabilities *(continued)*

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:

	2024 **RMB'000**	2023 RMB'000
Net deferred tax assets recognised in the consolidated statement of financial position	**38,313**	42,970

27. SHARE CAPITAL

Shares

	2024 **RMB'000**	2023 RMB'000
Issued and fully paid:		
478,423,400 (2023: 60,000,000) ordinary shares	**239,212**	60,000

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 2023 and 31 December 2023	60,000,000	60,000
Share conversion (note (a))	140,000,000	140,000
Share split (note (b))	200,000,000	–
Issue of shares from initial public offering (note (c))	78,423,400	39,212
At 31 December 2024	**478,423,400**	**239,212**

27. SHARE CAPITAL *(continued)*

Shares *(continued)*

Notes:

(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.

(b) On 24 March 2024, the company resolved to divide the shares according to a ratio of 1:2, and the par value of the shares was divided from RMB1.00 per share to RMB0.50 per share at the time of issuance and listing.

(c) On 10 December 2024, 78,423,400 ordinary shares of par value of RMB0.50 each were issued at a price of HKD29.8 per share in connection with the Company's initial public offering. The proceeds of HKD42,388,000 (equivalent to RMB39,212,000) representing the par value, were credited to the Company's share capital. The remaining proceeds of HKD2,294,629,000 (equivalent to RMB2,122,716,000) before issuing expenses were credited to the share premium account.

28. 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 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.

28. SHARE AWARDS *(continued)*

The following share awards were outstanding under the Employee Incentive Scheme during the year:

	Weighted average subscription price RMB per share	Number of shares
At 1 January 2024	–	–
Granted during the year	3.00	600,000
Share split		600,000
Vested during the year	1.50	(733,333)
At 31 December 2024	1.50	466,667

The weighted average subscription price for share awards during the year was RMB3.00 per share before share split and was RMB1.50 per share after share split.

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 RMB15,024,000 for the year ended 31 December 2024.

29. RESERVES

The amounts of the Group's reserves and the movements therein for the year are presented in the consolidated statement of changes in equity.

Share premium

Share premium of the Company represents the share premium contributed by the shareholders of the Company after its conversion into a joint stock company in November 2015 and the share premium raised from the Company's initial public offering on 10 December 2024.

On 21 March 2024, share premium of RMB49,550,000 was converted into share capital (note 27).

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 27).

30. NOTES TO THE CONSOLIDATED STATEMENTS OF CASH FLOWS

(a) Major non-cash transactions

During the year, the Group had non-cash additions to right-of-use assets and lease liabilities of RMB29,165,000 (2023: RMB15,679,000), in respect of lease arrangements for self-operated counters and office.

During the year ended 31 December 2024, prepayment for leasehold land amounted to RMB118,540,000 was transferred from a bidding deposit paid in 2023.

During the year ended 31 December 2024, the Group obtained interest-bearing bank loans amounting to RMB420,000,000 and the Group received cash amounting to RMB416,941,000, while RMB3,059,000 was deducted by the bank as interest simultaneously. The Group repaid RMB100,000,000 on October 2024 because of the maturity of the interest-bearing bank loans.

30. NOTES TO THE CONSOLIDATED STATEMENTS OF CASH FLOWS *(continued)*

(b) Changes in liabilities arising from financing activities

	Bank and other loans RMB'000	Lease liabilities RMB'000	Dividends payable RMB'000
At 1 January 2024	**–**	**38,960**	**25,000**
Dividends declared	**–**	**–**	**1,000,000**
Changes from financing cash flows	**316,941**	**(40,638)**	**(1,025,000)**
Reduction as a result of lease termination	**–**	**(8,295)**	**–**
Lease modifications	**–**	**22,680**	**–**
New leases	**–**	**29,165**	**–**
Interest expense accrued	**3,059**	**2,230**	**–**
At 31 December 2024	**320,000**	**44,102**	**–**
At 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	–
At 31 December 2023	–	38,960	25,000

30. NOTES TO THE CONSOLIDATED STATEMENTS OF CASH FLOWS *(continued)*

(c) Total cash outflow for leases

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

	2024	2023
	RMB'000	RMB'000
Within operating activities	**17,447**	12,101
Within investing activities	**492,215**	12,654
Within financing activities	**40,638**	30,006
Total	**550,300**	54,761

31. COMMITMENTS

The Group had the following contractual commitments at the end of each reporting period:

	2024	2023
	RMB'000	RMB'000
Construction in progress	**293,485**	137,260

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. 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.

