

林清轩

Forest Cabin

Shanghai Forest Cabin Cosmetics Group Co., Ltd.

上海林清轩化妆品集团股份有限公司

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

Stock Code: 2657



GLOBAL OFFERING

Joint Sponsors, Overall Coordinators, Joint Global Coordinators,
Joint Bookrunners and Joint Lead Managers



IMPORTANT

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

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SHANGHAI FOREST CABIN COSMETICS GROUP CO., LTD.

上海林清轩化妆品集团股份有限公司

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

Global Offering

Number of Offer Shares under the Global Offering	:	13,966,450 H Shares (subject to the Over-allotment Option)
Number of Hong Kong Offer Shares	:	1,396,650 H Shares (subject to reallocation)
Number of International Offer Shares	:	12,569,800 H Shares (subject to reallocation and the Over-allotment Option)
Offer Price	:	HK\$77.77 per H Share, plus brokerage of 1.0%, SFC transaction levy of 0.0027%, Hong Kong Stock Exchange trading fee of 0.00565% and AFRC transaction levy of 0.00015% (payable in full on application in Hong Kong dollars and subject to refund)
Nominal value	:	RMB0.2 per H Share
Stock code	:	2657

*Joint Sponsors, Overall Coordinators, Joint Global Coordinators,
Joint Bookrunners and Joint Lead Managers*



CITIC SECURITIES



华泰国际
HUATAI INTERNATIONAL

Hong Kong Exchanges and Clearing Limited, The Stock Exchange of Hong Kong Limited and Hong Kong Securities Clearing Company Limited take no responsibility for the contents of this prospectus, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this prospectus.

A copy of this prospectus, having attached thereto the documents specified in "Appendix VII — Documents Delivered to the Registrar of Companies and Available on Display" in this prospectus, has been registered by the Registrar of Companies in Hong Kong as required by Section 342C of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong). The Securities and Futures Commission of Hong Kong and the Registrar of Companies in Hong Kong take no responsibility as to the contents of this prospectus or any other documents referred to above.

The Offer Price per Offer Share will be HK\$77.77 per Offer Share, unless otherwise announced. Applicants for the Hong Kong Offer Shares may be required to pay (subject to application channels), on application, the Offer Price of HK\$77.77 for each Hong Kong Offer Share together with brokerage fee of 1.0%, SFC transaction levy of 0.0027%, the AFRC transaction levy of 0.00015% and Hong Kong Stock Exchange trading fee of 0.00565%.

The Overall Coordinators, on behalf of the Underwriters, may, where considered appropriate and with the consent of our Company, reduce the number of Hong Kong Offer Shares and/or the Offer Price below that is stated in this prospectus at any time prior to the morning of the last day for lodging applications under the Hong Kong Public Offering. In such case, notices of the reduction in the number of Hong Kong Offer Shares and/or the Offer Price will be published on the website of our Company at www.forest-cabin.com and on the website of the Hong Kong Stock Exchange at www.hkexnews.hk as soon as practicable following the decision to make such reduction, and in any event not later than the morning of the last day for lodging applications under the Hong Kong Public Offering. For further details, see "Structure of the Global Offering" and "How to Apply for Hong Kong Offer Shares" in this prospectus.

The obligations of the Hong Kong Underwriters under the Hong Kong Underwriting Agreement are subject to termination by the Overall Coordinators (on behalf of the Underwriters) if certain events occur prior to 8:00 a.m. on the Listing Date. For details, see "Underwriting" in this prospectus.

The Offer Shares have not been and will not be registered under the U.S. Securities Act or any state securities laws in the United States and may not be offered, sold, pledged or otherwise transferred within the United States, except pursuant to an available exemption from, or in a transaction not subject to, the registration requirements of the U.S. Securities Act and in accordance with any applicable state securities laws in the United States. The Offer Shares may only be offered and sold outside the United States in offshore transactions in reliance on Regulation S. No public offering of the Offer Shares will be made in the United States.

ATTENTION

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

This prospectus is available at the website of the Stock Exchange at www.hkexnews.hk and our website at www.forest-cabin.com. If you require a printed copy of this prospectus, you may download and print from the website addresses above.

December 18, 2025

IMPORTANT

IMPORTANT NOTICE TO INVESTORS FULLY ELECTRONIC APPLICATION PROCESS

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

This prospectus is available at the website of the Stock Exchange at www.hkexnews.hk under “HKEXnews > New Listings > New Listing Information” and our website at www.forest-cabin.com. If you require a printed copy of this prospectus, you may download and print from the website addresses above.

To apply for Hong Kong Offer Shares, you may use one of the following application channels:

Application Channel	Platform	Target Investors	Application Time
HK eIPO White Form service	www.hkeipo.hk	Applicant who would like to receive a physical H Share certificate. Hong Kong Offer Shares successfully applied for will be allotted and issued in your own name.	From 9:00 a.m. on Thursday, December 18, 2025 to 11:30 a.m. on Tuesday, December 23, 2025. The latest time for completing full payment of application monies will be 12:00 noon on Tuesday, December 23, 2025.
HKSCC EIPO channel	Your broker or custodian who is a HKSCC Participant will submit electronic application instructions on your behalf through HKSCC’s FINI system in accordance with your instruction	Applicant who would <u>not</u> like to receive a physical H Share certificate. Hong Kong Offer Shares successfully applied for will be allotted and issued in the name of HKSCC Nominees, deposited directly into CCASS and credited to your designated HKSCC Participant’s stock account.	Contact your broker or custodian for the earliest and latest time for giving such instructions, as this may vary by broker or custodian .

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

IMPORTANT

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

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

Your application through the **HK eIPO White Form** service or the **HKSCC EIPO** channel must be for a minimum of 50 Hong Kong Offer Shares and in one of the numbers set out in the table below. If you are applying through the **HK eIPO White Form** service, you may refer to the table below for the amount payable for the number of H Shares you have selected. You must pay the respective amount payable on application in full upon application for Hong Kong Offer Shares. If you are applying through the **HKSCC EIPO** channel, you are required to pre-fund your application based on the amount specified by your broker or custodian, as determined based on the applicable laws and regulations in Hong Kong.

No. of Hong Kong Offer Shares applied for	Amount payable ⁽²⁾ on application/successful allotment HK\$	No. of Hong Kong Offer Shares applied for	Amount payable ⁽²⁾ on application/successful allotment HK\$	No. of Hong Kong Offer Shares applied for	Amount payable ⁽²⁾ on application/successful allotment HK\$	No. of Hong Kong Offer Shares applied for	Amount payable ⁽²⁾ on application/successful allotment HK\$
50	3,927.72	800	62,843.45	7,000	549,880.18	100,000	7,855,431.05
100	7,855.43	900	70,698.87	8,000	628,434.48	200,000	15,710,862.09
150	11,783.15	1,000	78,554.31	9,000	706,988.80	300,000	23,566,293.14
200	15,710.86	1,500	117,831.46	10,000	785,543.11	400,000	31,421,724.18
250	19,638.58	2,000	157,108.62	20,000	1,571,086.21	500,000	39,277,155.23
300	23,566.29	2,500	196,385.78	30,000	2,356,629.31	600,000	47,132,586.26
350	27,494.01	3,000	235,662.93	40,000	3,142,172.42	698,300 ⁽¹⁾	54,854,474.98
400	31,421.73	3,500	274,940.09	50,000	3,927,715.52		
450	35,349.44	4,000	314,217.25	60,000	4,713,258.63		
500	39,277.16	4,500	353,494.39	70,000	5,498,801.74		
600	47,132.59	5,000	392,771.55	80,000	6,284,344.83		
700	54,988.02	6,000	471,325.86	90,000	7,069,887.94		

Notes:

- (1) The maximum number of Hong Kong Offer Shares you may apply for, which is approximately 50% of the Offer Shares initially available for subscription under the Hong Kong Public Offering.
- (2) The amount payable is inclusive of brokerage, SFC transaction levy, the Stock Exchange trading fee and AFRC transaction levy. If your application is successful, brokerage will be paid to the Exchange Participants (as defined in the Listing Rules) or to the **HK eIPO White Form** Service Provider (for applications made through the application channel of the **HK eIPO White Form** service) while the SFC transaction levy, the Stock Exchange trading fee and the AFRC transaction levy will be paid to the SFC, the Stock Exchange and the AFRC, respectively.

No application for any other number of Hong Kong Offer Shares will be considered and any such application is liable to be rejected.

EXPECTED TIMETABLE⁽¹⁾

If there is any change to the expected timetable of the Hong Kong Public Offering, we will issue an announcement on the respective websites of the Company at www.forest-cabin.com and the Stock Exchange at www.hkexnews.hk.

The Hong Kong Public Offering commences 9:00 a.m. on Thursday,
December 18, 2025

Latest time to complete electronic applications under
the **HK eIPO White Form** service through
the designated website at www.hkeipo.hk⁽²⁾ 11:30 a.m. on Tuesday,
December 23, 2025

Application lists open⁽³⁾ 11:45 a.m. on Tuesday,
December 23, 2025

Latest time to (a) complete payment for **HK eIPO White Form**
applications by effecting Internet banking transfer(s)
or PPS payment transfer(s) and (b) give **electronic application**
instructions to HKSCC⁽⁴⁾ 12:00 noon on Tuesday,
December 23, 2025

Application lists close⁽³⁾ 12:00 noon on Tuesday,
December 23, 2025

Announcement of the level of indications of interest in
the International Offering, the level of applications
in the Hong Kong Public Offering, and the basis of
allocation of the Hong Kong Offer Shares to be
published on the website of the Stock Exchange at
www.hkexnews.hk and the website of the
Company at www.forest-cabin.com on or before 11:00 p.m. on Monday,
December 29, 2025

Results of allocations in the Hong Kong Public Offering
to be available through a variety of channels as described
in the section headed “How to Apply for Hong Kong
Offer Shares — B. Publication of Results” from Monday,
December 29, 2025

EXPECTED TIMETABLE⁽¹⁾

H Share certificates in respect of wholly
or partially successful applications to be
despatched or deposited into CCASS on or before⁽⁵⁾ Monday,
December 29, 2025

HK eIPO White Form e-Auto Refund payment instructions/
refund cheques to be despatched on or before⁽⁶⁾ Tuesday,
December 30, 2025

Dealings in the H Shares on the Stock Exchange
expected to commence at 9:00 a.m. on Tuesday,
December 30, 2025

Notes:

- (1) All times and dates refer to Hong Kong local times and dates unless otherwise stated.
- (2) You will not be permitted to submit your application under the **HK eIPO White Form** service through the designated website at www.hkeipo.hk after 11:30 a.m. on the last day for submitting applications. If you have already submitted your application and obtained an application reference number from the designated website at or prior to 11:30 a.m., you will be permitted to continue the application process by completing payment of application money until 12:00 noon on the last day for submitting applications, when the application lists close.
- (3) If there is a “black” rainstorm warning signal, a tropical cyclone warning signal number 8 or above and/or Extreme Conditions in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon on Tuesday, December 23, 2025, the application lists will not open or close on that day. For further information, please refer to the paragraph headed “How to Apply for Hong Kong Offer Shares — E. Severe Weather Arrangements” in this prospectus.
- (4) Applicants who apply for the Hong Kong Offer Shares by giving electronic application instructions to HKSCC via HKSCC’s FINI system should refer to “How to Apply for Hong Kong Offer Shares — A. Application for Hong Kong Offer Shares — 2. Application Channels” for details.
- (5) H Share certificates will only become valid evidence of title at 8:00 a.m. on the Listing Date, which is expected to be on or around Tuesday, December 30, 2025, provided that the Global Offering becomes unconditional in all respects on or before then. Investors who trade H Shares on the basis of publicly available allocation details prior to the receipt of H Share certificates or prior to the H Share certificates becoming valid do so entirely at their own risks.
- (6) **HK eIPO White Form** e-Auto Refund payment instructions/ refund cheques will be issued in respect of wholly or partially unsuccessful applications pursuant to the Hong Kong Public Offering. Part of the applicant’s identification document numbers, or, if the application is made by joint applicants, part of the identification document numbers of the first-named applicant, provided by the applicant(s) may be printed on the refund check, if any. Such data would also be transferred to a third party for refund purposes. Banks may require verification of an applicant’s identification document numbers before encashment of the refund checks. Inaccurate completion of an applicant’s identification document numbers may invalidate or delay encashment of the refund checks.

EXPECTED TIMETABLE⁽¹⁾

The above expected timetable is a summary only. For details of the structure of the Global Offering, and the conditions and procedures for applications for Hong Kong Offer Shares, please read the sections headed “Underwriting”, “Structure of the Global Offering” and “How to Apply for Hong Kong Offer Shares” in this prospectus carefully.

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

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IMPORTANT NOTICE TO PROSPECTIVE INVESTORS

This prospectus is issued by us solely in connection with the Hong Kong Public Offering and the Hong Kong Offer Shares and does not constitute an offer to sell or a solicitation of an offer to buy any security other than the Hong Kong Offer Shares offered by this prospectus pursuant to the Hong Kong Public Offering. This prospectus may not be used for the purpose of making, and does not constitute, an offer or invitation in any other jurisdiction or in any other circumstances. No action has been taken to permit a public offering of the Hong Kong Offer Shares in any jurisdiction other than Hong Kong and no action has been taken to permit the distribution of this prospectus in any jurisdiction other than Hong Kong. The distribution of this prospectus for purposes of a public offering and the offering and sale of the Hong Kong Offer Shares in other jurisdictions are subject to restrictions and may not be made except as permitted under the applicable securities laws of such jurisdictions pursuant to registration with or authorization by the relevant securities regulatory authorities or an exemption therefrom.

You should rely only on the information contained in this prospectus to make your investment decision. The Hong Kong Public Offering is made solely on the basis of the information contained and the representations made in this prospectus. We have not authorized anyone to provide you with information that is different from what is contained in this prospectus. Any information or representation not contained nor made in this prospectus must not be relied on by you as having been authorized by us, any of the Joint Sponsors, the Overall Coordinators, the Capital Market Intermediaries, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Underwriters, any of our or their respective directors, officers, employees, agents, or representatives of any of them or any other parties involved in the Global Offering.

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SUMMARY

This summary aims to give you an overview of the information contained in this prospectus. As this is a summary, it does not contain all the information that may be important to you. You should read the entire prospectus before you decide to invest in the Offer Shares.

There are risks associated with any investment. Some of the particular risks in investing in the Offer Shares are set out in the section headed “Risk Factors.” You should read that section carefully before you decide to invest in the Offer Shares.

OVERVIEW

We are a premium domestic skincare brand in China with a focus on the anti-wrinkle and firming skincare market, distinguished by our longstanding commitment to premium skincare solutions rooted in camellia-based ingredients under our flagship brand *Forest Cabin*. Since embarking on our camellia-based skincare research journey in 2012, we have pioneered the “oil-based skincare” philosophy and the camellia facial essence oil, according to CIC. Our commitment to creating safe and effective skincare products culminated in the 2014 launch of our inaugural Camellia Essence Oil — the foundational product that established our signature oil-based skincare product line. Over the decade, we have built expertise in cellular-level anti-wrinkle essence oil. Our Camellia Essence Oil had ranked first in China by total retail sales across all sales channels among all facial essence oil products for 11 consecutive years since 2014.

The skincare market in China has shown consistent growth in recent years, with the industry’s market size expanding from RMB332.9 billion in 2019 to RMB461.9 billion in 2024, representing a CAGR of 6.8%. Notably, the premium segment has grown significantly, rising from RMB74.9 billion in 2019 to RMB114.4 billion in 2024. According to CIC, in 2024, *Forest Cabin* ranked 13th among all premium skincare brands in China (including both domestic and international brands) by retail sales with a market share of 1.4%, and was the only domestic brand among the top 15 premium skincare brands in China. In 2024, *Forest Cabin* ranked first among all premium domestic skincare brands in China by retail sales. Among the overall skincare market, anti-wrinkle and firming products have become a key segment and growth driver, accounting for 25.9% of China’s total skincare market in 2024, with a CAGR of 15.0% during 2019 and 2024. By retail sales of anti-wrinkle and firming skincare products in 2024, *Forest Cabin* ranked tenth among all premium skincare brands in China (including both domestic and international brands) with a market share of 2.2%, and was the only domestic brand among the top ten premium skincare brands. According to the same source, *Forest Cabin* also ranked first among domestic brands in the same market segment in China by retail sales of anti-wrinkle and firming skincare products in 2024.

SUMMARY

OUR BRAND AND PRODUCTS

Our brand draws inspiration from China's deep botanical heritage, with camellia-based ingredients at its core. Known for its nourishing and regenerative properties, camellia has been documented in classical Chinese texts such as *The Classic of Mountains and Seas* (《山海經》), *Compendium of Materia Medica* (《本草綱目》) and *Lingnan Herbal Medicine Records* (《嶺南草藥誌》). These origins not only ensure the exceptional quality of our core ingredient but also reinforce our commitment to authenticity and cultural resonance.

We offer a comprehensive selection of premium skincare solutions under *Forest Cabin*, encompassing essence oils, face creams, toners and lotions, serums, facial masks and sunscreens, designed to support the full skincare routine from cleansing and toning to moisturizing and targeted treatments. As of June 30, 2025, *Forest Cabin* offered 230 SKUs. During the Track Record Period, *Forest Cabin* contributed substantially all of our revenue, amounting to RMB685.0 million, RMB797.1 million, RMB1,197.8 million, RMB525.2 million and RMB1,041.9 million in 2022, 2023, 2024 and the six months ended June 30, 2024 and 2025, respectively, accounting for 99.1%, 99.0%, 99.0%, 99.0% and 99.1% of our total revenue in each respective period.

Central to our product portfolio is our signature Camellia Essence Oil, which had recorded cumulative sales of over 45 million bottles since its launch as of June 30, 2025. The product also remains as the only product in the facial essence oil category in China to achieve over RMB100 million in retail sales for eight consecutive years, according to CIC.

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

	Year ended December 31,						Six months ended June 30,			
	2022		2023		2024		2024		2025	
	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%
(RMB in thousands, except for percentage)										
(Unaudited)										
Essence oil	217,838	31.5	284,044	35.3	447,600	37.0	173,243	32.7	478,592	45.5
Face cream	94,503	13.7	119,726	14.8	190,402	15.7	76,886	14.5	153,933	14.6
Lotion and toner	121,590	17.6	107,618	13.4	128,836	10.7	56,380	10.6	97,408	9.3
Serum	100,251	14.5	100,999	12.5	121,436	10.0	59,297	11.2	95,788	9.1
Facial mask	68,617	9.9	93,156	11.6	147,558	12.2	70,376	13.3	94,997	9.0
Sunscreen	3,040	0.4	2,880	0.4	36,396	3.0	29,996	5.7	42,075	4.0
Other cosmetic products ⁽¹⁾	84,704	12.3	95,783	11.9	136,490	11.3	63,758	11.9	88,593	8.5
Others ⁽²⁾	607	0.1	798	0.1	923	0.1	512	0.1	382	0.0
Total	691,150	100.0	805,004	100.0	1,209,641	100.0	530,448	100.0	1,051,768	100.0

Notes:

(1) Other cosmetic products primarily consisted of eye cream, cleanser, body care and color cosmetics.

(2) Others primarily consisted of brand licensing fees paid by joint operators and franchisees.

SUMMARY

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

	Year ended December 31,						Six months ended June 30,			
	2022		2023		2024		2024		2025	
	Gross profit	margin	Gross profit	margin	Gross profit	margin	Gross profit	margin	Gross profit	margin
	(%)		(%)		(%)		(%)		(%)	
(RMB in thousands, except for percentage)										
(Unaudited)										
Essence oil	177,977	81.7	240,261	84.6	381,620	85.3	147,753	85.3	412,670	86.2
Face cream	78,442	83.0	101,070	84.4	162,594	85.4	64,282	83.6	129,049	83.8
Lotion and toner	92,134	75.8	82,124	76.3	101,791	79.0	43,693	77.5	77,190	79.2
Serum	87,637	87.4	91,087	90.2	106,813	88.0	51,804	87.4	81,382	85.0
Facial mask	48,788	71.1	70,204	75.4	116,623	79.0	55,857	79.4	73,208	77.1
Sunscreen	2,699	88.8	2,543	88.3	29,747	81.7	24,545	81.8	32,195	76.5
Other cosmetic products ⁽¹⁾	50,793	60.0	65,776	68.7	97,545	71.5	45,887	72.0	60,130	67.9
Others ⁽²⁾	607	100.0	798	100.0	923	100.0	512	100.0	382	100.0
Total	539,077	78.0	653,863	81.2	997,656	82.5	434,333	81.9	866,206	82.4

Notes:

- (1) Other cosmetic products primarily consisted of eye cream, cleanser, body care and color cosmetics.
- (2) Others primarily consisted of brand licensing fees paid by joint operators and franchisees.

See “Business — Our Brands and Products.”

OUR RESEARCH & DEVELOPMENT

Our commitment to R&D is the cornerstone of our success. We prioritize the independent development of core ingredients and technologies used in our product development, particularly those related to camellia-based ingredients in anti-wrinkle, firming and skin repair, to enhance the product efficacy and maintain our competitive edge. In 2022, 2023, 2024 and the six months ended June 30, 2024 and 2025, our research and development costs amounted to RMB21.1 million, RMB19.7 million, RMB30.4 million, RMB13.1 million and RMB18.0 million, respectively.

Our prolonged dedication to R&D has resulted in a robust portfolio of core ingredients and technologies. Notably, leveraging the unique properties of alpine red camellia, we employ exclusive extraction techniques, including supercritical CO₂ extraction, ultrasonic-assisted extraction, enzymatic hydrolysis extraction and multi-stage purification processes including vacuum concentration, macroporous resin adsorption, and membrane separation, to produce Qingxuan Extract, a proprietary formulation enriched with oleic acid, vitamin E, squalene, phytosterols, flavonoids and polyphenols. As of the Latest Practicable Date, we held registered patent for extraction processes relating to the preparation of camellia flower and leaf extracts, as well as the patent for refining high-activity camellia seed oil. Other process combinations and parameter settings are protected as proprietary know-how rather than registered patents. Qingxuan Extract, along with other proprietary ingredients such as camellia peptides, camellia collagen, camellia retinol, camellia callus extract filtrate and polypeptide complex, offers repair benefits, including skin barrier restoration, improved elasticity and reduction of fine lines. Our expertise further extends to the development of core technologies such as transdermal absorption technology, molecular blade-directed enzyme cutting technology, molecular recombination bio-fermentation technology, nano-capsule transdermal absorption technology, full-spectrum extraction technology and other emerging technologies. Our continuous innovation has resulted in the accumulation of over 600 formulations, 87 patents (including 46 invention patents related to core ingredients, technologies or camellia compositions), the publication of nearly 40 scholarly articles and participation in the formulation of more than 40 industry and group standards as of the Latest Practicable Date, collectively strengthening our position in oil-based skincare and advanced anti-wrinkle and firming solutions. See “Appendix VI — Statutory and General Information — Intellectual Property Rights — Patents.”

See “Business — Our Research and Development.”

SUMMARY

OUR SALES NETWORK

We have established an integrated sales network that strategically combines diversified online channels with a strong offline presence, leveraging our Online-merge-Offline (“OMO”) approach. Our offline channels comprise offline stores, including directly-operated stores and store partners, as well as sales to offline retailers, enterprise customers and distributors. Simultaneously, our online channels include online direct sales and sales to online retailers, bringing convenience and accessibility to our customers. This dual approach strengthens brand engagement and drives sustainable growth across all consumer touchpoints.

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

	Year ended December 31,						Six months ended June 30,			
	2022		2023		2024		2024		2025	
	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%
<i>(RMB in thousands, except for percentage)</i>										
<i>(Unaudited)</i>										
Offline channels	378,213	54.7	409,721	50.9	494,368	40.8	239,839	45.2	363,474	34.6
Offline stores	371,011	53.7	383,132	47.6	444,089	36.7	223,470	42.1	285,127	27.1
– Directly-operated stores	354,461	51.3	357,240	44.4	398,332	32.9	202,535	38.2	252,766	24.0
– Store partners	16,550	2.4	25,892	3.2	45,757	3.8	20,935	3.9	32,361	3.1
Sales to offline retailers and enterprise customers	7,202	1.0	12,104	1.5	17,153	1.4	8,276	1.6	8,281	0.8
Distributors	–	–	14,485	1.8	33,126	2.7	8,093	1.5	70,066	6.7
Online channels	312,330	45.2	394,485	49.0	714,350	59.1	290,097	54.7	687,912	65.4
Online direct sales	263,106	38.1	348,951	43.3	634,837	52.5	246,967	46.6	616,775	58.6
Sales to online retailers	49,224	7.1	45,534	5.7	79,513	6.6	43,130	8.1	71,137	6.8
Others	607	0.1	798	0.1	923	0.1	512	0.1	382	0.0
Total	691,150	100.0	805,004	100.0	1,209,641	100.0	530,448	100.0	1,051,768	100.0

SUMMARY

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

	Year ended December 31,						Six months ended June 30,			
	2022		2023		2024		2024		2025	
	Gross profit	Gross margin	Gross profit	Gross margin	Gross profit	Gross margin	Gross profit	Gross margin	Gross profit	Gross margin
	profit	(%)	profit	(%)	profit	(%)	profit	(%)	profit	(%)
(RMB in thousands, except for percentage)										
(Unaudited)										
Offline channels	314,143	83.1	341,247	83.3	409,543	82.8	197,552	82.4	297,213	81.8
Offline stores	308,695	83.2	325,007	84.8	375,435	84.5	186,536	83.5	243,677	85.5
– Directly-operated stores	297,156	83.8	306,903	85.9	342,713	86.0	171,939	84.9	219,505	86.8
– Store partners	11,539	69.7	18,104	69.9	32,722	71.5	14,597	69.7	24,172	74.7 ⁽³⁾
Sales to offline retailers and enterprise customers	5,448	75.6	7,634	63.1	11,510	67.1	5,600	67.7	5,661	68.4
Distributors ⁽¹⁾	–	–	8,606	59.4	22,598	68.2	5,416	66.9	47,875	68.3
Online channels	224,327	71.8	311,818	79.0	587,190	82.2	236,269	81.4	568,611	82.7
Online direct sales	189,148	71.9	277,578	79.5	525,830	82.8	203,258	82.3	514,184	83.4
Sales to online retailers	35,179	71.5	34,240	75.2	61,360	77.2	33,011	76.5	54,427	76.5
Others⁽²⁾	607	100.0	798	100.0	923	100.0	512	100.0	382	100.0
Total	539,077	78.0	653,863	81.2	997,656	82.5	434,333	81.9	866,206	82.4

Notes:

- (1) We began partnering with distributors in 2023. Building on the experience gained in 2023, we optimized the product mix within the distributor channel in 2024 by increasing the proportion of high-margin products. In addition, we introduced channel-exclusive products for our distributors, which generally carry higher overall profit margins. As a result of these strategic initiatives, the gross profit margin of sales to distributors increased from 59.4% in 2023 to 68.2% in 2024, and increased from 66.9% in the six months ended June 30, 2024 to 68.3% in the same period of 2025.
- (2) Others primarily consisted of brand licensing fees paid by joint operators and franchisees.
- (3) The gross profit margin of store partners increased from 69.7% in the six months ended June 30, 2024 to 74.7% in the six months ended June 30, 2025, primarily because we optimized the product mix and further leveraged the retail resources and entrepreneurial drive of local partners, supported by the deepening collaboration with our store partners.

SUMMARY

The following table sets forth the average transaction value per customer order through both online and offline channels for the periods indicated:

	2022	2023 (RMB)	2024	Six months ended June 30, 2025
Offline channels	1,292	1,203	984	1,026
Online channels	591	579	519	497

Note: The average transaction value per customer order is tax-inclusive and excludes sample orders.

During the Track Record Period, changes in our average transaction value per customer order were primarily attributable to changes to our promotional strategies, a higher sales proportion of smaller-sized products in line with market preference, and the launch of new products targeting younger consumers that generally feature relatively lower prices. The combined effect of these factors shifted the overall order structure, attracted more customers favoring entry-level small-sized products while resulted in the changes in the average transaction value per order. In addition, our online and offline channels exhibited different sales characteristics. Online sales, consistent with broader e-commerce consumption patterns, tended to concentrate on smaller-sized items, resulting in lower average order values. In contrast, our offline directly-operated stores, which emphasize larger-sized and higher-value products, generally had a higher average transaction value than online channels.

Our Offline Channels

Our offline channels are essential for building long-term consumer trust and loyalty. We have prioritized a directly-operated store-first strategy and built nationwide offline channels covering all major cities in China. Our offline channels consist of offline stores, including directly-operated stores and store partners, as well as sales to offline retailers, enterprise customers and distributors.

Offline Stores. We prioritize the strategic expansion of our offline channels as a cornerstone of our brand development. These physical locations serve as vital touchpoints for direct consumer engagement, enabling us to cultivate authentic customer relationships and strengthen brand trust. Most of our stores are strategically located in premium, commercially vibrant shopping malls, which enhances brand recognition and reinforces our premium market positioning. We further differentiate our brand by offering in-store experiential skincare services at certain stores, committed to enhancing customer experience while demonstrating our product efficacy firsthand. As of June 30, 2025, we had 554 stores nationwide, with over 95% located in shopping malls, ranking first among domestic and international premium skincare brands in terms of total store number in China, according to CIC.

SUMMARY

Our store network in China is strategically dispersed across various tiers of cities. While maintaining our presence in top-tier cities to enhance our brand identity and stay abreast of market trends, we have been and will continue to penetrate lower-tier cities with promising potential for consumption growth. This deliberate distribution ensures we reach a broad spectrum of consumers and establish brand visibility across all city tiers. The following table sets forth a breakdown of our store coverage by city tier in China as of the dates indicated:

	As of December 31,			As of
	2022	2023	2024	June 30, 2025
First-tier cities	41	48	55	61
New first-tier cities	121	139	159	171
Second-tier cities	71	80	78	86
Third-tier cities	84	110	136	146
Other lower-tier cities	49	66	78	90
Total	366	443	506	554

In line with market practice, during the Track Record Period, we primarily operated our stores under two operation models, namely (i) direct operation model, which takes the forms of lease and commission models, see “Business — Our Sales Network — Our Offline Channels — Offline Stores — Directly-Operated Stores”; and (ii) store partner model, which takes the forms of joint operation and franchise, see “Business — Our Sales Network — Our Offline Channels — Offline Stores — Store Partners.” Each of our operation model is tailored to suit different strategic objectives and operational dynamics.

Under direct operation model, we maintained full control over the store’s management, staffing and operational decisions, which allows us to consistently deliver high-quality customer experiences and adhere strictly to our brand standards. We primarily operate our directly-operated stores under the lease model and the commission model.

SUMMARY

Our same store revenue for directly-operated stores experienced continued growth during the Track Record Period, primarily attributable to (i) the increased sales volume of our products driven by the launch of new SKUs, (ii) the upgrade of existing signature products, and (iii) the improved operational efficiency achieved through our refined management process (including enhancing in-store experiential skincare services, developing channel-specific products to respond swiftly to consumer needs, and improving store daily management by drawing on practices adopted by benchmark stores). The following table sets forth the details of our same store revenue for directly-operated stores for the periods indicated:

	Year ended December 31,				Six months ended	
	2022	2023	2023	2024	June 30, 2024	2025
Number of same stores ⁽¹⁾	198		248		268	
Aggregate same store revenue (RMB in thousands)	245,094	253,095	305,893	331,779	177,417	212,158
Average same store period-to-period revenue growth	3.3%		8.5%		19.6%	

Note:

- (1) Refers to the number of stores that have been in continuous operation for two consecutive years/periods.

Similarly to the growth in our same store revenue, the average daily revenue per directly-operated store experienced continued growth during the Track Record Period, primarily attributable to the increased sales volume of our products driven by the launch of new SKUs, the upgrade of existing signature products and the improved operational efficiency achieved through our refined management process as mentioned above. The following table sets forth the average daily revenue per directly-operated store by year of opening for the periods indicated:

	Year ended December 31,			Six months ended	
Year of opening	2022	2023	2024	June 30, 2024	2025
	<i>RMB in thousand</i>				
Newly opened within the same year	1.9	2.1	2.3	2.3	2.6
Opened in the previous year	2.5	2.3	2.6	2.8	3.1
Opened for two years or more	3.5	3.7	3.9	3.9	4.8
Overall	3.2	3.5	3.6	3.6	4.2

Note: The average daily revenue is calculated by dividing each store's monthly revenue by the number of days in that month, then calculating the average of these daily figures across the store's effective opening months.

SUMMARY

Sales to Offline Retailers and Enterprise Customers. In line with market practice, we directly sell our products to a wide range of offline retailers and enterprise customers, ensuring broad offline coverage and diverse consumer accessibility. Our offline retail partners include nationwide beauty chain stores and duty-free shops. Our enterprise customers include corporate clients, hotels and banks. By partnering with these trusted retail channels and enterprise customers, we effectively expand our market reach, enhance brand visibility, and make our products available to customers across multiple touchpoints, catering to both general consumers and niche customer groups through specialized retail environments.

Sales to Distributors. In line with market practice, during the Track Record Period, we have cooperated with distributors to expand our sales network and improve brand awareness. Our distributors are typically regional or channel distributors primarily engaged in the sales and distribution of cosmetics products with local distribution network and channel resources. We believe that distributors with strong sale channel management capabilities as well as sales and distribution experience of cosmetics products can help us penetrate a broader consumer base, increase our market share and enhance our brand awareness efficiently. We started to engage distributors in 2023. As of December 31, 2023, 2024 and June 30, 2025, we engaged 15, 63 and 93 distributors, respectively.

Our Online Channels

Leveraging our strong brand image, product advantages and consumer trust cultivated through our offline channels, we are rapidly expanding our online channels to meet the evolving needs of today's digital-savvy customers. Designed to bring convenience and accessibility to our customers, our online channels primarily consist of online direct sales and sales to online retailers.

Online Direct Sales. Our online direct sales channel comprises sales to end customers through self-operated stores across major e-commerce and social commerce platforms. These include mainstream e-commerce platforms such as Tmall and JD.com; short video platforms such as Douyin and Kuaishou; as well as social media platforms such as Xiaohongshu and WeChat. By leveraging multiple leading e-commerce platforms in China, we ensure our products are accessible to a broad and diverse consumer base, enhancing convenience for consumers and optimizing our digital presence. Our self-operated online stores allow us to maintain control over branding, pricing and customer experience.

Sales to Online Retailers. In line with market practice, during the Track Record Period, we also engaged online retailers, primarily consisting of e-commerce platforms such as Vipshop and JD.com's self-operated stores and retailers who operate stores on e-commerce platforms, who directly sell our products to end customers.

See "Business — Our Sales Network."

PROCUREMENT AND PRODUCTION

Procurement

We adopt a centralized and quality-oriented procurement strategy to ensure the stability, traceability and efficacy of raw materials across our product portfolio. Our procurement center is responsible for the unified procurement of primary raw materials required for product formulation. We procure certain raw materials, including camellia seed oil, camellia flowers, camellia leaves and camellia seed cake. In addition to camellia-derived inputs, we also procure other raw materials such as polyols, lipids and other botanical extracts, as well as packaging materials, to support product development and delivery.

In particular, to secure a stable, high-quality supply of camellia flowers, we have entered into long-term supply agreements with nine camellia planting bases across Zhejiang and Jiangxi provinces as of the Latest Practicable Date, which collectively covered an area of over 20,000 mu (approximately 3,295 acres), including exclusive supply agreements with four camellia planting bases in Songyang, Dexing, Jizhai and Jinyun. Under the exclusive supply agreements, the suppliers commit to supplying camellia flowers solely to us within the skincare industry based on agreed price over the duration of the contract. During the Track Record Period, we primarily sourced from four planting bases to meet production needs, while the remaining five planting bases served as strategic reserves to guarantee uninterrupted future supply and accommodate any fluctuations in demand. These bases are located in mountainous regions, which create optimal conditions for cultivating high-quality red camellias.

Production

To maintain high standards and ensure product quality, we have established in-house production capabilities for core ingredients, especially those based on camellia extracts, and our major skincare products during the Track Record Period. This approach allows us to exercise stringent quality control, ensuring consistency across our product portfolio and reinforcing our competitive advantage.

SUMMARY

We have established robust production capabilities to support our growth, ensure product quality and enhance supply chain responsiveness. As of the Latest Practicable Date, we operated two production bases in Shanghai: the Shanghai Production Base No.1 and the Shanghai Main Production Base, which together form the backbone of our production infrastructure. Among which, the Shanghai Main Production Base consists of two dedicated production facilities for skincare production and ingredients processing, respectively. Notably, our Shanghai Main Production Base is a carbon-neutral research and production base constructed with reference to GMP standards typically applied in pharmaceutical manufacturing. These standards significantly exceed those of the cosmetics industry, underscoring our commitment to stringent quality control. Together, these facilities have a combined GFA of 49,120 sq.m. and a half-year designed production capacity of 240 tons for ingredients and 38,005 thousand units for skincare products as of June 30, 2025. Our production capacity utilization rates for finished products were 94.7%, 95.3%, 72.6% and 57.1% in 2022, 2023, 2024 and the six months ended June 30, 2025, respectively. The decrease in utilization rate in 2024 and the six months ended June 30, 2025 was primarily due to the opening of new production lines that resulted in an increase in designed production capacity toward the end of 2024 and early 2025. For raw materials, the utilization rates were 80.0%, 87.5%, 83.6% and 80.1% during the same respective periods. Subject to market condition and evolving demands of the growing cosmetic market of China, we may expand and upgrade our production capabilities in the future.

See “Business — Procurement and Production.”

PRICING

We implement an effective pricing strategy. The retail prices of our products are determined based on various factors, including cost of materials, the price of comparable products in the market, market conditions and our manufacturing and operation costs. We adopt a uniform pricing system for our sales channels. We provide recommended retail prices for our *Forest Cabin* products, with the recommended retail price of our core products ranging from approximately RMB200 to RMB800, depending on the type of product across all sales channels, to facilitate the standardization and stability of our sales network. We may, from time to time, offer discounts and participate in promotional events hosted by third-party e-commerce platforms and shopping malls. We may also offer rewards and discounts to our registered members pursuant to our membership policies. With respect to sales to store partners and distributors, our products are generally sold at a discount off the recommended retail prices of our products, taking into account the volume of products purchased by them, the profit margins, the prices of our products across the market, marketing and promotion costs for the sales channels, designated sales channels, as well as the number of end customers they can reach. For details of our salient terms with them, see “— Our Sales Network — Our Offline Channels — Store Partners.”

See “Business — Pricing.”

SUMMARY

SUPPLIERS AND CUSTOMERS

Our suppliers primarily comprise online e-commerce service providers, promotional services providers and raw material providers located in China. Purchases from our five largest suppliers in each year/period during the Track Record Period amounted to RMB108.5 million, RMB104.2 million, RMB172.7 million and RMB121.3 million, respectively, representing 24.2%, 19.5%, 19.5% and 19.7% of our total purchases for the respective year/period. Purchases from our largest suppliers in each year/period during the Track Record Period amounted to RMB39.5 million, RMB49.5 million, RMB59.7 million and RMB31.3 million, which accounted for 8.8%, 9.3%, 6.7% and 5.1% of our total purchases for the respective year/period.

Our customers primarily comprise individual consumers, e-commerce platforms, retailers (including individual retailers who operate online stores on e-commerce platforms), store partners and distributors located in China. Revenue from our five largest customers in each year/period during the Track Record Period amounted to RMB49.5 million, RMB50.9 million, RMB82.9 million and RMB81.0 million, respectively, representing 7.2%, 6.3%, 6.9% and 7.6% of our total revenue for the respective year/period.

COMPETITION

We operate in China's cosmetics industry, and particularly within China's skincare industry. The skincare market in China has shown consistent growth in recent years, with the industry's market size expanding from RMB332.9 billion in 2019 to RMB461.9 billion in 2024, representing a CAGR of 6.8%. Notably, the premium segment has grown significantly, rising from RMB74.9 billion in 2019 to RMB114.4 billion in 2024. China's premium skincare industry is relatively concentrated, with the top 15 brands accounting for 66.1% of the market share, according to CIC. In 2024, China's premium skincare industry reached RMB114.4 billion in terms of retail sales value, with the top 15 premium skincare brands predominantly foreign. According to CIC, in 2024, *Forest Cabin* ranked 13th among all premium skincare brands in China (including both domestic and international brands) by retail sales with a market share of 1.4%, and was the only domestic brand among the top 15 premium skincare brands in China. In 2024, *Forest Cabin* ranked first among all premium domestic skincare brands in China by retail sales. Among the overall skincare market, anti-wrinkle and firming products have become a key segment and growth driver, accounting for 25.9% of China's total skincare market in 2024, with a CAGR of 15.0% during 2019 and 2024. By retail sales of anti-wrinkle and firming skincare products in 2024, *Forest Cabin* ranked tenth among all premium skincare brands in China (including both domestic and international brands) with a market share of 2.2%, and was the only domestic brand among the top ten premium skincare brands. According to the same source, *Forest Cabin* also ranked first among domestic brands in China by retail sales of anti-wrinkle and firming skincare products in 2024. While competing with brands that may have greater financial, technical and marketing resources, our strategic focus on premium skincare and culturally rooted innovations distinguishes us from mass-market competitors. We believe that with our strategic positioning, robust R&D capabilities, and dynamic sales and distribution network, we are well-positioned in the industry to capture the rapidly growing market opportunities, attract and maintain consumers and increase our market share. See "Industry Overview."

SUMMARY

OUR STRENGTHS

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

- A Chinese premium skincare brand specializing in anti-wrinkle and firming skincare that pioneered the oil-based skincare philosophy and the camellia facial essence oil;
- Multi-category product portfolio centered around our signature product, comprehensively addressing consumer skincare needs;
- The only company in China's facial essence oil market to achieve full value chain integration, ensuring consistent quality from source to shelf;
- Extensive offline store network and rapidly expanding online channels supporting an integrated OMO sales network for broad and efficient consumer reach;
- Advanced digital operations and integrated membership system driving customer base expansion and member-driven revenue growth; and
- Visionary founder and seasoned management team with deep understanding of the skincare industry and commitment to ESG Principles.

See “Business — Our Strengths.”

OUR STRATEGIES

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

- Intensifying R&D on camellia-centered technologies and expanding product lines;
- Continuously investing in product innovation to maintain leadership in the facial essence oil industry, while building up the signature product portfolio across key skincare categories targeting new scenarios and demographics;
- Insisting customer-centric sales strategy featuring strengthened offline presence, expanded online reach and enhanced channel synergy to enable comprehensive and precise market access; and
- Leveraging multi-dimensional brand building through emerging media, IP matrix development and technological empowerment.

See “Business — Our Strategies.”

SUMMARY

SUMMARY OF HISTORICAL FINANCIAL INFORMATION

Description of Major Components of Our Results of Operations

The following table sets out a summary of our results of operations for the years/periods indicated:

	Year ended December 31,			Six months ended June 30,	
	2022	2023	2024	2024	2025
	<i>(RMB in thousands)</i>				
	<i>(Unaudited)</i>				
Revenue	691,150	805,004	1,209,641	530,448	1,051,768
Cost of sales	(152,073)	(151,141)	(211,985)	(96,115)	(185,562)
Gross profit	539,077	653,863	997,656	434,333	866,206
Other income and gains	14,433	18,402	20,500	4,957	9,704
Selling and distribution expenses	(509,042)	(485,521)	(688,476)	(290,079)	(580,607)
Administrative expenses	(56,408)	(62,431)	(77,761)	(31,730)	(61,093)
Research and development costs	(21,120)	(19,745)	(30,404)	(13,114)	(18,032)
Other expenses	(1,504)	(1,020)	(1,295)	(656)	(992)
Finance costs	(2,011)	(1,421)	(2,479)	(756)	(2,616)
Reversal of impairment losses/(impairment losses) on financial assets	189	(2,465)	552	856	135
(Loss)/profit before tax	(36,386)	99,662	218,293	103,811	212,705
Income tax credit/(expense)	30,455	(15,144)	(31,460)	(17,158)	(30,856)
(Loss)/profit and total comprehensive (loss)/income for the year/period	(5,931)	84,518	186,833	86,653	181,849
Attributable to:					
Owners of the parent	(5,871)	84,518	186,833	86,653	181,849
Non-controlling interests	(60)	—	—	—	—

For details on the accounting treatment of redemption rights of Pre-IPO investments, see “— Pre-IPO Investments” below and Note 29 to the Accountants’ Report included in Appendix I to this prospectus.

SUMMARY

Non-IFRS Measure

To supplement our consolidated financial statements, which are presented in accordance with IFRS Accounting Standards, we also use adjusted net (loss)/profit (non-IFRS measure) as additional financial measure, which is not required by, or presented in accordance with IFRS Accounting Standards. We believe this non-IFRS measure facilitates comparisons of operating performance from year to year/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 they help our management. However, such non-IFRS financial measure that we presented may not be directly comparable to similar measures presented by other companies. The use of this non-IFRS measure should not be considered as substitute for analysis of, our results of operations or financial condition as reported under IFRS Accounting Standards.

We define adjusted net (loss)/profit (non-IFRS measure) as net (loss)/profit for the year/period adjusted by adding back listing expenses and share-based payments. The following table reconciles our adjusted (loss)/profit (non-IFRS measure) for the years/periods presented in accordance with IFRS Accounting Standards, which is net (loss)/profit for the year/period:

	Year ended December 31,			Six months ended June 30,	
	2022	2023	2024	2024	2025
	<i>(RMB in thousands)</i>			<i>(Unaudited)</i>	
Net (loss)/profit	(5,931)	84,518	186,833	86,653	181,849
Add:					
– Listing expenses	–	–	8,284	2,328	13,232
– Share-based payments ⁽¹⁾	2,276	3,940	5,125	3,021	5,720
Adjusted net (loss)/profit (non-IFRS measure)	(3,655)	88,458	200,242	92,002	200,801

Note:

(1) Our share-based payments are non-cash in nature.

SUMMARY

Net (Loss)/Profit

We recorded a net loss in 2022, primarily due to the impact of COVID-19 outbreak on our offline business and high initial investment and limited efficiency in our online business.

- **Impact of COVID-19 outbreak on offline business:** In 2022, stringent nationwide pandemic prevention and control measures, including large-scale lockdowns in multiple cities, significantly disrupted offline consumer activity. This led to a notable decline in foot traffic. Although we closed 54 directly-operated stores in 2022, reducing the total number of directly-operated stores from 346 at the beginning of the year to 318 by year-end, fixed costs such as store rents and offline employee salaries remained largely unchanged and continued to be incurred, primarily because (i) store rents and employee salaries for stores that remained in operation still needed to be paid during the pandemic period and (ii) early termination of leases and employee contracts involved additional costs such as deposit forfeitures, contract termination penalties and severance payments.
- **High initial investment and limited efficiency in new online business:** Meanwhile, we began to develop our new online channels, particularly on Douyin. However, as online channels were still in the early stages of market development, there was a lag between investment and the generation of stable revenue. Additionally, substantial upfront costs were incurred for channel development, content marketing, and logistics arrangements, resulting in overall losses for the online channels in 2022.

We recorded exponential growth in 2023 and 2024, changing from a net loss position in 2022 to a net profit of RMB84.5 million in 2023, which further increased by 121.1% to RMB186.8 million in 2024. This turnaround was driven by the recovery of offline consumption and channel expansion, maturity and accelerated growth of online channels and a series of cost reduction and efficiency improvement measures.

- **Recovery of offline consumption and channel expansion:** Following the stabilization of the pandemic in November 2022, offline consumption began to rebound, revitalizing our offline business. The number of directly-operated stores increased from 318 at the end of 2022 to 320 by the end of 2023 and further to 342 by the end of 2024. Simultaneously, we actively expanded the network of joint-operated and franchised stores. The number of joint-operated stores rose from 48 in 2022 to 88 in 2023 and further to 132 in 2024. We introduced the franchise model in 2023, with the number of franchised stores reaching 35 in 2023 and 32 in 2024. Additionally, we began partnering with distributors in 2023, increasing the number of distributors from 15 in 2023 to 63 in 2024.
- **Maturity and accelerated growth of online channels:** Our online channels entered a mature development phase in 2023, with significantly improved sales efficiency. In 2023 and 2024, we strengthened collaborations with KOLs and KOCs and intensified live-streaming efforts, driving rapid growth in online sales.

SUMMARY

- **Series of cost reduction and efficiency improvement measures:** In 2023 and 2024, we implemented several initiatives to optimize costs and improve efficiency, including: (i) optimizing promotional sales strategies, such as adjusting our “free samples with purchase” promotional mechanism by replacing multiple small-sized samples with fewer medium-sized or full-sized samples, which not only enhanced the consumer experience by providing more practical and desirable promotional formats, but also significantly reduced packaging material usage and packaging costs, (ii) negotiating more favorable prices with warehousing and logistics service providers and changing delivery service vendors to control logistics and warehousing expenses, (iii) reducing production costs through production process optimization, such as improving the product design, to reduce the manufacturing cost per unit product, and (iv) lowering the unit price of raw materials and packaging materials through procurement negotiations by leveraging centralized procurement and bulk purchasing as well as establishing long-term cooperation agreements with suppliers to secure more favorable pricing.

Our net profit increased by 109.9% from RMB86.7 million in the six months ended June 30, 2024 to RMB181.8 million in the six months ended June 30, 2025, primarily due to (i) a higher revenue contribution from high-margin products, supported by repeat purchases from existing customers and the acquisition of new customers, (ii) the ongoing adoption of more cost-effective promotional strategies, and (iii) sustained improvements in cost control, such as enhancing automation of production process.

Selling and Distribution Expenses

Our selling and distribution expenses decreased by 4.6% from RMB509.0 million in 2022 to RMB485.5 million in 2023, primarily due to a decrease in marketing and promotion expenses as we optimized our marketing efficiency on online platforms and offline advertising activities.

Our selling and distribution expenses increased by 41.8% from RMB485.5 million in 2023 to RMB688.5 million in 2024, primarily due to an increase in marketing and promotion expenses resulting from our increased marketing activities and enhanced promotion efforts aimed at driving our business growth.

Our selling and distribution expenses increased by 100.2% from RMB290.1 million in six months ended June 30, 2024 to RMB580.6 million in the six months ended June 30, 2025, primarily due to (i) an increase in marketing and promotion expenses resulting from our increased online and offline marketing activities and (ii) an increase in labor costs as a result of an increase in the number of sales personnel.

SUMMARY

Discussion of Certain Key Balance Sheet Items

The following table sets forth a summary of selected information from our balance sheet as of the dates indicated:

	As of December 31,			As of
	2022	2023	2024	June 30,
				2025
	<i>(RMB in thousands)</i>			
Total current assets	339,438	429,389	694,097	803,422
Total non-current assets	204,989	309,363	379,857	435,837
Total assets	544,427	738,752	1,073,954	1,239,259
Total current liabilities	158,079	230,810	370,820	345,728
Total non-current liabilities	4,690	37,826	91,060	93,888
Total liabilities	162,769	268,636	461,880	439,616
Net current assets	181,359	198,579	323,277	457,694
Net assets	381,658	470,116	612,074	799,643
Equity attributable to owners of the parent				
Paid-in capital/share capital	25,140	25,140	25,140	25,140
Reserves	356,518	444,976	586,934	774,503
Total equity	381,658	470,116	612,074	799,643

For details on the accounting treatment of redemption rights of Pre-IPO investments, see “— Pre-IPO Investments” below and Note 29 to the Accountants’ Report included in Appendix I to this prospectus.

SUMMARY

Net Current Assets

Our net current assets increased from RMB323.3 million as of December 31, 2024 to RMB457.7 million as of June 30, 2025, primarily due to (i) an increase in inventories resulting from stockpiling raw materials and finished goods to meet the anticipated growing purchasing demand due to our projected sales growth, (ii) an increase in prepayments, other receivables and other assets resulting from an increase in recoverable VAT due to higher input VAT in line with our increased procurement, (iii) a decrease in trade and bills payables resulting from the settlement of payables to our suppliers and (iv) a decrease in other payables and accruals resulting from a decrease in payables for purchase of long-term assets resulting from the construction payments made for the Shanghai Main Production Base, partially offset by a decrease in cash and cash equivalents.

Our net current assets increased from RMB198.6 million as of December 31, 2023 to RMB323.3 million as of December 31, 2024, primarily due to (i) an increase in cash and cash equivalents and (ii) an increase in inventories as a result of (a) stockpiling raw materials, work in progress and finished goods to meet the anticipated growing purchasing demand and (b) maintaining parallel inventories during the ramp-up period of the new facility to ensure uninterrupted operations. In the fourth quarter of 2024, we stockpiled inventory at Shanghai Production Base No. 1 to support the anticipated surge in purchasing demand. Meanwhile, as our Shanghai Main Production Base commenced operations in October 2024, both facilities operated in parallel. This parallel operation was necessary to facilitate equipment commissioning and staff training at the new facility, while also ensuring uninterrupted supply during the ramp-up period. The concurrent operation of both production bases enabled us to maintain stable production and fulfil customer orders without disruption throughout the ramp-up period of the new facility. Such increase was partially offset by (i) an increase in trade and bills payables as a result of an increase in the procurement of packaging materials and raw materials in line with our increased product sales and (ii) an increase in other payables and accruals as a result of (a) an increase in accruals of advertising and promotion services as we focused our promotion efforts on e-commerce livestreaming sessions through collaboration with KOLs and KOCs in 2024 and (b) an increase in accruals of logistics services resulting from the expansion of our logistics service suppliers and our increased sales volume, partially offset by a decrease in payables for purchase of long-term assets as we completed the construction of our new production plant in 2024.

Our net current assets increased from RMB181.4 million as of December 31, 2022 to RMB198.6 million as of December 31, 2023, primarily due to (i) an increase in cash and cash equivalents, (ii) an increase in trade receivables resulting from our business expansion, and (iii) an increase in restricted cash, partially offset by (i) an increase in other payables and accruals resulting from an increase in payables for purchase of long-term assets resulting from an increase in construction in progress of our new production plant in 2023 and (ii) an increase in trade and bills payables resulting from an increase in the procurement of packaging materials and raw materials in line with our increased product sales.

SUMMARY

Net Assets

Our net assets increased by 30.6% from RMB612.1 million as of December 31, 2024 to RMB799.6 million as of June 30, 2025, primarily due to profit for the year of RMB181.8 million and equity-settled share-based payment arrangements of RMB5.7 million.

Our net assets increased by 30.2% from RMB470.1 million as of December 31, 2023 to RMB612.1 million as of December 31, 2024, primarily due to profit for the year of RMB186.8 million and equity-settled share-based payment arrangements of RMB5.1 million, partially offset by dividends paid to shareholders of RMB50.0 million.

Our net assets increased by 23.2% from RMB381.7 million as of December 31, 2022 to RMB470.1 million as of December 31, 2023, primarily due to profit for the year of RMB84.5 million and equity-settled share-based payment arrangements of RMB3.9 million.

Summary of the Consolidated Statements of Cash Flows

The following table sets out a summary of our cash flow for the years/periods indicated:

	Year ended December 31,			Six months ended June 30,	
	2022	2023	2024	2024	2025
	(RMB in thousands)				
	(Unaudited)				
Net cash generated from operating activities	65,274	205,816	306,505	106,858	37,871
Net cash generated from/(used in) investing activities	158,557	(86,755)	(88,585)	(126,990)	(40,083)
Net cash used in financing activities	(67,661)	(36,635)	(63,490)	(34,461)	(36,602)
Cash and cash equivalents at beginning of year/period	46,043	203,121	285,729	285,729	440,322
Effect of foreign exchange differences, net	908	182	163	294	(47)
Cash and cash equivalents at end of year/period	203,121	285,729	440,322	231,430	401,461

SUMMARY

Key Financial Ratios

The following table sets out our key financial ratios for the years/periods or as of the dates indicated:

	Year ended/As of December 31,			Six months ended/ As of June 30,	
	2022	2023	2024	2024	2025
				<i>(Unaudited)</i>	
Gross profit margin (%) ⁽¹⁾	78.0%	81.2%	82.5%	81.9%	82.4%
Net (loss)/profit margin (%) ⁽²⁾	-0.9%	10.5%	15.4%	16.3%	17.3%
Return on total assets (%) ⁽³⁾	-1.1%	13.2%	20.6%	N/A	15.7%
Current ratio ⁽⁴⁾	2.1	1.9	1.9	N/A	2.3
Quick ratio ⁽⁵⁾	1.7	1.6	1.5	N/A	1.6
Gearing ratio (%) ⁽⁶⁾	–	5.7%	12.7%	N/A	9.7%

Notes:

- (1) Gross margin equals gross profit divided by revenue and multiplied by 100%.
- (2) Net (loss)/profit margin equals (loss)/profit for the year/period divided by revenue and multiplied by 100%.
- (3) Return on total assets equals (loss)/profit for the year/period divided by the average of the beginning and ending total assets multiplied by 100%.
- (4) Current ratio is calculated by dividing current assets by current liabilities.
- (5) Quick ratio is calculated by dividing current assets less inventories by current liabilities.
- (6) Gearing ratio equals total interest-bearing bank borrowings divided by total equity and multiplied by 100%.

See “Financial Information — Key Financial Ratios.”

PRE-IPO INVESTMENTS

We have engaged in Pre-IPO Investments with our Pre-IPO Investors. For further details of the identity and background of the Pre-IPO Investors and the principal terms of the Pre-IPO Investments, see “History, Development and Corporate Structure — Pre-IPO Investments.” Pursuant to the respective shareholders agreements entered into on November 2, 2020, August 18, 2021, June 12, 2024 (collectively, the “**Agreements**”), our Company issued ordinary shares to various pre-IPO investors (collectively the “**Pre-IPO Investors**”) for a total net cash proceed of approximately RMB331,000,000. Pursuant to the Agreements, the Pre-IPO Investors were granted by our Company with redemption rights. There was no exercise of redemption rights granted by our Company throughout the Track Record Period. On December 2, 2024, our Company and the Pre-IPO Investors subsequently entered into supplemental agreement, agreeing that the redemption rights granted by our Company to the Pre-IPO Investors, have been irrecoverably terminated and shall be *void ab initio*.

SUMMARY

Pursuant to the equity transfer agreement and shareholders agreement entered into on May 22, 2025, certain Pre-IPO Investors transferred their Pre-IPO investments to new investors and Mr. Sun Laichun also transferred some of his shares in the Company to new investors (collectively “**New Pre-IPO Investors**”) and the New Pre-IPO Investors also enjoyed redemption rights. Subsequently, on May 27, 2025, our Company and all the existing pre-IPO investors entered into a supplemental agreement, agreeing that the redemption rights granted by our Company to all the existing pre-IPO investors have been irrecoverably terminated and shall be *void ab initio*.

The above capital increases and share transfers are also collectively referred to as “Pre-IPO Investments”. Taking into account the legal and regulatory framework of our Company’s jurisdiction and the governing law of the supplemental agreements, our directors considered that it is appropriate to present the Pre-IPO Investments as equity throughout the Track Record Period.

Had the redemption rights granted by the Company to the Pre-IPO Investors and the New Pre-IPO Investors been accounted for as financial liabilities measured at present value of the redemption amount prior to entering into the supplemental agreements, (i) the redemption financial liabilities, total non-current liabilities and net assets would have been:

	<u>As at December 31,</u> <u>2022</u>	<u>As at December 31,</u> <u>2023</u>
	<i>(RMB in thousands)</i>	
Redemption financial liabilities	370,272	396,333
Total non-current liabilities	374,962	434,159
Net assets	11,386	73,783

;and (ii) the finance costs associated with the redemption financial liabilities, the net (loss)/profit for the year, basic and dilutive (loss)/earnings per share would have been:

	<u>Year ended December 31,</u>			<u>Six months ended June 30,</u>	
	<u>2022</u>	<u>2023</u>	<u>2024</u>	<u>2024</u>	<u>2025</u>
	<i>(RMB in thousands)</i>				
	<i>(Unaudited)</i>				
Finance costs associated with the redemption financial liabilities	24,347	26,061	25,924	13,889	289
Total net (loss)/ profit	(30,278)	58,457	160,909	72,764	181,560
Basic and diluted (loss)/ earnings per share (expressed in RMB)	(1.20)	2.33	6.40	2.89	7.22

For further details of the financial impacts, see Note 29 to the Accountants’ Report included in Appendix I to this prospectus.

SUMMARY

USE OF PROCEEDS

Based on an Offer Price of HK\$77.77 per Offer Share, we estimate that we will receive net proceeds of approximately HK\$997.1 million from the Global Offering after deducting the underwriting commission and other estimated expenses paid and payable by us in connection with the Global Offering and assuming that the Over-allotment Option is not exercised. In line with our strategies, we intend to use our proceeds from the Global Offering for the purposes and in the amounts set forth below:

- Approximately 20.0%, or HK\$199.4 million, of the net proceeds will be used for our branding activities, including building brand value and enhancing brand image recognition, and customer-facing brand promotion activities.
- Approximately 20.0%, or HK\$199.4 million, of the net proceeds will be used for enhancing our online and offline sales network and establishing overseas sales channels to drive market penetration.
- Approximately 15.0%, or HK\$149.6 million, of the net proceeds will be used for strengthening our production and supply chain capabilities, including upgrading existing skincare products production plants and core ingredients production infrastructure and equipment to enhance our production capabilities, and establishing smart warehousing facilities and systems to enhance our inventory management capabilities.
- Approximately 15.0%, or HK\$149.6 million, of the net proceeds will be used for enhancing R&D capabilities and expanding product portfolio, including technological improvements and product iteration, and improving our R&D capabilities and enhancing R&D collaborations with leading research institutions, universities, and medical organizations.
- Approximately 15.0%, or HK\$149.6 million, of the net proceeds will be used for incubation and acquisition of new brands to build a multi-brand matrix, including the incubation of new brands and strategic acquisitions of brands demonstrating strong synergies with and complementary value to our existing brand portfolio.
- Approximately 5.0%, or HK\$49.8 million, of the net proceeds will be used for enhancing our digitalization and information infrastructure.
- Approximately 10.0%, or HK\$99.7 million, of the net proceeds will be used for working capital and general corporate purposes.

See “Future Plans and Use of proceeds.”

SUMMARY

RISK FACTORS

Our business and the Global Offering involve certain risks as set out in “Risk Factors.” You should carefully read that section in its entirety before you decide to invest in our Offer Shares. Some of the major risks we face include: (i) we operate in a highly competitive and rapidly evolving market, and our business success depends on our ability to compete effectively in China’s premium skincare industry; (ii) the skincare industry and the demand for our products are subject to the general market conditions and our consumers’ willingness to spend on skincare products; (iii) our success is dependent on the continued popularity of our products and our ability to timely anticipate and respond to changes in industry trends and consumer preferences; (iv) our business and prospects depend on the reputation and market perception of our brand; (v) our business success is dependent on our ability to develop, launch and promote new brands and product offerings, and failure to do so may compromise our competitive edge; (vi) product quality is core to our business. Any quality issues related to our products may result in a loss of customers and subject us to product liability claims, recalls or regulatory actions; (vii) our business is susceptible to customer complaints due to the subjective nature of skincare product satisfaction; (viii) our historical results of operations may not be indicative of future performance; (ix) failure to comply with applicable advertising laws and regulations when promoting our products may subject us to potential risks and penalties; and (x) we may be adversely affected by the evolving PRC regulatory development on marketing activities carried out by KOLs and KOCs.

See “Risk Factors.”

OUR CONTROLLING SHAREHOLDERS

As of the Latest Practicable Date, Mr. Sun was interested in approximately 79.27% of our total issued share capital, among which, directly (38.21%) and indirectly through Shanghai Fangjiaoshi (28.56%), Shanghai Yuanhui (8.08%) and Shanghai Yuangan (4.42%). Immediately following the completion of the Share Subdivision and the Global Offering (assuming the Over-allotment Option are not exercised). Mr. Sun, Shanghai Fangjiaoshi, Shanghai Yuanhui, Shanghai Yuantan (a limited partner of Shanghai Yuanhui and a close associate of Mr. Sun), Shanghai Lingren (a general partner of Shanghai Yuangan and a close associate of Mr. Sun) and Shanghai Yuangan will be entitled to control the exercise of 71.34% of the voting rights at the general meetings of our Company and will constitute a group of Controlling Shareholders of our Company upon Listing. See “Relationship with Our Controlling Shareholders” for further details.

SUMMARY

GLOBAL OFFERING STATISTICS

The statistics in the following table are based on the assumptions that (i) the Global Offering has been completed and 13,966,450 H Shares are newly issued in the Global Offering, (ii) 139,664,285 Shares are issued and outstanding following the Share Subdivision, Global Offering and Conversion of Domestic Unlisted Shares into H Shares, (iii) 92,127,177 Domestic Unlisted Shares will be converted into H shares upon the completion of the Global Offering, and (iv) the Over-allotment Option for the Global Offering is not exercised:

**Based on an Offer Price of
HK\$77.77 per H Share**

Market capitalization for our shares ⁽¹⁾	HK\$10,861.7 million
Market capitalization of our H shares ⁽²⁾	HK\$8,250.9 million
Unaudited pro forma adjusted consolidated net tangible assets per Share ⁽³⁾⁽⁴⁾⁽⁵⁾	HK\$13.55 (RMB12.32)

Notes:

- (1) The calculation of market capitalization is based on 13,966,450 H Shares expected to be issued pursuant to the Global Offering and totally 139,664,285 Shares in issue immediately upon completion of the Global Offering presuming the conversion of Domestic Unlisted Shares into H Shares, and that the Over-allotment Option is not exercised.
- (2) The calculation of market capitalization is based on 106,093,627 H Shares expected to be in issue immediately upon completion of the Global Offering and the conversion of Domestic Unlisted Shares into H Shares, assuming the Over-allotment Option is not exercised.
- (3) The unaudited pro forma adjusted consolidated net tangible assets per Share is calculated after making the adjustments referred to in the Appendix II to this prospectus and on the basis that 139,664,285 Shares are in issue assuming that the Global Offering had been completed on June 30, 2025, without taking into account of any shares which may be allotted and issued upon the exercise of the Over-allotment Option.
- (4) In August 2025, the Company declared 2024 final dividends of approximately RMB95,028,000 to the existing shareholders prior to the Listing, which has not been taken into account in the above adjusted consolidated net tangible assets of the Group. Had the declared dividend been paid on June 30, 2025, the unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to owners of the Company would be decreased from RMB1,720,084,000 to RMB1,625,056,000 based on an Offer Price of HK\$77.77 per Share, and the unaudited pro forma adjusted consolidated net tangible assets per Share would be RMB11.64 (equivalent to HK\$12.80) based on an Offer Price of HK\$77.77.
- (5) No other adjustment has been made to the unaudited pro forma adjusted consolidated net tangible assets to reflect any trading results or other transactions of the Group entered into subsequent to June 30, 2025.

SUMMARY

DIVIDEND

On January 26, 2024, our Company declared dividends of RMB50.0 million to its shareholders which were fully paid in April 2024. On August 5, 2025, we declared final dividends for 2024 amounting to approximately RMB95.0 million, of which around RMB94.2 million was paid to our shareholders in August 2025 and the remaining RMB0.8 million was paid to our shareholders in December 2025. No other dividend was paid or declared by our Company or other entities comprising our Group during the Track Record Period. We do not have any dividend policy or fixed payout ratio. Our Board may declare dividends in the future after taking into account our results of operations, financial condition, cash requirements and availability and other factors as it may deem relevant at such time. Future dividend payments will also depend upon the availability of dividends received from our subsidiaries in China. PRC laws require that dividends should be paid only out of the profit for the year/period calculated according to PRC accounting principles, while the calculation of distributable profits under PRC GAAP is different from the calculation under IFRS Accounting Standards in certain respects. PRC laws also require our subsidiaries to set aside part of their net profit as statutory reserves, which are not available for distribution as cash dividends. Distributions from our subsidiaries may also be restricted if they incur debt or losses, or in accordance with any restrictive covenants in bank credit facilities or other agreements that we or our subsidiaries may enter into in the future.

LISTING EXPENSES

Assuming an Offer Price of HK\$77.77 per Share, the aggregate commissions and fees, together with the Stock Exchange listing fee, AFRC transaction levy, SFC transaction levy and Stock Exchange trading fee, legal and other professional fees, printing and other expenses relating to the Global Offering, which are payable by us, are estimated to amount in aggregate to be approximately RMB81.0 million, accounting for 8.2% of the gross proceeds from the Global Offering, of which RMB8.3 million and RMB13.2 million have been charged to our consolidated statements of profit or loss and other comprehensive income in 2024 and the six months ended June 30, 2025, respectively, approximately RMB19.8 million is expected to be charged to profit or loss and other comprehensive income after the Track Record Period, and approximately RMB39.7 million is directly attributable to the offering and listing of our Offer Shares and will be deducted from equity upon the Listing. By nature, our listing expenses are composed of (i) underwriting commission of approximately RMB34.6 million, and (ii) non-underwriting related expenses of approximately RMB46.4 million, which consist of fees and expenses of legal advisors and Reporting Accountants of approximately RMB27.2 million and other fees and expenses of approximately RMB19.2 million.

SUMMARY

LICENSE, PERMITS AND APPROVALS

We are required to obtain various licenses, permits and approvals for our business, including cosmetics production license, cosmetics administrative license and sewage discharge permit, among others. As advised by our PRC Legal Advisor, we had obtained the requisite licenses, permits and approvals from applicable competent authorities which are material to our operations, and such licenses, permits and approvals are valid and subsisting as of the Latest Practicable Date, except that among our offline store network which we directly lease and operate as of the Latest Practicable Date, six stores failed to complete the mandatory fire safety filing procedures and five stores failed to complete the requisite pre-operation fire safety inspection during the Track Record Period. We had fully rectified the aforementioned incidents as of June 30, 2025. In addition to the rectification actions, we have taken a series of internal control measures to ensure on-going compliance with the applicable PRC laws and regulations, including the enhancement of relevant internal control procedures, employee training, internal compliance checks and regular communication with legal advisors. For details, see “Business — Licenses, Permits and Approvals.”

LEGAL PROCEEDING AND COMPLIANCE

Legal Proceeding

During the Track Record Period and up to the Latest Practicable Date, we had not been and were not a party to any material legal, arbitral or administrative proceedings, and we were not aware of any pending or threatened legal, arbitral or administrative proceedings against us or our Directors that could, individually or in the aggregate, have a material adverse effect on our business, financial condition and results of operations.

Compliance

During the Track Record Period and up to the Latest Practicable Date, we had not been and were not involved in any non-compliance incidents that led to fines, enforcement actions or other penalties that could, individually or in the aggregate, have a material adverse effect on our business, financial condition or results of operations. Our Directors are of the view that, save as disclosed in “Business — License, Permits and Approvals — Fire Safety,” we had complied, in all material respects, with all relevant laws and regulations in the jurisdictions we operate in during the Track Record Period and up to the Latest Practicable Date.

SUMMARY

RECENT DEVELOPMENT AND NO MATERIAL ADVERSE CHANGE

Our business has continued to grow after June 30, 2025. Our overall sales has increased by approximately 98.3% from RMB1,055.3 million in the ten months ended October 31, 2024 to RMB2,091.3 million in the same period in 2025. We have also experienced a corresponding increase in our revenue from the ten months ended October 31, 2024 to the same period in 2025. The increases in our sales volumes and revenue were primarily due to (i) the launch of our new products, particularly the Forest Cabin Camellia Anti-Wrinkle Peptide Dewy Essence Toner (林清軒山茶花抗皺肽微珠精華水) and the second-generation Camellia Black Gold Rejuvenate Peptide Anti-wrinkle Brightening Essential Cream (山茶花黑金時光肽抗皺煥亮精華霜), and (ii) the continuous development and expansion of our sales channels to broaden our customer base.

Our Directors have confirmed that, up to the date of this prospectus, there has been no material adverse change in our financial or trading position or prospects since June 30, 2025, being the end date of our latest audited financial statements, and there has been no event since June 30, 2025 that would materially affect the information shown in the Accountants' Report set out in Appendix I to this prospectus.

DEFINITIONS

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

“AFRC”	Accounting and Financial Reporting Council (會計及財務匯報局)
“Articles of Association” or “Articles”	the articles of association of our Company, as amended, which shall become effective on the listing date, a summary of which is set out in Appendix VI to this Prospectus
“Associate(s)”	has the meaning ascribed to it under the listing rules
“Board” or “Board of Directors”	the board of directors of our Company
“Business day” or “business day”	a day on which banks in Hong Kong are generally open to the public for normal banking business and which is not a Saturday, Sunday or public holiday in Hong Kong
“CAC”	the Cyberspace Administration of China (中國國家互聯網信息辦公室)
“CCASS”	the Central Clearing and Settlement System established and operated by HKSCC
“China” or “PRC”	the People’s Republic of China, excluding, for the purpose of this Prospectus only, Hong Kong, Macau and Taiwan
“Companies Ordinance”	the Companies Ordinance (Chapter 622 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
“Companies (Winding up and Miscellaneous Provisions) Ordinance”	the Companies (Winding up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
“Company”, or “our Company” or “the Company”	Shanghai Forest Cabin Cosmetics Group Co., Ltd. (上海林清軒化妝品集團股份有限公司), a limited liability company established under the laws of the PRC on December 22, 2011, and was converted into a joint stock company with limited liability in the PRC on February 8, 2025

DEFINITIONS

“Company Law” or “PRC Company Law”	Company Law of the People’s Republic of China (中華人民共和國公司法), as amended and adopted by the Standing Committee of the Tenth National People’s Congress on October 27, 2005 and effective on January 1, 2006, as amended, supplemented or otherwise modified from time to time, which was last revised on December 29, 2023
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“Controlling Shareholders Group”	has the meaning ascribed to it under the Hong Kong Listing Rules and, strictly in accordance with such meaning, includes Mr. Sun, Shanghai Fangjiaoshi, Shanghai Yuanhui, Shanghai Yuantan, Shanghai Lingren and Shanghai Yuangan, and “Controlling Shareholder” shall mean any one of them
“Conversion of Domestic Unlisted Shares into H Shares”	the conversion of 92,127,177 Domestic Unlisted Shares in aggregate held by 14 existing Shareholders into H Shares upon completion of the Share Subdivision and Global Offering. Such conversion of Domestic Unlisted Shares into H Shares has been filed with the CSRC on June 3, 2025 and CSRC has issued the filing notice in respect of the Global Offering dated November 27, 2025; and an application for H Shares to be listed on the Hong Kong Stock Exchange has been made to the Listing Committee
“CSDC”	China Securities Depository and Clearing Corporation Limited (中國證券登記結算有限責任公司)
“CSDC (Hong Kong)”	China Securities Depository and Clearing (Hong Kong) Company Limited
“CSRC”	the China Securities Regulatory Commission (中國證券監督管理委員會)
“Director(s)”	director(s) of our Company
“Domestic Unlisted Shares”	ordinary shares in the share capital of our Company, with a nominal value of RMB0.20 each, which are not listed on any stock exchange
“EIT Law”	Enterprise Income Tax Law of the People’s Republic of China (中華人民共和國企業所得稅法), as amended, supplemented or otherwise modified from time to time

DEFINITIONS

“Exchange Participant(s)”	a person: (a) who, in accordance with the Hong Kong Listing Rules, may trade on or through the Hong Kong Stock Exchange; and (b) whose name is entered in a list, register or roll kept by the Hong Kong Stock Exchange as a person who may trade on or through the Hong Kong Stock Exchange
“Extreme Conditions”	any extreme conditions caused by a super typhoon as announced by the government of Hong Kong or any extreme conditions or events, the occurrence of which will cause interruption to the ordinary course of business operations in Hong Kong or that may affect the Listing Date
“General Rules of HKSCC”	the General Rules of HKSCC as may be amended or modified from time to time and where the context so permits, shall include the HKSCC Operational Procedures
“Global Offering”	the Hong Kong Public Offering and the International Offering
“Group”, “our Group”, “we” or “us”	our Company and its subsidiaries (or our Company and any one or more of its subsidiaries, as the context may require)
“H Share(s)”	shares in the share capital of our Company with nominal value of RMB0.20 each, which are to be subscribed for and traded in HK dollars and are to be listed on the Hong Kong Stock Exchange
“H Share Registrar”	Tricor Investor Services Limited
“Hangzhou Dongdongqi”	Hangzhou Dongdongqi E-commerce Co., Ltd. (杭州洞洞柴電子商務有限公司), a limited liability company established under the laws of the PRC on March 26, 2025, and one of our subsidiaries
“HK eIPO White Form”	the application for Hong Kong Offer Shares to be issued in the applicant’s own name, submitted online through the designated website at www.hkeipo.hk
“HK eIPO White Form Service Provider”	the HK eIPO White Form service provider designated by our Company as specified on the designated website at www.hkeipo.hk

DEFINITIONS

“HKSCC”	Hong Kong Securities Clearing Company Limited, a wholly owned subsidiary of Hong Kong Exchanges and Clearing Limited
“HKSCC EIPO”	the application for Hong Kong Offer Shares to be issued in the name of HKSCC Nominees and deposited directly into CCASS to be credited to your designated HKSCC Participant’s stock account through causing HKSCC Nominees to apply on your behalf, including by instructing your broker or custodian who is an HKSCC Participant to give electronic application instructions via FINI to apply for Hong Kong Offer Shares on your behalf
“HKSCC Nominees”	HKSCC Nominees Limited, a wholly owned subsidiary of HKSCC
“HKSCC Operational Procedures”	the operational procedures of the HKSCC, containing the practices, procedures and administrative or other requirements relating to HKSCC’s services and the operations and functions of the systems established, operated and/or otherwise provided by or through HKSCC (including FINI and CCASS) as from time to time in force
“HKSCC Participant”	a participant admitted to participate in CCASS as a direct clearing participant, a general clearing participant or a custodian participant
“Hong Kong” or “HK”	the Hong Kong Special Administrative Region of the PRC
“Hong Kong dollars”, “HK dollars” or “HK\$” and “cents”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong Offer Shares”	the H Shares offered by us for subscription pursuant to the Hong Kong Public Offering
“Hong Kong Public Offering”	the offer of the Hong Kong Offer Shares for subscription by the public in Hong Kong at the Offer Price on the terms and conditions described in this Prospectus
“Hong Kong Stock Exchange” or “Stock Exchange”	The Stock Exchange of Hong Kong Limited, a wholly-owned subsidiary of Hong Kong Exchanges and Clearing Limited

DEFINITIONS

“Hong Kong Underwriters”	the underwriters of the Hong Kong Public Offering listed in “Underwriting — Hong Kong Underwriters” in this Prospectus
“Hong Kong Underwriting Agreement”	the underwriting agreement dated December 17, 2025 relating to the Hong Kong Public Offering entered into by, among others, our Company, the Controlling Shareholders, the Joint Sponsors, the Overall Coordinators and the Hong Kong Underwriters, as further described in “Underwriting — Underwriting Arrangements and Expenses”
“IFRS Accounting Standards”	IFRS accounting standards, issued by the International Accounting Standards Board
“Independent Third Party(ies)”	any entity or person who is not a connected person of our Company within the meaning ascribed thereto under the Listing Rules
“International Offer Shares”	the 12,569,800 H Shares initially offered by our Company pursuant to the International Offering together with, where relevant, any additional H Shares which may be issued by our Company pursuant to the Over-allotment Option (subject to reallocation as described in “ Structure of the Global Offering ”)
“International Offering”	the offer of the International Offer Shares by the International Underwriters at the Offer Price outside the United States and in offshore transactions in accordance with Regulation S under the U.S. Securities Act or any other available exemption from the registration requirement under the U.S. Securities Act, in each case on and subject to the terms and conditions of the International Underwriting Agreement, as further described in “Structure of the Global Offering” in this Prospectus
“International Underwriters”	the underwriters of the International Offering listed in the International Underwriting Agreement
“International Underwriting Agreement”	the underwriting agreement expected to be entered into on or around December 24, 2025 by our Company and the Overall Coordinators in respect of the International Offering, as further described in “Underwriting — Underwriting Arrangements and Expenses — The International Offering”

DEFINITIONS

“Jinhua Jiuguo”	Jinhua Jiuguo Electronic Commerce Co., Ltd. (金華九果電子商務有限公司), a limited liability company incorporated under the laws of the PRC on January 27, 2022, and one of our subsidiaries
“Jinhua Qilan”	Jinhua Qilan Electronic Commerce Co., Ltd. (金華柒瀾電子商務有限公司), a limited liability company incorporated under the laws of the PRC on September 3, 2021, and one of our subsidiaries
“Joint Sponsors”	CITIC Securities (Hong Kong) Limited and Huatai Financial Holdings (Hong Kong) Limited
“Latest Practicable Date”	December 8, 2025, being the latest practicable date for the purpose of ascertaining certain information contained in this Prospectus prior to its publication
“Listing”	listing of our H Shares on the Main Board
“Listing Committee”	the Listing Committee of the Stock Exchange
“Listing Date”	the date expected to be on or about December 30, 2025, on which dealings in our H Shares first commence on the Stock Exchange
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (as amended from time to time)
“Macau”	the Macau Special Administrative Region of the PRC
“Main Board”	the stock exchange (excluding the option market) operated by the Stock Exchange, which is independent from and operated in parallel with the GEM of the Stock Exchange
“MIIT”	Ministry of Industry and Information Technology of the PRC (中華人民共和國工業和信息化部), formerly known as Ministry of Information Industry of the PRC (中華人民共和國信息產業部)
“Ministry of Finance” or “MOF”	Ministry of Finance of the PRC (中華人民共和國財政部)
“MOFCOM”	Ministry of Commerce of the PRC (中華人民共和國商務部)

DEFINITIONS

“Mr. Sun”	Mr. Sun Laichun (孫來春), our founder, chairperson of the Board, executive Director and president and a member of our Controlling Shareholders Group, see “Directors and Senior Management — Board of Directors” and “Relationship with Our Controlling Shareholders Group”
“Nantong Qilingqi”	Nantong Qilingqi Electronic Commerce Co., Ltd. (南通柒零柒電子商務有限公司), a limited liability company incorporated under the laws of the PRC on June 11, 2021, and one of our subsidiaries
“Nantong Qiyu”	Nantong Qiyu Information Technology Co., Ltd. (南通柒域信息科技有限公司), a limited liability company incorporated under the laws of the PRC on May 4, 2023, and one of our subsidiaries
“NDRC”	National Development and Reform Commission of the PRC (中華人民共和國發展和改革委員會)
“Offer Price”	HK\$77.77, being the offer price per Offer Share in Hong Kong dollars (exclusive of a brokerage fee of 1.0%, an SFC transaction levy of 0.0027%, a Stock Exchange trading fee of 0.00565% and AFRC transaction levy of 0.00015%), at which the Hong Kong Offer Shares are to be subscribed for, to be determined in “Structure of the Global Offering — Pricing and Allocation”
“Offer Shares”	the Hong Kong Offer Shares and the International Offer Shares together with, where relevant, the additional H Shares which may be issued by our Company pursuant to the exercise of the Over-allotment Option
“Over-allotment Option”	the option to be granted by our Company to the International Underwriters, exercisable by the Overall Coordinators (on behalf of the International Underwriters) pursuant to the International Underwriting Agreement, pursuant to which our Company may be required to allot and issue up to an aggregate of 2,094,950 additional H Shares, representing up to approximately 15% of the Offer Shares initially being offered under the Global Offering, at the Offer Price to, among other things, cover over-allocations in the International Offering, if any, further details of which are described in “Structure of the Global Offering”

DEFINITIONS

“PBOC”	the People’s Bank of China (中國人民銀行), the central bank of the PRC
“PRC GAAP”	generally accepted accounting principles of PRC
“PRC Legal Advisor”	Jingtian & Gongcheng, the legal advisor to our Company as to the laws of the PRC
“Pre-IPO Investments”	the pre-IPO investment(s) in our Group undertaken by the Pre-IPO Investors, details of which are set out in “History, Development and Corporate Structure — Pre-IPO Investments”
“Pre-IPO Investor(s)”	the investor(s) who participated in our Pre-IPO Investments, details of which are set out in the section headed “History, Development and Corporate Structure — Pre-IPO Investments”
“Prospectus”	this Prospectus being issued in connection with the Hong Kong Public Offering
“province”	a province or, where the context requires, a provincial level autonomous region or municipality, under the direct supervision of the central government of the PRC
“Regulation S”	Regulation S under the U.S. Securities Act
“RMB” or “Renminbi”	Renminbi, the lawful currency of the PRC
“SAFE”	State Administration of Foreign Exchange of the PRC (中華人民共和國國家外匯管理局)
“SAT”	State Administration of Taxation of the PRC (國家稅務總局)
“SCNPC”	the Standing Committee of the National People’s Congress (全國人民代表大會常務委員會)
“SFC”	Securities and Futures Commission of Hong Kong
“SFO”	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time

DEFINITIONS

“Shanghai Chunchun”	Shanghai Chunchun Cosmetics Sales Co., Ltd. (上海春椿化妝品銷售有限公司), a limited liability company incorporated under the laws of the PRC on December 5, 2016, and one of our subsidiaries
“Shanghai Chunguo”	Shanghai Chunguo Business Consulting Partnership (Limited Partnership) (上海春國商務諮詢合夥企業(有限合夥)), a limited partnership established under the laws of the PRC on December 27, 2019, and one of our subsidiaries
“Shanghai Chunjin”	Shanghai Chunjin Business Consulting Partnership (Limited Partnership) (上海春晉商務諮詢合夥企業(有限合夥)), a limited partnership established under the laws of the PRC on January 11, 2021, and one of our subsidiaries
“Shanghai Chuntao”	Shanghai Chuntao Cosmetics Co., Ltd. (上海椿桃化妝品有限公司), a limited liability company incorporated under the laws of the PRC on November 11, 2025, and one of our subsidiaries
“Shanghai Danbo”	Danbo (Shanghai) Biology Technology Co., Ltd. (淡泊(上海)生物科技有限公司), a limited liability company incorporated under the laws of the PRC on April 26, 2018, and one of our subsidiaries
“Shanghai Fangjiaoshi”	Shanghai Fangjiaoshi Management Consulting Co., Ltd. (上海房角石管理諮詢有限公司), a limited liability company incorporated under the laws of the PRC on August 31, 2018, and one of our Controlling Shareholders Group
“Shanghai Hesuo”	Shanghai Hesuo Cosmetics Co., Ltd. (上海何所化妝品有限公司), a limited liability company incorporated under the laws of the PRC on January 26, 2021, and one of our subsidiaries
“Shanghai Lingren”	Shanghai Lingren Management Consulting Co., Ltd. (上海伶人管理諮詢有限公司), a limited liability company incorporated under the laws of the PRC on August 19, 2015, the general partner of Shanghai Yuangan and one of our Controlling Shareholders Group

DEFINITIONS

“Shanghai Qifei”	Shanghai Qifei Cosmetics Co, Ltd. (上海柒飛化妝品有限公司), a limited liability company incorporated under the laws of the PRC on March 2, 2022, and one of our subsidiaries
“Shanghai Qijin”	Shanghai Qijin Cosmetics Co., Ltd. (上海柒錦化妝品有限公司), a limited liability company incorporated under the laws of the PRC on March 7, 2022, and one of our subsidiaries
“Shanghai Qilong”	Shanghai Qilong Biology Technology Co., Ltd. (上海柒隆生物科技有限公司), a limited liability company incorporated under the laws of the PRC on May 26, 2017, and one of our subsidiaries
“Shanghai Qitan”	Shanghai Qitan Biology Technology Co., Ltd. (上海柒潭生物科技有限公司), a limited liability company incorporated under the laws of the PRC on May 26, 2017, and one of our subsidiaries
“Shanghai Qiyu”	Shanghai Qiyu Business Consulting Co., Ltd. (上海柒裕商務諮詢有限公司), a limited liability company incorporated under the laws of the PRC on December 20, 2024, and one of our subsidiaries
“Shanghai Qiyuan”	Shanghai Qiyuan Electronic Commerce Co., Ltd. (上海柒淵電子商務有限公司), a limited liability company incorporated under the laws of the PRC on December 15, 2016, and one of our subsidiaries
“Shanghai Sangezhuang”	Shanghai Sangezhuang Information Technology Co., Ltd. (上海三個樁信息科技有限公司), a limited liability company incorporated under the laws of the PRC on February 6, 2015, and one of our subsidiaries
“Shanghai Senqingxuan”	Shanghai Senqingxuan Industrial Co., Ltd. (上海森清軒實業有限公司), a limited liability company incorporated under the laws of the PRC on November 17, 2016, and one of our subsidiaries
“Shanghai Shenrongzhuang”	Shanghai Shenrongzhuang Cosmetics Co., Ltd. (上海參容莊化妝品有限公司), a limited liability company established under the laws of the PRC on September 10, 2020, and one of our subsidiaries

DEFINITIONS

“Shanghai Shentao”	Shanghai Shentao Cosmetics Co., Ltd. (上海參桃化妝品有限公司), a limited liability company incorporated under the laws of the PRC on November 11, 2025, and one of our subsidiaries
“Shanghai Weilai”	Shanghai Weilai Commerce Consulting Partnership (Limited Partnership) (上海煒來商務諮詢合夥企業(有限合夥)), a limited partnership established under the laws of the PRC on January 11, 2021, and one of our subsidiaries
“Shanghai Xunzaoji”	Shanghai Xunzaoji Daily Necessities Co., Ltd. (上海尋皂記日用品有限公司), a limited liability company established under the laws of the PRC on June 3, 2020, and one of our subsidiaries
“Shanghai Yuangan”	Shanghai Yuangan Investment Partnership (Limited Partnership) (上海元淦投資合夥企業(有限合夥)), a limited partnership incorporated under the laws of the PRC on February 4, 2016 and one of our Controlling Shareholders Group
“Shanghai Yuanhui”	Shanghai Yuanhui Business Consulting Partnership (Limited Partnership) (上海元洄商務諮詢合夥企業(有限合夥)), a limited partnership incorporated under the laws of the PRC on November 14, 2016 and one of our Controlling Shareholders Group
“Shanghai Yuantan”	Shanghai Yuantan Business Consulting Partnership (Limited Partnership) (上海元潭商務諮詢合夥企業(有限合夥)), a limited partnership incorporated under the laws of the PRC on March 25, 2025 and one of our Controlling Shareholders Group
“Share(s)”	ordinary shares in the capital of our Company with a nominal value of RMB0.20 each upon completion of the Share Subdivision, comprising Domestic Unlisted Share(s) and H Share(s); before the completion of the Share Subdivision, ordinary share(s) in the share capital of our Company with a nominal value of RMB1.00 each
“Share Subdivision”	the share subdivision immediately prior to the Listing, pursuant to which each of our Share with par value of RMB1.00 will be subdivided into five Shares with par value of RMB0.20 each
“Shareholder(s)”	holder(s) of the Share(s)

DEFINITIONS

“State Council”	State Council of the People’s Republic of China (中華人民共和國國務院)
“Subsidiary(ies)”	has the meaning ascribed to it in section 15 of the Companies Ordinance
“Track Record Period”	the years ended December 31, 2022, 2023, 2024 and six months ended June 30, 2025
“Underwriters”	the Hong Kong Underwriters and the International Underwriters
“Underwriting Agreements”	the Hong Kong Underwriting Agreement and the International Underwriting Agreement
“US” or “United States”	the United States of America, its territories, its possessions and all areas subject to its jurisdiction
“U.S. Securities Act”	the United States Securities Act of 1933, as amended, supplemented or otherwise modified from time to time, and the rules and regulations promulgated under it
“US\$” or “U.S. dollars”	United States dollars, the lawful currency of the United States
“VAT”	value-added tax
“%”	per cent

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

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

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

GLOSSARY OF TECHNICAL TERMS

This glossary of technical terms contains explanations of certain technical terms used in this prospectus in connection with our Company and our business. Such terminology and meanings may not correspond to standard industry meanings or usages of those terms.