32. RELATED PARTY TRANSACTIONS

Name	**Relationship**
Hangzhou Shangdu Technology Co., Ltd. ("**Shangdu Technology**")	An entity controlled by a shareholder
Huamei Kangyan (Suzhou) Biotechnology Co., Ltd. ("**Huamei Kangyan**")	An associate
Jiachi Investment	An entity controlled by shareholders
Dijing Investment	An entity controlled by shareholders

32. RELATED PARTY TRANSACTIONS *(continued)*

(a) The Group had the following transactions with related parties during the year:

	Notes	2024 RMB'000	2023 RMB'000
Purchases of products from:			
Huamei Kangyan	(i)	23,037	15,286
Rental and property management fees payment to:			
Shangdu Technology	(ii)	4,811	4,420
Loans to:			
Dijing Investment	(iii)	165,000	–
Jiachi Investment	(iii)	100,000	–
		265,000	–
Interest income from:			
Dijing Investment	(iii)	193	–
Payable on behalf of:			
Mr. Mao Geping	(iv)	11,936	–
Ms. Wang Liqun	(iv)	3,104	–
Ms. Mao Niping	(iv)	3,104	–
Ms. Mao Huiping	(iv)	2,626	–
Mr. Wang Lihua	(iv)	1,671	–
Ms. Song Hongquan	(iv)	1,432	–
		23,873	–
Name and portrait rights licensing fee to:			
Mr. Mao Geping	(v)	166	–

32. RELATED PARTY TRANSACTIONS *(continued)*

(a) The Group had the following transactions with related parties during the year: *(continued)*

Notes:

(i) The purchases from related parties were made according to the published prices and conditions offered by the related parties to their major customers.

(ii) The rental and property management fees were charged with reference to prices mutually agreed between the parties.

(iii) 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 year ended 31 December 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 31 December 2024.

(iv) 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.

(v) According to the Name and Portrait Rights Licensing Framework Agreement signed on 25 November 2024, Mr. Mao Geping has agreed to grant to the Group exclusive and non-transferrable licenses for the Group's use of his name and portrait rights for an annual licensing fee of HK$2.98 million. Expense amounted to RMB166,000 is recognised during the year ended 31 December 2024. The licensing fee has been determined after arm's length negotiations between the Group and Mr. Mao Geping. The initial term of the Name and Portrait Rights Licensing Framework Agreement commenced on the 10 December 2024 and will end on 31 December 2026, subject to renewal through mutual consent by the parties.

(vi) 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.

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.

32. RELATED PARTY TRANSACTIONS *(continued)*

(b) Outstanding balances with related parties:

	Notes	**2024** **RMB'000**	2023 RMB'000
Due to related parties (trade)			
Huamei Kangyan	(i)	**2,948**	1,135
Lease liabilities (trade)			
Shangdu Technology	(ii)	**341**	3,741
Due to a director (trade)			
Mr. Mao Geping	(iii)	**166**	–

Notes:

(i) As at 31 December 2023 and 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 with Shangdu Technology. The transactions were made according to the price and terms agreed with Shangdu Technology.

(iii) As at 31 December 2024, the Group's outstanding balance due to Mr. Mao Geping is RMB166,000 resulting from the use of his name and portrait rights.

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

	2024 **RMB'000**	2023 RMB'000
Salaries, bonuses, allowances and benefits in kind	**29,838**	27,187
Equity-settled share award expense	**12,175**	–
Pension scheme contributions	**458**	461
Total compensation paid to key management personnel	**42,471**	27,648

Further details of directors' and the supervisors' emoluments are included in note 8 to the financial statements.