“active customer(s)”	customers who have placed at least one purchase order during the Track Record Period
“antioxidant peptide”	short chains of amino acids that possess the ability to neutralize free radicals and reactive oxygen species, thereby protecting cells from oxidative damage
“anti-wrinkle”	the ability to reduce the appearance of fine lines and wrinkles
“AQP3”	a specific type of aquaporin protein that is predominantly expressed in the skin, where it helps regulate skin hydration, barrier function and wound healing
“aquaporin”	specialized water-channel proteins in the cell membranes of various organisms, which facilitates the movement of water across the membrane and plays crucial roles in maintaining water balance and homeostasis
“basal cells”	the deepest layer of cells in the outermost layer of the skin, which serve as the stem cell population, continuously dividing and differentiating to replace the upper layers of the skin
“bioactives”	naturally-derived compounds or ingredients that have a beneficial, physiological effect on the body
“bio-restructuring technology”	formulations and techniques that aim to remodel or restructure the skin’s underlying architecture, improving aspects such as skin tone, texture and elasticity
“CAGR”	compound annual growth rate, which is calculated by taking the nth root of the total percentage growth rate over a specified period of time. The formula for calculating CAGR is: $(\text{Ending Value}/\text{Beginning Value})^{(1/\text{number of years})}-1$

GLOSSARY OF TECHNICAL TERMS

“callus tissue culture technology”	a biotechnology that leverages the totipotency of plant cells to induce plant explants into undifferentiated cell masses (callus tissue) under sterile conditions. It enables efficient propagation and sustainable production of plant extracts for use in the cosmetics industry
“camellia”	a shrub or small tree native to China, typically found in southeastern areas at altitudes of 300 to 1,100 meters. It includes varieties such as the red camellia with red flowers, and the white camellia with white blooms. The alpine camellia is adapted to higher altitudes and has distinct floral features
“Camellia Anti-Wrinkle Repairing Essence Oil”	the fifth generation of Camellia Essence Oil
“Camellia Black Gold Rejuvenate Peptide Anti-Wrinkle Brightening Essential Cream”	the second generation of Camellia Rejuvenate Cream
“Camellia Essence Oil”	all generations of our signature essence oil, collectively known as Camellia Essence Oil
“camellia extract(s)”	a concentrate derived from the leaves, flowers or seeds of the camellia plant. These extracts are rich in antioxidants, nutrients and other beneficial phytochemicals
“camellia leaf fermentation technology”	a process that ferments camellia leaves with selected strains to produce a solution rich in active compounds and targeted metabolites like ceramides, which delivers anti-wrinkle and skin repair benefits
“Camellia Rejuvenate Cream”	all generations our rejuvenate cream, collectively known as Camellia Rejuvenate Cream
“cellular-level”	the processes, actions, or phenomena that occur at the scale of individual cells
“ceramides”	a class of lipid molecules that maintain the barrier function of skins by helping to lock in moisture, prevent water loss and protect the skin from environmental stressors

GLOSSARY OF TECHNICAL TERMS

“collagen”	structural protein found in the human body, particularly in the skin, tendons and bones, which provides strength, elasticity and support to various tissues
“collagen expression”	the biological process by which cells, such as fibroblasts in the skin, synthesize and secrete collagen molecules. Enhancing collagen expression can lead to improved skin firmness, smoothness and resilience
“color cosmetics”	products that can emphasize or alter the appearance of the face or body, which mainly include eyeliner, lipstick, foundation and other makeup products
“cosmetics products”	products that are applied by means of smearing, spraying or other similar methods on any part of the human body’s surface, such as the skin, hair, finger and toenails, lips and teeth, etc., in order to achieve the purpose of cleansing, maintaining, beautifying, modifying and altering the appearance of the human’s face and body, or correcting the body’s odor to keep it in good condition; which include skincare, personal care, color cosmetics, perfume and others
“dullness”	a lack of radiance, vibrancy and overall glow in the skin
“ergothioneine”	a naturally occurring antioxidant compound found in certain mushrooms, grains and other plant-based foods, which has been studied for its potential benefits in protecting cells from oxidative stress and supporting overall health
“ESG”	environmental, social and governance
“First-tier cities”	Shanghai, Beijing, Guangzhou and Shenzhen
“flavonoids”	a diverse group of plant-based compounds that possess potent antioxidant and anti-inflammatory properties
“GFA”	gross floor area
“GMP”	good manufacturing practices
“kg”	kilogram, a unit of weight equal to 1,000 grams
“KOC(s)”	key opinion customer(s)

GLOSSARY OF TECHNICAL TERMS

“KOL(s)”	key opinion leader(s)
“KOS(s)”	key opinion spreader(s)
“lower-tier cities”	including third- and other lower-tier cities
“mitochondrial energy technology”	A technique that enhances ATP production in mitochondria to boost skin cell energy, which improves vitality and promotes repair and anti-wrinkle effects
“NAD+”	Nicotinamide Adenine Dinucleotide, a coenzyme found in all living cells, which plays an important role in cellular metabolism by facilitating redox reactions, carrying electrons from one reaction to another
“nasolabial folds”	creases or lines that run from the corners of the nose to the corners of the mouth, which can become more pronounced with age, contributing to a more aged or tired appearance
“New first-tier cities”	Nanjing, Wuhan, Suzhou, Hefei, Chengdu, Hangzhou, Zhengzhou, Tianjin, Ningbo, Dongguan, Changsha, Qingdao, Xi'an, Chongqing, Wuxi and Changshu
“niacinamide”	an ingredient that can improve skin's barrier function, reduce the appearance of blemishes, minimize the look of enlarged pores and aid in collagen production
“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
“oleic acid”	a moisturizing, emollient and skin-conditioning monounsaturated fatty acid
“OMO”	“Online-merge-Offline”, a marketing strategy that seamlessly combines customer interactions and shopping experiences from both the online and offline realms

GLOSSARY OF TECHNICAL TERMS

“optimized camellia seed oil fermentation technology”	an innovative process that enhances the quality and performance of camellia seed oil through microbial fermentation
“PA++++”	the highest level of sun protection factor, indicating exceptional broad-spectrum ultraviolet radiation shielding capabilities
“peptides”	short chains of amino acids that play a crucial role in various biological processes, including skin rejuvenation and collagen synthesis
“photoaging”	the premature aging of the skin caused by prolonged exposure to ultraviolet radiation from the sun
“phytosterols”	plant-derived compounds structurally similar to cholesterol that offer benefits such as maintaining healthy cholesterol levels and supporting skin barrier function
“polyols”	sugar alcohols used as low-calorie sweeteners and humectants in various food, cosmetic and pharmaceutical applications
“polyphenols”	a diverse class of antioxidant compounds found in plants, known for their ability to protect against oxidative stress and support overall health
“premium skincare brand”	skincare brands positioned to meet the demands of consumers for prestige, high quality and exclusivity through perceived-value products
“product return rate”	measured by the ratio of the amount of product returns to our revenue of each period
“Qingxuan Extract”	an active compound comprising the leaves, flowers, and seed oil of alpine red camellia, obtained through a proprietary supercritical extraction technology
“R&D”	research and development
“repurchase rate”	calculated by dividing the number of consumers who purchased our products for two or more times during a specific period of time by the number of consumers who made a least one purchase during the same period of time

GLOSSARY OF TECHNICAL TERMS

“retail sales”	the monetary value paid by final consumers on purchasing finished goods
“sagging”	loss of skin elasticity and firmness, which results in a drooping or lax appearance of the skin
“Second-tier cities”	Foshan, Shenyang, Nanchang, Lanzhou, Kunming, Xiamen, Shaoxing, Wenzhou, Zhuhai, Jiaxing, Zhongshan, Changzhou, Jinhua, Taizhou, Nantong, Jinan, Quanzhou, Fuzhou, Dalian, Yantai, Huizhou, Taiyuan, Weifang, Guiyang, Harbin, Xuzhou, Shijiazhuang, Nanning, Changchun, Baoding, Lanzhou, Jingjiang and Kunshan
“skin firming”	the process of revitalizing and restoring the skin’s youthful appearance, texture and function through the use of various topical treatments, skincare routine (日常保養), or lifestyle interventions
“skin repair”	the ability to actively help the skin restore, rejuvenate and replenish its natural functions and structures
“skincare products”	product that can improve skin integrity, provide relief to skin conditions, and address specific skin concerns such as wrinkle, dryness, etc.
“SKU(s)”	stock keeping unit(s), to help identify and track inventories; in connection with which, “new SKU(s)” refers to the SKUs launched in the specified year/period for the first time with revenue recognized for such year/period during their first 12-month launch period
“SPF”	sun protection factor, a metric that measures a sunscreen’s ability to protect the skin from the harmful effects of ultraviolet radiation
“sq.m.”	square meter, a unit of area measurement
“squalene”	a natural, lightweight and easily-absorbable lipid found in the skin that plays a crucial role in maintaining skin health, hydration and barrier function
“supercritical liposome encapsulation technology”	a method using supercritical CO ₂ fluid to create nano-sized liposomes for encapsulating active ingredients, which promotes transdermal absorption with low cost and eco-friendly advantages

GLOSSARY OF TECHNICAL TERMS

“taurine”	an amino acid with antioxidant properties that can help support skin health, hydration and protection against environmental stressors
“thermal aging”	premature deterioration of the skin’s structure and function due to prolonged exposure to heat
“third place of skincare”	a curated experiential space between home and professional beauty salons, where we adopt a unique in-store experiential services model
“Third-tier cities”	Wuhu, Sanya, Lishui, Jiujiang, Linyi, Huzhou, Zhenjiang, Weihai, Taizhou, Zhuzhou, Zibo, Yangzhou, Urumqi, Hohhot, Tangshan, Langfang, Yancheng, Jiangmen, Haikou, Yinchuan, Putian, Huai’an, Zhangzhou, Tai’an, Hengyang, Liuzhou, Mianyang, Yichang, Bengbu, Lianyungang, Xiangyang, Jining, Ningde, Yueyang, Shantou, Shangrao, Luoyang, Zhaoqing, Guilin, Suqian, Handan, Jinzhou, Changde, Cangzhou, Yichun, Chuzhou, Nanchong, Zunyi, Xinxiang, Zhanjiang, An’qing, An’yang, Ganzhou, Xianyang, Dezhou, Xingtai, Nanyang, Liu’an, Fuyang, Liaocheng, Xinyang, Heze, Jieyang, Shangqiu, Zhoukou, Baotou, Ma’anshan, Ordos, Dongying, Zaozhuang, Zhumadian, An’qiu, Jiangyin, Liyang and Zhangjiagang
“top-tier cities”	including first-, new first- and second-tier cities
“UV”	ultraviolet
“UVA”	ultraviolet A, which refers to the longer wavelength range of ultraviolet radiation, typically between 315-400 nanometers
“UVB”	ultraviolet B, which refers to the shorter wavelength range of ultraviolet radiation, typically between 280-315 nanometers

FORWARD-LOOKING STATEMENTS

We have included in this prospectus forward-looking statements. Statements that are not historical facts, including statements about our intentions, beliefs, expectations or predictions for the future, are forward-looking statements.

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

- our ability to successfully implement our business plans and strategies;
- future developments, trends and conditions in the industry and markets in which we operate or into which we intend to expand;
- general political and economic conditions of jurisdictions in which we operate;
- our business operations and prospects;
- our capital expenditure plans;
- weather, natural disasters and climate change;
- the actions and developments of our competitors;
- our financial condition and performance;
- capital market developments;
- our dividend policy;
- any changes in the laws, rules and regulations of the central and local governments in the PRC and other relevant jurisdictions and the rules, regulations and policies of the relevant governmental authorities relating to all aspects of our business and business plans; and
- various business opportunities that we may pursue.

RISK FACTORS

An investment in our H Shares involves risks. You should carefully consider all of the information in this prospectus, including our consolidated financial statements and related notes before making an investment in our H Shares.

Our business, financial conditions, results of operations and prospects could be materially and adversely affected by any of these risks, some of which are beyond our control. Other risks and uncertainties that we are not currently aware of or that are not disclosed or implied below, or which we do not currently believe to be material, may also be detrimental to our business, financial condition and results of operations. You should consider our business and prospects in light of the challenges we face, including those discussed in this section. The trading price of our H Shares may decline due to any of these risks, and you may lose all or part of your investment. This prospectus also contains forward-looking information that involves risks and uncertainties. Our actual results could differ materially from those anticipated in the forward-looking statements as a result of many factors, including the risks described below and elsewhere in this prospectus.

RISKS RELATING TO OUR BUSINESS AND INDUSTRY

We operate in a highly competitive and rapidly evolving market, and our business success depends on our ability to compete effectively in China's premium skincare industry.

We operate in China's premium skincare industry that is relatively concentrated, with the top 15 brands accounting for 66.1% of the market share, according to CIC. According to CIC, in 2024, *Forest Cabin* ranked 13th among all premium skincare brands in China (including both domestic and international brands) by retail sales with a market share of 1.4%, and was the only domestic brand among the top 15 premium skincare brands in China. In 2024, *Forest Cabin* ranked first among all premium domestic skincare brands in China by retail sales. Our capacity to compete effectively hinges on a number of factors, including our brand reputation, product innovation and functionality, competitive pricing, quality, production efficiency, robust sales and marketing strategies. Some of our competitors may possess greater financial, technical, and marketing resources, more established brand recognition, longer operating histories and larger customer bases. We may also face competition from existing competitors or new entrants with respect to pricing, which may result in price reductions or reduced margins that would adversely affect our profitability. If we are not able to compete effectively, our market share could decline and our business, financial condition and results of operations could be materially and adversely affected.

RISK FACTORS

The skincare industry and the demand for our products are subject to the general market conditions and our consumers' willingness to spend on skincare products.

The skincare industry, along with the demand for our products, is influenced by overall market conditions and customer spending behavior. While customer interest in skincare and personal expression continues to grow, the market and demand for our products largely depend on customers' disposable income and their willingness to spend on skincare products. As a result, the industry is particularly vulnerable to fluctuations in market conditions and broader macroeconomic factors. During such periods, customers may prioritize essential expenditures and reduce spending on non-essential items like skincare products. Consequently, any decline in our customers' purchasing power could lead to decreased customer traffic, which may materially and adversely affect our business, financial condition, and results of operations.

Our success is dependent on the continued popularity of our products and our ability to timely anticipate and respond to changes in industry trends and consumer preferences.

We operate in the China's premium skincare 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 skincare products that appeal to consumers. In order to maintain and improve our market position, we continuously invest in developing, producing and marketing new products, maintaining and increasing our brand awareness, optimizing our product offerings, and improving our sales and marketing strategies, all of which require extensive market research and planning, effective execution and significant expenditure. However, we cannot assure you that all of these efforts will be successful. If we fail to accurately anticipate and respond to industry changes, or if we experience delays in developing and launching new products that align with those changes, our products may become less desirable or obsolete. This could result in lower sales, excess inventory levels and a decline in market share, which could adversely affect our business, financial condition and results of operations.

Our business and prospects depend on the reputation and market perception of our brand.

Our sustained growth and success depend significantly on the reputation and market perception of our brands, particularly *Forest Cabin* from which we derived substantially all of our revenue during the Track Record Period. Our brand reputation and image might be damaged by any adverse publicity concerning our Company, our founder, senior management and other key personnel. Moreover, disparaging comments, reviews, or misinformation about our brands or products on social media platforms, or any negative publicity related to our business partners, such as KOLs, suppliers or other business partners, could negatively affect consumer perception and confidence in our brands and products. Adverse publicity about our industry, whether directly associated with us, may influence general consumer perception towards industry participants, further eroding confidence in our brands and products. Additionally, our reputation and image could suffer from product defects, liability claims and consumer complaints. Any of such events could have damaged our brand image and reputation, further materially and adversely affecting our business, financial condition and results of operations.

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Our business success is dependent on our ability to develop, launch and promote new brands and product offerings, and failure to do so may compromise our competitive edge.

Our ability to maintain our competitive position and drive future growth depends significantly on our capacity to continuously develop, launch and promote new brands and product offerings that meet evolving consumer preferences and market trends. We have invested heavily, and intend to continue investing in the development of new product offerings centered around signature product and core ingredients. While we currently primarily operate under our flagship brand, *Forest Cabin*, we intend to advance our multi-brand strategy to build culturally distinctive premium skincare brands. Based on the market trends and consumer preferences, our brand pipeline may include a lightweight repair and hydration skincare brand tailored for younger consumers, an aromatherapy-based emotional skincare brand, and a community-focused beauty service brand featuring offline chain stores. See “Business — Our Strategies.”

However, the process of developing and launching new products involves significant investments in research and development, marketing and sales, and is subject to inherent uncertainties, including changes in consumer demand, regulatory approvals and supply chain constraints. There is no assurance that our new brands or product offerings will be well received by the market or achieve commercial success. If we fail to anticipate or respond effectively to consumer preferences, or if our new products fail to gain market acceptance, we may not be able to recover our investment costs, which could adversely affect our profitability. In addition, delays in product development or launch, or failure to effectively promote our offerings, may result in missed market opportunities and erosion of our market share.

Furthermore, our competitors may introduce new products more quickly or effectively, or respond more rapidly to changing market conditions, which could diminish the appeal of our offerings. Any of the foregoing could materially and adversely affect our business, financial condition and results of operations.

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

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

Our reputation and customer trust heavily rely on the consistent quality of our products. Any compromise in product quality or occurrence of side effects, whether due to production defects, supply chain issues, or inadequate quality control measures, could result in product returns or recalls and significantly impact our brand image, customer loyalty and market position. Our quality control system may not always be successful in detecting defects, quality issues or side effects, especially if they originate from factors beyond our direct control, such as raw material defects or issues with third-party suppliers. In addition, we cannot fully eliminate the risk of accidental contamination, biological or chemical hazards or personal injury during the process of testing, development and production. In the event of such accidents, we could face product liability claims and be held liable for damages and clean-up costs which, to the extent not covered by existing insurance or indemnification, could harm our business. Other adverse effects could result from such inability, including reputational damage.

In addition, we are subject to a number of health and safety laws and regulations pertaining to the production, sales, registration and recordation of cosmetics, including the Regulation on the Supervision and Administration of Cosmetics, the Measures for the Supervision and Administration of Production and Operation of Cosmetics, the Cosmetic Production Quality Management Standard (No. 1 [2022] of the State Drug Administration Announcement), the Measures for the Administration of Cosmetic Labeling (No. 77 [2021] of State Drug Administration Announcement), among others. See “Regulatory Overview — Regulations Relating to Cosmetics.” We may be required to incur substantial costs to comply with current or future health and safety laws and regulations. Failure to comply with these adversely affect our business, financial condition and results of operations.

Our business is susceptible to customer complaints due to the subjective nature of skincare product satisfaction.

Our business relies heavily on the consistent satisfaction of customers with our skincare products. Customer preferences in the skincare industry are highly subjective and can vary significantly among individuals. The complex nature of satisfaction with skincare products means that what is effective and appealing to one customer may not meet the expectations of another. Despite our commitment to delivering high-quality products and exceptional customer service, there remains an inherent risk of complaints or negative feedback from customers who feel that the products have not performed as expected or failed to meet their personal standards of efficacy. During the Track Record Period and up to the Latest Practicable Date, we had not been involved in any material customer complaints or litigation related to product safety and quality. However, if we were to receive a substantial number of complaints or negative reviews, our brand reputation could be adversely affected, which could in turn impact our sales and financial condition. Furthermore, significant customer dissatisfaction, particularly if amplified through social media or other public forums, could attract regulatory scrutiny and potentially result in sanctions, fines, or mandatory corrective actions, any of which could materially and adversely affect our results of operations.

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

We experienced rapid growth during the Track Record Period. Our revenue increased from RMB691.2 million in 2022 to RMB805.0 million in 2023, and further increased to RMB1,209.6 million in 2024. Our revenue increased from RMB530.4 million in the six months ended June 30, 2024 to RMB1,051.8 million in the six months ended June 30, 2025. We recorded a net profit of RMB84.5 million in 2023 as compared to a net loss RMB5.9 million in 2022. Our net profit further increased to RMB186.8 million in 2024. Our net profit increased from RMB86.7 million in the six months ended June 30, 2024 to RMB181.8 million in the six months ended June 30, 2025. In 2022, our net loss margin was 0.9%. In 2023, 2024 and the six months ended June 30, 2024 and 2025, our net profit margin was 10.5%, 15.4%, 16.3% and 17.3%, respectively. We may not be able to sustain the same level of growth, or our revenue, gross profit margin and profit before tax may decline for reasons such as decreased consumer demand for our products, cost fluctuations of input materials, supply chain disruptions, increased competition in the industry, or damage to our reputation or brand image. In particular, we have historically had loss-making stores within our sales network, which may continue to incur losses due to factors such as ramp-up periods for newly opened stores, reduced foot traffic in certain shopping malls, elevated rental costs in premium locations and extended staff training cycles. If we are unable to effectively manage and mitigate the financial impact of these underperforming stores, our overall profitability and financial performance may be adversely affected. We may also encounter unforeseen difficulties in operations. Failure to address these risks and challenges may affect our growth and profitability. You should therefore not rely on our historical results of operations as indicative of our future performance.

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

We advertise our brands and products through various online and offline channels, which are subject to applicable PRC laws and regulations. Under PRC advertising laws and regulations, we are required to ensure that the contents of our advertisements are in full compliance with applicable laws and regulations. For example, the advertisements shall not present any false, inaccurate or misleading information about the products. Moreover, our marketing and promotion of cosmetics are subject to higher standards under PRC laws and regulations, such as the Advertising Law of the People's Republic of China, the Measures for the Administration of Internet Advertisements and the Regulation on the Supervision and Administration of Cosmetics. See “Regulatory Overview — Regulations Relating to Advertising.” During the Track Record Period, one of our directly-operated stores was fined by the Beijing Municipal Administration for Market Regulation for making inaccurate claims regarding the “anti-aging” efficacy of our products. See “Business — Legal Proceedings and Compliance — Legal Proceeding.” Any violation of advertising laws and regulations in the PRC may subject us to administrative penalties, including fines, revocation of our business licenses and discontinuance of our advertising activities. Moreover, governmental actions and civil claims may be filed against us for misleading or inaccurate advertising or other illegal acts violating advertising laws or consumer rights.

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

We may be adversely affected by the evolving PRC regulatory development on marketing activities carried out by KOLs and KOCs.

We at times promote our products through collaboration with KOLs and KOCs for marketing activities and special events. See “Business — Marketing and Branding.” We foster strategic collaboration with reputable KOLs and KOCs in recognition of their influence in shaping consumer perceptions, preferences and purchasing decisions in the digital landscape. However, we cannot assure that our KOLs and KOCs will remain complied with PRC laws and regulations on marketing activities carried out by them. Any misconduct or deterioration of image by our KOLs, including inappropriate speech, unethical behavior, violation of laws and regulations or other negative publicity beyond our control would adversely impact our brand reputation and product sales. We may also initiate legal proceedings against KOLs and KOCs for compensation, which could divert management’s attention and incur additional litigation expenses. If any of these situations occur, our business, financial condition and results of operations could be materially and adversely affected. During the Track Record Period and up to the Latest Practicable Date, to the best of our knowledge, there had been no material misconduct by the KOLs and KOCs we engaged, nor did we initiate any material legal proceedings against them.

If we fail to attract, recruit and retain R&D talent, or our R&D efforts do not generate expected outcomes, our business, financial condition and results of operations may be materially and adversely affected.

Since our inception, we have been committed to the R&D of technologies and core ingredients applied in our products, particularly camellia-based extracts. Our future success depends significantly on our ability to attract, recruit and retain qualified personnel for our R&D activities. As of June 30, 2025, our R&D team consisted of 85 experienced personnel with extensive expertise in botany, biology, dermatology and applied chemistry, with over 50% holding a master’s degree or higher. See “Business — Our Research and Development — Our R&D Team.” However, given the high demand and intense competition for skilled personnel in the cosmetics industry, we cannot assure our capacity to attract, recruit and retain proficient R&D personnel. The loss of key R&D personnel or the inability to attract new talent could delay or disrupt our development pipeline, reduce our innovation capacity, and impair our ability to respond to technological changes or evolving customer preferences. Any of the foregoing could materially and adversely affect our business, financial condition and results of operations.

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In addition, our R&D efforts involve significant time and financial investment and are inherently uncertain. In 2022, 2023, 2024 and the six months ended June 30, 2024 and 2025, our research and development costs amounted to RMB21.1 million, RMB19.7 million, RMB30.4 million, RMB13.1 million and RMB18.0 million, respectively. However, there is no assurance that our R&D activities will yield successful outcomes, or that any new products or technologies developed will be commercially viable or accepted by the market. If our R&D efforts fail to deliver expected results, or if we are unable to effectively translate R&D outcomes into marketable products, our growth prospects and competitive position may be adversely affected.

We have also established long-term strategic collaborations with leading botanical research institutes, medical universities, biotechnology-focused raw material companies and international research institutions to enhance our R&D capabilities and drive innovation. These partnerships focus on advancing the research of core ingredients, optimizing formulation techniques and developing innovative products that align with consumer preferences and market trends. See “Business — Our Research and Development — Our R&D Collaborations.” There is no assurance that these collaborations will achieve their intended objectives or generate commercially viable outcomes. The success of such partnerships depends on a variety of factors, including alignment of strategic goals, effective communication, timely delivery of research milestones, and mutual commitment of resources. Any failure by our partners to perform their obligations, or any misalignment in expectations, may result in delays, increased costs, or termination of the collaboration. In addition, we may be exposed to risks relating to intellectual property ownership, confidentiality breaches, and regulatory compliance in connection with these collaborations. Disputes or disagreements with our partners could disrupt our R&D pipeline and adversely affect our ability to bring new products to market. Any of the foregoing could materially and adversely affect our business, financial condition and results of operations.

Our stores require various approvals, licenses and permits to operate, any failure to obtain or renew these approvals, licenses and permits could materially and adversely affect our business and results of operations.

In accordance with PRC laws and regulations, our stores are required to obtain various approvals, licences, and permits to operate, including those relating to sanitation, safety, environmental protection and fire safety compliance. See “Regulatory Overview — Regulations Relating to Environmental Protection and Fire Safety.” The scope and nature of the required approvals, licenses, and permits may vary depending on the location and type of store, and are subject to change as relevant laws and regulations evolve. These approvals, licenses, and permits are typically subject to periodic renewal and ongoing compliance requirements. Any failure or delay in obtaining, renewing, or maintaining such approvals, licenses and permits, or in complying with new or revised regulatory standards, could result in similar adverse consequences. We historically had certain directly-operated stores that failed to complete the mandatory fire safety filing procedures or the requisite pre-operation fire safety inspections prior to operations. As of June 30, 2025, all such incidents have been fully rectified. See “Business — Licenses, Permits and Approvals — Fire Safety.”

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As advised by our PRC Legal Advisor, stores operated under the commission model collaborated with shopping malls are located within premises allocated by the respective shopping malls. Under this arrangement, the shopping malls bear the responsibility for handling all procedures required to obtain the necessary licenses and permits. For stores operated under joint operation and franchise models, the relevant stores are operated by our joint operation partners and franchisees. The responsibility for obtaining and maintaining all requisite approvals, licenses and registrations for these stores rests with the respective joint operation partners and franchisees. In addition, under their respective agreements with us, both franchisees and joint operators are required to ensure the continued validity and effectiveness of these approvals, licences and permits. While we require the relevant shopping malls, joint operators and franchisees to obtain and maintain all necessary approvals, licenses, and permits, we may have limited ability to monitor or enforce compliance. Any non-compliance by these third parties could expose us to reputational harm, restrictions on our ability to expand or operate certain stores, financial losses or other negative impacts, regardless of whether we are directly at fault. Any of the foregoing could have material adverse effect on our business, financial condition and results of operations.

We may not be able to implement our sales and marketing strategies effectively or efficiently, which could impair our ability to attract and retain customers and increase our profitability.

The success of our business relies on our ability to consistently attract and retain consumers through effective sales and marketing strategies, which is crucial for increasing product sales, gaining market acceptance and maintaining customer relationships. During the Track Record Period, we invested considerable resources primarily in strengthening our sales and marketing on both online and offline sales channels. In 2022, 2023, 2024 and the six months ended June 30, 2024 and 2025, our selling and distribution expenses amounted to RMB509.0 million, RMB485.5 million, RMB688.5 million, RMB290.1 million and RMB580.6 million, respectively. However, we cannot assure you that our sales and marketing strategies will always be effective. Any failure to execute our sales and marketing strategies in a cost-effective manner could have a negative impact on our profitability. There is also a risk that misrepresentation in our marketing communications or product claims could lead to regulatory penalties, reputational damage, or loss of consumer trust. Such misrepresentations, whether intentional or accidental, may adversely affect our brand image and sales performance. In addition, we may need to adjust our sales and marketing strategies in response to the debut of new products or rapid changes in consumer preferences and demands in China's cosmetics industry. Failure to do so in a timely manner may result in a decline in product sales and market share. Both of these could have a material adverse effect on our business, financial condition and results of operations.

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

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

Our sales success through stores depends partly on our ability to identify and establish new locations, which is not guaranteed. In selecting store locations, we consider factors such as the demographic and economic conditions of the city, the number and quality of shopping malls, geographic positioning, availability of ancillary facilities, convenience of transportation and parking, brand mix and product categories within the venue, foot traffic patterns, and the operational performance of the shopping malls. We face competition from other skincare brands for prime locations, and some property owners may grant exclusivity or priority to competitors beyond our control. As we expand, we must secure additional locations through leases or concession agreements on a case-by-case basis. There can be no assurance that we will obtain suitable store locations or enter into concession agreements on commercially acceptable terms, or at all, which could hinder our ability to grow our presence in key locations, attract and retain customers, enhance brand awareness, and maintain or increase product sales. We also need to manage potential channel interactions as our directly-operated stores, partner-operated stores and distributor channels, among others, may be located in overlapping catchment areas. Although our distributors generally operate in different retail formats from our self-operated or partner-operated stores, any failure to maintain orderly channel arrangements may lead to channel friction or cannibalization, further materially and adversely affecting our results of operations.

We may not be able to successfully expand our business into new markets or geographic locations or manage our international expansion plans effectively.

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

- establishing a localized operational infrastructure cost-effectively, encompassing product design and development, production, marketing and sales, logistics service and customer service while handling increased competition from local providers;
- managing fluctuations in the cost of input materials and disruptions in global supply chains;

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- ensuring continuing compliance with laws and regulations of applicable jurisdictions;
- customizing and localizing our products to respond to diverse consumer needs across markets, while promoting our brands and products in a manner that resonates with the local market;
- securing intellectual property protection across markets and jurisdictions;
- navigating tariffs and other non-tariff barriers, such as quotas and local content rules;
- addressing varying levels of internet technology adoption and infrastructure, and increased or varying network and hosting service provider costs;
- adjusting to fluctuations in currency exchange rates and complying with currency control regulations; and
- responding to significant changes in political, social and economic conditions that could impact our operations.

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

Our sales volume may fluctuate due to seasonality.

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

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

We rely on third-party e-commerce platforms including Tmall, JD.com, Douyin, Kuaishou, Pinduoduo and WeChat, as well as direct sales to online retailers including Vipshop and JD.com for online sales of our products and derive a large portion of our online sales revenue from such platforms. In 2022, 2023, 2024 and the six months ended June 30, 2024 and 2025, our revenue generated from online channels amounted to RMB312.3 million, RMB394.5 million, RMB714.4 million, RMB290.1 million and RMB687.9 million, respectively, accounting for 45.2%, 49.0%, 59.1%, 54.7% and 65.4% of our total revenue in each respective period. 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.

If we fail to manage our stores under direct operation effectively, or if the respective shopping malls with which we collaborate to operate stores fail to comply with relevant regulatory requirements or operational standards, our business, financial condition and results of operations may be materially and adversely affected.

The success of our offline sales partially depends on the ability to manage our directly-operated stores. As of June 30, 2025, we had 554 stores nationwide, including 366, or 66.1% directly-operated stores operated under lease or commission model. Under the lease model, we directly manage the daily operations of our stores. Under the commission model, we collaborate with shopping malls to operate our stores. We derived revenue of RMB354.5 million, RMB357.2 million, RMB398.3 million, RMB202.5 million and RMB252.8 million through these directly-operated stores in 2022, 2023, 2024 and the six months ended June 30, 2024 and 2025, respectively, accounting for 51.3%, 44.4%, 32.9%, 38.2% and 24.0% of our total revenue in each respective period. The performance of our directly-operated stores depends on a variety of factors, including store location, foot traffic, inventory management, staffing, customer service quality and local market conditions, as well as the respective shopping malls' compliance with relevant regulatory requirements and operational standards. Any failure by us or by the relevant shopping malls to manage these factors effectively could result in suboptimal sales performance, increased operating costs, reputational damage or other liabilities. In particular, challenges such as inefficient store operations, inability to attract and retain qualified store personnel, or failure to comply with applicable regulatory requirements or maintain consistent service standards across locations may adversely affect

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customer experience and brand perception. Moreover, delays in store renovations, poor execution of marketing campaigns, or misalignment between product offerings and local consumer preferences could further impact store profitability.

Additionally, our ability to monitor and control operations across a geographically dispersed store network may be limited, especially as we expand into new markets. Any failure to implement effective internal controls, performance tracking systems, or timely response mechanisms may result in operational inefficiencies or compliance risks. If we are unable to address these challenges in a timely and effective manner, our business, financial condition and results of operations may be materially and adversely affected.

If our store partners fail to successfully operate our joint operation stores and franchised stores, our business and results of operations may be adversely affected.

In addition to our directly-operated stores, we also rely on store partners, including joint operators and franchisees, to operate a portion of our offline store network. As of June 30, 2025, we had 163 joint operation stores and 25 franchised stores, respectively. In 2022, 2023, 2024 and the six months ended June 30, 2024 and 2025, revenue generated from stores operated by store partners amounted to RMB16.6 million, RMB25.9 million, RMB45.8 million, RMB20.9 million and RMB32.4 million, respectively, representing 2.4%, 3.2%, 3.8%, 3.9% and 3.1% of our total revenue from product sales. The success of these stores depends significantly on the operational capabilities, financial strength and compliance of our store partners with our brand standards and operational protocols. However, we have limited control over the day-to-day operations of these stores. If our store partners fail to comply with relevant regulatory requirements, maintain adequate service quality, manage inventory effectively, or comply with our brand and operational requirements, it may result in customer dissatisfaction, reputational damage, and loss of sales. In addition, any misconduct, regulatory non-compliance, or financial distress on the part of our store partners may expose us to legal or regulatory liabilities and adversely affect our brand image.

Furthermore, the termination of franchise or joint operation agreements, or the failure to renew such agreements on favorable terms, may disrupt our store network and expansion plans. If we are unable to identify and engage suitable new partners in a timely manner, our growth prospects may be negatively impacted. Any of the foregoing could materially and adversely affect our business, financial condition and results of operations.

We are subject to risks in relation to our distributors.

In line with industry practice, we have engaged distributors to expand our sales network and product reach. We started to engage distributors in 2023. As of December 31, 2023, 2024 and June 30, 2025, we engaged 15, 63 and 93 distributors, respectively. In 2023, 2024 and the six months ended June 30, 2024 and 2025, our revenue generated from distributorship amounted to RMB14.5 million, RMB33.1 million, RMB8.1 million and RMB70.1 million, respectively, accounting for 1.8%, 2.7%, 1.5% and 6.7% of our total revenue in each respective period. Our success therefore partially depends on the performance of our distributors and our ability to maintain long-term relationships with them. Any significant underperformance in maintaining or sourcing additional orders, a substantial reduction in the volume of orders placed by distributors, or unexpected cessation of cooperation may materially and adversely

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affect our business performance. In addition, while we require our distributors to comply with distribution agreements, we cannot guarantee their strict adherence to these agreements or our prompt detection of their non-compliant activities. Any of their failure to fulfill contractual obligations or non-compliance with applicable regulatory requirements could negatively impact our business, leading to potential reputation damage, reduced sales volumes, costly litigation, or additional costs in finding new distributors as replacements due to early termination.

Furthermore, we have implemented measures to understand sales performance of our distributors, and mitigate risks relating to channel stuffing, recoverability of accounts receivables and cannibalization. Despite our efforts, our control over the daily business activities of our distributors and their ultimate sales is limited. We cannot guarantee that these measures will be completely effective, nor can we assure you whether our distributors will at all times comply with our sales policies and maintain sales performance. If our distributors fail to promote and sell our products successfully, or carry out actions which are inconsistent with our business strategy, our brand image and reputation may also be tarnished, and our business, financial condition and results of operations may be materially and adversely affected.

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

Companies operating in the PRC are required to participate in various employee benefit plans, including social insurance fund and housing provident fund and contribute to the amounts equal to certain percentage of salaries, including bonuses and allowances, of their employees up to a maximum amount specified by the local government from time to time at locations where they operate their business. During the Track Record Period, we did not make full contributions to social insurance and housing provident funds for certain employees. In 2022, 2023, 2024 and the six months ended June 30, 2024 and 2025, our shortfall for the social insurance and housing provident fund contributions was RMB3.2 million, RMB3.6 million, RMB3.3 million, RMB1.6 million and RMB2.3 million, respectively. As a result, we may be required to make additional contributions of social insurance fund and/or housing provident fund and late payment or fines under PRC laws and regulations. We undertake to make timely and full payment if required by the competent authorities. As such, the maximum potential penalty would be limited to the shortfall in our social insurance and housing provident fund contributions, as specified above.

Considering that during the Track Record Period and up to the Latest Practicable Date, (i) no administrative penalties or notices were issued by the relevant authorities requiring us to make up for contribution shortfalls or amend our policies; (ii) no material employee complaints were received, nor were any disputes raised regarding such payments; (iii) according to the Urgent Notice of the General Office of the Ministry of Human Resources and Social Security on Implementing the Spirit of the Executive Meeting of the State Council in Stabilizing the Collection of Social Insurance Premiums (人力資源社會保障部辦公廳關於貫徹落實國務院常務會議精神切實做好穩定社保費徵收工作的緊急通知) (Ren She Ting Han [2018] No. 246) promulgated by the Ministry of Human Resources and Social Security of the PRC, the local authorities are strictly forbidden from retroactively collecting historical unpaid social insurance contributions from enterprises; and (iv) we have adopted detailed

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rectification and compliance plans to ensure compliance and prevent similar non-compliance in the future, see “Business — Employees — Social Insurance and Housing Provident Funds,” our PRC Legal Advisor is of the view that the risk of us being required to make up for shortfalls or facing administrative penalties related to our social insurance and housing provident fund contributions during the Track Record Period is low. However, we cannot assure you that we will not be subject to any order to rectify this incident in the future. We may be ordered by the relevant authorities to pay the contributions within the prescribed period, failing which we may be subject to a penalty or subject to specific enforcement by the People’s Court. Any such order may materially and adversely affect our business, financial condition and results of operations.

In addition, the Interpretation (II) on Issues Concerning the Application of Law in the Trial of Labor Dispute Cases (the “New Judicial Interpretation”) was issued by the Supreme People’s Court on July 31, 2025 and became effective on September 1, 2025. Article 19(1) of the New Judicial Interpretation provides that any agreement between an employer and an employee, or any undertaking by an employee to the employer, to waive social insurance contributions shall be deemed invalid by the people’s court. If an employer fails to pay social insurance contributions in accordance with the law and the employee requests to terminate the labor contract and seeks economic compensation under the Labor Contract Law of the People’s Republic of China, the people’s court shall grant such request in accordance with the law.

Based on (i) there are no agreements or undertakings between the Company and our employees to waive social insurance contributions; (ii) during the Track Record Period and up to the Latest Practicable Date, no employee had initiated any litigation or arbitration regarding social insurance contributions; and (iii) as advised by our PRC Legal Advisor, the New Judicial Interpretation does not repeal or amend any currently effective PRC social insurance laws or regulations and will not increase our exposure to penalties, our PRC Legal Advisor is of the view that the New Judicial Interpretation will not have additional material adverse impact on our business operation and financial condition.

Nevertheless, we cannot assure you that the relevant local government authorities will not take a contrary view or require us to pay outstanding amounts, late fees or fines, impose monetary penalties or take other administrative actions against us. Any investigation, penalty or legal dispute related to violations of labor laws could adversely affect our business, financial condition and results of operations.

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Our business success depends on the continuing efforts of our founder, senior management and other key personnel.

Our business operations and growth prospects rely on the skills, experience, and performance of our founder, Mr. Sun, and other senior management members and key personnel who perform vital functions in various areas, including strategic planning, operational management, product development, and customer relations. Any discontinuation of services by these members, whether due to resignation, retirement or other reasons, could disrupt our operations and impact our ability to execute our business strategies effectively. Competition for experienced and qualified personnel in the skincare industry is intense, and we may not be able to attract or retain suitable replacements in a timely manner or on commercially reasonable terms. In addition, should any negative publicity regarding our founder, senior management or other key personnel occurred, failure to promptly identify and address it may result in reputational damages, divert management's attention and resources from other important business concerns, and potentially lead to declines in our product sales.

We are susceptible to supply shortages and increased costs of raw materials and key components, which may materially and adversely affect our business, financial condition and results of operations.

During the Track Record Period, we primarily procure raw materials for skincare products, including camellia-derived inputs, polyols, lipids and botanical extracts, as well as packaging materials to support product development and delivery. In 2022, 2023, 2024 and the six months ended June 30, 2024 and 2025, our costs of inventories sold amounted to RMB115.1 million, RMB111.5 million, RMB149.7 million, RMB68.9 million and RMB132.8 million, respectively. In particular, as of the Latest Practicable Date, we had entered into supply agreements with nine camellia planting bases to procure camellia flowers as the key ingredient for the development and production of our skincare products, which ensures consistent quality of camellia flowers as raw materials and secures favorable supply prices over the long run. See “Business — Procurement and Production.”

Despite the precautionary measures we have taken, our reliance on third-party suppliers for raw materials could lead to supply disruptions if these suppliers face operational issues, financial instability, or other unforeseen circumstances. The production capability of camellia planting bases may be affected by certain agricultural and environmental risks, including natural or man-made disasters, such as fires, floods, storms, earthquakes, explosions, extreme weather and other interruptions such as power and water suspension, most of which are beyond our control. We cannot guarantee that the existing production capacity of these camellia plantation bases will meet market demands in the future, and may at times face insufficiencies in production capacity which may further impact the timely production of our skincare products. Furthermore, if any camellia plantation base was to be damaged or cease operations, it would temporarily reduce our production capacity and affect our ability to provide our products to our customers, which could adversely affect our sales, business, financial condition and results of operation. Additionally, we have limited control over the quantity and quality of raw materials supplied by third parties. Should there be any temporary or emergent shortage in the supply of raw materials or prolonged lead times, our production could be impacted, which may result in a delay in delivery to our stores, resulting in insufficient supply or reputational damage. Any compromise in the quality of

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these materials could impact the quality of our products, leading to potential reputational damage and loss of customer trust. Furthermore, changes in the cost of raw materials could impact our operational costs and profit margins, further materially and adversely affecting our business, financial condition and results of operations.

We rely on certain ODM/OEM partners to produce our products, which may subject us to additional risks.

To maximize production efficiency and broaden our product portfolio, we partnered with a selection of reliable OEM suppliers to assist with intermediary production steps, such as ingredient purification and concentration, as well as to produce certain sample canning and semi-finished product canning, such as certain travel-sized products and facial masks. We also cooperated with a selection of reliable ODM suppliers to produce perfumes and color cosmetics. See “Business — Procurement and Production — Production — Production Capacity.” However, we cannot assure that our ODM and OEM providers will have sufficient capacity to meet the increasing demand for our products, which could result in delayed launch of new products and product delivery and harm our market reputation and consumer relationship. Any material deterioration in our relationships with such business partners, any significant business challenges faced by them, or any failure on their part to produce products consistent with our standards or in accordance with contractual or regulatory and requirements could affect our product quality or supply, cause consumer dissatisfaction harm our brands. Further, any leakage, plagiarism or disclosure of confidential information during the process of 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.

We may not be able to expand our production capacity as planned or recover our investment in new production facilities, which could adversely affect our business and growth prospects.

In the future, we may need to expand our production capacity by various measures including construction of new production facilities. See “Future Plans and Use of Proceeds.” We cannot assure you that our new production facilities will be ready in time or our production capacity will otherwise be successfully expanded. Failure to expand our production capacity would hinder our capacity to satisfy consumer demands and growth prospectus. Furthermore, if market demand declines in the future, we may not be able to recoup the costs incurred for construction of new production facilities and maintenance of expanded production capacity. The delay or cancellation of our expansion could also subject us to disputes with various counterparties, such as general contractors, sub-contractors, equipment suppliers, financiers and relevant government authorities. Any of such events would materially and adversely affect our business, financial condition and results of operations.

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

We primarily utilized the warehouses located within our production bases and engaged third-party logistics service providers to provide warehousing facilities as supplemental warehousing facilities. We also engage third-party logistics service providers for product delivery. See “Business — Inventory Management and Logistics.” Any failure by these service providers to meet our requirements, whether due to operational inefficiencies, labor shortages, strikes, accidents, natural disasters or other unforeseen events, could result in delivery delays, inventory mismanagement or product damage. In addition, any significant increase in warehousing or transportation costs, or changes in the terms of our arrangements with these providers, could increase our operating expenses. If we are unable to secure alternative logistics arrangements on commercially reasonable terms in a timely manner, our business, financial condition and results of operations could be materially and adversely affected.

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

We need precise demand forecasting to ensure optimal inventory levels. Our minimum inventory levels are determined based on our historical sales, real-time market demands for our products and future sales projections. As of December 31, 2022, 2023, 2024 and June 30, 2025, we had inventories of RMB70.5 million, RMB55.1 million, RMB141.2 million and RMB245.7 million, respectively. In 2022, 2023 and 2024 and the six months ended June 30, 2025, our inventory turnover days were 150 days, 156 days, 173 days and 189 days, respectively. Any inaccuracies in demand forecasting could lead to overstock or stockouts, both of which can result in increased costs and lost sales. The market demand for our products may be affected by period-to-period fluctuations, new product launches, changes in product cycles and pricing, product defects, promotions, and changes in consumer spending patterns and preferences. It may be difficult to accurately forecast demand and determine appropriate levels of products or raw materials, which could result in significant write-downs or increased costs to secure necessary production and delivery delays. Failure to effectively manage inventory or negotiate favorable credit terms with third-party manufacturers and suppliers can expose us to increased risks of inventory obsolescence, declining inventory values.

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

Our commitment to timely delivery is subject to various factors beyond our control, such as logistical issues, disruptions in transportation due to adverse weather conditions or other unforeseen circumstances. Any significant delays in delivery could lead to customer dissatisfaction, potential loss of sales, and damage to our reputation.

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We have adopted product return policy that allows products to be returned and exchanged by our customers within a specified period in accordance with industry practice, relevant platform policies and applicable laws and regulations. See “Business — Customer Service — Product Returns and Recalls.” If our delivery, return and exchange policies are misused by a significant number of customers or if the return or exchange rates increase substantially, our costs may significantly increase, and our results of operations may be materially and adversely affected.

We may also be required by law to adopt new or amend existing return, exchange and warranty policies from time to time. While these policies improve customer experience and promote customer loyalty, which may in turn help us acquire and retain customer, they also subject us to additional costs and expenses which we may not recoup through increased revenue. Any failure to effectively manage the risks associated with our delivery, return and exchange policies could have a material adverse effect on our business, financial condition and results of operations.

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

We aim to provide consumers with high-quality cosmetics products and experience at generally consistent prices. See “Business — Pricing.” However, we cannot guarantee that we will consistently adopt a competitive pricing strategy for our products. If our market research yields inaccurate results that misalign our pricing strategy with market trends, we risk either diminishing profit margins by underpricing, or dampening sales volume and revenue by overpricing. Even if we initially price our products appropriately, we may need to offer significant discounts during major shopping events such as Double Eleven Day Shopping festival to enhance brand awareness and drive sales, or adjust prices as our products progress through their life cycles, potentially resulting in a lower overall gross profit margin.

We may not be able to adequately protect our intellectual property rights, and may be subject to intellectual property infringement claims, which could be expensive and may materially and adversely affect our business, financial condition and results of operations.

Our success depends partially on our ability to obtain, maintain, and protect our intellectual property rights as well as our ability to operate without infringing on the intellectual property rights of others. We protect our intellectual property rights through a combination of patents, trademarks, copyright, and trade secret laws, as well as contractual restrictions such as non-disclosure or confidentiality agreements. However, there can be no assurance that these protections will be sufficient. We may face challenges in preventing third parties from infringing upon or misappropriating our intellectual properties, such as our trade names, patents, copyrights and proprietary technologies. Additionally, the enforcement of these rights can be difficult and costly. We may have to initiate legal proceedings against relevant parties to defend our intellectual property rights, which could result in diversion of resources from our operations, and we may not be able to obtain results in our favor. Even if such legal proceedings come out with results in our favor, we may not be able to enforce the judgment or the remedies or damages may not be adequately recoverable to compensate us for our actual or anticipated losses, whether tangible or intangible. Any of such event could materially and adversely affect our business, financial condition and results of operations.

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In addition, third parties may manufacture and distribute counterfeit goods or imitations that infringe upon our trademarks, designs, patents, or other intellectual property rights in the future. The availability of such counterfeit products on the market can lead to brand dilution, loss of revenue, and damage to our reputation, which in turn could have a material adverse effect on our business, financial condition and results of operations. Although we have striven to promptly identify and deal with counterfeiting and imitation infringements both online and offline, we cannot assure you that these measures would be adequate to detect or prevent such incidents in a timely manner. Any occurrence of counterfeiting or imitation could damage our reputation and brand image, cause consumers to lose confidence in our brand and adversely affect our results of operations.

Moreover, despite the precautionary measures that we have taken, we cannot assure you that our business would not infringe upon or otherwise violate patents, copyrights or other intellectual property rights held by third parties. If we are found to have violated the intellectual property rights of others in the future, we may be subject to liability claims which may result in significant licensing fees, legal fees and other expenses, or injunctions to develop or commercialize the related product. We may be legally required to expend significant resources to redesign our products so that they do not infringe on third parties' intellectual property rights, or we may be required to obtain relevant licenses to avoid further infringements. In addition, negative publicity arising from litigation, legal or contractual disputes, investigations or administrative proceedings may damage our reputation and adversely affect our brand image, further materially and adversely affecting our business, financial condition and results of operations.

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

Our trade receivables mainly consisted of payments for our products from online and offline channels. As of December 31, 2022, 2023, 2024 and June 30, 2025, we recorded trade receivables of RMB21.2 million, RMB34.4 million, RMB45.9 million and RMB48.8 million, respectively. We recorded impairment on trade receivables of RMB1.1 million, RMB3.3 million, RMB2.7 million and RMB2.6 million as of December 31, 2022, 2023, 2024 and June 30, 2025, respectively. During the Track Record Period, we usually granted a credit term of 30 to 60 days to offline stores and online platforms. However, there can be no assurance that the collection of amounts due from our customers will be timely. This might result in slow turnover of our trade receivables and restrict our working capital resources. In 2022, 2023, 2024 and the six months ended June 30, 2025, the turnover days for our trade receivables were 15, 14, 13 days and 9 days, respectively. See “Financial Information — Discussion of Certain Key Balance Sheet Items — Current Assets and Liabilities — Trade Receivables.” If we fail to receive payments from our customers on a timely basis, our cash flows and financial condition could be materially and adversely affected.

RISK FACTORS

If we are unable to fulfil our obligation in respect of contract liabilities, our results of operations and financial condition may be adversely affected.

As of December 31, 2022, 2023, 2024 and June 30, 2025, we had contract liabilities of RMB15.6 million, RMB22.4 million, RMB26.3 million and RMB23.8 million, respectively. Our contract liabilities represented advance payments from our customers for sales of products, estimated loyalty points and advance payments for brand licensing fees from our store partners. If we fail to honor our obligations under our contracts with such customers, we may not be able to convert such contract liabilities into revenue, and our customers may also require us to refund the relevant prepayments they have made, which may in turn adversely affect our financial position. In addition, if we fail to honor our obligations under our contracts with customers, it may also adversely affect our business relationships with them, which may in turn affect our results of operations in the future.

We may not be able to recover our deferred tax assets, which may adversely affect our financial condition in the future.

We are required to make judgments, estimates and assumptions about the carrying amounts of our deferred tax assets. As of December 31, 2022, 2023, 2024 and June 30, 2025, we had deferred tax assets of RMB55.6 million, RMB53.9 million, RMB72.2 million and RMB96.9 million, respectively. For details of the movements of our deferred tax assets during the Track Record Period, see Note 28 of the Accountants' Report to Appendix I to this prospectus. Deferred tax assets are recognized 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 utilized. This requires significant judgment on the tax treatments of certain transactions and also an assessment on the probability, timing and adequacy of future taxable profits available for the deferred tax to be recovered. The estimates and associated assumptions are based on historical experience and other relevant factors. As a result, actual results may differ from these accounting estimates. The realization of deferred income tax assets depends primarily on our estimate of whether sufficient future profits will be available. If sufficient future taxable profits are not expected to be generated or if taxable profits are lower than expected, we may fail to recover our deferred tax assets, which may have a material adverse effect on our financial condition in the future.

RISK FACTORS

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

Our business operations involve the collection, use, storage, retention, transfer, disclosure, and other processing of data. See “Business — Data Privacy and Security.” Accordingly, our business operations are subject to various data privacy and security laws, such as Data Security Law of the PRC, revised Cybersecurity law of the People’s republic of China, Personal Information Protection Law of the PRC. See “Regulatory Overview — Regulations Relating to Cybersecurity and Data Protection.” As our business continues to expand, we may become subject to additional regulatory requirements regarding data protection and data privacy, which may necessitate adjustments to our data framework and incur additional costs. Any failure or perceived failure to comply with data privacy and security laws, or other concerns about our practices or policies with respect to the collection, use, storage, retention, transfer, disclosure and other processing of data and cybersecurity, could subject us to potential liabilities, reputational damage, and loss of customer trust.

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

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

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

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

RISK FACTORS

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

From time to time, we may be involved in lawsuits, claims, disputes regulatory investigations or legal proceedings in our ordinary course of business. These may concern issues relating to, among others, breach of contract, employment or labor disputes, antitrust, and infringement of intellectual property rights. If we fail in defending against any such claims, we may be subject to substantial damages to compensate the claimants. Any claims, disputes or legal proceedings initiated by us, or brought against us, with or without merit, may result in substantial costs and diversion of resources and may materially harm our reputation. Furthermore, lawsuits, claims, disputes, regulatory investigations or legal proceedings against us may be due to defective supplies sold to us by our suppliers, who may not be able to indemnify us in a timely manner, or at all, for any costs that we incur as a result of such lawsuits, claims, disputes regulatory investigations or legal proceedings. For details, see “Business — Legal Proceedings.”

We lease properties in various places as premises primarily for directly-operated stores, office spaces, warehouses, production facilities and staff quarters. Any third-party challenge to our leasehold interest or defects in registration may affect our business and financial performance.

As of the Latest Practicable Date, we own one property and lease 299 others, mainly used for directly-operated stores, office spaces, warehouses, production facilities and staff quarters. However, we cannot guarantee the renewal of these leases without significant cost increases, or at all. If we fail to renew leases for critical operational spaces, our business operations may be disrupted and we may need to close or relocate our business. We may not find suitable alternatives, and if we do, we may be subject to decoration costs and loss of revenue generated from such relocation and other costs and risks, which may materially and adversely affect our business, financial condition and results of operations.

As of the Latest Practicable Date, 299 of our lease agreements had not been registered with the relevant housing administrative authorities. As advised by our PRC Legal Advisor, the validity and enforceability of the lease agreements are not affected by the failure to register or file the lease agreements with the relevant government authorities; however, we may be ordered by the relevant government authorities to register the relevant lease agreements within a prescribed period, and we may be subject to a fine ranging from RMB1,000 to RMB10,000 for each non-registered lease if we fail to comply. In addition, as of the Latest Practicable Date, the lessors of 41 leased properties had not provided valid title certificates, and the actual usage of one leased property was inconsistent with the usage set out in its title certificate or relevant authorization document. As advised by our PRC Legal Advisor, our leasehold interests or continued use of such premises may be affected in the event of any disputes. See “Business — Properties — Leased Properties.” Should disputes or government actions arise, we could face difficulties maintaining these leases and potentially need to relocate. Any relocation would likely involve substantial costs, including securing alternative premises, transferring equipment and personnel, and operational downtime during transition. These disruptions could materially adversely affect our business operations, financial condition, and results of operations.

RISK FACTORS

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

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

In addition, we may acquire additional assets, technologies or businesses that are complementary to our existing business. For example, our plan to integrate new brands involves aligning operational processes, consolidating supply chains, and harmonizing product categories and branding strategies. Future 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. There is a risk that anticipated synergies or cost savings may not materialize as expected, or may take longer to achieve, which could adversely affect our cost structure and overall profitability. Furthermore, the integration process may disrupt our existing operations, divert management attention, and lead to unforeseen operational inefficiencies. If we are unable to successfully integrate new brands or realize the expected benefits from such acquisitions, our business, financial condition and results of operations may be materially and adversely affected.

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.

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

During the Track Record Period, we benefited from certain government grants. In 2022, 2023, 2024 and the six months ended June 30, 2024 and 2025, we received government grants of RMB9.0 million, RMB12.5 million, RMB13.7 million, RMB2.1 million and RMB3.8 million, respectively. Moreover, we have benefitted from several preferential tax treatments during the Track Record Period. Under the PRC Enterprise Income Tax Law (the “**EIT Law**”) and Implementation Regulation of the EIT Law, our Company is accredited as “High and New Technology Enterprise” and were therefore entitled to a preferential income tax rate of 15% for the years/periods end December 31, 2022, 2023, 2024 and the six months ended June 30, 2024 and 2025. See “Financial Information — Description of Major Components of our Results of Operations — Income Tax Expense/(Credit) — PRC corporate income tax.”

Government grants and preferential tax treatments granted to us by PRC governmental authorities are subject to review and may be adjusted or revoked at any time in the future. And we cannot guarantee that the government grants or preferential tax treatments to which our PRC subsidiaries are currently entitled will be successfully renewed. There can be no assurance that the local tax authorities will not, in the future, change their position and discontinue any of our current tax treatments. Any delay or uncertainty in collection or the discontinuation of these governmental subsidies or current tax treatments could materially increase our tax obligations and adversely impact our net income.

Our share-based payments may cause shareholding dilution to our existing Shareholders, which may have a material and adverse effect on our financial performance.

We adopted Share Incentive Schemes for the benefit of our employees (including Directors) and non-employees as remuneration for their services provided to us to incentivize and reward the eligible persons who have contributed to the development of our Company. For details, see “Appendix VI — Statutory and General Information — Share Incentive Schemes.” To further incentivize our employees and non-employees to contribute to us, we may grant additional share-based compensation in the future. Issuance of additional Shares in accordance with such Share Incentive Schemes may dilute the shareholding percentage of our existing Shareholders. Expenses incurred with respect to such share-based payment may also increase our operating expenses and therefore have a material and adverse effect on our financial conditions.

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

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

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

RISKS RELATING TO DOING BUSINESS IN THE COUNTRY WHERE WE OPERATE

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

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

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

PRC laws and regulations in relation to overseas issuance and listing of shares have been evolving. As a result, we may be required to make filings with or report to CSRC or other PRC regulatory authorities for our future capital raising activities. On February 17, 2023, the CSRC promulgated the Trial Measures for the Administration of Overseas Issuance of Securities and Listing of Domestic Enterprises (No. 43 [2023] of China Securities Regulatory Commission Announcement) (the “**Trial Measures for Overseas Listing**”) and their implementation guidelines. The Trial Measures for Overseas Listing, which came into effect on March 31, 2023, mainly provide the scope of activities subject to the filing requirement, the entities subject to filing obligations, and the filing procedures. For more details, see “Regulatory Overview — Regulations Relating to Foreign Investment.” We are required to file with the CSRC in accordance with the Trial Measures for Overseas Listing after our application for the offering is submitted, and there is uncertainty as to whether we will be able to complete the filing procedures or obtain approval for this offering in a timely manner or at all. The failure of which may restrict our ability to complete the proposed Listing and have a material and adverse effect on our financial performance and business prospects.

On February 24, 2023, the CSRC, the MOF, the State Secrets Bureau and the State Archives Bureau issued the Provisions on Strengthening the Confidentiality and Archival management of Domestic Enterprises in relation to Overseas Issuance and Listing of Securities (the “**Archives Rules**”), which came into effect on March 31, 2023. The Archives Rules require that, in relation to the overseas securities offering and listing activities of domestic enterprises, either in direct or indirect form, such domestic enterprises, as well as securities companies and securities service institutions providing relevant securities services, are required to strictly comply with relevant requirements on confidentiality and archives management, establish a sound confidentiality and archives system, and take necessary measures to implement their confidentiality and archives management responsibilities. The interpretation and implementation of the Archives Rules may keep evolving, failure to comply with which may materially affect our business, results of operations or financial conditions.

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

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The CSRC or other PRC regulatory authorities also may take actions requiring us or making it advisable for us, to halt this offering or future capital raising activities before settlement and delivery of the Shares offered hereby. Consequently, if you engage in market trading or other activities in anticipation of and prior to settlement and delivery, you do so at the risk that settlement and delivery may not occur.

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

We are subject to the applicable laws and regulations of the countries and regions where we operate, which may be different and are constantly evolving. Our business and operations in China are subject to primarily written statutes, and prior court decisions offer limited precedential value. The limited number of court judgments and their non-binding nature on subsequent cases may lead to unpredictable dispute resolution outcomes, potentially affecting legal protection available to us and investors. Furthermore, we cannot assure you that we can predict the effect of future legal developments in countries and regions where we operate, including the promulgation of new laws and changes in existing laws. In addition, lengthy legal proceedings may incur significant costs, divert our resources, and negatively affect our management's focus on strategic planning and execution, which may materially and adversely impact our operational efficiency and overall business performance.

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

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

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

Our operations are subject to PRC tax laws and regulations.

We are subject to periodic examinations on fulfillment of our tax obligation under the PRC tax laws and regulations by PRC tax authorities. The PRC tax laws and regulations might be subject to interpretations and adjustments by relevant authorities from time to time. Although we believe that in the past, we have acted in compliance with the requirements under the relevant PRC tax laws and regulations in all material aspects and established effective internal control measures in relation to accounting regularities, we cannot assure you that future examinations by PRC tax authorities would not result in fines, other penalties or actions that could materially and adversely affect our business, financial performance and results of operations.

RISK FACTORS

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

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

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

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

RISK FACTORS

We are subject to the currency exchange regulatory system.

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

RISKS RELATING TO THE GLOBAL OFFERING

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

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

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

The trading price of our H Shares may be volatile and could fluctuate widely in response to factors beyond our control, including general market conditions of the securities markets in Hong Kong, China, the United States and elsewhere in the world. In particular, the performance and fluctuation of the market prices of other companies with business operations located mainly in Mainland China that have listed their securities in Hong Kong may affect the volatility in the price of and trading volumes for our H Shares. A number of Mainland China-based companies have listed their securities, and some are in the process of preparing for listing their securities, in Hong Kong. Some of these companies have experienced significant volatility, including significant price declines after their initial public offerings. The trading performances of the securities of these companies at the time of or after their offerings may affect the overall investor sentiment towards Mainland China-based

RISK FACTORS

companies listed in Hong Kong and consequently may impact the trading performance of our H Shares. Pursuant to the applicable PRC law, within the 12 months following the Listing Date, all existing Shareholders (including the Pre-IPO Investors) could not dispose of any of the Shares held by them. Due to such lock-up requirement, the liquidity and trading volume of the H Shares in the short term following the Global Offering may be significantly affected. These factors may significantly affect the market price and volatility of our H Shares, regardless of our actual operating performance.

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

The market price of our H Shares could decline as a result of future sales of a substantial number of our H Shares or other securities relating to our H Shares in the public market, or the issuance of new shares or other securities, or the perception that such sales or issuances may occur. Future sales, or anticipated sales, of substantial amounts of our securities, including any future offerings, could also materially and adversely affect our ability to raise capital at a specific time and on terms favorable to us. In addition, our Shareholders may experience dilution of their holdings if we issue more securities in the future. New shares or shares-linked securities issued by us may also confer rights and privileges that take priority over those conferred by the H Shares.

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

The Offer Price of the Offer Shares is higher than the net tangible asset value per Share immediately prior to the Global Offering. Therefore, purchasers of the Offer Shares in the Global Offering will experience an immediate dilution in pro forma consolidated net tangible asset value. There can be no assurance that if we were to immediately liquidate after the Global Offering, any assets will be distributed to Shareholders after the creditors' claims. To expand our business, we may consider offering and issuing additional Shares in the future. Purchasers of the Offer Shares may experience dilution in the net tangible asset value per Share of their Shares if we issue additional Shares in the future at a price which is lower than the net tangible asset value per Share at that time.

RISK FACTORS

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

Our Controlling Shareholders have substantial influence over our business, including matters relating to our management, policies and decisions regarding mergers, expansion plans, consolidations and sales of all or substantially all of our assets, election of Directors and other significant corporate actions. Immediately following the Share Subdivision and the completion of the Global Offering and assuming the Over-allotment Option is not exercised, our Controlling Shareholders will be interested in 71.34% of the issued share capital of our Company. This concentration of ownership may discourage, delay, or prevent a change in control of our company, potentially depriving other shareholders of the opportunity to receive a premium for their Shares in the event of a sale. It could also potentially lower the price of our H Shares. These circumstances may occur even if opposed by other shareholders. Additionally, the interests of our Controlling Shareholders may differ from those of our other shareholders. It is possible that our Controlling Shareholders may use their significant influence to engage in transactions or make decisions that conflict with the best interests of our other shareholders.

Our historical dividends may not be indicative of our future dividend policy, and there can be no assurance that we will declare and distribute any amount of dividends in the future.

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

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

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

RISK FACTORS

Certain facts, forecasts and other statistics contained in this document are derived from official government sources.

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

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

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

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

WAIVERS FROM STRICT COMPLIANCE WITH THE LISTING RULES

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

WAIVER IN RESPECT OF MANAGEMENT PRESENCE IN HONG KONG

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

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

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

1. We have appointed Mr. Sun and Ms. Tam Pak Yu, Vivien (譚栢如) (“**Ms. Tam**”) as our authorized representatives (“**Authorized Representatives**”) pursuant to Rule 3.05 of the Listing Rules. The Authorized Representatives will act as our Company's principal channel of communication with the Stock Exchange. The Authorized Representatives will be readily contactable by phone, facsimile and email to promptly deal with enquiries from the Stock Exchange, and will also be available to meet with the Stock Exchange to discuss any matter within a reasonable period of time upon request of the Stock Exchange;
2. When the Stock Exchange wishes to contact our Directors on any matter, each of the Authorized Representatives will have all necessary means to contact all of our Directors (including our independent non-executive Directors) promptly at all times. Our Company will also inform the Stock Exchange promptly in respect of any changes of the Authorized Representatives. We have provided the Stock Exchange with the contact details (i.e. mobile phone number, office phone number and email address (as applicable)) of all Directors to facilitate communication with the Stock Exchange;
3. All Directors who do not ordinarily reside in Hong Kong possess or can apply for valid travel documents to visit Hong Kong and can meet with the Stock Exchange within a reasonable period upon the request of the Stock Exchange;

WAIVERS FROM STRICT COMPLIANCE WITH THE LISTING RULES

4. We have appointed Maxa Capital Limited as our compliance advisor (the “**Compliance Advisor**”) upon listing pursuant to Rule 3A.19 of the Listing Rules for a period commencing on the Listing Date and ending on the date on which we comply with Rule 13.46 of the Listing Rules in respect of our financial results for the first full financial year commencing after the Listing Date. The Compliance Advisor, who will provide us with professional advice on continuing obligations under the Listing Rules and act as the additional channel of communication with the Stock Exchange when the Authorized Representatives are not available, will have access at all times to our Authorized Representatives, our Directors and our senior management; and
5. We have provided the Stock Exchange with the names, mobile phone numbers, office phone numbers, fax numbers and email addresses of at least two of the Compliance Advisor’s officers who will act as our Compliance Advisor’s contact persons between the Stock Exchange and our Company.

WAIVER IN RESPECT OF APPOINTMENT OF JOINT COMPANY SECRETARY

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

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

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

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

WAIVERS FROM STRICT COMPLIANCE WITH THE LISTING RULES

Our Company has appointed Ms. Zeng Lu (曾璐女士) (“**Ms. Zeng**”), our secretary to the Board, director of president’s office, and legal director as one of our joint company secretaries. She has extensive experience in board and corporate management matters but presently does not possess any of the qualifications under Rules 3.28 and 8.17 of the Listing Rules, and may not be able to solely fulfill the requirements of the Listing Rules. Therefore, we have appointed Ms. Tam, a member of The Hong Kong Chartered Governance Institute and The Chartered Governance Institute of the United Kingdom who fully meets the requirements stipulated under Rules 3.28 and 8.17 of the Listing Rules to act as the other joint company secretary and to provide assistance to Ms. Zeng for an initial period of three years from the Listing Date to enable Ms. Zeng to acquire the “relevant experience” under Note 2 to Rule 3.28 of the Listing Rules so as to fully comply with the requirements set forth under Rules 3.28 and 8.17 of the Listing Rules.

Since Ms. Zeng does not possess the formal qualifications required of a company secretary under Rule 3.28 of the Listing Rules, we have applied to the Stock Exchange for, and the Stock Exchange has granted us, a waiver from strict compliance with the requirements under Rules 3.28 and 8.17 of the Listing Rules such that Ms. Zeng may be appointed as a joint company secretary of our Company. Pursuant to Chapter 3.10 under the Guide for New Listing Applicants published by the Stock Exchange, the waiver will be for a fixed period of time (“**Waiver Period**”) and on the following conditions: (i) the proposed company secretary must be assisted by a person who possesses the qualifications or experience as required under Rule 3.28 (“**Qualified Person**”) and is appointed as a joint company secretary throughout the Waiver Period; and (ii) the waiver can be revoked if there are material breaches of the Listing Rules by the issuer. The waiver is valid for an initial period of three years from the Listing Date, and is granted on the condition that Ms. Tam will work closely with Ms. Zeng to jointly discharge the duties and responsibilities as company secretary and assist Ms. Zeng in acquiring the relevant experience as required under Rules 3.28 and 8.17 of the Listing Rules. Ms. Tam will also assist Ms. Zeng in organizing Board meetings and Shareholders’ meetings of our Company as well as other matters of our Company which are incidental to the duties of a company secretary. Ms. Tam is expected to work closely with Ms. Zeng and will maintain regular contact with Ms. Zeng, the Directors and the senior management of our Company. The waiver will be revoked immediately if Ms. Tam ceases to provide assistance to Ms. Zeng as a joint company secretary for the three-year period after the Listing or where there are material breaches of the Listing Rules by our Company. In addition, Ms. Zeng will comply with the annual professional training requirement under Rule 3.29 of the Listing Rules and will enhance her knowledge of the Listing Rules during the three-year period from the Listing. Ms. Zeng will also be assisted by (a) the Compliance Advisor of our Company, particularly in relation to compliance with the Listing Rules; and (b) the Hong Kong legal advisors of our Company, on matters concerning our Company’s ongoing compliance with the Listing Rules and the applicable laws and regulations.

Before the expiration of the initial three-year period, the qualifications of Ms. Zeng will be re-evaluated to determine whether the requirements as stipulated in Rules 3.28 and 8.17 of the Listing Rules can be satisfied and whether the need for ongoing assistance will continue. We will demonstrate and seek the Stock Exchange’s confirmation that Ms. Zeng, having benefited from the assistance of Ms. Tam for the preceding three years, will have acquired the relevant experience within the meaning of Note 2 to Rule 3.28 of the Listing Rules and is capable of discharging the functions of company secretary under Rule 3.28 so that a further waiver will not be necessary.

DIRECTORS' RESPONSIBILITY FOR THE CONTENTS OF THIS PROSPECTUS

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

CSRC FILING

According to the Overseas Listing Trial Measures, we are required to complete the filing procedures with the CSRC in connection with the proposed Listing. We submitted a filing to the CSRC for application for the Listing on June 3, 2025. The CSRC confirmed completion of such filing on November 27, 2025.

INFORMATION ON THE GLOBAL OFFERING

This prospectus is published solely in connection with the Hong Kong Public Offering, which forms part of the Global Offering. The Global Offering comprises the Hong Kong Public Offering of initially 1,396,650 Offer Shares and the International Offering of initially 12,569,800 Offer Shares (subject to, in each case, reallocation and without taking into consideration any exercise of the Over-allotment Option).

The Offer Shares are offered solely on the basis of the information contained and representations made in this prospectus and on the terms and subject to the conditions set out herein and therein. No person is authorized to give any information in connection with the Global Offering or to make any representation not contained in this prospectus, and any information or representation not contained herein must not be relied upon as having been authorized by our Company, the Joint Sponsors, the Overall Coordinators, the Joint Global Coordinators, the Capital Market Intermediaries, the Joint Bookrunners, the Joint Lead Managers, the Underwriters, any of their respective directors, officers, employees, advisers, agents or representatives, or any other persons or parties involved in the Global Offering.

Neither the delivery of this prospectus nor any offering, sale or delivery made in connection with the Offer Shares should, under any circumstances, create any implication that there has been no change or development in our affairs since the date of this prospectus or that the information in this prospectus is correct as of any date subsequent to the date of this prospectus.

Details of the structure of the Global Offering, including its conditions, are set out in “Structure of the Global Offering” in this prospectus, and the procedures for applying for Hong Kong Offer Shares are set out in “How to Apply for Hong Kong Offer Shares”.

UNDERWRITING

The listing of our H Shares on the Stock Exchange is sponsored by the Joint Sponsors and the Global Offering is managed by the Overall Coordinators. The Hong Kong Public Offering is fully underwritten by the Hong Kong Underwriters pursuant to the Hong Kong Underwriting Agreement. The International Offering is expected to be fully underwritten by the International Underwriters pursuant to the terms of the International Underwriting Agreement. Further information regarding the Underwriters and the Underwriting Agreements are set out in the section headed “Underwriting” in this prospectus.

RESTRICTIONS ON OFFER AND SALE OF THE OFFER SHARES

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

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

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

We have applied to the Hong Kong Stock Exchange for the granting of listing of, and permission to deal in, our H Shares to be issued pursuant to the Global Offering (including any H Shares which may be issued pursuant to the exercise of the Over-allotment Option) and the H Shares to be converted from Unlisted Shares.

Dealings in the H Shares on the Hong Kong Stock Exchange are expected to commence on Tuesday, December 30, 2025. No part of our Shares or loan capital is listed on or dealt in on any other stock exchange, and no such listing or permission to list is being or proposed to be sought as of the Latest Practicable Date.

INFORMATION ABOUT THIS PROSPECTUS AND THE GLOBAL OFFERING

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

H SHARES WILL BE ELIGIBLE FOR ADMISSION INTO CCASS

Subject to the granting of the listing of, and permission to deal in, the H Shares on the Hong Kong Stock Exchange and compliance with the stock admission requirements of HKSCC, the H Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the date of commencement of dealings in the H Shares on the Hong Kong Stock Exchange or on any other date as determined by HKSCC. Settlement of transactions between participants of the Hong Kong Stock Exchange is required to take place in CCASS on the second settlement day after any trading day. All activities under CCASS are subject to the General Rules of HKSCC and HKSCC Operational Procedures in effect from time to time.

All necessary arrangements have been made enabling the H Shares to be admitted into CCASS. Investors should seek the advice of their stockbrokers or other professional advisers for details of the settlement arrangements as such arrangements may affect their rights and interests.

STRUCTURE OF THE GLOBAL OFFERING

Details of the structure of the Global Offering (including its conditions) and the arrangements relating to the Over-allotment Option and stabilization, are set out in the sections headed “Structure of the Global Offering” and “Underwriting” in this prospectus.

PROCEDURES FOR APPLICATION FOR HONG KONG OFFER SHARES

The procedures for applying for Hong Kong Offer Shares are set out in the section headed “How to Apply for Hong Kong Offer Shares” in this prospectus.

H SHARE REGISTER OF MEMBERS AND STAMP DUTY

All of the Offer Shares will be registered on our register of members of H Share to be maintained by our H Share Registrar, Tricor Investor Services Limited, in Hong Kong. Our principal register of members will be maintained by us at our headquarters in the PRC.

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

Unless determined otherwise by our Company, dividends payable in respect of our H Shares will be paid to the Shareholders listed on the H Share register of members of our Company in Hong Kong, by ordinary post, at the Shareholders’ risk, to the registered address of each Shareholder of our Company.

DIVIDENDS PAYABLE TO HOLDERS OF H SHARES

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

PROFESSIONAL TAX ADVICE RECOMMENDED

Potential investors in the Global Offering are recommended to consult their professional advisers as to the taxation implications of subscribing for, purchasing, holding or disposal of, and/or dealing in the H Shares or exercising rights attached to them. None of us, the Joint Sponsors, the Overall Coordinators, the Joint Global Coordinators, the Capital Market Intermediaries, the Joint Bookrunners, the Joint Lead Managers, the Underwriters, any of their respective directors, officers, employees, partners, agents, advisers or representatives or any other person or party involved in the Global Offering accepts responsibility for any tax effects on, or liabilities of, any person resulting from the subscription, purchasing, holding, disposition of, or dealing in, the H Shares or exercising any rights attached to them.

EXCHANGE RATE CONVERSION

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

Unless indicated otherwise, (i) the translations between Renminbi and U.S. dollars were made at the rate of RMB7.07640 to US\$1.00; (ii) the translations between Hong Kong dollars and Renminbi were made at the rate of RMB0.90919 to HK\$1.00; and (iii) the translations between U.S. dollars and Hong Kong dollars were made at the rate of HK\$7.78319 to US\$1.00.

No representation is made that the amounts denominated in one currency could actually be converted into the amounts denominated in another currency at the rates indicated or at all.

LANGUAGE

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

ROUNDING

Certain amounts and percentage figures included in this prospectus have been subject to rounding adjustments. Any discrepancies between totals and sums of amounts listed in any table, chart or elsewhere in this prospectus are due to rounding.

<p>DIRECTORS AND PARTIES INVOLVED IN THE GLOBAL OFFERING</p>

DIRECTORS

Name	Address	Nationality
Executive Directors		
Mr. Sun Laichun (孫來春先生)	Room 101, No. 319, Lane 288 Zhiwang Road, Zhaoxiang Town Qingpu District Shanghai, China	Chinese
Mr. Gao Hongqi (高宏旗先生)	Room 401, No. 12 Lane 300, Rongkai Road Songjiang District Shanghai, China	Chinese
Non-Executive Director		
Ms. Jing Aimei (景愛梅女士)	Room 6-601, Lane 668 Huangjincheng Road Changning District Shanghai, China	Chinese (Hong Kong)
Independent Non-Executive Directors		
Mr. Zhu Qian (朱乾先生)	Room 603, No. 8, Lane 195 Wuning South Road Jing'an District Shanghai, China	Chinese
Mr. Liu Yuliang (劉玉亮先生)	No. 4, Lane 827 Huashan Road Xuhui District Shanghai, China	Chinese
Ms. Qiang Yilan (強一嵐女士)	Flat C, 3/F Gold King Mansion 7 Tai Hang Drive Jardine's Lookout Hong Kong	Chinese (Hong Kong)

DIRECTORS AND PARTIES INVOLVED IN THE GLOBAL OFFERING

For details with respect to our Directors, see the section headed “Directors and Senior Management” in this prospectus.

PARTIES INVOLVED IN THE GLOBAL OFFERING

Joint Sponsors

CITIC Securities (Hong Kong) Limited

18/F, One Pacific Place
88 Queensway
Hong Kong

Huatai Financial Holdings (Hong Kong) Limited

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

Sponsor-Overall Coordinators, Overall Coordinators, Joint Global Coordinators, Joint Bookrunners, Joint Lead Managers and Capital Market Intermediaries

CLSA Limited

18/F, One Pacific Place
88 Queensway
Hong Kong

Huatai Financial Holdings (Hong Kong) Limited

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

Joint Bookrunners and Capital Market Intermediaries

Futu Securities International (Hong Kong) Limited

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

Tiger Brokers (HK) Global Limited

23/F, Li Po Chun Chambers
189 Des Voeux Road Central
Hong Kong

<p>DIRECTORS AND PARTIES INVOLVED IN THE GLOBAL OFFERING</p>

Legal Advisors to our Company

As to Hong Kong law and U.S. law

Clifford Chance

27th Floor, Jardine House

1 Connaught Place

Hong Kong

As to PRC law

Jingtian & Gongcheng

34th Floor, Tower 3

China Central Place

77 Jianguo Road

Chaoyang District

Beijing, China

**Legal Advisors to the Joint
Sponsors and the Underwriters**

As to Hong Kong law and U.S. law

O'Melveny & Myers

31/F, AIA Central

1 Connaught Road Central

Hong Kong

As to PRC law

Grandall Law Firm (Shanghai)

25-28/F, Suhe Centre

99 North Shanxi Road

Shanghai

PRC

**Reporting Accountants and
Independent Auditor**

Ernst & Young

Certified Public Accountants

Registered Public Interest Entity Auditor

27/F, One Taikoo Place

979 King's Road, Quarry Bay

Hong Kong

Industry Consultant

China Insights Industry Consultancy Limited

10/F, Block B, Jing'an International Center

88 Puji Road, Jing'an District

Shanghai, PRC

Receiving Bank

CMB Wing Lung Bank Limited

45 Des Voeux Road Central

Hong Kong

CORPORATE INFORMATION

Registered Office	Room 201, Area A, 2F, Building 1 No. 1177, Xinmiao 3rd Road Xinqiao Town Songjiang District Shanghai, PRC
Headquarters and Principal Place of Business in the PRC	9th Floor, Building 3, No. 339 Tongpu Road Putuo District Shanghai, PRC
Principal Place of Business in Hong Kong	40th Floor, Dah Sing Financial Centre No. 248 Queen's Road East Wanchai Hong Kong
Company's Website	<u>https://www.forest-cabin.com/</u> <i>(The information contained in this website does not form part of this Prospectus)</i>
Joint Company Secretaries	<p>Ms. Zeng Lu (曾璐女士) 9th Floor, Building 3, No. 339 Tongpu Road Putuo District Shanghai, PRC</p> <p>Ms. Tam Pak Yu, Vivien (譚栢如女士) (ACG HKACG) 40th Floor, Dah Sing Financial Centre No. 248 Queen's Road East Wanchai Hong Kong</p>
Authorized Representatives	<p>Mr. Sun Laichun (孫來春先生) Room 101, No. 319, Lane 288 Chiwang Road, Zhaoxiang Town Qingpu District Shanghai, PRC</p> <p>Ms. Tam Pak Yu, Vivien (譚栢如女士) 40th Floor, Dah Sing Financial Centre No. 248 Queen's Road East Wanchai Hong Kong</p>
Audit Committee	Mr. Zhu Qian (朱乾先生) (<i>Chairperson</i>) Mr. Liu Yuliang (劉玉亮先生) Ms. Jing Aimei (景愛梅女士)

CORPORATE INFORMATION

Remuneration Committee	Mr. Liu Yuliang (劉玉亮先生) (<i>Chairperson</i>) Mr. Zhu Qian (朱乾先生) Mr. Sun Laichun (孫來春先生)
Nomination Committee	Mr. Sun Laichun (孫來春先生) (<i>Chairperson</i>) Ms. Qiang Yilan (強一嵐女士) Mr. Liu Yuliang (劉玉亮先生)
Compliance Advisor	Maxa Capital Limited Unit 2602, 26/F, Golden Centre 188 Des Voeux Road Central Sheung Wan Hong Kong
H Share Registrar	Tricor Investor Services Limited 17/F, Far East Finance Centre 16 Harcourt Road Hong Kong
Principal Bank	China Merchants Bank Co., Ltd. Shanghai Yishan Branch Room 101, 102, 103-1, No. 355 Hongqiao Road Xuhui District Shanghai, PRC

INDUSTRY OVERVIEW

This section and elsewhere in this prospectus contain certain information, statistics and data which are derived from various official government publications and other publicly available publications, and a report commissioned by us and prepared by our industry consultant, CIC. We believe that the sources of the information in this section and elsewhere in this prospectus are appropriate sources for the information, statistics and data from official government sources and have taken reasonable care in extracting and reproducing the information, statistics and data from official government sources. We have no reason to believe that the information, statistics and data from official government sources is false in any material respect or misleading. The information, statistics and data from official government sources have not been independently verified by us, the Joint Sponsors, the Joint Overall Coordinators, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Underwriters, any of our or their respective directors, officers, employees, advisers or agents or any other party (other than CIC) involved in the Global Offering, and no representation is given as to their accuracy, reliability or completeness. As such, investors are cautioned not to place any undue reliance on the information, including statistics, data and estimates, set out in this section or similar information included elsewhere in this prospectus.

SOURCES OF INFORMATION

CIC was commissioned to conduct research, provide an analysis of, and to produce a report on the skincare industry in China, and other related economic data, at a fee of RMB950,000. The commissioned report has been prepared by CIC independent of the influence of the Company and other interested parties.

CIC provides industry consulting services, commercial due diligence, strategic consulting, and so on. Its consultant team has been tracking the latest market trends in consumer goods, chemicals, marketing and advertising, energy and industry, healthcare, TMT, agriculture, culture and entertainment, finance and services, transportation, etc., and possesses the most relevant and insightful market intelligence regarding these industries.

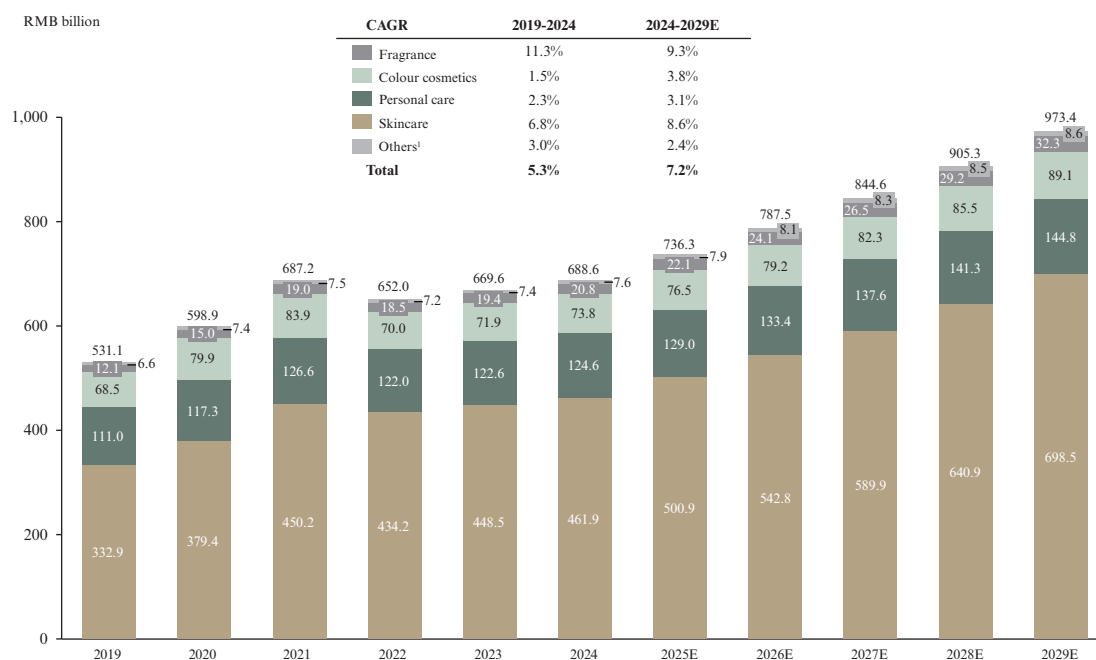
CIC conducted both primary and secondary research using a variety of resources. Primary research involved interviewing key industry experts and leading industry participants. Secondary research involved analysing data from various publicly available data sources, such as the National Bureau of Statistics of China, etc. The market projections in the commissioned report are based on the following key assumptions: (i) the overall social, economic, and political environment in China is expected to remain stable during the forecast period; (ii) relevant key industry drivers are likely to drive the skincare market in China during the forecast period; and (iii) there is no extreme force majeure or unforeseen set of industry regulations in which the market may be affected in either a dramatic or fundamental way.

INDUSTRY OVERVIEW

OVERVIEW OF CHINA'S COSMETICS INDUSTRY

Cosmetics products are daily-use chemical industrial products applied to the skin, hair and lips on the surface of the human body by means of coating, wiping, or spraying. These products achieve the purposes of cleansing, maintenance, beauty, grooming, and personal care. They not only have practical functions but also meet the consumer's pursuit of beauty and daily care needs. Cosmetics products can be divided into skincare, personal care, colour cosmetics, fragrance and other products by type.

Market Size of the Cosmetics Industry in China, in Terms of Retail Sales Value, by Product Category, 2019-2029E



Source: National Bureau of Statistics, General Administration of Customs of China, CIC Report

Note: Others mainly include miscellaneous cosmetics products such as cross-category product sets, etc.

China is one of the largest cosmetics markets in the world, with its market size reaching RMB531.1 billion in 2019. In 2022, the retail sales of China's cosmetics industry experienced a decline, mainly due to the multiple outbreaks of the pandemic in scattered areas and related control measures. This led to a reduction in foot traffic to offline stores, while consumer willingness and ability to spend faced temporary pressure. At the same time, supply chain and logistics restrictions also impacted the supply of some products and sales through channels, including online sales. Additionally, some consumers delayed or reduced spending on non-essential cosmetics products, resulting in an overall contraction of the market size. The market soon recovered and rose to RMB688.6 billion in 2024, reflecting a CAGR of 5.3% between 2019 to 2024. This growth during 2019 and 2024 was driven by several factors including rising awareness of health and personal appearance, the digital transformation of consumer shopping behaviours, innovative cosmetics product development, a growing focus on healthier and high-quality offerings, etc. Among the various segments of China's cosmetics market, skincare accounts for the largest market share.