33. FINANCIAL INSTRUMENTS BY CATEGORY

The carrying amounts of each of the categories of financial instruments as at the end of each reporting period are as follows:

31 December 2024

Financial assets

	Financial assets at amortised cost RMB'000
Trade receivables	214,543
Financial assets included in prepayments, other receivables and other assets	22,122
Restricted cash	50,167
Cash and cash equivalents	2,796,456
Total	3,083,288

Financial liabilities

	Financial liabilities at amortised cost RMB'000
Trade payables	92,065
Financial liabilities included in other payables and accruals	112,381
Interest-bearing bank and other borrowings	320,000
Due to a director	166
Due to related parties	2,948
Total	527,560

33. FINANCIAL INSTRUMENTS BY CATEGORY *(continued)*

The carrying amounts of each of the categories of financial instruments as at the end of each reporting period are as follows: *(continued)*

31 December 2023

Financial assets

	Financial assets at amortised cost RMB'000
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 RMB'000
Trade payables	103,589
Financial liabilities included in other payables and accruals	99,277
Due to related parties	1,135
Total	204,001

34. 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 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.

Fair value hierarchy

The Group did not have any financial assets and financial liabilities measured at fair value as at 31 December 2023 and 2024.

35. 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 foreign currency risk, credit risk and liquidity risk. The board of directors reviews and agrees policies for managing each of these risks and they are summarised below.

Foreign currency risk

Foreign currency risk is the risk of loss resulting from changes in foreign currency exchange rates. Fluctuations in exchange rates between the RMB and other currencies in which the Group conducts business may affect the Group's financial condition and results of operations. The Group seeks to limit its exposure to foreign currency risk by minimising its net foreign currency position.

35. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(continued)*

Foreign currency risk *(continued)*

The following table demonstrates the sensitivity at the end of the reporting period to a reasonably possible change in foreign currency exchange rates, with all other variables held constant, of the Group's profit before tax (arising from HK$ and US$ denominated financial instruments) and the Group's equity.

	Increase/ (decrease) in rate of foreign currency %	Increase/ (decrease) in profit before tax RMB'000	Increase/ (decrease) in equity RMB'000
2024			
If the RMB weakens against the HK$	5	103,852	103,852
If the RMB strengthens against the HK$	(5)	(103,852)	(103,852)
If the RMB weakens against the US$	5	46	46
If the RMB strengthens against the US$	(5)	(46)	(46)

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-end staging

The table below shows the credit quality and the maximum exposure to credit risk based on the Group's credit policy, which is mainly based on past due information unless other information is available without undue cost or effort, and year-end staging classification as at 31 December. The amounts presented are gross carrying amounts for financial assets.

35. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(continued)*

Credit risk *(continued)*

Maximum exposure and year-end staging *(continued)*

31 December 2024

	12-month ECLs	Lifetime ECLs			
	Stage 1 RMB'000	Stage 2 RMB'000	Stage 3 RMB'000	Simplified approach RMB'000	Total RMB'000
Trade receivables*	–	–	–	215,187	215,187
Financial assets included in prepayments, other receivables and other assets					
– Normal**	22,122	–	–	–	22,122
– Doubtful**	514	–	–	–	514
Restricted cash					
– Normal	50,167	–	–	–	50,167
Cash and cash equivalents					
– Not yet past due	2,796,456	–	–	–	2,796,456
Total	2,869,259	–	–	215,187	3,084,446

35. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(continued)*

Credit risk *(continued)*

Maximum exposure and year-end staging *(continued)*

31 December 2023

	12-month ECLs	Lifetime ECLs			
	Stage 1 RMB'000	Stage 2 RMB'000	Stage 3 RMB'000	Simplified approach RMB'000	Total 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	1,278,985	–	–	159,523	1,438,508

* 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 financial statements.

** 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 financial statements.

35. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(continued)*

Credit risk *(continued)*

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 financial liabilities as at the end of each reporting period, based on the contractual undiscounted payments, is as follows:

	31 December 2024				
	On demand RMB'000	Less than 3 months RMB'000	3 to 12 months RMB'000	1 to 5 years RMB'000	Total RMB'000
Trade payables	2,718	89,347	–	–	92,065
Interest-bearing bank and other borrowings	–	100,000	220,000	–	320,000
Due to related parties	–	2,948	–	–	2,948
Due to a director	–	166	–	–	166
Financial liabilities included in other payables and accruals	12,769	90,104	9,508	–	112,381
Lease liabilities	–	12,919	13,500	19,649	46,068
Total	15,487	295,484	243,008	19,649	573,628

	31 December 2023				
	On demand RMB'000	Less than 3 months RMB'000	3 to 12 months RMB'000	1 to 5 years RMB'000	Total RMB'000
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	28,778	171,928	27,017	17,540	245,263

35. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(continued)*

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 year.