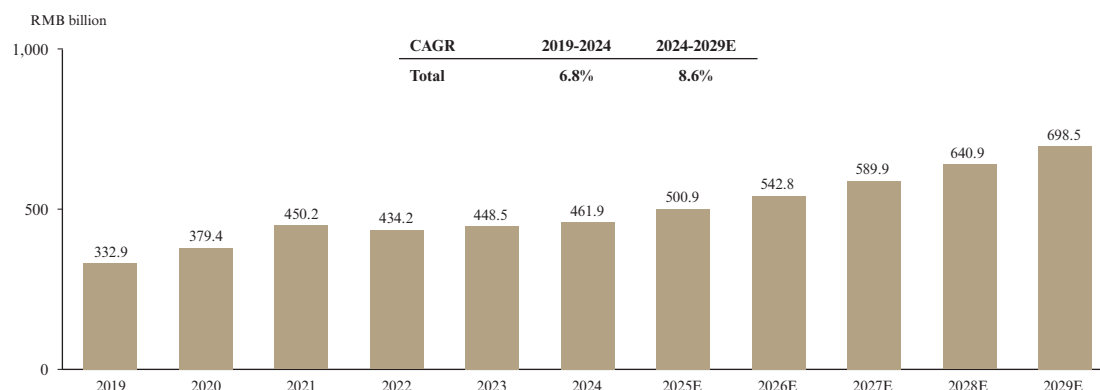
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Despite significant growth in recent years, China's per capita annual spending on cosmetics products is far below the level of developed markets such as the United States and Europe, which shows high growth potential. In 2024, per capita annual spending on cosmetics products in China reached RMB489.0, whereas in the United States and Europe, it was approximately RMB2,386.4 and RMB1,640.9, respectively. By 2029, China's cosmetics industry is expected to increase to RMB973.4 billion, with a CAGR of 7.2% from 2024 to 2029.

OVERVIEW OF CHINA'S SKINCARE INDUSTRY

Skincare products are cosmetic products that act on the face to moisturise, nourish, protect and beautify the skin, usually containing a variety of active ingredients and formulations designed to address or prevent skin problems such as dryness, greasiness, acne, wrinkles, discolouration, sensitivity, etc. Skincare accounts for the greatest proportion of the cosmetics market, accounting for 67.1% of the total market in 2024. The proportion is expected to continue rising with skincare being one of the most basic and frequent demands for all kinds of consumers.

Market Size of the Skincare Industry in China, in Terms of Retail Sales Value, 2019-2029E



Source: National Bureau of Statistics, General Administration of Customs of China, CIC Report

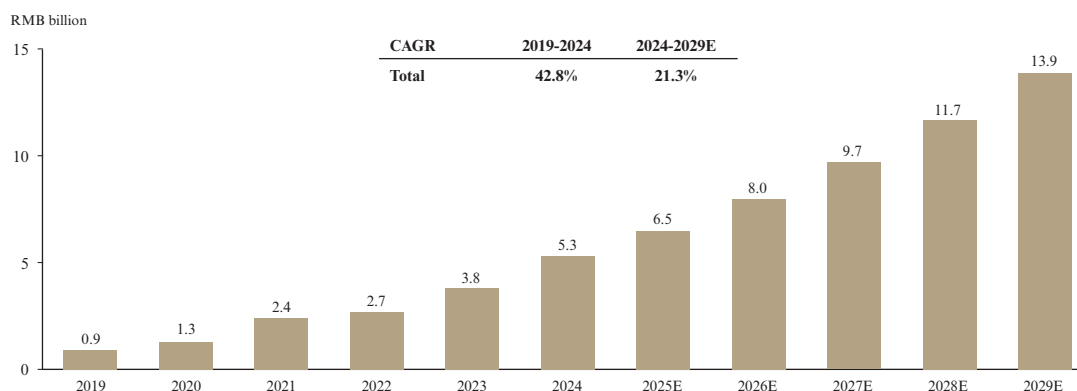
The skincare market in China has been growing steadily in recent years, in line with the overall trends in the cosmetics industry. The market size of China's skincare market increased from RMB332.9 billion in 2019 to RMB461.9 billion in 2024, representing a CAGR of 6.8%. In 2021, the growth of China's skincare market was driven by a rebound in consumer demand, product innovation, the expansion of online channels, and the rise of local brands, which collectively boosted the demand for skincare products. Impacted by the epidemic, together with the rising popularity of domestic skincare brands in China, China's skincare market, especially foreign skincare brand, experienced sales declines in 2022, causing the skincare market size to shrink compared to 2021 levels. However, with market recovery underway, 2023 saw restorative growth, and by 2024 the market size had surpassed its 2021 benchmark. The overall growth can be attributed to factors such as increasing consumer demand for high-quality and specialised skincare products, as well as a strong focus on skin health. The Chinese market has witnessed a surge in demand for products with specific functions, such as

INDUSTRY OVERVIEW

anti-wrinkle, firming, and repairing, driven by a more informed consumer base that prioritises scientifically-backed benefits. Additionally, the rising use of digital platforms has transformed how consumers discover and buy skincare products. E-commerce, social media influencers, and online beauty communities have become crucial in shaping consumer preferences and driving sales. In the future, China's skincare market is expected to maintain its growing trend, reaching RMB698.5 billion by 2029, representing a CAGR of 8.6% from 2024 to 2029.

China's facial essence oil market is a segment within the broader skincare industry that has experienced notable growth and evolution in recent years. Facial essence oils have gained popularity among Chinese consumers, and their market size has increased from RMB0.9 billion in 2019 to RMB5.3 billion in 2024 with a high CAGR of 42.8%. This trend is fueled by shifting consumer preferences towards skincare solutions formulated with natural ingredients, as facial essence oils often boast formulations enriched with botanical extracts and essential oils. With the perceived efficacy in providing benefits such as anti-wrinkle, firming, repairing, and hydration, facial essence oils align perfectly with the principles and trends of “nourishing the skin with oil (以油養膚)”, which has driven the growth of demand for facial essence oils in China and has encouraged brands to innovate and expand their oil-based skincare offerings to meet consumers' needs and preferences. Moreover, the versatility of facial essence oils allows for customization based on individual skin types and concerns, making them suitable for a wide range of consumers. The market size of the facial essence oil in China is expected to reach RMB13.9 billion by 2029, representing a CAGR of 21.3% from 2024 to 2029.

Market Size of the Facial Essence Oil in China, in Terms of Retail Sales Value, 2019-2029E

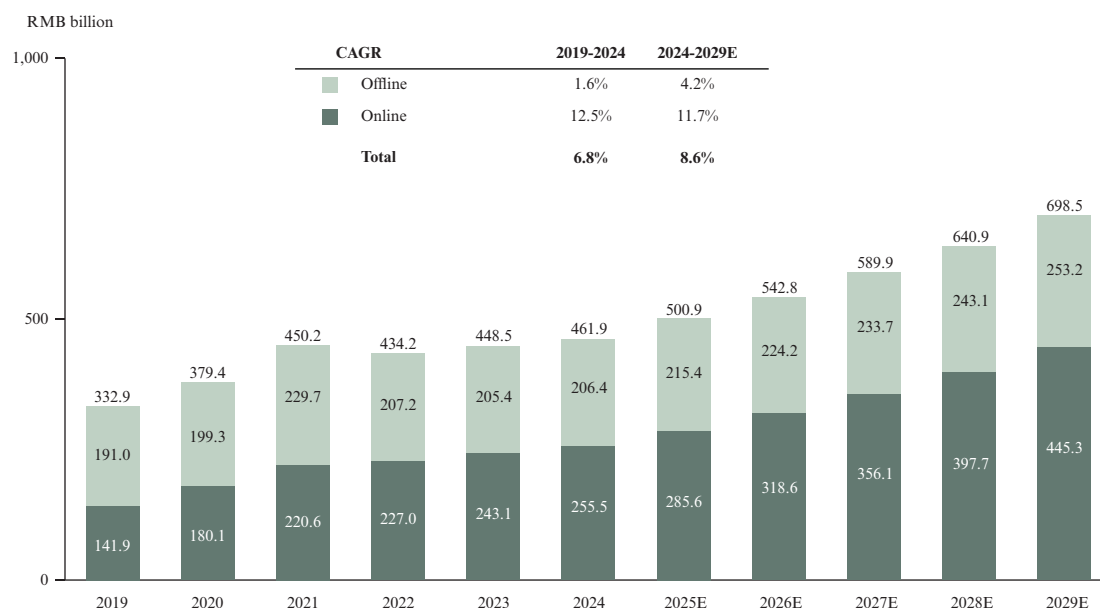


Source: National Bureau of Statistics, General Administration of Customs of China, CIC Report

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Overview of China's Skincare Industry by Channel

Market Size of the Skincare Industry in China, in Terms of Retail Sales Value, by Channel, 2019-2029E



Source: National Bureau of Statistics, General Administration of Customs of China, CIC Report

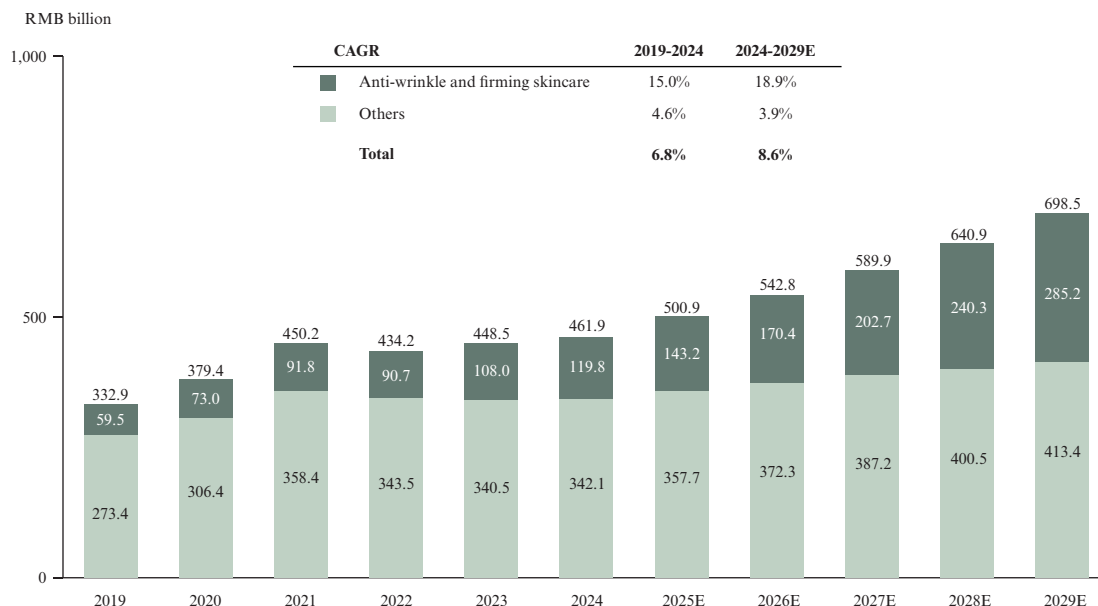
The sales channels of China's skincare products can be divided into online and offline channels. The offline sales channels play an important role in the skincare market. Offline skincare market increased from RMB191.0 billion in 2019 to RMB206.4 billion in 2024, and is expected to reach RMB253.2 billion by 2029. These physical retail spaces are important windows for brands to showcase their image and convey their brand philosophy and positioning, and are able to provide personalised customer service and offer consumers the opportunity to try out the products, which helps to enhance brand trust and shopping experience. In addition, the quality of service and shopping experience consumers receive in offline stores helps to form a good word-of-mouth, further enhancing brand awareness and reputation. Therefore, more and more brands are investing in building offline channels, especially focusing on the construction of shopping malls, which can provide consumers with a more immersive consumer experience than other types of stores.

Simultaneously, the online channel has witnessed remarkable growth from 2019 to 2024, driven by the widespread adoption of e-commerce platforms. They can provide a vast array of skincare products accessible at any time, empowering consumers with more choice and convenience. Meanwhile, the rapid development of social media and KOL marketing has significantly enhanced consumer awareness of skincare products and increased their willingness to make purchases online. Additionally, online platforms facilitate transparency and consumer engagement through reviews and interactive content, influencing purchase decisions and fostering brand loyalty. Online skincare market increased from RMB141.9 billion in 2019 to RMB255.5 billion in 2024 with a CAGR of 12.5%, and is expected to reach RMB445.3 billion by 2029.

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Overview of China's Skincare Industry by Product Function

Market Size of the Skincare Industry in China, in Terms of Retail Sales Value, by Product Function, 2019-2029E



Source: National Bureau of Statistics, General Administration of Customs of China, CIC Report

Note: Others refer to skincare products that do not feature anti-wrinkle, firming, or repairing functions.

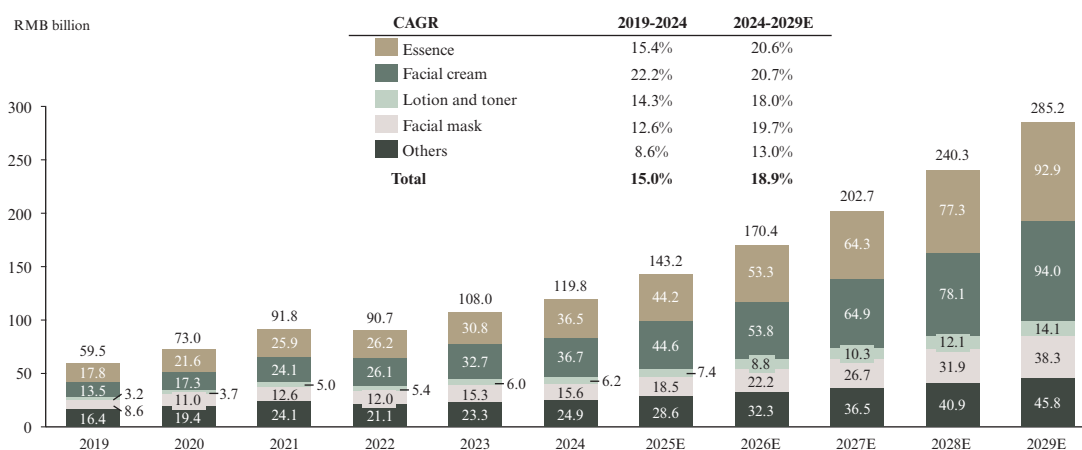
According to the “Classification Rules and Classification Catalogue of Cosmetics” issued by the National Medical Products Administration (NMPA) of China, skincare product efficacies include anti-wrinkle, firming, freckle removal, whitening, repairing, moisturizing, etc. In line with industry practice, anti-wrinkle and firming skincare products refer specifically to those that deliver effects such as anti-wrinkle, repairing, firming, etc. These products are designed to target signs of aging while improving skin texture and elasticity. With the advancement of skincare R&D levels, skincare brands are increasingly adopting more advanced ingredients and formulas in anti-wrinkle and firming skincare products, which can effectively reduce skin sagging and wrinkles with their effectiveness supported by trial data. As consumers are increasingly concerned about the effectiveness and quality of skincare products, these high-tech, high-efficiency anti-wrinkle and firming skincare products are becoming more and more popular among Chinese consumers. The anti-wrinkle and firming skincare market size has expanded significantly, growing from RMB59.5 billion in 2019 to RMB119.8 billion in 2024, with a CAGR of 15.0% exceeding the average level of the total skincare market.

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With the continued evolution of skincare awareness and the rising consumer demand for anti-wrinkle and firming, an increasing number of consumers are making anti-wrinkle and firming key objectives in their daily skincare routines, with growing engagement from younger users. Meanwhile, the influence of social media and the expanding range of anti-wrinkle and firming product offerings have further driven the growth of this category. It is expected that anti-wrinkle and firming skincare products will account for an increasing proportion of the skincare market in the future, becoming an important growth point. Its market size is expected to reach RMB285.2 billion by 2029, representing a CAGR of 18.9% from 2024 to 2029.

Overview of China's Anti-Wrinkle and Firming Skincare Industry by Product Category

Market Size of the Anti-Wrinkle and Firming Skincare Industry in China, in Terms of Retail Sales Value, by Product Category, 2019-2029E



Source: National Bureau of Statistics, General Administration of Customs of China, CIC Report

Note: Other skincare product categories include eye cream, facial cleanser, etc.

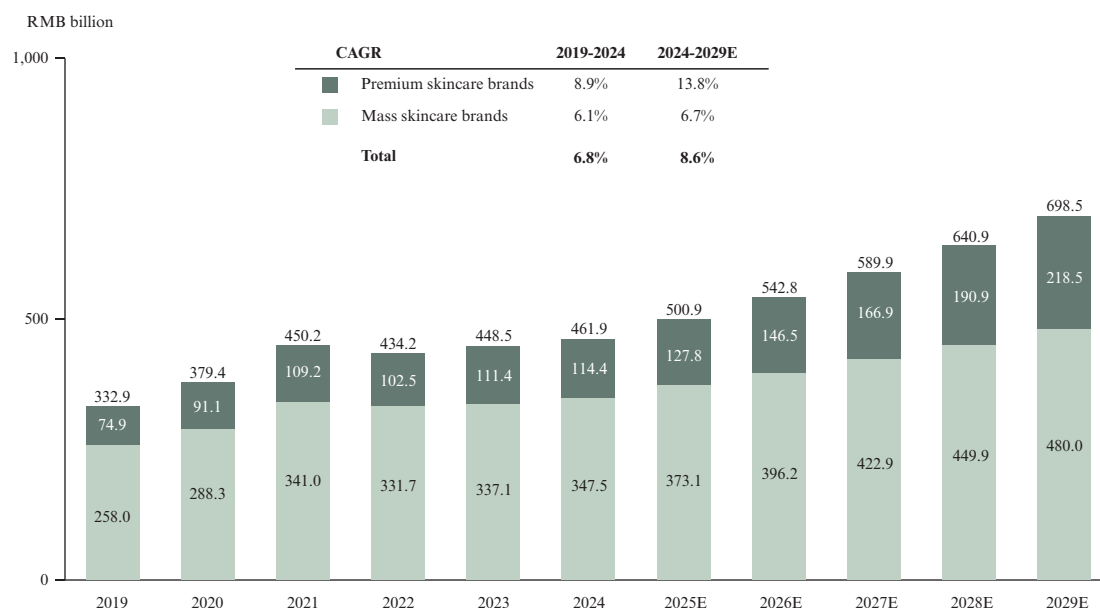
Anti-wrinkle and firming skincare products can be categorised into essence, facial cream, lotion and toner, facial mask, and others. Essence is an important category in anti-wrinkle and firming skincare products and occupies a high market share, driven by the deepening of the concept of meticulous skincare, the addition of high-concentration active ingredients, the rapid onset of anti-wrinkle and firming effects, and the application of the latest formulations and technologies by brands. The market size of anti-wrinkle and firming essence increased from RMB17.8 billion in 2019 to RMB36.5 billion in 2024, and is expected to reach RMB92.9 billion by 2029. Facial cream products with anti-wrinkle and firming benefits have also become increasingly popular in recent years, driving rapid growth in their market size from RMB13.5 billion in 2019 to RMB36.7 billion in 2024, representing a high CAGR of 22.2%.

In the future, anti-wrinkle and firming essence and anti-wrinkle and firming facial cream will continue to be important sectors of anti-wrinkle and firming skincare products, with their respective CAGR of 20.6% and 20.7%, outpacing the overall average CAGR of anti-wrinkle and firming skincare products from 2024 to 2029.

INDUSTRY OVERVIEW

Overview of China's Skincare Industry by Brand Positioning

Market Size of the Skincare Industry in China, in Terms of Retail Sales Value, by Brand Positioning, 2019-2029E



Source: National Bureau of Statistics, General Administration of Customs of China, CIC Report

Skincare brands can be classified into premium and mass skincare brands. Premium skincare brands meet consumers' needs for exclusivity, high quality, and uniqueness by offering products with perceived value. In contrast, mass skincare brands focus on providing products at more affordable prices, and with broader sales channels. The definition of premium skincare brands is typically assessed from the following dimensions: a) differentiated product positioning; b) accumulated expertise in skincare field; c) pricing; d) R&D; e) brand image; and f) channel strategy. **(a) Differentiated product positioning.** The core products of premium skincare brands typically include serums, creams, lotion and toners, which are widely regarded as the core categories within the skincare field, involving higher R&D barriers and emphasizing the development of innovative active ingredients and advanced skincare technologies to deliver superior efficacy. **(b) Accumulated expertise in skincare field.** Premium skincare brands also demonstrate long-term accumulation within the skincare field, typically supported by in-house R&D centers and manufacturing facilities, with skincare products typically accounting for over 50% of the brand's total cosmetics revenue. **(c) Pricing.** Premium skincare brands generally command a pricing level at least 50% higher than the industry average. **(d) R&D.** Premium skincare brands rely on substantial and sustained R&D investment to continuously introduce innovative formulations, ingredients and technologies, including proprietary core ingredients that require long-term technological accumulation to meet consumers' expectations for high-efficacy, safe and customized skincare solutions. Continuous R&D investment is essential for maintaining competitiveness and leadership in the premium segment. **(e) Brand image.** A premium skincare brand is typically characterized by a strong and well-established brand image, developed over time through brand-building

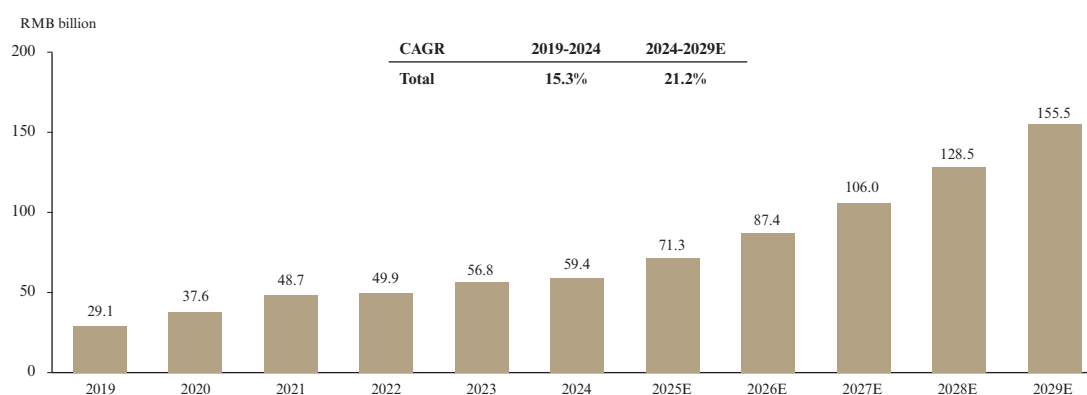
INDUSTRY OVERVIEW

activities and consumer education, which enhances consumer recognition, trust and perceived value. **(f) Channel strategy.** Premium skincare brands typically choose to distribute through channels such as high-end shopping malls and specialty boutiques. These channel strategies ensure that the brand reaches the appropriate target audience and help maintain its exclusivity. These factors collectively contribute to establishing a premium positioning for skincare brands and distinguishing them from mass skincare brands. The demand for skincare products among Chinese consumers is witnessing a steady rise, particularly for premium skincare products renowned for their superior quality and efficacy. As of 2024, the market size of the skincare industry was valued at RMB461.9 billion, with the premium segment noteworthily growing from RMB74.9 billion in 2019 to RMB114.4 billion in 2024.

The growing demand is closely tied to consumers' evolving aspirations, who increasingly prioritise self-care and seek out products that offer tangible benefits and indulgence. Premium skincare brands strategically leverage innovation and brand prestige to maintain their foothold in evolving market dynamics, which allows them to launch a series of high-tech and highly effective skincare products to meet the consumers' pursuit of a high quality of life. These multifaceted factors collectively contribute to the strong growth of the premium skincare market in China, positioning it as an important segment within the skincare industry landscape. By 2029, China's premium skincare industry is expected to reach RMB218.5 billion, representing a CAGR of 13.8% from 2024 to 2029.

Overview of China's Premium Anti-Wrinkle and Firming Industry

Market Size of the Premium Anti-Wrinkle and Firming Skincare Industry in China, in Terms of Retail Sales Value, 2019-2029E



Source: National Bureau of Statistics, General Administration of Customs of China, CIC Report

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When purchasing anti-wrinkle and firming skincare products, Chinese consumers often prioritise product efficacy to ensure they can achieve visible and lasting results in their skincare routines. Premium brands are renowned for their exceptional product quality and the application of cutting-edge R&D technologies, so anti-wrinkle and firming skincare products introduced by premium brands are more likely to gain consumer trust and preference due to their perceived effectiveness and reliability. Furthermore, compared to mass skincare brands, premium brands are more likely to position anti-wrinkle and firming skincare products as their core product line. This is because their customer base generally has higher purchasing power and a stronger demand for anti-wrinkle and firming products. Consequently, anti-wrinkle and firming skincare products often account for a relatively higher proportion of the overall revenue of premium skincare brands.

China's premium anti-wrinkle and firming skincare market has demonstrated significant growth in recent years, with its market size increasing from RMB29.1 billion in 2019 to RMB59.4 billion in 2024, achieving a high CAGR of 15.3%. In the future, the market is expected to continue its robust growth trajectory. By 2029, the market size is anticipated to reach RMB155.5 billion, with a CAGR of 21.2% from 2024 to 2029.

KEY MARKET DRIVERS OF CHINA'S SKINCARE INDUSTRY

The following are the key drivers influencing China's skincare market:

- ***Growing skincare demand driven by growing emphasis on refined skincare:*** With the continuous development of China's economy, people's consumption attitudes have changed significantly. In the field of skincare products, consumers are beginning to shift from simple cleansing and moisturising needs to more diversified and specialised skincare needs. They are not only concerned about the basic function of the product, but also the pursuit of additional value that the product can offer, such as anti-wrinkle, repairing, etc. This upgrading of consumption and change in consumption attitudes has greatly contributed to the continued growth of the skincare market size.
- ***Demand for skincare products with natural ingredients boosted by health consciousness:*** In recent years, as people's health awareness continues to grow, they become more demanding on the ingredients and safety of skincare products. Consumers are more inclined to choose those products that use natural ingredients. This pursuit of health has led to the widespread popularity of high-quality, safe and reliable skincare products that apply healthy ingredients, thus driving the expansion of the skincare market size.
- ***Integration of technological innovation and product development:*** The deep integration of technological innovation and product development is another important driving force for skincare market. Technological innovation has brought unprecedented development opportunities to the skincare industry by applying advanced technology in optimising the R&D process and improving the quality and effectiveness of products. Furthermore, product development teams continue to launch innovative products that meet consumer tastes and efficient skincare needs, bringing more market opportunities.

INDUSTRY OVERVIEW

- ***Popularity of online sales and social marketing:*** With the popularity of the Internet and social media, more and more skincare brands are interacting with consumers through social media platforms to enhance brand awareness. At the same time, online sales also provide consumers with a more convenient and efficient shopping experience, which promotes the growth of sales. This mode of online sales and social marketing has greatly broadened the sales channels and aroused consumers' interest. The proportion of skincare products sold through online channels has risen from 42.6% in 2019 to 55.3% in 2024, and is projected to further increase to 63.7% by 2029, becoming one of the primary drivers of growth in China's skincare market.

FUTURE TRENDS OF CHINA'S SKINCARE INDUSTRY

- ***Expansion of premium skincare brands with increasing demand for effective products:*** With the continuous growth of the domestic economy, consumers are paying more attention to product quality, technology content and effectiveness. As a result, the premium skincare market has seen unprecedented growth opportunities. These premium brands usually have more advanced technology, better raw materials and stricter production processes. Through continuous innovation, they can launch a series of high-tech and highly-effective skincare products to meet the consumers' pursuit of a high quality of life. With the rising demand for more effective products, the trend towards premium skincare is becoming more and more significant.
- ***Rising demand for anti-wrinkle and firming skincare and effect upgrades of products:*** The market for anti-wrinkle and firming skincare products is witnessing significant growth, which is mainly attributed to the personalization and specialization of consumer demand for skincare products. Faster pace of life and higher stress levels of consumers result in skin that is prone to premature signs of aging. Consumers want to use anti-wrinkle and firming products to slow down the speed of skin aging and keep their skin in good condition. On the other hand, with the advancement of research and development in skincare products, anti-wrinkle and firming products adopt more advanced ingredients and formulations to enhance effectiveness of the product. The effectiveness of these products has led to strong consumer interest in anti-wrinkle and firming products, while the popularity of social media has also helped to increase consumer awareness of anti-wrinkle and firming products, which in turn has led to increased consumption of anti-wrinkle and firming products. The proportion of anti-wrinkle and firming skincare in China's skincare market has increased from 17.9% in 2019 to 25.9% in 2024, and is expected to reach 40.8% by 2029.

- ***Rise of domestic skincare brands due to cultural resonance with Chinese consumers:*** China's skincare market has shown a remarkable trend of the rise of local brands, with the market share of local brands increasing. Their deep understanding of Chinese consumers' skin characteristics, consumption habits and cultural background has enabled them to develop skincare products that better meet consumers' expectations. Local brands also attach great importance to the connection between brand culture and consumer emotions. They deeply understand the cultural background and emotional needs of Chinese consumers, winning their attention with unique brand stories and cultural concepts. In terms of marketing, local brands continue to interact with consumers through online channels such as social media, short videos and live streaming with products, increasing brand awareness and reputation and enhancing consumers' knowledge and trust in the brand. In addition, the indigenous supply of raw materials is becoming increasingly sufficient, which provides support for domestic brands to establish local supply chain advantages, ensure product quality and safety, and speed up the response to changes in domestic market, promoting the rise of domestic brands.
- ***Growing demand for plant-based skincare products for safety and environmentally friendliness concerns:*** The skincare market is witnessing a surge in demand for products formulated with plant-derived ingredients. These natural compounds are favoured for their gentle yet effective skincare properties, appealing to consumers seeking safer and environmentally friendly options. This trend reflects a broader shift towards healthy beauty practices and holistic wellness, as consumers prioritise products that promote overall health while addressing specific skincare concerns. Skincare brands are responding by incorporating plant-based ingredients into their formulations and marketing strategies, capitalising on the perceived benefits of botanicals to attract environmentally conscious consumers and differentiate themselves in the market. Specifically, with diversified unique Chinese botanicals available, utilising herbal ingredients has become a direction for skincare brands in Chinese market. Brands that highlights a natural philosophy can attract consumers with unique and gentle ingredients, as well as the affinity of Chinese culture. Overall, the rising popularity of plant-based skincare is becoming a significant trend in the industry towards sustainable beauty solutions.
- ***Skincare brands penetrating into lower-tier cities:*** Skincare brands, especially premium skincare brands, are penetrating into low-tier cities, and have successfully attracted a large number of consumers through precise marketing and channel layout. Although these customers live in low-tier cities, they demonstrate high interest and willingness to buy premium skincare products. Skincare brands still have huge potential for growth in lower-tier cities, and are expected to achieve deeper market coverage in a wider range of regions in the future.

- ***Integration of online and offline channels to cater to consumers' diverse preferences:*** The integration of online and offline channel is set to define the future trajectory of multi-channel distribution in the skincare industry. This integration will allow consumers to access product information and make purchases conveniently through online channels. Simultaneously, selected offline stores continue to offer enhanced experiential and service-oriented features, aimed at enticing consumers to make in-store purchases. This integrated approach capitalises on the strengths of both online and offline platforms, catering to the diverse preferences and shopping behaviours of modern consumers while fostering brand engagement and loyalty across multiple touchpoints. The synergy between online and offline channels underscores the dynamic nature of consumer preferences in China's skincare market, driving industry growth and innovation across both platforms. Business models that integrate online and offline sales channels will be adopted by more brands in China, to provide smoother shopping experience for consumers and realize higher customer conversion rate.
- ***Achievement of green sustainable development to align with consumers' health and environmental principles:*** There is a gradual escalation in consumer awareness regarding environmental conservation and sustainability. Consequently, consumers will increasingly favour products from skincare companies that are green and environmentally friendly in the future. Skincare brands increasingly prioritise environmentally-friendly production processes and packaging, enhancing product sustainability to align with consumers' health and environmental principles. By adopting sustainable practices, skincare brands not only meet evolving consumer preferences but also contribute positively to environmental preservation.
- ***Trend towards small-pack offerings:*** In recent years, the trend toward small-pack products has gained traction in the skincare industry. From the consumers' perspective, small-pack products help reduce the cost of trying new or premium skincare products, making them more accessible, thereby help to broaden the customer base for these skincare brands. The growing popularity of small-pack products also reflects consumers' increasing preference for flexibility and convenience. From the brand owners' perspective, small-pack products serve as an effective tool to enhance brand awareness, facilitate market penetration, and foster deeper consumer engagement. Consequently, adopting a small-pack strategy can be an important approach for brands seeking to capture emerging market opportunities and expand market presence.

INDUSTRY OVERVIEW

COMPETITIVE LANDSCAPE

Competitive Landscape of China's Premium Skincare Industry

China's premium skincare industry is relatively concentrated, with the top 15 brands accounting for 66.1% of the market share. In 2024, China's premium skincare industry reached RMB114.40 billion in terms of retail sales value, with the top 15 premium skincare brands predominantly foreign. Our brand *Forest Cabin* ranked 13th among the premium skincare brands in China, and is the only domestic brand in the top 15 premium skincare brands in 2024.

Ranking of the Top 15 Premium Skincare Brands, in Terms of Retail Sales Value of Skincare Products, China, 2024

Ranking	Brand	Brand origin	Retail sales value of premium skincare brand, China, 2024, RMB billion	Market share in the premium skincare industry, China, 2024
1	Brand A	Foreign	14.77	12.9%
2	Brand B	Foreign	10.35	9.0%
3	Brand C	Foreign	8.01	7.0%
4	Brand D	Foreign	7.53	6.6%
5	Brand E	Foreign	7.02	6.1%
6	Brand F	Foreign	4.38	3.8%
7	Brand G	Foreign	4.04	3.5%
8	Brand H	Foreign	4.00	3.5%
9	Brand I	Foreign	3.98	3.5%
10	Brand J	Foreign	2.82	2.5%
11	Brand K	Foreign	2.46	2.2%
12	Brand L	Foreign	2.19	1.9%
13	<i>Forest Cabin</i>	Domestic	1.59	1.4%
14	Brand M	Foreign	1.31	1.1%
15	Brand N	Foreign	1.25	1.1%
Top 15	/	/	75.70	66.1%
Others	/	/	38.70	33.9%
Total	/	/	114.40	100.0%

Source: CIC Report

INDUSTRY OVERVIEW

Notes:

Brand A is a premium skincare, colour cosmetics, and fragrance brand established in 1935 in France. It belongs to a listed cosmetics company founded in 1909 in France.

Brand B is a premium skincare, colour cosmetics, and fragrance brand established in 1946 in the United States. It belongs to a listed cosmetics company founded in 1946 in the United States.

Brand C is a premium skincare brand established in 1980 in Japan. It belongs to a listed cosmetics company founded in 1837 in the United States.

Brand D is a premium skincare and colour cosmetics brand established in the 1950s in the United States. It belongs to a listed cosmetics company founded in 1946 in the United States.

Brand E is a premium skincare and colour cosmetics brand established in 1902 in Australia. It belongs to a listed cosmetics company founded in 1909 in France.

Brand F is a premium skincare and colour cosmetics brand established in 1954 in France. It belongs to a private cosmetics company founded in 1954 in France.

Brand G is a premium skincare brand established in 1997 in the United States. It belongs to a listed cosmetics company founded in 1909 in France.

Brand H is a premium skincare and colour cosmetics brand established in 1872 in Japan. It belongs to a listed cosmetics company founded in 1872 in Japan.

Brand I is a premium skincare, colour cosmetics, and fragrance brand established in 1828 in France. It belongs to a listed cosmetics and fashion company founded in 1987 in France.

Brand J is a premium skincare, colour cosmetics, fragrance, and fashion brand established in 1910 in France. It belongs to a private cosmetics and fashion company founded in 1910 in France.

Brand K is a premium skincare and colour cosmetics brand established in 1982 in Japan. It belongs to a listed cosmetics company founded in 1872 in Japan.

Brand L is a premium skincare, colour cosmetics, fragrance, and hair care brand established in 1976 in France. It belongs to a listed cosmetics and fashion company founded in 1987 in France.

Brand M is a premium skincare, colour cosmetics, fragrance, and fashion brand established in 1946 in France. It belongs to a listed cosmetics and fashion company founded in 1987 in France.

Brand N is a premium skincare, colour cosmetics, fragrance, and fashion brand established in 1961 in France. It belongs to a listed cosmetics company founded in 1909 in France.

INDUSTRY OVERVIEW

Competitive Landscape of China's Premium Anti-Wrinkle and Firming Skincare Industry

Anti-wrinkle and firming are core functions of skincare products in China, comprising 25.9% of the total skincare market in 2024. Anti-wrinkle and firming skincare is particularly significant within the premium skincare category, which emphasizes high-quality ingredients, advanced formulations, highly-effective skincare products, and luxury experiences. Among premium skincare brands in China, our brand *Forest Cabin* ranked 10th in terms of retail sales value for anti-wrinkle and firming skincare products, capturing a market share of 2.2% in the premium anti-wrinkle and firming skincare industry. This positioning underscores our significant presence and competitive strength in the market, highlighting our commitment to innovation and effectiveness in anti-wrinkle and firming skincare solutions.

Ranking of the Top 10 Premium Skincare Brands, in Terms of Retail Sales Value of Anti-Wrinkle and Firming Skincare Products, China, 2024

Ranking	Brand	Brand origin	Retail sales value of premium skincare brand's anti-wrinkle and firming skincare products, China, 2024, RMB billion	Market share of the premium anti-wrinkle and firming skincare industry, China, 2024
1	Brand A	Foreign	6.71	11.3%
2	Brand B	Foreign	5.71	9.6%
3	Brand D	Foreign	4.99	8.4%
4	Brand E	Foreign	4.59	7.7%
5	Brand C	Foreign	2.96	5.0%
6	Brand F	Foreign	2.40	4.0%
7	Brand G	Foreign	2.11	3.5%
8	Brand H	Foreign	2.04	3.4%
9	Brand I	Foreign	1.74	2.9%
10	<i>Forest Cabin</i>	Domestic	1.28	2.2%
Top 10	/	/	34.53	58.0%
Others	/	/	24.91	42.0%
Total	/	/	59.44	100.0%

Source: CIC Report

INDUSTRY OVERVIEW

Competitive Landscape of China's Facial Essence Oil Industry

Facial essence oil is a skincare category that offers benefits such as anti-wrinkle, firming, etc.. With the growing popularity of “nourishing the skin with oil (以油養膚)”, China's facial essence oil market reached RMB5,291.5 million in 2024. *Forest Cabin* led the market, ranked as the 1st in terms of retail sales value of facial essence oil in China, among all the foreign and domestic brands, capturing 12.4% market share. This significant market share not only highlights our strong brand presence and consumer trust, but also proves our competitive edge in the facial essence oil industry, setting industry benchmarks.

Ranking of the Top 5 Brands, in Terms of Retail Sales Value of Facial Essence Oil, China, 2024

Ranking	Brand	Brand origin	Retail sales value of facial essence oil in China, 2024, RMB million	Market share in the facial oil essence industry, China, 2024
1	<i>Forest Cabin</i>	Domestic	657.0	12.4%
2	Brand O	Domestic	466.4	8.8%
3	Brand P	Domestic	405.8	7.7%
4	Brand Q	Domestic	265.8	5.0%
5	Brand R	Domestic	184.1	3.5%
Top 5	/	/	1,979.1	37.4%
Others	/	/	3,312.4	62.6%
Total	/	/	5,291.5	100.0%

Source: CIC Report

Notes:

1. *Brand O* is a skincare brand established in 2005 in China. It belongs to a private cosmetics company founded in 2003 in China.
Brand P is a skincare brand established in 2019 in China. It belongs to a private cosmetics company founded in 2018 in China.
Brand Q is a skincare brand established in 2020 in China. It belongs to a private cosmetics company founded in 2019 in China.
Brand R is a skincare brand established in 2013 in China. It belongs to a private cosmetics company founded in 2012 in China.

KEY ENTRY BARRIERS TO THE SKINCARE INDUSTRY IN CHINA

- ***Brand building and recognition:*** Brand image and recognition are critical for premium skincare. Companies must invest heavily in building brand awareness and influence to foster consumer loyalty and achieve price differentiation. This involves marketing, creating compelling brand stories, and maintaining a positive brand image through continuous engagement. A well-established brand not only gains recognition but also forms an emotional connection with consumers, leading to a loyal customer base willing to pay premium prices. Importantly, brands that are pioneers in their category can distinguish themselves within the industry, gaining significant influence, setting industry benchmarks, and leading market trends. For new entrants, the challenge of pioneering a new category and overcoming this entrenched loyalty and building comparable brand equity requires significant time, financial resources, and strategic expertise, creating a barrier to entry.
- ***Channel establishment and development capabilities:*** The integration of online and offline channels is crucial in the skincare industry. Particularly, extensive deployment and first-mover advantages in offline channels have become powerful tools for companies to capture market share and establish brand image. Online and offline channels form an interdependent and mutually reinforcing organic system. A robust offline network can directly reach consumers, offering tangible product trials and personalised consultation services, which in turn deepen consumers' understanding and perception of the brand, enhance brand loyalty and trust, and drive further online searches and purchases. The ability to provide direct consumer engagement and premium service experiences, which are key aspects of the premium skincare sector, further distinguishes established brands from new entrants. For new entrants, building a solid offline network requires significant financial investment and long-term brand building, creating a substantial barrier to entry.
- ***Research and development strength:*** Superior research and development (R&D) capabilities are essential for ensuring the quality and efficacy of skincare products. These capabilities enable companies to swiftly meet market demands with differentiated, high-quality products, creating competitive advantages through proprietary ingredients, formulations, and technologies. Strong R&D also means having top-tier innovation teams to improve existing products and expand the product portfolio, solidifying the industry position. A robust R&D infrastructure fosters continuous innovation and helps companies adapt to emerging trends and regulatory changes. This R&D strength creates a significant barrier to entry for new market entrants, as achieving similar expertise and technological advancement quickly is challenging.

INDUSTRY OVERVIEW

- ***Stable and reliable supply chain:*** Establishing a stable and reliable supply chain is crucial for ensuring the quality and consistent supply of raw materials, which is essential for the stability of products and the reputation of companies in the skincare industry. Premium skincare products require high standards of purity, efficacy, and consistency, necessitating long-term partnerships with premium suppliers or even the ability to produce core ingredients in-house. In-house production of core raw materials helps mitigate supply chain risks posed by raw material price fluctuations and geopolitical factors, enhancing supply chain stability and responsiveness. It also protects proprietary technologies and formulations, creating a unique competitive advantage. A robust supply chain thus becomes a significant barrier to entry for new market players, who must consistently source high-quality raw materials and establish a reliable supplier network or in-house production capability, which is challenging to achieve quickly.

KEY SUCCESS FACTORS OF THE SKINCARE INDUSTRY IN CHINA

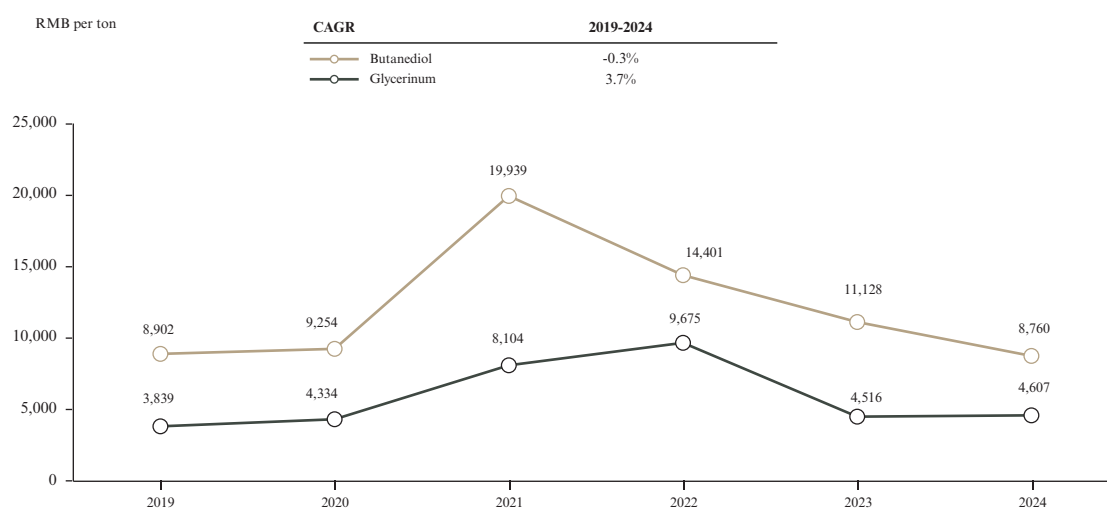
- ***Product innovation capability:*** In the premium skincare and anti-wrinkle and firming skincare sector, consumers expect exceptional product efficacy and quality, prioritising technological innovation, uniqueness, and scientific credibility. Companies must continuously introduce innovative products with unique benefits to meet these demands. For example, *Forest Cabin* pioneered the use of facial essence oils in China, establishing a leadership position through novel formulations. This relentless pursuit of innovation enhances brand competitiveness, consumer loyalty, and market leadership. Successful brands also excel in refining and reusing key core ingredients, enhancing both research and development efficiency and product consistency across various platforms. This capability not only ensures superior product performance but also strengthens the brand's reputation for delivering effective skincare solutions.
- ***Ability to create consumer resonance:*** Successful brands in the Chinese premium skincare and anti-wrinkle and firming skincare industry often achieve resonance with consumers by deeply understanding unique Chinese preferences and cultural nuances. They develop products that resonate culturally and regionally, establishing a strong localised brand identity crucial for earning consumer trust amidst fierce market competition. Consumers tend to favour brands that demonstrate respect for local cultures and values, aligning with their lifestyle and emotional needs. For brands, this involves not only incorporating rare local ingredients into formulations but also localising product packaging designs and marketing strategies. These efforts strengthen emotional connections with consumers, fostering a robust brand affinity and solidifying the bond between the brand and its consumers.

INDUSTRY OVERVIEW

- **Ensuring meticulous quality control for sustained success:** The success of premium skincare products relies on cutting-edge technology, robust research, and meticulous quality control to ensure efficacy and safety. Premium skincare consumers have high expectations regarding product quality and performance. Rigorous quality control processes, from raw material selection to manufacturing and testing, are essential for establishing a reputable brand image and earning consumer trust. Adhering to or exceeding industry standards safeguards product integrity and efficacy, strengthening brand loyalty. Thus, prioritising quality assurance is a critical component of long-term success in the skincare industry, serving as a cornerstone for sustained growth and competitive differentiation.
- **Establishing a comprehensive sales network:** A comprehensive sales channel network, including offline retail stores and online e-commerce platforms, is crucial for premium skincare companies. Skincare products appeal to consumers with varied shopping preferences, from personalised in-store experiences to convenient digital transactions. Expanding distribution channels enhances accessibility and caters to diverse consumer needs across different demographics and regions. An omni-channel approach amplifies brand visibility and engagement, fostering brand loyalty and driving sustainable sales growth. Integrating offline experiences with seamless online interactions enhances consumer trust and brand perception.

COST ANALYSIS OF CHINA'S SKINCARE INDUSTRY

Average Price of the Main Raw Materials in China's Skincare Industry, 2019-2024



Source: CIC Report

INDUSTRY OVERVIEW

The main chemical raw materials used in China's skincare industry include glycerinum, butanediol, etc. Glycerinum and butanediol mainly act as the solvents for skincare products and are therefore important chemical raw materials in the skincare industry, and their price fluctuations affect the production costs in the skincare industry. The average price per ton of butanediol slightly decreased from RMB8,902 in 2019 to RMB8,760 in 2024, and that of glycerinum increased from RMB3,839 in 2019 to RMB4,607 in 2024. In 2019, the supply of chemical raw materials was sufficient as domestic chemical raw materials producers were in good business condition; thus, the prices were on a relatively low level. In 2021, measures to prevent and control epidemics at home and abroad hindered the normal operation of supply chain and logistics of the chemical production industry, while strict regulations are imposed on environmental protection in China, the supply of chemical raw materials decreased significantly, driving prices to surge. Since 2022, supply and demand conditions have gradually returned to normal, leading to a decline in prices.

In addition, the Group also procured camellia-related raw materials, including camellia seed oil, camellia flowers, camellia leaves and camellia seed cake, which undergo multiple processing steps to become semi-finished ingredients used in the production of finished products. There is currently no unified pricing standard for camellia raw materials. Camellia raw materials are not standardized bulk commodities and lack a uniform pricing benchmark. They are primarily cultivated by farmers and local cooperatives, with transactions mostly conducted through negotiated pricing. When used in skincare products, camellia flowers have significantly varying requirements for purity and specifications. Actual procurement prices vary widely depending on quality and product form. The price of camellia in China generally ranges from RMB50/kg to RMB150/kg, covering various forms such as dried flours, powder, and extracts. The price of camellia remains relatively stable and is expected to maintain a stable level in the future.

REGULATORY OVERVIEW

This section sets forth a summary of the most significant rules and regulations that affect and regulate our current major business activities and operations in China.

REGULATIONS RELATING TO COSMETICS

Production and Sales of Cosmetics

According to Regulation on the Supervision and Administration of Cosmetics (Order No. 727 of the State Council of PRC), which became effective on January 1, 2021, and the Measures for the Supervision and Administration of Production and Operation of Cosmetics (Order No. 46 of the State Administration for Market Regulation), which became effective on January 1, 2022, any entity or individual that engages in the production and operation of cosmetics within the territory of the PRC shall file an application for a cosmetics production license with the drug supervision and administration department of the people's government of the province, autonomous region, or municipality directly under the Central Government where it is located. The State implements classified management of cosmetics and cosmetic raw materials in accordance with the degree of risk.

Cosmetics are divided into special cosmetics and ordinary cosmetics. Cosmetics used for hair dyeing, perming, spot removal and whitening, sun protection, hair loss prevention, and those claiming new efficacy are special cosmetics. Cosmetics other than special cosmetics are ordinary cosmetics. The state implements registration management for special cosmetics and record-filing management for ordinary cosmetics. Cosmetic registrants and recordation entities may produce cosmetics by themselves or by entrusting other enterprises. In the case of entrusted production of cosmetics, a cosmetic registrant or recordation entity shall entrust an enterprise that has obtained the corresponding cosmetics production license, and supervise the production activities of the entrusted enterprise to ensure that it produces cosmetics according to statutory requirements. Cosmetic manufacturers and operators shall store and transport cosmetics in accordance with the provisions of relevant laws and regulations and the requirements indicated on cosmetic labels, and inspect on a regular basis and handle the deteriorated or expired cosmetics in a timely manner. The cosmetic distributors on e-commerce platforms shall disclose the information about the cosmetics they distribute in a comprehensive, truthful, accurate and timely manner. The content of cosmetics advertisements shall be authentic and legal. No cosmetic advertisement may expressly or impliedly indicate that the product has any medical effect, contain any false or misleading information, or deceive or mislead consumers. Where any cosmetics registrant or recordation entity finds any quality defect or other problem in the cosmetics that may endanger the human health, it shall immediately stop the production, recall the cosmetics that have been sold on the market, notify the relevant cosmetics operators and consumers to stop the operation and use, and record the situations of recall and notification. The cosmetics registrants or recordation entities shall take remedial measures, harmless disposal or destruction measures for the recalled cosmetics, and report the information of recall and disposal to the drug supervision and administration department of the people's government of the province, autonomous region, or municipality directly under the central government where it is located.

REGULATORY OVERVIEW

Cosmetic ingredients are divided into new ingredients and ingredients already used. New cosmetic ingredients mean the natural or artificial ingredients that are used in cosmetics for the first time in the PRC. New cosmetic ingredients that have the functions of preventing corrosion, sunscreens, coloring, hair coloring, and freckle removal and whitening shall be registered with the drug regulatory authorities of the State Council before use; other new cosmetic ingredients shall be filed with the drug regulatory authorities of the State Council by new cosmetic ingredients filer before use.

According to the Cosmetic Production Quality Management Standard (No. 1 [2022] of the State Drug Administration Announcement), which became effective on July 1, 2022, cosmetic registrants, filers, and commissioned manufacturers shall be honest and self-disciplined, and establish a production quality management system in accordance with the requirements of this provision to realize the control and traceability of the whole process of cosmetic ingredients procurement, production, inspection, storage, sales and recall, and to ensure that the continuous and stable production of cosmetics comply with the quality and safety requirements. According to the Safety and Technical Standards for Cosmetics (Version 2015) (No. 268 of 2015 of the State Food and Drug Administration), which became effective on the December 1, 2016, the production of cosmetics shall comply with the requirements of the specifications for the production of cosmetics, and the production process of cosmetics shall be scientific and reasonable to ensure product safety. Necessary tests shall be carried out before the cosmetics are placed on the market, and the cosmetics shall comply with the relevant requirements for product quality and safety, and can only leave the factory after passing the test.

According to the Measures for the Administration of Cosmetic Labeling (No. 77 [2021] of State Drug Administration Announcement), which became effective on May 1, 2022, the smallest sales unit of cosmetics shall be labeled. The labels shall comply with the requirements of the relevant laws, administrative regulations, departmental rules, compulsory national standards and technical specifications. The contents of the labels shall be lawful, authentic, complete, accurate and consistent with the relevant contents registered or filed.

According to the Measures for the Supervision and Administration of the Online Operation of Cosmetics (No. 36 [2023] of the State Drug Administration Announcement), which became effective on September 1, 2023, cosmetic e-commerce platform operators shall assume responsibility for the management of cosmetic operators within the platform in accordance with the law, establish and effectively implement cosmetic quality and safety management systems such as real-name registration, daily inspection, stopping and reporting of violations, handling of complaints and reports. Cosmetics platform operators shall establish and execute a record-checking system for goods to check the direct supplier of the market entity registration certificate, special cosmetic registration certificate or general cosmetic filing information, cosmetic product quality inspection certificate and save the relevant certificates. The operators are required to fulfil their obligation to reveal the information about their cosmetics, disclosing registration or filing data consistent with the cosmetic volume labeling and other information in a comprehensive, true, accurate and clear manner and actively cooperate with the cosmetic e-commerce platform operators to carry out daily inspections, and supervise the self-inspection of public information and other quality and safety management activities, and shall store and transport cosmetics in accordance with the provisions of relevant laws and regulations and the requirements indicated on cosmetic labels, and inspect on a regular basis and handle the deteriorated or expired cosmetics in a timely manner.

Registration and Recordation of Cosmetics

According to the Measures for the Administration of Cosmetics Registration and Filing, which was promulgated by the State Administration for Market Regulation on January 7, 2021 and became effective on May 1, 2021, a registrant or recordation entity of cosmetics and new cosmetic raw materials shall, when applying for registration or undergoing recordation formalities, comply with the requirements of applicable laws, administrative regulations, compulsory national standards and technical specifications, and be responsible for the veracity and scientific of the materials submitted, including (but not limited to) compliance with the Regulations on the Administration of Registration and Filing of Cosmetics (No. 32 [2021] of SFDA Announcement), Regulations on the Administration of Registration and Filing of New Cosmetic Ingredients” (No. 31 [2021] of SFDA Announcement), Cosmetic Classification Rules and Catalogue (No. 49 [2021] of SFDA Announcement), Technical Guidelines for the Safety Assessment of Cosmetics (Version 2021) (No. 51 [2021] of the State Drug Administration Announcement), Cosmetic Efficacy Claims Evaluation Specification (No. 50 [2021] of State Drug Administration Announcement), which became effect on May 1, 2021, and Regulations on the Supervision and Administration of Children’s Cosmetics (No. 123 [2021] of the State Drug Administration Announcement), which became effect on January 1, 2022, and Cosmetics Registration and Filing Inspection Work Specifications (No. 72 [2019] of the State Drug Administration Announcement), which became effective on September 3, 2019, and other requirements contained therein. Registrants and filers of cosmetics and new cosmetic raw materials shall fulfill their obligations of product registration or filing in accordance with the law, and shall be responsible for the quality and safety of cosmetics and new cosmetic raw materials.

According to the Notice of the State Food and Drug Administration on the issuance of Regulations on the Acceptance of Applications for Administrative Licenses of Cosmetics, which was issued on December 25, 2009 and became effective on April 1, 2010, the applicant and the reporting unit in China shall apply for the administrative license of cosmetics in accordance with the requirements of relevant state laws, regulations, standards and norms, and be responsible for the information declared and be held liable for the corresponding legal responsibility. According to the Notice of the State Food and Drug Administration on Strengthening the Filing Management of Domestic Non-special Use Cosmetics, which was issued and became effective on April 3, 2009, the authorities shall improve the management of recorded product files and information, make fully use of the role of cosmetics filing information and investigate and handle violations of regulations in accordance with relevant provisions on the filing of products that do not comply with the relevant cosmetic health supervision and management of laws and regulations, standards and norms. Domestic non-special use cosmetics filing information shall be published in a timely manner. According to Cosmetics Registration and Filing Information Management Regulations, which was issued on February 26, 2021 and became effectively on May 1, 2021, the registered or filed product inspection reports issued by the cosmetic registration and filing inspection agency, shall be in compliance with the Cosmetic Safety Technical Code, Cosmetics Registration and Filing Inspection Code of Practice and other relevant regulations.

REGULATIONS RELATING TO ADVERTISING

According to the Advertising Law of the People's Republic of China, which was promulgated on October 27, 1994 and last amended on April 29, 2021, advertisements shall be truthful, lawful, expressed in a healthy form, and shall not contain false or misleading contents or deceive or mislead consumers. Advertisers, advertising operators and advertising publishers engaged in advertising activities shall abide by laws and regulations, be honest and trustworthy, and compete fairly. With the exception of advertisements for medical treatment, medicines and medical devices, any advertisement involving the therapeutic function of a disease is prohibited, and shall not use medical terminology or terminology that tends to confuse the goods being promoted with medicines or medical devices.

The State Administration for Market Regulation promulgated the Measures for the Administration of Internet Advertising on February 25, 2023, which became effective on May 1, 2023. It stipulates that in Internet advertising activities, Internet advertisers shall be responsible for the truthfulness of the advertisement content. Internet advertisements shall be recognizable and prominently labeled as “advertisements” so that consumers can quickly identify them as advertisements.

The State Administration for Market Regulation promulgated the Guiding Opinions of the State Administration for Market Regulation on Strengthening the Supervision and Regulation of Live Webcasting Marketing Activities on November 5, 2020. According to the guidance, commodity operators selling commodities or providing services through live webcasting shall be in compliance with relevant laws and regulations, and establish and implement a system for inspection and acceptance of incoming commodities. They shall not sell goods or services through webcasting that are prohibited from being produced or sold by laws and regulations; they shall not publish commercial advertisements through webcasting that are prohibited from being published in mass media by laws and regulations; and they shall not sell goods or services through webcasting that are prohibited from being traded on the internet. The CAC, the SAT and the State Administration for Market Regulation jointly issued Opinions on Further Regulating Profitable Behavior of Live Webcasting and Promoting Healthy Development of the Industry On March 25, 2022. The Notice puts forward some specific requirements for the relevant market entities of live webcasting services to further regulate the relevant behaviors and maintain the market order, indicating a gradual strengthening of the regulation of live webcasting and e-commerce platforms.

According to the Measures for the Administration of Webcast Marketing (for Trial Implementation), which was jointly promulgated by the CAC, the Ministry of Public Security, the Ministry of Commerce, the Ministry of Culture and Tourism, the SAT, the State Administration for Market Regulation, and the National Radio and Television Administration on April 16, 2021, and became effective on May 25, 2021, live broadcasting room operators shall verify the identities, addresses, contact details, administrative permits, and credit profiles of the suppliers of goods and services, and keep relevant records for inspection.

REGULATORY OVERVIEW

According to the Guiding Opinions of the State Administration for Market Regulation, the CAC, the Ministry of Culture and Tourism, the National Radio and Television Administration, the Banking and Insurance Regulatory Commission, the CSRC, and China Film Administration on Further Regulating the Activities of Celebrities' Advertisement Endorsement promulgated in 2022, the relevant departments shall strengthen the supervision of the whole chain of advertisement endorsement activities, rigorously investigate and handle with the false and unlawful advertisements endorsed by the celebrities, and investigate the legal liabilities of the advertisers, the advertising operators, the advertisement publishers, the advertising endorsers and related Internet information service providers.

According to the Code of Conduct for Web Hosts, which was jointly promulgated by the National Radio and Television Administration and the Ministry of Culture and Tourism and became effective on June 8, 2022, "Web hosts shall not engage in the following behaviors in the process of providing network performances and audio-visual program services..... exaggerated propaganda to mislead consumers, luring consumers through false promises, using absolutist terms, and marketing franchised and exclusive items through lives broadcasting without permission in violation of laws and regulations related to advertising."

REGULATIONS RELATING TO FOOD BUSINESS

The Food Safety Law of the People's Republic of China has been effective since June 1, 2009 and was amended by the Standing Committee of the National People's Congress on April 24, 2015, December 29, 2018 and April 29, 2021 and became effective on the same day, and the Regulations for the Implementation of the Food Safety Law of the People's Republic of China has been effective since July 20, 2009 and was subsequently amended on February 6, 2016 and October 11, 2019 by the State Council and became effective on December 1, 2019. They regulate food safety, establish a food safety supervision and management system, and set food safety standards. The State Council implements a licensing system for food production and operation. Enterprises engaged in food production, food sales, and food service shall obtain a license in accordance with the law.

Measures for the Administration of Food Trade Licensing and Recordation, which was promulgated by the State Administration for Market Regulation on June 15, 2023 and became effective on December 1, 2023, standardize food business licensing activities, strengthen food business supervision and management, and protect food safety. The sale of prepackaged food only shall be reported to the local market supervision and management department at or above the county level where it is located for the record. The State Administration of Market Regulation is responsible for guiding food trade licensing and recordation administration nationwide. Market Regulatory Department of provinces, autonomous regions, municipalities directly under the Central Government may, according to food traders' business forms and business items, and food safety risks, among others, together with the actual management of food safety risks, determine the administrative authority for food trade licensing and recordation administration of the market regulatory department within its administrative region.

REGULATIONS RELATING TO PRODUCT LIABILITY AND CONSUMER PROTECTION

According to the Product Quality Law of the People's Republic of China promulgated on February 22, 1993 and last amended on December 29, 2018, it is prohibited to produce or sell industrial products that do not comply with the standards and requirements for safeguarding human health and the safety of persons and property. If a product is defective and causes damage to a person or another person's property, the victim may claim compensation from the producer of the product or from the seller of the product. In case of production or sale of substandard products or prohibited products, the producer or seller shall be ordered to stop production or sale, confiscate the products produced or sold in violation of the law and may be fined a high amount and confiscate the illegal income. If the circumstance is serious, the business license shall be revoked. If crime is constituted, criminal liabilities shall be investigated.

On May 28, 2020, the National People's Congress promulgated the Civil Code of the PRC, which became effective on January 1, 2021, and replace Tort Liability Law of the PRC, the Contract Law of the PRC, and a number of other basic civil laws in China. According to the PRC Civil Code, where a defect of a product causes damage to another person, the infringed person may claim compensation against the manufacturer or the seller of the product. Where a manufacturer or seller manufactures or sells a product knowing that the product is defective, or failing to take remedial measures in accordance with the PRC Civil Code, so that death or serious physical harm is caused to another person, the infringed person has the right to request for the corresponding punitive damages. Where the damage is caused by a defect of a product due to the fault of a third person, such as a transporter or a warehouser, the manufacturer or seller of the product shall, after paying compensation, have the right to indemnification against the third person.

According to the Law of the People's Republic of China on the Protection of Consumers' Rights and Interests (No. 7 of the President of the People's Republic of China), which became effective on January 1, 1994, and was last amended and became effective on March 15, 2014, consumers shall be entitled to the protection of their personal safety and property security at the time of purchase and use of goods and receipt of services; knowledge of the true information of the goods he purchases or uses or the services he receives; autonomous selection of goods or services; fair trading; respect for dignity and ethnic customs, and protection of personal information pursuant to the law. Business operators providing goods or services to consumers shall comply with this Law.

According to the Electronic Commerce Law of the People's Republic of China (No. 7 of the President of the People's Republic of China), which became effective on January 1, 2019, E-commerce business operators shall mean natural persons, legal persons and unincorporated organisations that engage in business activities of sale of goods or provision of services through Internet and other information network, including e-commerce platform operators, business operators using the platform, and e-commerce business operators that sell goods or provide services through their own website or other network services. E-commerce business operators engaging in business activities shall adhere to the principles of voluntary participation, equality, fairness and integrity, comply with laws and business ethics, participate in market competition fairly, perform the obligations of consumer rights

protection, environmental protection, intellectual property protection, cyber security and personal information protection etc., undertake product and service quality responsibilities, and accept government and public supervision. According to the Provisions of the Supreme People's Court on Several Issues Concerning the Application of Law to the Trial of Cases of Online Consumption Disputes (I) (Legal Interpretation [2022] No. 8), which became effective on March 15, 2022, the format clauses provided by the e-commerce operators that satisfy the relevant circumstances are invalid, and provisions have been made in respect of the identification of the responsible subject of e-commerce operation and the civil liability for live marketing.

REGULATIONS RELATING TO UNFAIR COMPETITION

According to the Anti-Unfair Competition Law of the People's Republic of China (hereinafter referred to as the “**Anti-Unfair Competition Law**”), which was adopted by the Standing Committee of the National People's Congress (NPC) on September 2, 1993, became effective on December 1, 1993 and was last amended on April 23, 2019, unfair competition refers to any operator's act of participating in the production and operation activities in violation of the provisions herein to disrupt the competition order in the market and infringe the legitimate rights and interests of other operators or consumers. According to the Anti-Unfair Competition Law, operators shall follow the principles of voluntariness, equality, fairness, and good faith, abide by laws and business ethics in carrying out production or business activities. Operators who violate the provisions of the Anti-Unfair Competition Law shall be subject to civil, administrative and criminal liabilities depending on the circumstances.

According to the Interim Provisions on the Prohibition of Commercial Bribery (No. 60 of the State Administration for Industry and Commerce of the People's Republic of China), which became effective on 15 November 1996, commercial bribery refers to the act of an operator who, for the purpose of selling or purchasing commodities, offers money or property to the other party or to an individual, or utilizes other means, which means any benefit other than the offer of money or property. If an operator sells or purchases goods by means of bribery, depending on the circumstances, he or she may be fined and have the illegal income confiscated; if the act constitutes a crime, criminal liabilities shall be investigated.

REGULATIONS RELATING TO INTELLECTUAL PROPERTY RIGHTS

Copyright

The Standing Committee of the National People's Congress promulgated the Copyright Law of the People's Republic of China (**the Copyright Law**) on September 7, 1990, which became effective on June 1, 1991 and was amended on October 27, 2001, February 26, 2010 and November 11, 2020 respectively. The amended Copyright Law extends the scope of copyright protection to Internet activities, products disseminated on the Internet and software products. In addition, the China Copyright Protection Center administers a voluntary registration system.

REGULATORY OVERVIEW

According to the Copyright Law, Chinese citizens, legal persons or other organizations own copyright in their copyrightable works (whether published or not), including ingenious intellectual achievements in the fields of literature, art and science that are original and can be expressed in certain forms. Copyright holders enjoy a number of legal rights, including the right of publication, the right of attribution, the right of modification, the right of reproduction, the right of protection of the integrity of the work, and a series of personal and property rights in the work. Infringers of copyright will be subject to various civil liabilities, including cessation of the infringing activity, apology to the copyright owner and compensation for the copyright owner's loss. In serious cases, infringers may also be fined and/or face administrative or criminal liability.

Trademark

According to the Trademark Law of the People's Republic of China, which became effective on November 1, 2019, the Trademark Office of the Administration for Industry and Commerce under the State Council is responsible for the registration and management of trademarks in China. The Trademark Review and Adjudication Board has been established by the State Council Administration for Industry and Commerce to handle trademark disputes. The validity period of a registered trademark is ten years, calculated from the date of approval of registration. The trademark registrant shall go through the renewal procedure within 12 months prior to the expiry date; where the registrant fails to do so during the said time limit, an extension of six months may be granted. If no application for renewal is filed upon the expiry of the extension period, the registered trademark shall be canceled. Renewal of registration shall be valid for ten years. On April 29, 2014, the State Council issued the revised Regulations for the Implementation of the Trademark Law of the People's Republic of China, which specifies the requirements for applying for trademark registration and renewal. According to this law, using a trademark identical or similar to its registered trademark on the same or similar goods without the permission of the owner of the registered trademark constitutes an infringement of the exclusive right to use the registered trademark. The infringer shall undertake to stop the infringement, take remedial measures and pay compensation in accordance with the provisions.

Patents

According to the Patent Law of the People's Republic of China (the "**Patent Law**"), which became effective on June 1, 2021, and the Rules for the Implementation of the Patent Law of the People's Republic of China (the "**Rules for the Implementation of the Patent Law**"), which became effective on January 20, 2024, the patent administrative department under the State Council is responsible for managing the work related to patents throughout the country, and the patent administrative departments of the people's governments of the provinces, autonomous regions and municipalities directly under the central government are responsible for managing the work related to patents within the administrative areas of their respective governments. The Patent Law and the Rules for the Implementation of the Patent Law provide for three types of patents, namely "invention", "utility model" and "design". Patents for inventions are valid for 20 years from the date of filing, while patents for designs are valid for 15 years from the date of filing, and patents for utility models are valid for 10 years from the date of filing. China's patent system adopts the "first-to-file" principle, if two or more applicants apply for patents for the same invention or creation, the patent right will be granted

REGULATORY OVERVIEW

to the one who applies first. The invention or utility model for which a patent is granted shall be novel, inventive and practical. A third party must obtain the consent or appropriate permission from the patent owner before using the patent; otherwise, unauthorized use of the patent will constitute patent infringement.

Domain Name

According to the Measures for the Administration of Internet Domain Names (the “**Domain Name Measures**”), which became effective on November 1, 2017, domain name owners are required to register their domain names, while the Ministry of Industry and Information Technology is responsible for the administration of Internet domain names in China. Domain name registration is handled by a domain name service organization established in accordance with the relevant regulations, and the applicant becomes the holder of the domain name after successful registration.

REGULATIONS RELATING TO ENVIRONMENTAL PROTECTION AND FIRE SAFETY

Environmental Impact Assessment

According to the Regulations on the Administration of Environmental Protection for Construction Projects, which became effective on November 29, 1998 and was last amended on October 1, 2017, and the Law of the People’s Republic of China on Evaluation of Environmental Impact, which became effective on September 1, 2003 and was last amended on December 29, 2018, a construction unit shall, depending on the degree of impact of a construction project on the environment, submit an environmental impact report, an environmental impact report form or fill in an environmental impact registration form. Where any construction unit fails to submit the environmental impact report or report form, or fails to re-submit for approval or report for re-examination of an environmental impact report or report form in accordance with the regulations, and starts construction without authorization, it may be ordered to stop construction, and fined according to the violation and the consequences of the violation, as well as ordered to restore to the original state.

Completion and Acceptance

Since our business involves the research, development, production, and sales of cosmetics, we must comply with fire protection regulations in the construction and operation of relevant production facilities and business premises.

According to the Fire Protection Law of the People’s Republic of China (the “**Fire Protection Law**”), promulgated by the Standing Committee of the National People’s Congress on April 29, 1998, and last amended on April 29, 2021, as well as the Interim Measures for the Administration of Fire Protection Design Review and Acceptance of Construction Projects (promulgated by the Ministry of Housing and Urban-Rural Development on April 1, 2020, and last revised on August 21, 2023), special construction projects that have not passed fire protection acceptance are prohibited from being put into use. Construction projects other than special ones shall be filed for fire protection acceptance, and the housing and urban-rural development department shall conduct random inspections of such filed projects. If a

construction project fails the random inspection, it shall be ordered to cease operation. For special construction projects put into use without passing fire protection acceptance, or for non-special construction projects that continue operation after failing the random inspection, the construction unit shall be ordered to suspend construction, cease use, or halt production and business operations, and may face a fine ranging from 30,000 to 300,000 yuan. If the construction unit fails to file for fire protection acceptance of a non-special construction project, the housing and urban-rural development department shall order corrections and impose a fine of up to 5,000 yuan.

On November 20, 2017, the Interim Measures for Environmental Protection Acceptance of Completion of Construction Projects was promulgated and became effective to regulate the procedures and standards for construction units to carry out environmental protection acceptance of completion of construction projects.

Emission Permit

According to the Regulation on the Administration of Discharge Permits (No. 736 of the State Council), which became effective on March 1, 2021, enterprises and institutions that implement the management of discharge permits in accordance with the provisions of the law shall apply for a discharge permit from the competent department of ecology and environment of the local people's government at the municipal level or above of the area where their production and operation sites are located. Entities that have not obtained a sewage discharge permit may not discharge any pollutant. Enterprises, institutions and other production and business entities that produce and discharge a small amount of pollutants, and have a small degree of impact on the environment shall fill out a sewage registration form and do not need to apply for a sewage discharge permit.

According to the Classified Management List of Emission Permits for Fixed Pollution Sources (Version 2019) (No. 11 of the Ministry of Ecology and Environment), which became effective on December 20, 2019, the State implements key management, simplified management and registration management of emission permits based on the amount of pollutants generated, the volume of pollutants discharged, and the degree of environmental hazards posed by the enterprises, public institutions and other business operators ("**Sewage discharging units**"). Sewage discharging units subject to registration management do not need to apply for a sewage discharge permit, and shall fill in the sewage discharge registration form on the national sewage discharge permit management information platform to record basic information, the destination of pollutant discharges, the pollutant discharge standards implemented, and information on the pollution prevention and control measures taken.

Fire Safety

According to the Fire Protection Law of the People's Republic of China, which was promulgated on April 29, 2021 and became effective on April 29, 2021, public gathering places shall not be put into use or operated without the permission of the fire rescue agency. Specific measures for fire safety inspections are formulated by the emergency management department of the State Council.

REGULATORY OVERVIEW

According to the Notice of the Ministry of Emergency Management on Implementing the Newly Revised “Fire Protection Law of the People’s Republic of China” to Fully Adopt the Notification and Commitment Management System for Fire Safety Inspections Prior to the Use/Operation of Public Gathering Places (Emergency [2021] No. 34), which was issued and became effective on May 11, 2021, the government fully implements the notification and commitment management system for fire safety inspections of Public Gathering Places before they are put into use and open for business. For the fire safety inspection prior to the use or operation of public gathering places, the applicant can independently choose to use or not to use the notification and commitment method.

According to Fire Supervision and Inspection Provisions which was promulgated by the Ministry of Public Security on July 17, 2012 and became effective on November 1, 2012, before a public gathering place is put into use or operation, the development unit or using unit shall apply for fire safety examination to the fire rescue department of public security of the local people’s government at or above the county level where the place is located.

REGULATIONS RELATING TO LAND AND DEVELOPMENT AND CONSTRUCTION PROJECTS

Land Transfer Regulations

According to the Land Administration Law of the People’s Republic of China (No. 32 of the President of the People’s Republic of China) (the “**Land Administration Law**”), which became effective on January 1, 2020, land is classified into agricultural land, construction land and unutilized land according to its usages. Construction land can be further categorized into state-owned construction land and collective construction land owned by farmers’ collectives, and land users can obtain land use rights for construction land in accordance with the Land Administration Law.

Planning Regulations for Construction Projects

According to the Law of the People’s Republic of China on Urban and Rural Planning (No. 29 of the President of the People’s Republic of China), which became effective on April 23, 2019, for a construction project for which the right to use of State-owned land is extended through transfer, the developing unit shall, after obtaining the approval, verification and the recorded documents and signing the contract for transfer of the right to use of State-owned land, apply to the department in charge of urban and rural planning for a permit for planned use of land for construction. For the construction of buildings, structures, roads, pipelines and other projects in an area covered by the plan of a city or town, the developing unit or individual shall apply for a permit for a planned construction project to the department in charge of urban and rural planning. After obtaining a construction project planning permit, the construction unit shall, subject to certain exceptions, apply to the competent department of construction administration of the people’s government at or above the county level for a construction permit prior to the commencement of the construction project in accordance with the Construction Law of the People’s Republic of China (No. 29 of the President of the People’s Republic of China) which became effective on April 23, 2019.

REGULATORY OVERVIEW

According to the Regulations on the Administration of Quality of Construction Works (No. 714 of the State Council of the People's Republic of China), which became effective on April 23, 2019, and the Measures for the Administration of the Record of Acceptance of Completion of House Building and Municipal Infrastructure Works (No. 2 of the Ministry of Housing and Urban-Rural Development of the People's Republic of China), which became effective on October 19, 2009, the construction unit, upon receipt of the report on completion of the construction works, shall organization design, construction, project supervision and other relevant units for completion inspection. The construction unit shall, within 15 days from the date of acceptance of the completion of the project, file the record with the competent construction department of the local people's government at or above the county level where the project is located.

REGULATIONS RELATING TO LEASING

According to Law on Administration of Urban Real Estate of the People's Republic of China (No. 32 of the President of the People's Republic of China), which became effective on January 1, 2020, when leasing a house, the lessor and the lessee shall sign a written lease contract agreeing on the term of the lease, the use of the property, the rent, the responsibility for repairs and other terms and conditions, as well as the other rights and obligations of both parties. Both the lessor and the lessee are required to apply to the real estate management department for lease registration and filing on Intellectual Property Rights.

According to the Chinese Civil Code, the lessee may, with the consent of the lessor, sublet the leased property to a third party. If the lessee sublets, the lease contract between the lessee and the lessor continues to be valid; if the third party causes damage to the leased property, the lessee shall compensate for the damage. If the lessee sublets without the consent of the lessor, the lessor may terminate the contract. If the lessee sublets the leased property to a third party with the consent of the lessor, and the term of the sublease exceeds the remaining term of the lease of the lessee, the agreement on the part exceeding the term shall not be legally binding on the lessor, unless otherwise agreed between the lessor and the lessee.

According to the Measures for the Administration of Commodity Housing Lease (No. 6 of the Ministry of Housing and Urban-Rural Development of the People's Republic of China), which came into force on February 1, 2011, the parties of housing lease shall sign a lease contract in accordance with the law, and the lease contract shall be submitted to the relevant construction or real estate authorities at the municipal or county level for registration and filing within thirty days of the conclusion of the lease contract. If there is a change of the lease registration and filing content, renewal or termination, the parties shall, within 30 days, complete the registration of housing lease changes, continuation or cancellation procedures with the original lease registration department. The housing shall not be rented out under any of the following circumstances: (i) illegal construction; (ii) failure to comply with the mandatory standards for safety, disaster prevention and other engineering construction; (iii) the designated use of the property is changed in violation of applicable regulations; or (iv) other circumstances prohibited by laws and regulations. If the parties to a housing lease fail to apply for registration and filing procedures or violate the above provisions, the parties of housing lease will be ordered to make corrections, and if they fail to make corrections after the deadline, they will be fined.

REGULATIONS RELATING TO FOREIGN INVESTMENT

The establishment, operation and management of our PRC companies are subject to the Company Law of the People's Republic of China, which was issued on December 29, 1993 and last amended on December 29, 2023, and came into force on July 1, 2024. According to the Company Law of the People's Republic of China, foreign-invested companies are also subject to the Company Law of the People's Republic of China, unless otherwise provided by the laws relating to foreign investment.

According to the Company Law of the People's Republic of China, for limited liability companies and joint-stock companies that may be established within the territory of China, the shareholders of a limited liability company shall be liable to the company to the extent of their capital contributions; the shareholders of a joint-stock company shall be liable to the company to the extent of the shares subscribed by them.

According to the Regulations of the People's Republic of China on the Administration of Registration of Market Entities promulgated on July 27, 2021 and became effective on March 1, 2022, unregistered entities may not engage in business activities in the name of market entities. Except where registration is not required by laws or administrative regulations. According to the Implementing Rules for the Regulations of the People's Republic of China on the Administration of Registration of Market Entities, which were promulgated on March 1, 2022 and came into effect on the same date, the State Administration for Market Regulation shall be responsible for the unified registration and administration of market entities throughout the country, formulate the administrative system and methods for the registration of market entities, promote the electronic registration of the entire process, standardize the registration activities, and provide guidance to the local registration authorities to carry out the registration and administration in accordance with the law and in an orderly manner.

According to the Foreign Investment Law of the People's Republic of China (No. 26 of the President of the People's Republic of China) (hereinafter referred to as the “**Foreign Investment Law**”), which came into effect on January 1, 2020, the Foreign Investment Law was enacted with the aim of further expanding opening-up, actively promoting foreign investment, protecting the lawful rights and interests of foreign investors, regulating the management of foreign investment, promoting the formation of a new pattern of comprehensive opening-up and facilitating the healthy development of socialist market economy. Foreign natural persons, enterprises or other organizations may directly or indirectly carry out investment activities within China. Foreign investment has the right to enjoy pre-entry national treatment and is subject to the negative list management system. Pre-entry national treatment means that foreign investors and their investments are treated no less favorably than domestic investors and their investments at the entry stage of investment. China grants national treatment to foreign investments that are not on the negative list. Negative-list management system refers to special management measures for foreign investment in specific areas as stipulated by the State. Foreign investors are prohibited from investing in any of the prohibited investment areas listed on the negative list and are required to meet the conditions set out in the negative list before investing in any of the restricted investment areas.

REGULATORY OVERVIEW

According to the Regulations for the Implementation of the Foreign Investment Law of the People's Republic of China (No. 723 of the State Council of the People's Republic of China), which came into effect on January 1, 2020, foreign investors and foreign-invested enterprises may, in accordance with the laws, administrative regulations or the provisions of the State Council, enjoy preferential treatments in the areas of finance, taxation, finance and land use. Foreign investors who expand their investments in China with the proceeds of their investments in China shall enjoy corresponding preferential treatment in accordance with the law. According to the Measures for Security Review of Foreign Investments (No. 37 of the National Development and Reform Commission of the People's Republic of China and the Ministry of Commerce of the People's Republic of China), which came into effect on January 18, 2021, security reviews are conducted on the investment activities of foreign investors directly or indirectly in China that have an impact on, or are likely to have an impact on national security. The security review of foreign investment is categorized into general review and special review. During the review period, the parties concerned are not allowed to implement the investment. If a foreign investment passes the security review decision, the party concerned may implement the investment.

Foreign Investment Industrial Policy

The investment activities of foreign investors in China are mainly governed by the Catalogue of Industries Encouraging Foreign Investment (the “**Encouraged Catalogue**”) and the Special Administrative Measures for Foreign Investment (Negative List) (the “**Negative List**”) promulgated by the Ministry of Commerce of the People's Republic of China (the “**MOFCOM**”) and the NDRC and revised from time to time, which, together with the Foreign Investment Law and their respective implementing rules and regulations. The Encouraged Catalog and the Negative List set out the basic framework for foreign investment in China, categorizing foreign-invested industries into three categories: “encouraged”, “restricted” and “prohibited”. Industries not listed in the Encouragement Catalog are generally considered to be in the fourth “permitted” category, except where specifically restricted by other PRC laws.

According to the Catalogue of Industries Encouraging Foreign Investment (Version 2022) (No. 52 of the National Development and Reform Commission of the People's Republic of China and the Ministry of Commerce of the People's Republic of China), which came into effect on January 1, 2023, it includes the National Catalogue of Industries Encouraging Foreign Investment and the Catalogue of Industries with Advantageous Foreign Investment in Central and Western Regions, and the old Catalogue is abolished. According to the Special Administrative Measures for Foreign Investment Entry (Negative List) (Version 2024) (No. 23 of the National Development and Reform Commission of the People's Republic of China and the Ministry of Commerce of the People's Republic of China), which came into effect on November 1, 2024, foreign-invested enterprises investing in the territory of the PRC shall comply with the relevant provisions of the Negative List for Foreign Investment Entry, and repealed the old Negative List.

REGULATIONS RELATING TO FOREIGN EXCHANGE

According to the Regulations of the People's Republic of China on Foreign Exchange Administration promulgated on January 29, 1996 and last amended on August 5, 2008 (the “**Foreign Exchange Administration Regulations**”), current account foreign exchange expenditures (such as profit distributions and trade and service related foreign exchange transactions) may be made in foreign currencies without the prior approval of the State Administration of Foreign Exchange (or SAFE) and subject to certain procedural requirements. On the contrary, conversion of RMB into foreign currencies and remittance out of the PRC to pay for capital projects (e.g. repayment of loans denominated in foreign currencies, direct overseas investments and investments in securities or derivatives outside the PRC, etc.) require approval or registration by the relevant government department or designated bank. Foreign-invested enterprises (or foreign-funded enterprises) are authorized to convert after-tax dividends into foreign currency and remit such foreign currency from their foreign exchange bank accounts in the PRC.

According to the Circular on the Reform of the Administration of Foreign Exchange Capital Settlement of Foreign Invested Enterprises, which came into effect on June 1, 2015 and was further amended in 2023, the foreign exchange capital in the capital account of a foreign invested enterprise that has been confirmed by the Foreign Exchange Bureau for the interests of monetary contribution (or registered by the bank for the entry of monetary contribution) can be converted into RMB at will, and the willingness of foreign invested enterprises to settle foreign exchange capital is tentatively set at 100%.

According to the Circular of the State Administration of Foreign Exchange on Reforming and Standardizing the Management Policy of Capital Project Settlement (Huifa [2016] No. 16), which came into effect on June 9, 2016 and was last amended on December 4, 2023, the foreign debt funds of the domestic enterprises (including the Chinese enterprises and the foreign-invested enterprises, excluding the financial institutions) can be settled in accordance with the way of willingness to settle the foreign exchange.

According to the Circular of the State Administration of Foreign Exchange on Further Promoting the Facilitation of Cross-border Trade and Investment (Huifa [2019] No. 28), which came into effect on October 23, 2019 and was last amended on December 4, 2023, on the basis of the fact that investing foreign-invested enterprises (including foreign-invested corporations, foreign-invested venture capital enterprises, and foreign-invested equity-invested enterprises) may, according to law and regulations, carry out domestic equity investment with capital funds, non-investment FIEs are allowed to make domestic equity investment with capital funds in accordance with the law on the premise that they do not violate the existing special administrative measures for foreign investment access (negative list) and that the projects invested in the territory are genuine and in compliance with the law.

REGULATORY OVERVIEW

According to the Circular of the State Administration of Foreign Exchange on Optimizing Foreign Exchange Management to Support the Development of Foreign-Related Businesses, which came into force on April 10, 2020, under the premise of ensuring that the use of funds is genuine and compliant and conforms to the existing regulations on the management of the use of income from capital projects, qualified enterprises are allowed to use income from capital projects such as capital funds, foreign debts and overseas listings to make payments within the country without having to provide the banks with proof of authenticity of the documents one by one beforehand.

According to the Circular of the State Administration of Foreign Exchange on Further Deepening Reforms to Promote Cross-border Trade and Investment Facilitation (Huifa [2023] No. 28), which came into effect on December 4, 2023, funds received by domestic equity transferors from domestic entities as consideration for the transfer of equity in foreign currencies, as well as foreign exchange funds raised from overseas listing of domestic enterprises, can be remitted directly into the capital account for capital project settlement. The funds in the capital project settlement account can be independently settled and utilized. Funds received by a domestic equity transferor from a foreign-invested enterprise as consideration for equity transfer paid in RMB funds derived from foreign exchange settlement may be directly transferred to the RMB account of the domestic equity transferor.

According to the Circular of the State Administration of Foreign Exchange on Further Simplifying and Improving Foreign Exchange Management Policies for Direct Investment which was promulgated on February 13, 2015 and became effective on June 1, 2015, the registration of non-monetary capital contribution confirmation by foreign investors and the registration of capital contribution confirmation for the acquisition of Chinese equity by foreign investors under the domestic direct investment shall be canceled. Adjust the registration of foreign investors' monetary capital contribution confirmation to the registration of domestic direct investment monetary capital contribution, in the case that foreign investors make contribution in the form of currency (including cross-border foreign exchange and RMB), the deposit bank shall, upon receipt of the relevant capital funds, directly carry out entry and registration of monetary contribution of domestic direct investment via the SAFE Capital Account Information System before the capital funds can be used. Cancel the foreign exchange filing of overseas reinvestment. Overseas enterprises set up or controlled by domestic investment entities are not required to apply for foreign exchange filing procedures for reinvestment abroad to set up or control new overseas enterprises. Cancel the annual inspection of foreign exchange for direct investment and replace it with the registration of stock interest. Relevant market entities shall, before September 30 (inclusive) every year, report by themselves or entrust accounting firms and banks through the capital project information system of the Foreign Exchange Bureau the data of domestic direct investment and/or overseas direct investment stock interest (hereinafter collectively referred to as direct investment stock interest) at the end of the previous year.

REGULATIONS RELATING TO TAXES

Corporate Income Tax

According to the Enterprise Income Tax Law of the People's Republic of China (the EIT Law), which came into effect on January 1, 2008 and was last amended on December 29, 2018, and the Regulations for the Implementation of the Enterprise Income Tax Law of the People's Republic of China, which came into effect on January 1, 2008 and was amended on December 6, 2024 and came into effect on January 20, 2025 (No. 797 of the State Council of the People's Republic of China), within the territory of the People's Republic of China, enterprises and other organizations that derive income are subject to enterprise income tax. Under the EIT Law, enterprises are categorized into resident enterprises and non-resident enterprises. Resident enterprises are referred as enterprises established in the PRC or established in accordance with the laws of a foreign country (region) but with their actual management organization in the PRC, and such enterprises are subject to EIT at a flat rate of 25% on their worldwide income. It also provides for a reduced enterprise income tax rate of 20% for qualified "small micro-profit enterprises" and a reduced enterprise income tax rate of 15% for "high and new technology enterprises" that the Chinese government needs to give priority support to. Under certain circumstances, the enterprise income tax may be exempted or reduced, or may be subject to a preferential enterprise income tax rate.

Value-Added Tax

According to the Provisional Regulations of the People's Republic of China on Value-Added Tax implemented by the State Council on 1 January 1994 and last amended on 19 November 2017, and the Detailed Rules for the Implementation of the Provisional Regulations of the People's Republic of China on VAT implemented by the Ministry of Finance of the PRC and the State Administration of Taxation on 25 December 1993 and last amended on 1 November 2011, any entity or individual who sells goods or provides processing, repair and fabrication services and imports goods within the territory of the PRC is subject to pay VAT.

According to the Provisional Regulations of the People's Republic of China on Value-added Tax, the Notice of the Ministry of Finance and the State Administration of Taxation on the Adjustment of Value-added Tax Rates (Cai Shui [2018] No. 32), which was issued by the Ministry of Finance and the State Administration of Taxation on April 4, 2018 and became effective on May 1, 2018, and the Announcement of the Ministry of Finance, State Administration of Taxation and General Administration of Customs on Relevant Policies for Deepening the Value-added Tax Reform, which was issued by the Ministry of Finance, State Administration of Taxation and General Administration of Customs on March 20, 2019 and became effective on April 1, 2019, the applicable value-added tax rates for general taxpayers are 13%, 9% and 6% respectively, and the applicable value-added tax rate for small-scale taxpayers is 3%.