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 reporting period were as follows:

	2024	2023
	RMB'000	RMB'000
Interest-bearing bank and other borrowings	**320,000**	–
Lease liabilities	**44,102**	38,960
Trade payables	**92,065**	103,589
Other payables and accruals	**390,209**	299,367
Debt	**846,376**	441,916
Total assets	**4,473,469**	2,094,568
Gearing ratio	**18.92%**	21.10%

36. EVENTS AFTER THE REPORTING PERIOD

The Company announces that the over-allotment option has been fully exercised by the sole overall coordinator (for itself and on behalf of the international underwriters), on 4 January 2025, in respect of an aggregate of 11,763,500 shares, representing approximately 15% of the total number of the offer shares available under the global offering (after taking into account the partial exercise of the offer size adjustment option but before any exercise of the over-allotment option) at HK$29.80 per share. The additional net proceeds of approximately HK$336,500,000 (equivalent to RMB311,105,000) have been received by the Company from the allotment and issue of the over-allotment shares after deducting the underwriting fees and commission on 8 January 2025.

37. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

Information about the statement of financial position of the Company at the end of the reporting period is as follows:

	2024 RMB'000	2023 RMB'000
NON-CURRENT ASSETS		
Property, plant and equipment	78,669	81,587
Right-of-use assets	7,848	942
Other intangible assets	1,584	1,825
Investments in subsidiaries	811,963	138,963
Prepayments, other receivables and other assets	–	118,540
Deferred tax assets	14,075	13,181
Total non-current assets	914,139	355,038
CURRENT ASSETS		
Inventories	321,454	356,699
Trade receivables	176,701	130,392
Prepayments, other receivables and other assets	20,618	17,653
Due from subsidiaries	36,185	34,119
Restricted cash	50,000	3,146
Cash and cash equivalents	2,449,103	845,685
Total current assets	3,054,061	1,387,694
CURRENT LIABILITIES		
Trade payables	57	57
Other payables and accruals	199,367	151,933
Interest-bearing bank and other borrowings	320,000	–
Due to related parties	134,280	106,424
Due to a director	166	–
Lease liabilities	3,733	–
Tax payable	102,051	82,136

37. STATEMENT OF FINANCIAL POSITION OF THE COMPANY *(continued)*

Information about the statement of financial position of the Company at the end of the reporting period is as follows: *(continued)*

	2024 **RMB'000**	2023 RMB'000
Total current liabilities	**759,654**	340,550
NET CURRENT ASSETS	**2,294,407**	1,047,144
TOTAL ASSETS LESS CURRENT LIABILITIES	**3,208,546**	1,402,182
NON-CURRENT LIABILITIES		
Lease liabilities	**2,580**	–
Total non-current liabilities	**2,580**	–
Net assets	**3,205,966**	1,402,182
EQUITY		
Equity attributable to owners of the parent		
Share capital	**239,212**	60,000
Reserves (Note)	**2,966,754**	1,342,182
Total equity	**3,205,966**	1,402,182

37. STATEMENT OF FINANCIAL POSITION OF THE COMPANY *(continued)*

Information about the statement of financial position of the Company at the end of the reporting period is as follows: *(continued)*

Note:

A summary of the Company's reserves is as follows:

	Share premium RMB'000	Share award scheme reserve RMB'000	Statutory surplus reserve RMB'000	Retained profits RMB'000	Total RMB'000
At 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	**–**	**14,074**	**–**	**–**	**14,074**
Profit and total comprehensive income for the year	**–**	**–**	**–**	**729,826**	**729,826**
Share conversion	**(49,550)**	**–**	**(90,450)**	**–**	**(140,000)**
Dividends declared to shareholders	**–**	**–**	**–**	**(1,000,000)**	**(1,000,000)**
Issue of shares from initial public offerings	**2,020,672**	**–**	**–**	**–**	**2,020,672**
Transfer to statutory surplus reserves	**–**	**–**	**139,812**	**(139,812)**	**–**
At 31 December 2024	**2,020,672**	**14,074**	**157,894**	**774,114**	**2,966,754**

38. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 27 March 2025.