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Urban Maintenance and Construction Tax and Education Surcharge

According to the Law of the People's Republic of China on Urban Maintenance and Construction Tax (No. 51 of the President of the People's Republic of China), which came into effect on September 1, 2021, all taxpayers who pay value-added tax are taxpayers of urban maintenance and construction tax (UMCT), and shall pay the UMCT in accordance with the Measures. The tax rate is 7% if the taxpayer's location is in an urban area, 5% if the taxpayer's location is in a county city or town, and 1% if the taxpayer's location is not in an urban area, county city or town.

According to the Interim Provisions on Levy of Education Surcharge (No. 588 of the State Council of the People's Republic of China), which came into effect on July 1, 1986, and was last amended and put into effect on January 8, 2011, all taxpayers who pay value-added tax are required to pay surcharges on education fees. The education surcharge is based on the actual amount of VAT paid by each unit or individual, and the surcharge rate is 3%, which is paid at the same time as the VAT.

Stamp Duty

According to the Stamp Duty Law of the People's Republic of China (No. 89 of the President of the People's Republic of China), which came into effect on July 1, 2022, all units and individuals that create taxable documents and conduct securities transactions are taxpayers of stamp duty. Taxable documents include written contracts (loan contracts, financial lease contracts, purchase and sale contracts, contracts for work, construction contracts, transportation contracts, technology contracts, leasing contracts, warehousing contracts, custodial contracts, property insurance contracts), property rights transfer documents, business account books and securities transactions, etc.

REGULATIONS RELATING TO DIVIDEND AND TAXATION

According to the Foreign Investment Law and its implementing regulations, as well as the Company Law, foreign-invested enterprises may only pay dividends out of their accumulated profits, if any, determined in accordance with PRC accounting standards and regulations. PRC companies are required to withdraw at least 10% of their respective accumulated after-tax profits (if any) each year as a certain capital reserve fund until the accumulated amount of such reserve fund reaches 50% of the registered capital of the enterprise. The PRC companies are not allowed to distribute any profits until any losses of the previous financial year have been made up. Retained profits from the previous fiscal year may be distributed together with distributable profits from the current fiscal year.

According to the provisions of the EIT Law and the Regulations for the Implementation of the Enterprise Income Tax Law, the enterprise income tax rate of 10% generally applies to dividends declared to shareholders of a non-resident enterprise that does not have an establishment or place of business in the PRC, or that does have an establishment or place of business but the relevant income is not physically connected with its establishment or place of business, unless the jurisdiction of incorporation of any such non-resident enterprise shareholder has entered into a tax agreement with the PRC providing for preferential withholding arrangements.

REGULATIONS RELATING TO EMPLOYMENT

According to the Labor Contract Law of the People's Republic of China (No. 73 of the President of the People's Republic of China) (hereinafter referred to as the “**Labor Contract Law**”), which came into force on January 1, 2008, and was last amended and came into force on July 1, 2013, as well as the Regulations for the Implementation of the Labor Contract Law of the People's Republic of China (No. 535 of the State Council of the People's Republic of China) (hereinafter referred to as the “**Regulations on the Implementation of the Labor Contract Law**”), which came into force on September 18, 2008, a written labor contract shall be concluded for the establishment of a labor relationship. If an employer fails to enter into a written employment contract with an employee for more than one month but less than one year from the date of employment, the employer shall rectify the situation by entering into a written employment contract with the employee and paying the employee double the amount of the employee's salary for the period from the day following the expiration of one month from the date of the establishment of the employment relationship to the day prior to the conclusion of the written employment contract. The Labor Contract Law and the Regulations on the Implementation of the Labor Contract Law also provide for compensation to be paid in certain cases of termination. In addition, if the employer intends to enforce the non-competition provisions of the employment contract or non-competition agreement concluded with the employee, the employer is required to pay monthly compensation to the employee for a limited period after the termination or expiration of the employment contract. In most cases, the employer is also required to pay severance pay to the employee upon termination of the employment relationship.

According to the Social Insurance Law of the People's Republic of China, which was implemented by the Standing Committee of the National People's Congress on July 1, 2011, and last amended and implemented on December 29, 2018, the State establishes a social insurance system for basic pension insurance, basic medical insurance, work injury insurance, unemployment insurance, maternity insurance, and so on. The work injury insurance and maternity insurance are paid by the employer. The basic pension insurance fund, basic medical insurance premiums, and unemployment insurance premiums are jointly paid by the employer and the individual. If an employer fails to pay social insurance premiums in full and on time, the competent authorities shall order the employer to pay the premiums within a stipulated period or to make up the full amount, and shall impose a late fee computed from the date of default at the rate of 0.05% per day. Where payment is not made within the stipulated period, the relevant competent authority shall impose a fine ranging from one to three times of the overdue amount.

According to the Administrative Regulations on the Housing Provident Fund (Revised in 2019), which came into effect on April 3, 1999 and was last amended and implemented on March 24, 2019, units shall register their housing fund contributions with the housing provident fund management center and go through the procedures of setting up a housing fund account for the unit's employees. The contribution ratio of both the employee and the unit's housing provident fund shall not be less than 5% of the employee's average monthly salary for the previous year; cities with favorable conditions can appropriately increase the contribution ratio. If a unit fails to register for housing provident fund contributions or fails to go through the procedures of setting up housing provident fund accounts for its own employees, the housing provident fund management center shall order it to do so by a

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deadline; if the unit fails to do so, it shall be subject to a fine of not less than RMB10,000 and not more than RMB50,000. If a unit fails to pay or underpays the housing provident fund within the time limit, the housing provident fund management center shall order the unit to make contribution within a certain period of time; if the unit still fails to make contribution within such period, enforcement by the people's court will be applied.

On July 31, 2025, the Supreme People's Court of China issued the "Interpretation (II) on Issues Concerning the Application of Law in the Trial of Labor Dispute Cases," effective from September 1, 2025. Article 19(1) provides that any agreement between an employer and an employee, or any undertaking by an employee to the employer, not to pay social insurance contributions shall be deemed invalid by the people's court. Furthermore, if an employer fails to pay social insurance contributions in accordance with the law and the employee requests to terminate the labor contract and seeks economic compensation pursuant to Article 38(3) of the Labor Contract Law of the People's Republic of China, the people's court shall grant such request in accordance with the law.

REGULATIONS RELATING TO OVERSEAS LISTING

According to the Trial Measures for the Administration of Overseas Securities Issuance and Listing of Domestic Enterprises (No. 43 [2023] of China Securities Regulatory Commission Announcement) (the "**Trial Measures for Overseas Listing**"), which came into effect on March 31, 2023, and the five relevant guidelines, the Trial Measures for Overseas Listing introduce a new filing system, requiring domestic enterprises with direct and indirect overseas offerings to file with the CSRC a filing report, legal opinion and other relevant materials. The Trial Measures for Overseas Listing provide that overseas listing and issuance is expressly prohibited under any of the following circumstances: (i) listing and financing is expressly prohibited by laws, administrative regulations or relevant state regulations; (ii) overseas issuance may jeopardize national security as determined by the competent authorities of the State Council in accordance with the law; (iii) where the domestic enterprise or its controlling shareholder or de facto controller has been involved in a criminal crime of corruption, bribery, embezzlement of property, misappropriation of property or undermining the order of the socialist market economy within the last three years; (iv) where the domestic enterprise is being investigated in accordance with the law for suspected crimes or major violations of laws and regulations, and there is not yet a clear opinion on the conclusions; (v) where there are major disputes over ownership of the equity interests held by controlling shareholders, or shareholders dominated by controlling shareholders or de facto controllers. In the course of overseas issuance and listing activities, domestic enterprises shall strictly comply with national security laws, administrative regulations and relevant provisions on foreign investment, network security, data security, etc., and effectively fulfill their obligations to safeguard national security. Where security review is involved, they shall fulfill the relevant security review procedures in accordance with the law before submitting their applications for issuance and listing to overseas securities regulatory authorities and stock exchange.

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According to the Provisions on Strengthening the Confidentiality and Archives Administration of Overseas Securities Issuance and Listing by Domestic Enterprises issued by the CSRC, the Ministry of Finance, the National Administration of State Secrets Protection and the National Archives Administration issued on February 24, 2023 and came into effect on March 31, 2023, in the course of overseas issuance and listing of securities by domestic enterprises, domestic enterprises, as well as securities firms and securities service providers providing corresponding services, shall establish and improve the system of confidentiality and archival work and take necessary measures to implement the responsibility of confidentiality and archival management, and shall not disclose state secrets and the working secrets of state organs.

On November 14, 2019, CSRC promulgated the Guidance for the Application for the “Full Circulation” of the Domestic Unlisted Shares of H-share Listed Companies (《H股公司境內未上市股份申請“全流通”業務指引》) (the “**Guidance**”), which came into effect on the same day and further amended on August 10, 2023. According to the Guidance, shareholders of domestic unlisted shares may determine by themselves through consultation the amount and proportion of shares, for which an application will be filed for circulation, provided that the requirements laid down in the relevant laws and regulations and set out in the policies for state-owned asset administration, foreign investment and industry regulation are met, and the corresponding H-share listed company may be entrusted to file with the CSRC for “full circulation”. An unlisted domestic joint stock company may file with the CSRC for “full circulation” at the time of its initial public offering and listing overseas. After domestic unlisted shares are listed and circulated on the Stock Exchange, they may not be transferred back to China.

In addition, pursuant to the Trial Measures, for a domestic company directly offering and listing overseas, shareholders of its domestic unlisted shares who apply for conversion of such shares into overseas listed shares and listing and circulation thereof on overseas exchanges shall conform to relevant regulations promulgated by the CSRC, and authorize the domestic company to file with the CSRC on their behalf.

REGULATIONS RELATING TO CYBERSECURITY AND DATA PROTECTION

According to the Constitution of the People’s Republic of China (Announcement No. 1 of the National People’s Congress of the People’s Republic of China), which came into effect on March 11, 2018, it is clearly stipulated that the freedom and privacy of communications of Chinese citizens are protected by Chinese law and are inviolable rights. Chinese government authorities have promulgated laws and regulations relating to information security on the Internet and the protection of personal information from misuse or unauthorized disclosure.

According to the Cybersecurity Law of the People’s Republic of China (hereinafter referred to as the “**Cybersecurity Law**”), which came into effect on June 1, 2017, in respect of network operation security, network operators shall, in accordance with the provisions of laws and regulations and the mandatory requirements of the national and industry standards, take technical measures and other necessary measures to ensure the safe and stable operation of the network, effectively respond to cybersecurity incidents, and prevent cybercrimes and illegal activities, and maintain the integrity, confidentiality and availability of network data. With regard to the protection of personal information, the Cybersecurity Law sets out the basic principles and requirements for the protection of personal information.

REGULATORY OVERVIEW

According to the Data Security Law of the People's Republic of China (hereinafter referred to as the “**Data Security Law**”), which came into effect on September 1, 2021, the state has established a data classification and grading protection system to conduct classified and hierarchical protection of data. Entities engaged in data processing activities shall, in accordance with the provisions of laws and regulations, establish a sound data security management system for the entire process, organize data security education and training, as well as take corresponding technical measures and other necessary measures to safeguard data security.

According to the Personal Information Protection Law of the People's Republic of China (hereinafter referred to as the “**Personal Information Protection Law**”), which came into effect on November 1, 2021, the obligations and responsibilities of personal information processors in personal information processing activities are further emphasized and detailed, and a comprehensive system of rules for personal information processing is established, including but not limited to the requirement that the processing of personal information must have a clear and reasonable purpose, the processing of sensitive information requires additional protection, the provision of personal information to outsiders and entrusted handling requires the signing of special agreements to ensure security, the preservation, deletion, disclosure and automated decision-making of personal information shall comply with special rules, and the personal information processors shall be provided with appropriate organizational safeguards, institutional safeguards and technical measures.

According to the Measures for Cybersecurity Review (the “**Cybersecurity Review Measures**”), which came into effect on February 15, 2022, operators of critical information infrastructures shall conduct cybersecurity review if they procure network products and services and operators of network platforms carry out data-processing activities that affect or may affect national security; and for network platform operators with more than 1 million users' personal information must apply to the Cybersecurity Review Office for cybersecurity review when listing abroad. In addition, the relevant Chinese government departments may initiate a cybersecurity review if they determine that the network products and services and data-processing activities of network platform operators affect or may affect national security.

On September 24, 2024, the State Council promulgated the Regulations on Network Data Security Management, which took effect on January 1, 2025. The Regulations on Network Data Security Management refine the provisions on the protection of personal information, while improving the security management system for important data. The Regulations on Network Data Security Management also clarify the obligations of network platform service providers, stipulate the network data security protection requirements for network platform service providers, third-party product and service providers and other subjects, and stipulate the requirements for large-scale network platform service providers to publish annual reports on their social responsibility for the protection of personal information, and to guard against cross-border network data security risks.

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According to the Measures for Security Assessment of Cross-border Data Transfer promulgated on July 7, 2022 and formally implemented on September 1, 2022, if in the course of the security assessment, it is found that the declaration materials submitted by the data processor do not comply with the requirements, the national cyberspace administration may request it to make supplement or correction. If the data processor fails to make additions or corrections without justifiable reasons, the national cyberspace administration may terminate the security assessment. The data processor is responsible for the authenticity of the submitted materials, and if the data processor intentionally submits false materials, the data processor will fail to pass the assessment and will be investigated for the corresponding legal responsibility according to the law.

HISTORY, DEVELOPMENT AND CORPORATE STRUCTURE

OVERVIEW

We are a premium domestic skincare brand in China with a focus on the anti-wrinkle and firming skincare market, distinguished by our longstanding commitment to premium skincare solutions rooted in camellia-based ingredients under our flagship brand *Forest Cabin*.

Our history can be traced back to 2003 when Mr. Sun, our founder, launched our flagship brand, *Forest Cabin*, and ventured into the skincare industry under *Forest Cabin*. After several years of development, he opened first *Forest Cabin* store in 2008 and established the Company in 2011 to further expand the skincare business. Our Camellia Essence Oil had ranked first in China by total retail sales across all sales channels among all facial essence oil products for 11 consecutive years since 2014. The skincare market in China has shown consistent growth in recent years, with the industry's market size expanding from RMB332.9 billion in 2019 to RMB461.9 billion in 2024, representing a CAGR of 6.8%. Notably, the premium segment has grown significantly, rising from RMB74.9 billion in 2019 to RMB114.4 billion in 2024. According to CIC, in 2024, *Forest Cabin* ranked 13th among all premium skincare brands in China (including both domestic and international brands) by retail sales with a market share of 1.4%, and was the only domestic brand among the top 15 premium skincare brands in China. In 2024, *Forest Cabin* ranked first among all premium domestic skincare brands in China by retail sales. Among the overall skincare market, anti-wrinkle and firming products have become a key segment and growth driver, accounting for 25.9% of China's total skincare market in 2024, with a CAGR of 15.0% during 2019 and 2024. By retail sales of anti-wrinkle and firming skincare products in 2024, *Forest Cabin* ranked tenth among all premium skincare brands in China (including both domestic and international brands) with a market share of 2.2%, and was the only domestic brand among the top ten premium skincare brands. According to the same source, *Forest Cabin* also ranked first among domestic brands in China by retail sales of anti-wrinkle and firming skincare products in 2024.

BUSINESS DEVELOPMENT MILESTONES

The following table summarizes the key milestones in our business development:

Year	Milestone
2003	Flagship brand <i>Forest Cabin</i> was launched
2008	The first <i>Forest Cabin</i> store in Shanghai Cloud Nine Shopping Center (龍之夢購物中心) was established
2013	We opened our <i>Forest Cabin</i> cosmetics plant in Shanghai to achieve self-production
2014	We launched our signature product, Camellia Essence Oil
2016	Shanghai Daily Chemistry Trade Association (上海日用化學品行業協會) recognized us as the pioneer of camellia facial essence oil

HISTORY, DEVELOPMENT AND CORPORATE STRUCTURE

Year	Milestone
2020	We launched another signature product, Camellia Rejuvenate Cream
2021	We established an online-merge-offline (“ OMO ”) sales network to effectively reach consumers across diverse touchpoints and drive sustainable growth across all channels
2022	<p>Our signature product, Camellia Essence Oil, has reached accumulative sales of over 20 million bottles</p> <p>We were awarded as Shanghai Specialized, Sophisticated, Distinctive, and Innovative Enterprises (上海市專精特新企業) by Shanghai Economy and Information Technology Commission</p>
2023	<p>Our brand unveiled a comprehensive visual overhaul, redefining through logo, products, color palette to celebrate our 20th anniversary</p> <p>We were awarded Shanghai Outstanding Invention Bronze Award (上海市優秀發明銅獎) by Shanghai Federation of Trade Unions, Shanghai Intellectual Property Bureau</p>
2024	<p>Our carbon-neutral research and production base, Shanghai Main Production Base, was put into operation</p> <p>Our cellular-level Camellia Anti-Wrinkle Repairing Essence Oil was launched</p> <p>Our other signature product, UV Protection Cream, was launched</p>
2025	<p>We held the first Camellia Art Festival to empower our brand with art</p> <p>Our cellular-level anti-wrinkle Camellia Rejuvenate Cream 2.0 was launched</p>

HISTORY, DEVELOPMENT AND CORPORATE STRUCTURE

OUR MAJOR SUBSIDIARIES

As of the Latest Practicable Date, our Company carried out our business through our Company and our 23 operating subsidiaries in the PRC. Set out below is the corporate information of our major subsidiaries that made a material contribution to our performance during the Track Record Period.

Name of subsidiary	Principal business	Date of establishment	Place of establishment	Registered Capital	Shareholding
Shanghai Chunchun	offline stores retail	December 5, 2016	PRC	RMB10 million	100%
Shanghai Qiyuan	skincare products sales	December 15, 2016	PRC	RMB10 million	100%
Shanghai Senqingxuan	skincare products sales	November 17, 2016	PRC	RMB1 million	100%
Shanghai Qitan	core ingredients production	May 26, 2017	PRC	RMB5 million	100%

ESTABLISHMENT AND DEVELOPMENT OF OUR COMPANY

(1) Establishment of our Company

On December 22, 2011, our Company was established as a limited liability company under the laws of the PRC, with an initial registered capital of RMB1,000,000 held by Mr. Sun and Shanghai Linqingxuan Cosmetics Co., Ltd. (上海林清軒化妝品有限公司), a company wholly owned by Mr. Sun, as to 95% and 5%, respectively. In May 2012, Shanghai Linqingxuan Cosmetics Co., Ltd. transferred the registered capital of RMB50,000 (representing 5% of the shareholding of the Company) to Mr. Sun Fuchun, the brother of Mr. Sun, at a consideration of RMB50,000, which was determined after arms' length negotiations among the parties with reference to the par value of the registered capital of the Company.

HISTORY, DEVELOPMENT AND CORPORATE STRUCTURE

Upon completion of the equity transfer, the shareholding structure of our Company was as follows:

Shareholders	Registered capital subscribed for (<i>RMB</i>)	percentage of shareholding (%)
Mr. Sun	950,000	95.00
Mr. Sun Fuchun	50,000	5.00
Total	1,000,000	100.00

(2) Capital increases in June 2012 and April 2013

From June 2012 to April 2013, each of Mr. Sun and Mr. Sun Fuchun subscribed for an increased registered capital of RMB8,800,000 and RMB200,000 of our Company at a consideration of RMB8,800,000 and RMB200,000, respectively, which was determined after arms' length negotiations among the parties with reference to the par value of the registered capital increased.

Upon completion of such capital increases, the shareholding structure of our Company was as follows:

Shareholders	Registered capital subscribed for (<i>RMB</i>)	percentage of shareholding
Mr. Sun	9,750,000	97.50%
Mr. Sun Fuchun	250,000	2.50%
Total	10,000,000	100.00%

HISTORY, DEVELOPMENT AND CORPORATE STRUCTURE

(3) Capital increase in February 2017 and July 2019

In February 2017, Shanghai Yuangan subscribed for an increased registered capital of our Company of RMB1,111,100 at a consideration of RMB1,111,100, which was determined after arms' length negotiations among the parties with reference to the par value of the registered capital increased.

In July 2019, each of Shanghai Fangjiaoshi, a shareholding platform owned by Mr. Sun and Mr. Sun Fuchun as to 97.5% and 2.5%, and Shanghai Yuanhui, an employee incentive platform, subscribed for an increased registered capital of RMB7,180,000 and RMB2,031,000 of our Company at a consideration of RMB7,180,000 and RMB2,031,000, respectively, which was determined after arms' length negotiations among the parties with reference to the par value of the registered capital increased.

Upon completion of above capital increases, the shareholding structure of our Company was as follows:

Shareholders	Registered capital subscribed for (RMB)	percentage of shareholding
Mr. Sun	9,750,000	47.98%
Shanghai Fangjiaoshi	7,180,000	35.33%
Shanghai Yuanhui	2,031,000	9.99%
Shanghai Yuangan	1,111,100	5.47%
Mr. Sun Fuchun	250,000	1.23%
Total	20,322,100	100.00%

HISTORY, DEVELOPMENT AND CORPORATE STRUCTURE

(4) Series A Financing

We have completed Series A Financing in January 2021 through capital increase as detailed below. For further details, see “— Pre-IPO Investments” below. As a result, the registered capital of our Company was increased to RMB23,709,116.

Subscribers	Registered capital subscribed for (RMB)	Consideration (RMB)
<i>Series A Financing</i>		
Hainahua (Shanghai) Equity Investment Fund Partnership (Limited Partnership) (海納華(上海)股權投資基金合夥企業 (有限合夥)) (“ Hainahua Shanghai ”) ⁽¹⁾	1,129,006	50,000,000
Zhejiang Zhuji Toutoushidao Investment Partnership (Limited Partnership) (浙江諸暨頭頭是道投資合夥企業(有限合夥)) (“ Toutoushidao ”)	903,204	40,000,000
Foshan Haiyujia Enterprise Management Partnership (Limited Partnership) (佛山海禹嘉企業管理合夥企業(有限合夥)) (“ Foshan Haiyujia ”)	677,403	30,000,000
Top New Development Limited (“ Top New Development ”)	225,801	10,000,000
Ningbo Meishan Bonded Port Zone Hundun Innovation Phase II Investment Partnership (Limited Partnership) (寧波梅山保稅港區混沌創新二期投資合夥企業 (有限合夥)) (“ Hundun Innovation ”)	225,801	10,000,000
Shanghai Taomin Information Technology Co., Ltd. (上海濤敏信息科技有限公司) (“ Shanghai Taomin ”)	225,801	10,000,000

Note:

- (1) In August 2024, Hainahua Shanghai transferred the registered capital of the Company of RMB1,129,006 to Youngor Fashion (Shanghai) Technology Co., Ltd. (雅戈爾時尚(上海)科技有限公司) (“**Youngor Fashion**”) at a consideration of RMB71,855,239. Such considerations were determined after arms’ length negotiations among the parties after taking into consideration of the investment cost and investment premium of Hainahua Shanghai.

HISTORY, DEVELOPMENT AND CORPORATE STRUCTURE

Upon completion of the Series A Financing, the shareholding structure of our Company was as follows:

Shareholders	Registered capital subscribed for (<i>RMB</i>)	Percentage of shareholding
Mr. Sun	9,750,000	41.12%
Shanghai Fangjiaoshi	7,180,000	30.28%
Shanghai Yuanhui	2,031,000	8.57%
Shanghai Yuangan	1,111,100	4.69%
Mr. Sun Fuchun	250,000	1.05%
Hainahua Shanghai	1,129,006	4.76%
Toutoushidao	903,204	3.81%
Foshan Haiyujia	677,403	2.86%
Top New Development	225,801	0.95%
Hundun Innovation	225,801	0.95%
Shanghai Taomin	225,801	0.95%
Total	23,709,116	100.00%

HISTORY, DEVELOPMENT AND CORPORATE STRUCTURE

(5) Series B Financing

In September 2021, we have also completed the Series B Financing through capital increases as detailed below. For further details, see “— Pre-IPO Investments” below. As a result, the registered capital of our Company was increased to RMB25,139,567.

Subscribers	Registered capital subscribed for (RMB)	Consideration (RMB)
Series B Financing		
Jinhua Future Yicai Phase I Equity Investment Partnership (Limited Partnership) (金華未來益財一期股權投資合夥企業 (有限合夥)) (“ Jinhua Yicai ”)	474,183	60,000,000
Future Yicai Equity Investment Management (Shanghai) Co., Ltd. (未來益財股權投資管理(上海)有限公司) (“ Shanghai Yicai ”)	79,030	10,000,000
Hangzhou Yuanchen Equity Investment Partnership (Limited Partnership) (杭州源琛股權投資合夥企業(有限合夥)) (“ Hangzhou Yuanchen ”)	395,152	50,000,000
Shanghai Damo Guyan Enterprise Management Consulting Partnership (Limited Partnership) (上海大漠孤煙企業管理諮詢合夥企業 (有限合夥)) (“ Damo Guyan ”)	47,418	6,000,000
Foshan Nanhai District Huibi No. 2 Equity Investment Partnership (Limited Partnership) (佛山市南海區匯碧二號股權投資合夥企業 (有限合夥)) (“ Foshan Huibi No. 2 ”)	316,122	40,000,000
Hainahua Shanghai	118,546	15,000,000

HISTORY, DEVELOPMENT AND CORPORATE STRUCTURE

Upon completion of the Series B Financing, our shareholding structure was as follows:

Shareholders	Registered capital subscribed for (RMB)	Percentage of shareholding
Mr. Sun	9,750,000	38.78%
Shanghai Fangjiaoshi	7,180,000	28.56%
Shanghai Yuanhui	2,031,000	8.08%
Shanghai Yuangan	1,111,100	4.42%
Mr. Sun Fuchun	250,000	0.99%
Hainahua Shanghai	1,247,552	4.96%
Toutoushidao	903,204	3.59%
Foshan Haiyujia	677,403	2.69%
Top New Development	225,801	0.90%
Hundun Innovation	225,801	0.90%
Shanghai Taomin	225,801	0.90%
Jinhua Yicai	474,183	1.89%
Shanghai Yicai	79,030	0.31%
Hangzhou Yuanchen	395,152	1.57%
Damo Guyan	47,418	0.19%
Foshan Huibi No. 2	316,122	1.26%
Total	25,139,567	100.00%

(6) Conversion into a Joint Stock Limited Company in February 2025

On December 9, 2024, our Shareholders' resolutions approved, among other matters, the conversion of our Company from a limited liability company into a joint stock limited company. Pursuant to the promoters' agreement dated December 24, 2024 entered into by all the then Shareholders, all promoters approved the conversion of the net assets value of our Company as of July 31, 2024 into 25,139,567 Shares of our Company with a nominal value of RMB1.00 each, with the remaining RMB698,852,254.92 recorded as capital reserves of our Company.

HISTORY, DEVELOPMENT AND CORPORATE STRUCTURE

On December 24, 2024, our Company convened the inaugural meeting, and passed related resolutions approving the conversion of our Company into a joint stock limited company, the articles of association of the Company and the relevant procedures. Upon completion of the conversion, the registered capital of our Company became RMB25,139,567 divided into 25,139,567 Shares with a nominal value of RMB1.00 each, which were subscribed by all the then Shareholders in proportion to their respective interests in our Company before the conversion. The conversion was completed on February 8, 2025 when our Company obtained a new business license. Immediately following the conversion, our shareholding structure was as follows:

Shareholders	Registered capital subscribed for (RMB)	Percentage of shareholding
Mr. Sun	9,750,000	38.78%
Shanghai Fangjiaoshi	7,180,000	28.56%
Shanghai Yuanhui	2,031,000	8.08%
Shanghai Yuangan	1,111,100	4.42%
Mr. Sun Fuchun	250,000	0.99%
Hainahua Shanghai	118,546	0.47%
Toutoushidao	903,204	3.59%
Foshan Haiyujia	677,403	2.69%
Top New Development	225,801	0.90%
Hundun Innovation	225,801	0.90%
Shanghai Taomin	225,801	0.90%
Jinhua Yicai	474,183	1.89%
Shanghai Yicai	79,030	0.31%
Hangzhou Yuanchen	395,152	1.57%
Damo Guyan	47,418	0.19%
Foshan Huibi No. 2	316,122	1.26%
Youngor Fashion	1,129,006	4.49%
Total	25,139,567	100.00%

HISTORY, DEVELOPMENT AND CORPORATE STRUCTURE

(7) Share transfer in May 2025

In May 2025, Zhangjiagang Xinghan Qicheng Investment Partnership (Limited Partnership) (張家港星翰啓承投資合夥企業(有限合夥)) (“**Xinghan Qicheng**”)⁽¹⁾ acquired a total of 661,662 Shares from Hainahua Shanghai, Hangzhou Yuanchen, Damo Guyan, Shanghai Taomin and Mr. Sun at a total consideration of RMB100,626,079.38. Cathay Beauty & Innovation Future (Shanghai) Private Investment Fund Partnership, L.P. (凱輝創美未來(上海)私募投資基金合夥企業(有限合夥)) (“**Shanghai Cathay Beauty & Innovation**”) acquired a total of 691,620 Shares from Shanghai Taomin, Jinhua Yicai and Shanghai Yicai at a total consideration of RMB105,166,981. Xiamen Womeida Investment Co., Ltd. (廈門沃美達投資有限公司) (“**Xiamen Womeida**”) acquired 131,519 Shares from Mr. Sun at a consideration of RMB20,000,041.72. Such considerations were determined after arms’ length negotiations among the parties after taking into consideration of the timing of the investments, the status of our business operations and the prospects of our Company.

Upon completion of the share transfers, our shareholding structure was as follows:

Shareholders	Shares	Percentage of shareholding
Mr. Sun	9,605,329	38.21%
Shanghai Fangjiaoshi	7,180,000	28.56%
Shanghai Yuanhui	2,031,000	8.08%
Shanghai Yuangan	1,111,100	4.42%
Mr. Sun Fuchun	250,000	0.99%
Youngor Fashion	1,129,006	4.49%
Toutoushidao	903,204	3.59%
Shanghai Cathay Beauty & Innovation	691,620	2.75%
Xinghan Yanchuang	661,662	2.63%
Foshan Haiyujia	677,403	2.69%
Foshan Huibi No. 2	316,122	1.26%
Top New Development	225,801	0.90%
Hundun Innovation	225,801	0.90%
Xiamen Womeida	131,519	0.52%
Total	25,139,567	100%

Note:

- (1) In May 2025, due to internal reorganization, Xinghan Qicheng transferred all its 661,662 Shares of the Company to its related party, Zhangjiagang Xinghanyanchuang Investment Partnership (Limited Partnership) (張家港星翰妍創投資合夥企業(有限合夥)) (“**Xinghan Yanchuang**”), at a consideration of RMB100,626,079.38, the original acquisition cost of such 661,662 Shares. Such consideration was fully settled.

HISTORY, DEVELOPMENT AND CORPORATE STRUCTURE

Share Subdivision

We expect to conduct the Share Subdivision immediately prior to the Listing, pursuant to which each of our Share with par value of RMB1.00 will be subdivided into five Shares with par value of RMB0.20 each. Upon completion of such Share Subdivision, the registered capital of our Company, which is RMB25,139,567, will be divided into 125,697,835 Shares with par value of RMB0.20 per Share, which will be subscribed by all our then Shareholders in proportion to their respective equity interests in our Company immediately before the Listing, and the number of our issued Shares will be 125,697,835, without taking into consideration the new Shares to be issued for the Global Offering.

(8) Change of the Company's name

Considering we are a premium domestic skincare brand in China, our Company was renamed as Shanghai Forest Cabin Cosmetics Group Co., Ltd. (上海林清軒化妝品集團股份有限公司) in November 2025.

PRE-IPO INVESTMENTS

Overview

Our Company concluded several rounds of financing with the Pre-IPO Investors. For further details, see the subsection headed “Establishment and Development of Our Company” in this section.

The following table summarizes the key terms of the Pre-IPO Investments to our Company made by the Pre-IPO Investors:

	Series A	Series B	Share transfer in May 2025
Amount of registered capital subscribed for/acquired (RMB)	3,387,016	1,430,451	1,484,801
Amount of consideration paid (RMB)	150,000,000	181,000,000	225,793,102.1
Date of agreements	November 2, 2020	August 18, 2021	April 30, 2025/ May 21, 2025
Date of payment in full	January 28, 2021	September 16, 2021	May 22, 2025
Consideration Cost per Share⁽¹⁾ (RMB)	8.86	25.31	30.41
Discount to the Offer Price (approximation)⁽²⁾	87.47%	64.21%	56.99%

Notes:

(1) The cost per share is calculated based on dividing the consideration by the number of Shares subscribed or acquired as adjusted by the Share Subdivision to be undertaken immediately prior to the Listing, to facilitate the illustration of premium or discount to the Offer Price.

(2) Calculated based on the assumption that the Offer Price is HK\$77.77 per H Share.

HISTORY, DEVELOPMENT AND CORPORATE STRUCTURE

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

The table below sets forth the other principal terms of the Pre-IPO Investments:

Use of proceeds from the Pre-IPO Investments	We utilized the proceeds from the Pre-IPO Investments for the principal business of our Group, including but not limited to the growth and expansion of our Group's business and the general working capital purposes. As of the Latest Practicable Date, approximately 100% of the funds raised from the Pre-IPO Investments have been utilized.
Basis of determination of the consideration	The considerations for each round of Pre-IPO Investments were determined based on arm's length negotiation amongst the respective Pre-IPO Investors and our Group after taking into consideration of the timing of the investments, the status of our business operations and the prospects of the Company.
Lock-up Period	Pursuant to the applicable PRC law, within the 12 months following the Listing Date, all existing Shareholders (including the Pre-IPO Investors) cannot dispose of any of the Shares held by them.
Special Rights of the Pre-IPO Investors	In connection with the pre-IPO investments, certain Pre-IPO Investors had been granted certain special rights against our Company including, among others, (i) pre-emptive right; (ii) price adjustments; (iii) liquidation preferences; (iv) preferential dividend rights; (v) redemption rights (the " Company Redemption Right "); (vi) drag-along rights; (vii) most favorable treatment; (viii) anti-dilution rights; (ix) director nomination rights and board observer appointment rights; (x) quorum rights and (xi) information rights; and certain special rights against Mr. Sun, including, among others, (i) redemption rights, (ii) right of first refusal; (iii) co-sale right and (iv) share transfer restrictions. Pre-IPO investors have only exercised certain special rights, including information rights, director nomination rights and board observer appointment rights, and quorum rights, while all other special rights have not been exercised.

Pursuant to special rights termination agreements dated December 2, 2024 and May 27, 2025 (the “**Supplemental Agreements**”),

- 1)
 - (i) the redemption rights against the Company granted to Pre-IPO investors in Series A and Series B were irrevocably terminated on December 2, 2024 pursuant to the December 2, 2024 agreement. Such redemption rights are deemed void ab initio and shall not resume under any condition;
 - (ii) the redemption rights against the Company granted to all existing Pre-IPO investors as of May 22, 2025 were irrevocably terminated before our Company’s submission of listing application to the Stock Exchange for its listing of H Shares on the Stock Exchange pursuant to the May 27, 2025 agreement. Such redemption rights are deemed void ab initio and shall not resume under any condition; and
 - (iii) the redemption rights against Mr. Sun were terminated before our Company’s submission of listing application to the Stock Exchange for its listing of H Shares on the Stock Exchange, provided that such special rights shall resume automatically in the event that (a) the listing application has been withdrawn or lapsed and we did not re-submit listing application within 6 months afterwards; or (b) the listing application has been rejected by the Stock Exchange, SFC or CSRC (if applicable); or (c) the Listing does not take place before December 31, 2026. For details, please refer to note 29 of the Accountants’ Report;
- 2) price adjustments, most favorable treatment and liquidation preferences were terminated before our Company’s submission of listing application to the Stock Exchange for its listing of H Shares on the Stock Exchange and are deemed void ab initio and shall not resume under any condition;

- 3) (i) all the other special rights granted to the Pre-IPO Investors that have not been exercised ((a) special rights against our Company including, among others, (i) pre-emptive right; (ii) preferential dividend rights; (iii) drag-along rights; and (iv) anti-dilution rights; and (b) special rights against Mr. Sun including, among others, (i) right of first refusal; (ii) co-sale right and (iii) share transfer restrictions.) will cease to be effective upon Listing and will be deemed void ab initio and shall not resume under any condition after Listing; and
- (ii) all the other special rights granted to the Pre-IPO Investors that have been exercised (special rights against our Company including, among others, information rights, director nomination rights and board observer appointment rights, and quorum rights) will cease to be effective upon Listing and shall not resume under any condition after Listing.

Article 143 of the Civil Code of the People's Republic of China (中華人民共和國民法典) stipulates that a civil legal act is valid if it is conducted by parties with the requisite capacity for civil conduct, is based on genuine intent, and does not contravene mandatory provisions of laws, administrative regulations, or public order and morals. Adhering to the principle of autonomy of will, the Company and the Pre-IPO Investors explicitly agreed that the Company Redemption Right and liquidation preference rights were irrevocably terminated and deemed void ab initio. Through the execution of the Supplemental Agreements, while the clauses concerning the Company Redemption Right and liquidation preference rights have never been exercised, both parties agreed to terminate these clauses and to treat them as having no legal effect from the time of their execution, thereby restoring the rights and obligations of both parties to the status quo ante as if such clauses had never been agreed upon. This arrangement does not violate any mandatory provisions of laws, administrative regulations, or public order and morals, and is thus legally valid. Based on the above, the PRC Legal Advisors are of the view that the Company Redemption Right and liquidation preference rights agreed upon by the Company and the Pre-IPO Investors have been irrevocably terminated and shall be deemed void ab initio.

The Company confirms that: (1) there are no other side arrangements between the Company and the Pre-IPO Investors or between the Company and Mr. Sun in relation to the redemption right; and (2) the Company has not provided any guarantee for the redemption right granted by Mr. Sun under the aforementioned arrangement in case of default by Mr. Sun. Mr. Sun has also confirmed that there are no other side arrangements between him and the Pre-IPO Investors in relation to the redemption right. Considering that the Company has no obligation to repurchase the Shares, no redemption liability was recorded during the Track Record Period. For details, please refer to note 36 of the Accountants' Report.

Strategic Benefits from Pre-IPO Investments

At the time of the Pre-IPO Investments, our Directors were of the view that our Company would benefit from the additional capital provided by the Pre-IPO Investors' investments in our Company, insights for industry, advice on business expansion or strategic direction that the Pre-IPO Investors may bring to our Company.

Our Directors are also of the view that the Pre-IPO Investors' investments in our Company demonstrated their confidence in our Group's operations and served as an endorsement of our Company's performance, strengths and prospects.

Joint Sponsors' Confirmation

On the basis that (i) the consideration for the Pre-IPO Investments was irrevocably settled no less than 120 clear days before the Listing Date; and (ii) the special rights granted to the Pre-IPO Investors shall cease to be effective and be discontinued upon Listing (save for the redemption rights against Mr. Sun as described above), the Joint Sponsors confirm that the Pre-IPO Investments are in compliance with the guidance in chapter 4.2 of the Guide for New Listing Applicants.

Information about Our Pre-IPO Investors

Set out below is a description of our Pre-IPO Investors, most of them being private equity funds and strategic investment corporations, which have made meaningful investments in our Company.

Youngor Fashion

Youngor Fashion is a limited liability company established under the laws of PRC and is principally engaged in brand management and apparel retail. Youngor Fashion is wholly owned by Youngor Fashion Co., Ltd. (雅戈爾時尚股份有限公司), a company listed on the Shanghai Stock Exchange (stock code: 600177), an Independent Third Party.

HISTORY, DEVELOPMENT AND CORPORATE STRUCTURE

Huibi Funds

Foshan Haiyujia and Foshan Huibi No. 2 are limited partnerships established under the laws of the PRC, and principally engaged in equity investment.

Foshan Haiyujia is owned as to i) 0.004% by Foshan Huibi Enterprise Management Co., Ltd. (佛山市慧碧企業管理有限公司) (“**Huibi Enterprise**”) as its general partner, ii) 56.00% by Foshan Nanhai District Huibi No. 1 Equity Investment Partnership (Limited Partnership) (佛山市南海區匯碧一號股權投資合夥企業(有限合夥)) (“**Foshan Huibi No. 1**”) and iii) 43.99% by Country Garden Venture Capital Company Limited (深圳市碧桂園創新投資有限公司) (“**Country Garden Venture Capital**”) as its limited partners. Huibi Enterprise is ultimately controlled by Ms. Cheng Liuying (程柳瑩), an Independent Third Party. The general partner of Foshan Huibi No. 1 is Guangzhou Chenghui Equity Investment Management Co., Ltd. (廣州成匯股權投資管理有限責任公司) (“**Guangzhou Chenghui**”), which is in turn ultimately controlled by Country Garden Holdings Company Limited (a company listed on the Stock Exchange (stock code: 2007) (“**Country Garden Holdings**”). Country Garden Venture Capital is an indirect wholly-owned subsidiary of Country Garden Holdings. Each of them is an Independent Third Party.

Foshan Huibi No. 2 is owned as to i) 0.10% by Guangzhou Chenghui as its general partner, ii) 49.95% by Foshan Shunde Rongyue Enterprise Management Co., Ltd. (佛山市順德區榮躍企業管理有限公司) (“**Foshan Rongyue**”) and 49.95% by Country Garden Venture Capital as its limited partners. Foshan Rongyue is ultimately controlled by Mr. Wu Yeneng (吳業能), an Independent Third Party.

Toutoushidao

Toutoushidao is a limited partnership established under the laws of the PRC and is principally engaged in equity investment. Toutoushidao is owned as to i) 1.18% by Hangzhou Datou Investment Management Co., Ltd. (杭州大頭投資管理有限公司) as its general partner, ii) 98.82% by its limited partners and none of which held one-third or more interest therein. Hangzhou Datou Investment Management Co., Ltd. is owned as to Mr. Cao Guoxiong (曹國熊), Mr. Wu Xiaobo (吳曉波) and Ms. Yao Zhen (姚臻) as to 46.75%, 38.25% and 15%. Each of them is an Independent Third Party.

Shanghai Cathay Beauty & Innovation

Shanghai Cathay Beauty & Innovation is a limited partnership established under the laws of the PRC. Shanghai Cathay Beauty & Innovation is owned as to i) 0.4% by its general partner, Cathay (Quanzhou) Private Equity Fund Management Co., Ltd. (凱輝(泉州)私募基金管理有限公司) (“**Cathay Quanzhou**”), which is ultimately controlled by Cai Mingpo (蔡明潑); ii) 50.00% by Shanghai Meicifang Investment Co., Ltd. (上海美次方投資有限公司), which is ultimately controlled by L’Oréal; iii) 45.9375% by Shanghai Jing’an Industry Guidance Equity Investment Fund Co., Ltd. (上海靜安產業引導股權投資基金有限公司), which is ultimately controlled by Shanghai Jing’an District State-owned Assets Supervision and Administration Commission; iv) 3.0625% by an independent entity; and v) 0.60% by an independent individual as of June 30, 2025. Each of them is an Independent Third Party. Shanghai Cathay Beauty & Innovation is principally engaged in equity investment and focuses on investing in skin care, hair care, cosmetics and medical beauty brands, including supply chain, upstream and digital related solutions.

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Xinghan Yanchuang

Xinghan Yanchuang is a limited partnership established under the laws of the PRC and is principally engaged in equity investment. Xinghan Yanchuang is owned as to i) 0.02% by Suzhou Chengqiweixin Investment Management Partnership (Limited Partnership) (蘇州承啓維新投資管理合夥企業(有限合夥)) (“Suzhou Chengqiweixin”) as its general partner, ii) 99.98% by Xinghan Qicheng as its limited partner. Both of Suzhou Chengqiweixin and Xinghan Qicheng are ultimately controlled by Chang Bin (常斌), an Independent Third Party.

Top New Development

Top New Development Limited is an investment holding company incorporated under the laws of Hong Kong. It is ultimately controlled by JIANG NANCHUN, who is an Independent Third Party and the founder and chairman of Focus Media Information Technology Co., Ltd. (分眾傳媒信息技術股份有限公司), a company listed on the Shenzhen Stock Exchange (stock code: 002027.SZ).

Hundun Innovation

Hundun Innovation is a limited partnership established under the laws of the PRC and is principally engaged in equity investment. Hundun Innovation is owned as to i) 4.76% by Shenzhen Share Capital Co., Ltd. (深圳市分享成長投資管理有限公司) as its general partner, which is ultimately owned by Mr. Bai Wentao (白文濤), ii) 33.33% by Ms. Jing Aimei, one of our non-executive Directors, as its limited partner, iii) 33.33% by Mr. Qian Fan (錢帆), an Independent Third Party, as its limited partner, and iv) 28.58% by other Independent Third Parties as limited partners.

Xiamen Womeida

Xiamen Womeida is a limited liability company established under the laws of the PRC and is principally engaged in investment and consulting. Xiamen Womeida is owned as to 90% by Chen Xiong (陳雄) and 10% by Chen Fajin (陳發金), each an Independent Third Party.

To the best knowledge of the Company and saved as disclosed in the prospectus, each of the Pre-IPO investors has no past or present relationship (including, without limitation, family, business, financing, employment or otherwise) with the Company, its subsidiaries, their shareholders, directors, senior management or any of their respective associates during the Track Record Period.

PRC REGULATORY REQUIREMENTS

Our PRC Legal Adviser has confirmed that we have obtained the necessary legal approvals and completed the necessary governmental registrations with relevant governmental authorities in the PRC with respect to all the aforesaid capital increases and equity transfers in all material respects.