DEFINITIONS

In this annual report, unless the context otherwise requires, the following terms and expressions have the meanings set forth below:

"Articles of Association" or"Articles"	the articles of association of our Company, as amended, supplemented, or otherwise modified from time to time
"associate(s)"	has the meaning ascribed to it under the Listing Rules
"Board" or "Board of Directors"	the board of directors of our Company
"CAGR"	compound annual growth rate, referring to the year-overyear 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: (Ending Value/Beginning Value) ^ (1/number of years)-1
"CG Code"	the Corporate Governance Code as set out in Appendix C1 of the Listing Rules in force during the Reporting Period
"Company" or "our Company"or "the Company"	Mao Geping Cosmetics Co., Ltd. (毛戈平化妝品股份有限公司), a limited liability company established in the PRC on July 28, 2000, whose H Shares are listed on the Main Board of the Stock Exchange (stock code: 1318)
"controlling shareholders"	has the meaning ascribed to it under the Listing Rules
"date of this report"	March 27, 2025
"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 controlling shareholders of the Company
"Director(s)"	the director(s) of our Company
"Global Offering"	the offer of the Shares for subscription as described in the section headed "Structure of the Global Offering" in the Prospectus
"Group," "our Group," "the Group," "we," or "us,"	our Company and its subsidiaries
"Hangzhou Love Keeps"	Hangzhou Love Keeps Cosmetics Co., Ltd. (杭州至愛終生化妝品有限公司), a direct wholly-owned subsidiary of the Company
"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 the Company

"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 direct wholly-owned subsidiary of the Company
"Hangzhou Xingyi"	Hangzhou Xingyi Equity Investment Co., Ltd. (杭州星屹股權投資有限公司), a direct wholly-owned subsidiary of the Company
"H Share(s)"	overseas listed foreign share(s) in the share capital of the Company with a nominal value of RMB0.50 each, which are subscribed for and traded in Hong Kong dollars
"H Shareholder(s)"	holder(s) of H Share(s)
"HK$" or "Hong Kong dollars" or "HK dollars"	Hong Kong dollars, the lawful currency of Hong Kong
"Hong Kong" or "HK"	the Hong Kong Special Administrative Region of the PRC
"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 controlling shareholders of the Company
"KOL(s)"	key opinion leader(s)
"Listing"	the listing of the H shares on the main board of the Stock Exchange on December 10, 2024
"Listing Date"	the date on which the H shares are listed on the Main Board of the Stock Exchange and from which dealings in the H shares are permitted to commence on the Main Board of the Stock Exchange, i.e. 10 December 2024
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange, as amended, modified or otherwise supplemented from time to time
"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 direct wholly-owned subsidiary of the Company
"Mao Geping Technology"	Hangzhou Mao Geping Technology Co., Ltd. (杭州毛戈平科技有限公司), a direct wholly- owned subsidiary of the Company
"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
"Ms. Wang"	Ms. WANG Liqun (汪立群), an executive Director, vice chairperson of the Board, and one of the Controlling Shareholders of our Company

"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
"Prospectus"	the prospectus of the Company dated December 2, 2024
"Reporting Period"	for the year ended December 31, 2024
"RMB" or "Renminbi"	the lawful currency of the PRC
"SFO"	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
"Share(s)"	ordinary shares in the capital of our Company with a nominal value of RMB0.50 each, comprising Unlisted Share(s) and H Share(s)
"Shareholder(s)"	the holder(s) of the Share(s)
"SKU(s)"	stock keeping unit(s), to help identify and track inventories
"Supervisor(s)"	member(s) of the Supervisory Committee
"Supervisory Committee"	the supervisory committee of the Company
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Tax Measures"	Announcement of the State Taxation Administration on Issuing the Measures for Non-resident Taxpayers' Enjoyment of Treaty Benefits (Announcement No. 35 [2019] of the State Taxation Administration)
"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
"Zhejiang Huidu"	Zhejiang Huidu Cosmetics Co.,Ltd. (浙江匯都化妝品有限公司), a direct wholly-owned subsidiary of the Company
"%"	per cent