PUBLIC FLOAT

Immediately after the Share Subdivision, Global Offering and Conversion of Domestic Unlisted Shares into H Shares (assuming the Over-allotment Option is not exercised), the Company will have 139,664,285 H Shares, among which:

- (i) All the 33,570,658 Domestic Unlisted Shares, held by Mr. Sun and Shanghai Fangjiaoshi (representing approximately 24.04% of our total issued Shares upon Listing) will not be counted towards the public float for the purpose of Rule 19A.13A(1) of the Listing Rules after the Listing as such Shares are held by our Controlling Shareholders Group and therefore constitute Shares held by core connected persons of our Company;
- (ii) Among the 92,127,177 H Shares,
 - a. the 66,066,487 H Shares held by Mr. Sun, Shanghai Fangjiaoshi, Shanghai Yuanhui, Shanghai Yuangan to be converted from Unlisted Shares pursuant to the Conversion of Unlisted Shares into H Shares of the Company, the completion of the Share Subdivision and Listing on the Stock Exchange (representing approximately 47.30% of our total issued Shares upon Listing) will not be counted towards the public float for the purpose of Rule 19A.13A(1) of the Listing Rules after the Listing as such Shares are held by our Controlling Shareholders and therefore constitute Shares held by core connected persons of our Company;
 - b. the 1,250,000 H Shares held by Mr. Sun Fuchun to be converted from Unlisted Shares pursuant to the Conversion of Unlisted Shares into H Shares of the Company, the completion of the Share Subdivision and Listing on the Stock Exchange (representing approximately 0.90% of our total issued Shares upon Listing) will not be counted towards the public float for the purpose of Rule 19A.13A(1) of the Listing Rules after the Listing as such Shares are held by the director of a subsidiary and therefore constitute Shares held by core connected persons of our Company;
 - c. the 1,129,005 H Shares held by Hundun Innovation to be converted from Unlisted Shares pursuant to the Conversion of Unlisted Shares into H Shares of the Company, the completion of the Share Subdivision and Listing on the Stock Exchange (representing approximately 0.81% of our total issued Shares upon Listing) will not be counted towards the public float for the purpose of Rule 19A.13A(1) of the Listing Rules after the Listing as such Shares are held by close associate of our non-executive Director, Ms. Jing Aimei and therefore constitute Shares held by core connected persons of our Company;

HISTORY, DEVELOPMENT AND CORPORATE STRUCTURE

- d. the 23,681,685 H Shares to be converted from Unlisted Shares pursuant to the Conversion of Unlisted Shares into H Shares of the Company, the completion of the Share Subdivision and Listing on the Stock Exchange (representing approximately 16.96% of our total issued Shares upon Listing). These H Shares are held by our Pre-IPO Investors, and will be counted towards the public float for the purpose of Rule 19A.13A(1) of the Listing Rules after the Listing as these entities will not be core connected persons of our Company upon Listing nor are they accustomed to take instructions from the Company's core connected persons in relation to the acquisition, disposal, voting or other disposition of their Shares and their acquisition of Shares were not financed directly or indirectly by the Company's core connected persons; and

- (iii) 13,966,450 H Shares will be issued pursuant to the Listing.

In light of above, immediately after the Share Subdivision, Global Offering and Conversion of Domestic Unlisted Shares into H Shares (assuming the Over-allotment Option is not exercised), the total number of the H Shares expected to be held by the public represents approximately 26.96% of the total issued share capital of our Company, thereby satisfying the public float requirement under Rule 19A.13A(1) of the Listing Rules.

With respect to the Offer Price of HK\$77.77 per Offer Share, the expected market capitalization of the class of shares to which the Company's H Shares belong at the time of Listing will be approximately HK\$10.86 billion. According to Rule 19A.13A(1), the minimum prescribed public float percentage threshold will be 15% based on the Offer Price.

FREE FLOAT

Rule 19A.13C of the Listing Rules provides that, where a new applicant is a PRC issuer with no other listed shares at the time of listing, this will normally mean that the portion of H shares for which listing is sought that are held by the public and not subject to any disposal restrictions (whether under contract, the Listing Rules, applicable laws or otherwise), at the time of listing, must: (a) represent at least 10% of the total number of issued shares in the class to which H shares belong at the time of listing (excluding treasury shares), with an expected market value at the time of listing of not less than HK\$50 million; or (b) have an expected market value at the time of listing of not less than HK\$600 million.

Our Company will satisfy the free float requirement under Rule 8.08A (as amended and replaced by Rule 19A.13C) of the Listing Rules.

HISTORY, DEVELOPMENT AND CORPORATE STRUCTURE

CAPITALIZATION OF OUR COMPANY

As of the Latest Practicable Date and upon Listing (assuming the Over-allotment Option is not exercised), the the capitalisation of the Company will be as follows:

Shareholders	As of the Latest Practicable Date		Immediately upon completion of the Global Offering		
	Number of Shares	Approximate Percentage of Shareholding in the Total Issued Share Capital of the Company			Approximate Percentage of Shareholding in the Total Issued Share Capital of the Company as of Listing date
			Number of Share	Domestic	
			H Shares	Unlisted Shares	
Mr. Sun	48,026,645	38.21%	28,815,987 (N)	19,210,658	34.39%
Shanghai Fangjiaoshi	35,900,000	28.56%	21,540,000 (N)	14,360,000	25.70%
Shanghai Yuanhui	10,155,000	8.08%	10,155,000 (N)	–	7.27%
Shanghai Yuangan	5,555,500	4.42%	5,555,500 (N)	–	3.98%
Mr. Sun Fuchun	1,250,000	0.99%	1,250,000 (N)	–	0.90%
Youngor Fashion	5,645,030	4.49%	5,645,030 (P)	–	4.04%
Toutoushidao	4,516,020	3.59%	4,516,020 (P)	–	3.23%
Foshan Haiyujia	3,387,015	2.69%	3,387,015 (P)	–	2.43%
Top New Development	1,129,005	0.90%	1,129,005 (P)	–	0.81%
Hundun Innovation	1,129,005	0.90%	1,129,005 (N)	–	0.81%
Xinghan Yanchuang	3,308,310	2.63%	3,308,310 (P)	–	2.37%
Shanghai Cathay Beauty & Innovation	3,458,100	2.75%	3,458,100 (P)	–	2.48%
Xiamen Womeida	657,595	0.52%	657,595 (P)	–	0.47%
Foshan Huibi No. 2	1,580,610	1.26%	1,580,610 (P)	–	1.13%
H Shares to be issued pursuant to the Global Offering	–	–	13,966,450 (P, F)	–	10.00%
Total	125,697,835	100.00%	106,093,627	33,570,658	100.00%

(P) denotes that such H Shares will be counted towards public float upon Listing.

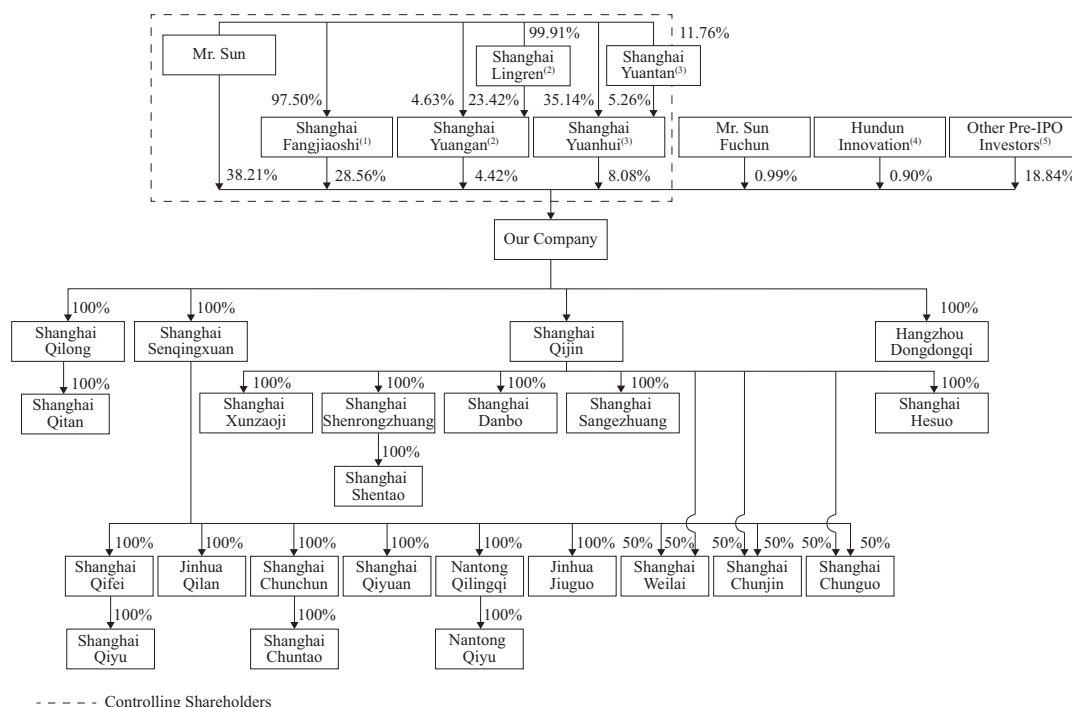
(N) denotes that such H Shares will not be counted towards public float upon Listing.

(F) denotes that such H Shares will be counted towards free float upon Listing.

HISTORY, DEVELOPMENT AND CORPORATE STRUCTURE

CORPORATE STRUCTURE IMMEDIATELY BEFORE COMPLETION OF THE GLOBAL OFFERING

The chart below sets out the shareholding structure of our Company immediately before completion of the Global Offering:



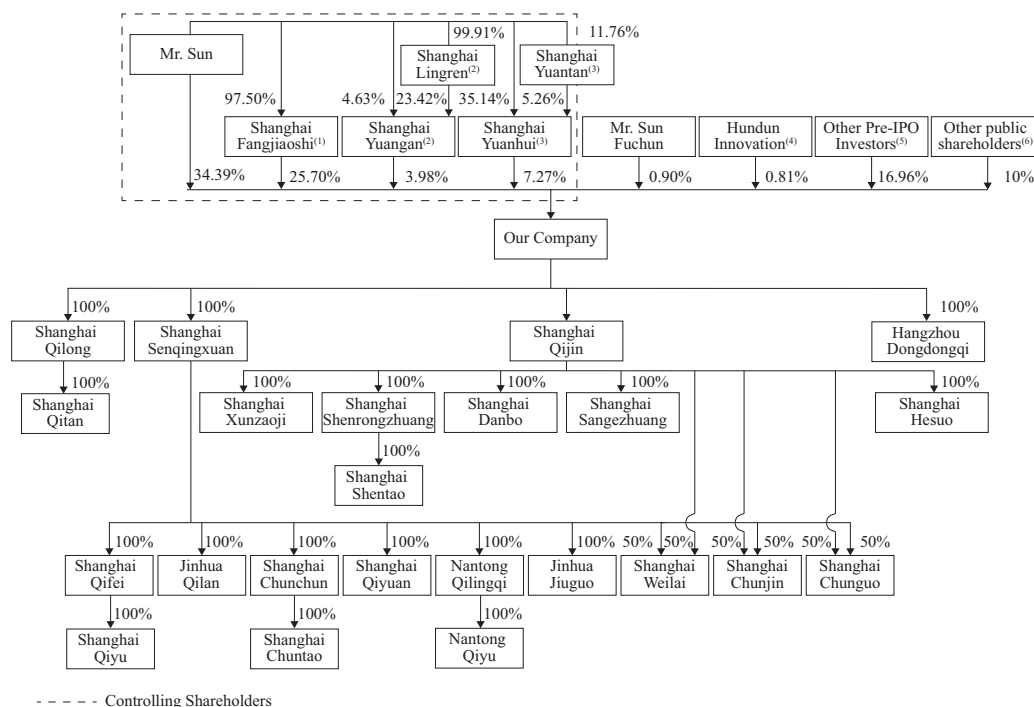
Notes:

- As of the Latest Practicable Date, Shanghai Fangjiaoshi was owned as to (1) 97.5% by Mr. Sun and (2) 2.5% by Mr. Sun Fuchun.
- As of the Latest Practicable Date, Shanghai Yuangan is held as to 23.42% by Shanghai Lingren as its sole general partner and 76.58% by the limited partners, among which, (i) 24.51% by Mr. Zhang Song (張松), an Independent Third Party, (ii) 20.00% by Mr. Gao Hongqi, our executive Director and deputy general manager, (iii) 10.00% by Mr. Sun Yingchun (孫迎春), the brother of Mr. Sun and an employee of the Company, (iv) 7.40% by Bingjian Technology (Tianjin) Co., Ltd. (並肩科技(天津)有限公司), an Independent Third Party and a service provider primarily engages in brand promotion and marketing services of the Company (to incentive the service provider and enhance further cooperation), (v) 6.71% by Ms. Yan Lin (燕琳), an Independent Third Party, and (vi) 4.63% and 3.33% by Mr. Sun and Mr. Sun Fuchun. Shanghai Lingren is held as to 99.91% by Mr. Sun and 0.09% by Mr. Sun Fuchun.
- As of the Latest Practicable Date, Shanghai Yuanhui is held as to (i) 35.14% by Mr. Sun as its sole general partner; (ii) 11.67% by Mr. Du Youyi, our chief financial officer, as its limited partner; (iii) 6.13% by Mr. Sun Fuchun as its limited partner; (iv) 5.13% by Mr. Gao Hongqi as its limited partner; (v) 5.26% by Shanghai Yuantan as its limited partner; and (vi) 36.67% by the remaining limited partners, each of them is an employee of the Company and holds less than 5% interest in Shanghai Yuanhui. Shanghai Yuantan is held as to 11.76% by Mr. Sun as its sole general partner, and 88.24% by the limited partners, each of them with less than 30% interest in Shanghai Yuantan.
- As of the Latest Practicable Date, Hundun Innovation is held as to 33.33% by Ms. Jing Aimei, one of our non-executive Directors, as its limited partner.
- See “History, Development and Corporate Structure — Pre-IPO Investments” for further details.

HISTORY, DEVELOPMENT AND CORPORATE STRUCTURE

CORPORATE STRUCTURE IMMEDIATELY FOLLOWING COMPLETION OF THE GLOBAL OFFERING

The chart below sets out the shareholding structure of our Company immediately following completion of the Share Subdivision and the Global Offering (assuming the Over-allotment Option is not exercised):



Notes:

- (1)-(4) Please refer to the notes under Corporate Structure Immediately Before Completion of the Global Offering.
- (5) Immediately following completion of the Share Subdivision and the Global Offering (assuming the Over-allotment Option is not exercised), Youngor Fashion, Huibi Funds, Toutoushidao, Shanghai Cathay Beauty & Innovation, Xinghan Yanchuang, Top New Development and Xiamen Womeida will hold approximately 4.04%, 3.56%, 3.23%, 2.48%, 2.37%, 0.81% and 0.47% of the total issued share capital of our Company, respectively.
- (6) The Shares held by these other public Shareholders are H Shares, which will be counted towards the public float together with 92,127,177 H Shares to be converted from Domestic Unlisted Shares. See “Share Capital” for further details of the conversion of Domestic Unlisted Shares into H Shares.

OVERVIEW

We are a premium domestic skincare brand in China with a focus on the anti-wrinkle and firming skincare market, distinguished by our longstanding commitment to premium skincare solutions rooted in camellia-based ingredients under our flagship brand *Forest Cabin*. Since embarking on our camellia-based skincare research journey in 2012, we have pioneered the “oil-based skincare” philosophy and the camellia facial essence oil, according to CIC. Our commitment to creating safe and effective skincare products culminated in the 2014 launch of our inaugural Camellia Essence Oil — the foundational product that established our signature oil-based skincare product line. Over the decade, we have built expertise in cellular-level anti-wrinkle essence oil. Our Camellia Essence Oil had ranked first in China by total retail sales across all sales channels among all facial essence oil products for 11 consecutive years since 2014.

The skincare market in China has shown consistent growth in recent years, with the industry’s market size expanding from RMB332.9 billion in 2019 to RMB461.9 billion in 2024, representing a CAGR of 6.8%. Notably, the premium segment has grown significantly, rising from RMB74.9 billion in 2019 to RMB114.4 billion in 2024. According to CIC, in 2024, *Forest Cabin* ranked 13th among all premium skincare brands in China (including both domestic and international brands) by retail sales with a market share of 1.4%, and was the only domestic brand among the top 15 premium skincare brands in China. In 2024, *Forest Cabin* ranked first among all premium domestic skincare brands in China by retail sales. Among the overall skincare market, anti-wrinkle and firming products have become a key segment and growth driver, accounting for 25.9% of China’s total skincare market in 2024, with a CAGR of 15.0% during 2019 and 2024. By retail sales of anti-wrinkle and firming skincare products in 2024, *Forest Cabin* ranked tenth among all premium skincare brands in China (including both domestic and international brands) with a market share of 2.2%, and was the only domestic brand among the top ten premium skincare brands. According to the same source, *Forest Cabin* also ranked first among domestic brands in the same market segment in China by retail sales of anti-wrinkle and firming skincare products in 2024.

Our product strengths and R&D capabilities have been widely recognized by the industry. We have been accredited as a High and New Technology Enterprise and a Specialized and New Enterprise in Shanghai, and currently serve as a vice chair member of several major industry associations, including the China Association of Fragrance, Flavor and Cosmetic Industries and the Shanghai Daily Chemistry Trade Association.

Our Product Portfolio

Our success is underpinned by strong R&D capabilities in core ingredients highlighted by camellia extracts, as well as continuous product development centered around camellia, a plant renowned not only for its natural beauty and cultural significance in China, but also for its proven skincare properties. Through sustained R&D efforts, we developed our proprietary flagship core ingredient, Qingxuan Extract, derived from alpine red camellias. This ingredient delivers targeted skin benefits, including improved elasticity, enhanced barrier function and visible reduction in fine lines.

Grounded on this ingredient, we launched our signature product, Camellia Essence Oil, in 2014. The product has since gained widespread consumer recognition and market traction. Now in its fifth generation, our Camellia Essence Oil had recorded cumulative sales of over 45 million bottles since its launch as of June 30, 2025. The product also remains as the only product in the facial essence oil category in China to achieve over RMB100 million in retail sales for eight consecutive years, according to CIC.

Our commitment to offering high-quality premium skincare products extends beyond any single product. We are continuously expanding our camellia-centered skincare portfolio through ongoing core ingredient R&D and product diversification. As a pioneer in oil-based skincare ingredients based on camellia extracts, we have developed a range of proprietary ingredients, including camellia peptides, camellia collagen, camellia retinol, camellia callus extract filtrate and polypeptide complex, each offering targeted skincare benefits such as improved skin elasticity and reduced fine lines. Our continuous innovation has resulted in 46 invention patents related to core ingredients, technologies or camellia compositions as of the Latest Practicable Date, collectively strengthening our position in oil-based skincare and advanced anti-wrinkle and firming solutions.

Incorporating these ingredients into differentiated product formulations, and supported by our proprietary technologies such as nano-capsule transdermal absorption technology, molecular blade-directed enzyme cutting technology, we offer a broad range of products with proven anti-wrinkle, firming and skin repair benefits. As of June 30, 2025, *Forest Cabin* offered 230 SKUs, broadly encompassing essence oils, facial creams, toners, lotions, serums, facial masks and sunscreens. In addition to our signature product Camellia Essence Oil, we have launched a number of widely recognized products, such as Camellia Rejuvenate Cream, UV Protection Cream, Camellia Moisturizing Peptide Firming Facial Mask, Camellia Repair Balancing Pre-Essence, Camellia Active Anti-Wrinkle Essence Lotion and Camellia Black Gold Rejuvenate Peptide Anti-Wrinkle Brightening Toner. The breadth of our product portfolio enables us to meet the diverse skincare needs of our customers and expand our customer base.

Our Full Value Chain Integration

We are the only company in China's facial essence oil market to achieve full value chain integration of core ingredients, encompassing exclusive procurement of camellia, proprietary ingredient extraction, product development and production, according to CIC. This end-to-end control enables us to offer products formulated with meticulously selected, high-quality camellia-based ingredients, setting us apart from other market participants.

In terms of ingredients, we have secured long-term supply agreements with multiple premium camellia planting bases in China with an aggregate area of over 20,000 mu (approximately 3,295 acres) to ensure consistent access to high-quality camellia flowers. In terms of production, we remain committed to the independent R&D of core ingredients and technologies, and implement stringent production processes with reference to pharmaceutical-grade standards to ensure each product meets high standards of purity, effectiveness and reliability. In addition, we have established an extensive sales network to make our products accessible through a wide range of sales channels. This full value chain integration effectively enhances our brand recognition, enables us to respond swiftly to market changes, and reinforces our competitive edge.

Our Extensive Sales Network

We have developed an integrated sales network that combines diversified online sales channels with a strong offline presence. This online-merge-offline (“**OMO**”) model enables us to translate our extensive brand influence and strong consumer recognition accumulated through years of brand building into robust sales momentum.

Our offline store network, primarily focusing on directly-operated stores, is strategically concentrated in shopping malls, which serve as our core offline retail scenario. As of June 30, 2025, our offline store network comprised 554 stores nationwide, with over 95% located in shopping malls, ranking first among domestic and international premium skincare brands in terms of total store number in China, according to CIC. Approximately 66.1% of our offline stores were directly operated as of June 30, 2025, with the number of directly-operated stores significantly exceeding that of other domestic premium skincare brands, ensuring consistent customer experience and effective brand representation, according to the same source. To further address growing consumer demand across regions, we are also accelerating the expansion of our store network through joint operation stores and franchised stores. Our broad offline footprint allows customers to experience our products firsthand while conveying our brand philosophy and strengthening customer acquisition and loyalty. During the Track Record Period, the number of our offline stores had increased from 366 as of December 31, 2022 to 554 as of June 30, 2025.

Meanwhile, we are actively enhancing our brand influence through diversifying online sales channels to enhance online accessibility of our products. Through livestreaming hosted by our account matrix, alongside in-house livestreaming studios, collaborations with KOLs and KOCs, as well as official brand stores across major e-commerce platforms, our online sales have demonstrated sustained and rapid growth, becoming a key driver of our business performance.

Our Financial Performance

Driven by strong product capabilities and supported by our vertically integrated business model and extensive sales network, we have achieved rapid growth during the Track Record Period. Our total revenue increased from RMB691.2 million in 2022 to RMB805.0 million in 2023 and further to RMB1,209.6 million in 2024, representing a CAGR of 32.3%. Our revenue increased by 98.3% from RMB530.4 million in the six months ended June 30, 2024 to RMB1,051.8 million in the six months ended June 30, 2025. According to CIC, our revenue growth rate during the Track Record Period significantly outpaced the industry average. Our profit and total comprehensive income amounted to RMB186.8 million and RMB181.8 million in 2024 and the six months ended June 30, 2025, respectively.

OUR STRENGTHS

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

Leading Chinese Premium Skincare Brand Specializing in Anti-Wrinkle and Firming Skincare that Pioneered the Oil-Based Skincare Philosophy and the Camellia Facial Essence Oil

We have solidified our leadership in the essence oil category with a longstanding commitment to skincare solutions rooted in China's heritage, according to CIC. Grounded in rigorous research into indigenous alpine red camellias and its breakthrough application in oil formulations, we introduced the groundbreaking "oil-based skincare" philosophy with the launch of our first-generation Camellia Essence Oil in 2014. Now in its fifth generation, our Camellia Essence Oil had recorded cumulative sales of over 45 million bottles as of June 30, 2025 since its launch, and ranked first in China by total retail sales across all sales channels among all facial essence oil products for 11 consecutive years since 2014, according to CIC. Its enduring success has established "*Forest Cabin*" as synonymous with premium oil-based skincare.

Our founder and management's dedication to redefining domestic excellence in premium skincare has positioned us as an industry benchmark. According to CIC, in 2024, *Forest Cabin* ranked 13th among all premium skincare brands in China (including both domestic and international brands) by retail sales with a market share of 1.4% and was the only domestic brand among the top 15 premium skincare brands in China. In 2024, *Forest Cabin* ranked first among all premium domestic skincare brands in China by retail sales. Our strategic focus on the premium skincare market distinguishes us from mass-market competitors and positions us to capture growing demand for sophisticated, culturally resonant skincare solutions.

Our brand identity draws strength from China's botanical legacy. Our core ingredient, camellia, has a rich history in Chinese culture, with its benefits first documented in classical Chinese texts including *The Classic of Mountains and Seas* (《山海經》) and later in *Compendium of Materia Medica* (《本草綱目》) and *Lingnan Herbal Medicine Records* (《嶺南草藥誌》), highlighting its properties in skincare. By integrating camellia with modern R&D, we achieve continuous product innovation while preserving cultural authenticity. In addition, our collaboration with artists in product design and branding, inspired by Chinese cultural legacy such as *The Classic of Mountains and Seas*, yielded limited-edition product designs that harmonize functionality with Eastern aesthetics, fostering emotional resonance with consumers and strengthening our brand's identity. With over 5.6 million active customers and an average of annual repurchase rates of approximately 33.5% during the Track Record Period that exceed the industry average of domestic skincare brands, our brand has become an emblem of cultural pride and high efficacy.

The rising adoption of oil-based skincare and our ability to shape industry trends have fueled our consistent growth during the Track Record Period. Our total revenue increased from RMB691.2 million in 2022 to RMB805.0 million in 2023 and further to RMB1,209.6 million in 2024, representing a CAGR of 32.3%. Our revenue increased by 98.3% from RMB530.4 million in the six months ended June 30, 2024 to RMB1,051.8 million in the six months ended June 30, 2025. Our profit and total comprehensive income amounted to RMB186.8 million and RMB181.8 million in 2024 and the six months ended June 30, 2025, respectively. By balancing trend anticipation with category creation, we maintain dual advantages as a market driver and beneficiary, securing our position in China's evolving skincare landscape.

Multi-Category Product Portfolio Centered Around Our Signature Product, Comprehensively Addressing Consumer Skincare Needs

We are among the select few skincare brands to have developed and sustained a decade-long best-selling product, and have built a multi-category product portfolio anchored by our signature Camellia Essence Oil. Since its debut in 2014, this product has achieved enduring consumer recognition and undergone five iterations, establishing itself as a category-defining bestseller in the facial essence oil category.

Our commitment to offering premium, high-quality skincare extends beyond this signature product. Through continued core ingredient R&D and product innovation, we have expanded our camellia-centered portfolio to encompass mainstream skincare categories such as essence oils, face creams, toners and lotions, serums, facial masks and sunscreens. Leveraging our oil-based skincare philosophy and formulation expertise, we have introduced multiple successful products that address evolving consumer needs. Notably, our Camellia Rejuvenate Cream recorded revenue of RMB61.5 million and RMB50.0 million in 2024 and the six months ended June 30, 2025, respectively, rising to become one of our best-selling products. Our UV Protection Cream recorded revenue of RMB36.3 million and RMB42.1 million in its debut year in 2024 and the six months ended June 30, 2025, respectively. Our ability to consistently develop top-performing products across categories reflects our deep understanding of consumer preferences and reinforces our position as a leading domestic skincare brand rooted in camellia-based innovation.

The Only Company in China's Facial Essence Oil Market to Achieve Full Value Chain Integration, Ensuring Consistent Quality From Source to Shelf

We are the only company in China's facial essence oil market to achieve full value chain integration of core ingredients, encompassing exclusive procurement of camellia, proprietary ingredient extraction, product development and production, according to CIC. This end-to-end control ensures consistent quality from source to shelf, underpinning our leadership in China's premium skincare market.

Robust R&D Capabilities Driving Continuous Product Innovation

We maintain a strong commitment to R&D of core ingredients and technologies. During the Track Record Period, our research and development costs amounted to RMB21.1 million, RMB19.7 million, RMB30.4 million, RMB13.1 million and RMB18.0 million. To advance research into anti-wrinkle, firming and skin repair technologies, we established a dedicated cellular-level laboratory at our production plant in Shanghai. Our R&D team comprised 85 experienced personnel with extensive expertise in botany, biology, dermatology and applied chemistry, with over 50% holding a master's degree or higher as of June 30, 2025. With a focus on camellia-based ingredients, our R&D team is dedicated to developing products that cater to consumer needs and align with market trends.

Through extensive research and comparison of camellia varieties and natural components, we selected alpine red camellias as our primary raw material. Using proprietary extraction technologies including the "Triple Refinements, Triple Extractions and Triple Purifications" methodology, we developed our proprietary active ingredient, Qingxuan Extract, alongside other unique ingredients including camellia peptides, camellia collagen, camellia retinol, camellia callus extract filtrate and polypeptide complex. With over a decade of continuous research, we have reinforced our competitive edge in the skincare market. We further enhanced our advantage in camellia-based core ingredients by forming an experienced R&D team. By carefully selecting superior camellia varieties and providing them to our partner suppliers, we ensure the quality and consistency of our raw materials.

Our longstanding focus on R&D has yielded a robust portfolio of proprietary technologies, including molecular blade-directed enzyme cutting technology, molecular recombination bio-fermentation technology, nano-capsule transdermal absorption technology and full-spectrum extraction technology. In addition, we are investing in biologically-driven ingredient processing techniques, such as callus tissue culture technology, optimized camellia seed oil fermentation technology, camellia leaf fermentation technology, supercritical liposome encapsulation technology and mitochondrial energy technology. As of the Latest Practicable Date, we held 87 patents, including 46 invention patents related to core ingredients, technologies or camellia compositions.

Strategic Sourcing of Core Ingredients Ensuring Stable, High-Quality Supply

Recognizing the raw material quality and supply chain stability are fundamental to overall product quality, we have established stringent raw material procurement criteria and control protocols. To ensure consistent access to high-quality raw materials, we have strategically secured long-term supply agreements with premium camellia planting bases across Zhejiang and Jiangxi provinces, all located in mountainous regions and collectively spanned over 20,000 mu (approximately 3,295 acres) as of the Latest Practicable Date. All core ingredients used in our products are self-developed and predominantly self-produced, establishing high technical barriers and enabling cost efficiency, supply flexibility and rapid scaling in response to market dynamics. Other ingredients are sourced from reputable domestic and international suppliers to ensure quality, stability and safety.

Stringent Reference to Pharmaceutical-Grade Production Standards Delivering Superior Quality and User Confidence

Our founder's background in pharmaceutical manufacturing instilled a rigorous quality-first philosophy in our brand. We apply rigorous quality control measures throughout the production process to deliver safe and effective skincare products. Our carbon-neutral research and production base, Shanghai Main Production Base, is designed with reference to GMP standards applicable to pharmaceutical facilities, with independent personnel and material flow paths and a 100,000-grade purification system. Key production steps, including formulation, filling and packaging, are closely monitored and supported by a high degree of automation, ensuring precision, consistency and efficiency throughout the production process. All final products undergo rigorous testing for physical, chemical and microbiological indicators. This end-to-end quality control system enables us to deliver products that are safe, reliable and effective, strengthening consumer trust and reinforcing the reputation of our brand.

Extensive Offline Store Network and Rapidly Expanding Online Channels Supporting an Integrated OMO Sales Network for Broad and Efficient Consumer Reach

We have established a comprehensive and fast-growing omni-channel sales network that combines extensive offline penetration with vibrant online development. Through a synergistic OMO strategy, we effectively reach consumers across diverse touchpoints and drive sustainable growth across all channels.

Deep Offline Penetration Across City Tiers Anchored by Experiential Skincare Services

We believe that robust offline brand visibility is essential for building long-term consumer trust and loyalty. As such, we have consistently prioritized a directly-operated store-first strategy and built nationwide offline channels covering all major cities in China, with strong presence in shopping malls. As of June 30, 2025, our offline store network comprised 554 stores nationwide, with over 95% located in shopping malls, ranking first among domestic and international premium skincare brands in terms of total store number in China, according to CIC. Our differentiated channel strategy enables in-depth market coverage across both top-tier and lower-tier cities, allowing consumers in all markets to access our brand.

As a leading domestic premium skincare brand, we adopt a unique experiential skincare services model at certain stores, creating a consumer-centric offline retail environment we refer to as the “third place of skincare.” Through in-person interactions and personalized services, we deliver an experience that sets us apart from online-only competitors. Our trained beauty advisors provide professional skincare services and on-site product demonstrations, deepening consumer understanding and trust. This approach has resulted in strong offline customer retention. We have also built expertise in store management and operations, supported by standardized operational protocols across our self-operated, jointly operated and franchised stores. This ensures consistent service quality across formats and enables us to maintain a strong consumer experience during rapid offline expansion.

Strategic Online Expansion Amplifying Brand Reach and Enabling OMO Synergy

We actively capitalize on the growth of major online platforms to amplify our brand reach and drive channel synergy through OMO integration. One of our key advantages lies in short video and livestream engagement, where we participate in localized initiatives such as the Douyin Local Life Professional Plan and Xiaohongshu KOS campaigns to generate localized traffic and empower offline store performance. We are also exploring new opportunities on channels like WeChat to broaden our reach.

We also build social media presence through livestreaming hosted by our account matrix, alongside in-house livestreaming studios and collaborations with KOLs and KOCs. This integrated approach, combined with strong product strength, has strengthened our presence across major e-commerce and livestreaming platforms. Collaborations with well-known KOLs and KOCs have significantly boosted our online visibility and consumer engagement. As of June 30, 2025, we had attracted approximately 7.9 million followers on Tmall and 2.7 million followers on Douyin. Our targeted online marketing strategies have delivered outstanding results. For example, we ranked first in the Tmall Double 11 Anti-Wrinkle Essence Oil Pre-sale Chart 2024, first in the Tmall Essence Oil Bestsellers Chart 2024, and first in Tmall “618 Carnival” Facial Essence Oil Bestsellers Chart, among others.

We place strong emphasis on integrating online and offline strategies. In online channels, we attract and convert consumer traffic through diverse content and digital engagement. In offline channels, our stores provide high-touch experiences that strengthen product understanding and consumer connection. This seamless integration enables us to convert instant digital traffic into long-term customer loyalty. In addition, through private domain operations and precision customer management, we maintain consumer engagement with exclusive offers, personalized skincare plans and membership activities, forming an integrated OMO model that enhances both channel efficiency and brand stickiness.

During the Track Record Period, our online revenue increased from RMB312.3 million in 2022 to RMB394.5 million in 2023 and further to RMB714.4 million in 2024, representing a CAGR of 51.2%. Our online revenue increased significantly from RMB290.1 million in the six months ended June 30, 2024 to RMB687.9 million in the six months ended June 30, 2025. Meanwhile, our offline revenue increased from RMB378.2 million in 2022 to RMB409.7 million in 2023 and further to RMB494.4 million in 2024, representing a CAGR of 14.3% that outpaced industry peers, according to CIC. Our offline revenue increased by 51.5% from RMB239.8 million in the six months ended June 30, 2024 to RMB363.5 million in the six months ended June 30, 2025. These results demonstrate the effectiveness of our OMO strategy and our ability to drive sustainable growth across all channels.

Advanced Digital Operations and Integrated Membership System Driving Customer Base Expansion and Member-Driven Revenue Growth

We view our members as one of our most valuable assets. Since our inception, we have focused on delivering differentiated member services through systematic membership development. During the Track Record Period, we had over 5.6 million active customers. During the Track Record Period, the average of our annual repurchase rates was approximately 33.5%, outperforming the industry average of domestic skincare brands, according to CIC.

We have established a fully integrated membership system that connects online and offline channels, enabling centralized data access and comprehensive lifecycle management. To deepen customer trust and engagement, we organize activities such as camellia plantation visits and production site tours, offering members the opportunity to witness our comprehensive quality inspection process from raw materials to finished products, strengthening perceptions of product safety and transparency, while enhancing recognition of our brand's cultural roots. Additionally, we leverage the broad reach of our offline sales network to engage core members with highly personalized services. Our store personnel maintain close relationships with key customers and offer dedicated advisor support to deliver attentive, high-touch experiences, enhancing customer loyalty and stickiness.

We have made continuous investments in digital technologies and infrastructure, establishing a proprietary membership system that supports omni-channel marketing and service operations. Our centralized data platform integrates consumption data from our registered members and supports a dynamic, multi-dimensional tagging system encompassing behavioral, skin-type and scenario preferences. These insights not only enhance sales conversion and customer retention but also inform upstream product development. For example, we leverage user profiling to guide the development of blockbuster products and gifting sets that resonate with the preferences of younger generations, enabling high alignment between product design and consumer demand. Our digital transformation efforts have been recognized as case studies by leading business schools such as Peking University Guanghua School of Management and CEIBS.

Visionary Founder and Seasoned Management Team with Deep Understanding of the Skincare Industry and Commitment to ESG Principles

Our founder, Mr. Sun Laichun, established our flagship brand, *Forest Cabin*, with a goal to build a premium Chinese skincare brand rooted in safe and effective formulations. With deep insight into the evolution of China's skincare market, Mr. Sun has remained committed to enhancing consumer experience and advancing the premiumization of domestic cosmetic brands.

We are led by a seasoned management team with deep expertise across the skincare and broader consumer goods industries. With an average of over 15 years of experience, our management team has demonstrated strong passion, expertise and confidence in our products, our brands and the skincare industry. Under their leadership and dedication to excellence, we have been relentlessly pursuing innovation and delivering exceptional experiences that exceed customer expectations.

We foster sustainable growth through a vibrant corporate culture and a structured talent development system. Many outstanding employees who joined us early in their careers have grown into mid-to-senior management roles, reflecting strong internal loyalty and organizational cohesion. For example, our team members, Mr. Wang Shijia and Ms. Zeng Lu, have been promoted senior management roles, becoming our COO and Board Secretary, respectively. In addition, we have established a comprehensive training system, which ensures the employees at all-levels are continuously developing skills and expertise indispensable to improving our product and service quality and maintaining our market reputation. For example, we have dedicated trainers in each regional division, providing professional training in skincare expertise, product knowledge and sales skills to our employees. Moreover, we regularly organize advanced training programs such as leadership development courses, equipping our employees with knowledge on the management of our stores. These efforts help us cultivate talents with deep product and industry insights, as well as strong leadership, which drives our long-term success.

We are committed to building a path of long-term sustainability and green innovation while focusing on quality upgrades and innovation. We strive to preserve 50 million camellia trees on the Earth, which reflects our dedication to sustainable development and environmental protection. We established one of the first research and production bases in the skincare industry, designed to meet carbon-neutral standards, setting a benchmark in sustainability, according to CIC. By integrating the future of humanity, the planet and our Company, we aim to drive balanced, long-term growth.

OUR STRATEGIES

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

Intensifying R&D on Camellia-Centered Technologies and Expanding Product Lines

We are dedicated to utilizing camellia extract as our unique key ingredient and consolidating our leadership in “oil-based skincare” philosophy through extensive, continuous and high-standard R&D in core ingredients and product technologies. Looking ahead, we will build upon our existing technological breakthroughs and continue to combine natural botanical extracts with modern science. We aim to continue multi-dimensional R&D in areas deeply rooted in the oil-based skincare philosophy. By developing new techniques, overcoming critical technological challenges and advancing the application of camellia’s properties such as anti-wrinkle, firming and skin repair, we aim to expand its use across a wider range of skincare products.

As the only company in China’s facial essence oil market to achieve full value chain integration, we are committed to leading the development of high-quality products derived from premium ingredients. Drawing from our deep understanding of oil-based skincare, we will remain focused on the fundamental structure of skincare products — oil and water. Our development roadmap includes foundational R&D and stringent quality control throughout all formulation stages. To this end, we intend to build up our multidisciplinary R&D team comprising Ph.D.s and postgraduates in botany, biology and applied chemistry, and will continue to focus on the scientific formulation of oil- and water-based ingredients. This includes overcoming technical barriers in integrating oil-soluble ingredients (such as

Qingxuan Extract, camellia seed oil and camellia seed extract) and water-soluble ingredients (such as camellia-based peptides, collagens and retinol analogues), thereby developing a camellia-centered product portfolio that reflects both market trends and technological differentiation.

We firmly believe that continuous innovation is essential for maintaining competitive advantage and reinforcing our leadership. We are committed to collaborative R&D with leading research institutes, universities and medical organizations across areas such as fundamental research, formulation development, raw material innovation, process optimization and quality testing. Through these partnerships, we aim to absorb cutting-edge expertise, strengthen our R&D talent pool, and build a solid technological foundation that supports strong product performance. Notably, with the establishment of our new cell laboratory, we have initiated a series of forward-looking skincare research projects to further enhance our scientific capabilities in the field.

Continuously Investing in Product Innovation to Maintain Leadership in the Facial Essence Oil Industry, while Building up the Signature Product Portfolio across Key Skincare Categories Targeting New Scenarios and Demographics

As the pioneer of the camellia facial essence oil in China, we introduced the philosophy of oil-based skincare in 2014. Looking ahead, we intend to consolidate the leadership of our signature products, iterating and upgrading our core product lines centered around the Camellia Essence Oil around every two years, ensuring continued product evolution and reinforcing market recognition of oil-based skincare philosophy.

To stay ahead of the ever-evolving consumer landscape and address a diverse range of skincare needs, we are actively expanding our product portfolio across key skincare categories, including premium essence oils, creams, sunscreens, serums, lotions and facial masks.

- ***Functional diversification.*** Building on the versatility of oil-based skincare products, we are evolving beyond facial essence oils by developing multi-functional body oils that provide comprehensive care to our customers.
- ***Scenario-specific solutions.*** We plan to develop targeted products for a wider range of application scenarios, including overnight repair, sun protection, anti-wrinkle, firming and brightening and body firming. By offering tailored solutions for these unique skincare concerns, we aim to meet the diverse needs of our consumers and establish a stronger foothold in the broader skincare market.
- ***Broader consumer coverage.*** While our core audience remains consumers aged between 25 to 40, we are proactively reaching out to a younger demographic aged between 18 to 24, introducing premium yet affordable products that deliver high-quality skincare solutions without compromising on efficacy. This approach allows us to cultivate long-term relationships with younger consumers, ensuring our brand resonates with future generations and broadening our overall consumer base.

We remain committed to aligning our product strategy with evolving consumer needs. Through continuous iteration of our signature products and the expansion of our signature product portfolio, we strive to deliver more tailored and high-quality skincare solutions across diverse application scenarios. This enables us to enhance customer engagement and repurchase rates, and to foster long-term, mutually beneficial relationships with consumers.

Insisting Customer-Centric Sales Strategy Featuring Strengthened Offline Presence, Expanded Online Reach and Enhanced Channel Synergy to Enable Comprehensive and Precise Market Access

Strengthening Offline Channels to Deliver Personalized Services and Reinforce Brand Trust

We believe offline channels remain essential in establishing long-term brand recognition and customer loyalty. We have built a nationwide offline store network focused on shopping malls, with comprehensive coverage across top- and lower-tier cities across China. As a leading domestic premium skincare brand, we have adopted a unique in-store experiential services model at certain stores, creating what we refer to as the “third place of skincare.” Through personalized services, we offer customers tangible skincare results while strengthening emotional connection and brand trust.

Looking ahead, we plan to increase store density in tier-one and tier-two cities by establishing high-quality flagship directly-operated stores to reinforce our premium brand image. At the same time, we will actively expand into lower-tier markets by leveraging the resources of our store partners to broaden consumer coverage and strengthen brand recognition. Through differentiated product lines and targeted sub-brands, we also seek to better penetrate the mass skincare segment.

We will continue to explore growth opportunities in professional skincare retail channels, including cosmetics store networks and mid-to-high-end membership-based supermarkets, further strengthening our diversified offline channel structure.

Scaling Online Channels through Proprietary and KOL-Led Livestreaming and Multi-Platform Expansion

We are committed to scaling our online presence through dual livestreaming strategies — proprietary and KOL-led livestreaming — supported by an integrated IP matrix and refined audience targeting. Proprietary livestreaming allows us to build stronger insights into consumer behavior and improve channel efficiency and cost control. At the same time, we will continue to expand KOL-led livestreaming, leveraging top-tier KOLs to establish brand authority and mid-tier KOLs to broaden audience reach.

Beyond established platforms such as Tmall, we are diversifying our online footprint through new and emerging platforms. These include the Douyin Local Life Professional Plan, Xiaohongshu’s KOS promotion program, WeChat and official accounts, as well as group-buying and social commerce platforms such as Pinduoduo. These initiatives aim to generate localized online traffic and empower offline stores through OMO integration.

Our active expansion across both public and private domain channels enhances our brand visibility, strengthens product marketing effectiveness, and lays a solid foundation for more comprehensive and targeted consumer engagement.

Dual-Engine Integration through Online-Offline Synergy and Building a Closed-Loop OMO Ecosystem

We view both online and offline channels as complementary growth engines. Their integration has become increasingly seamless, enabling mutual reinforcement and synergy. We will continue to pursue dual-engine integration where online platforms serve as traffic gateways and offline stores provide high-touch services. This enables us to convert traffic into loyal and active customers and build a complete OMO ecosystem.

Through this model, we aim to maximize the value of customer engagement, deepen brand awareness and loyalty, and establish a closed-loop system of user value, supporting long-term, sustainable development.

Leveraging Multi-Dimensional Brand Building through Emerging Media, IP Matrix Development and Technological Empowerment

We continue to strengthen brand influence by leveraging emerging self-media platforms, developing a diversified IP matrix, and embracing new technologies to enhance consumer engagement and reinforce brand value.

Integrated Marketing through Short-Video and Livestreaming Synergy. We adopt an integrated marketing strategy combining brand building and performance conversion by working with leading and mid-tier KOLs on livestreaming platforms such as Douyin and Taobao. Through high-frequency short-video and livestream campaigns, we effectively drive product visibility and sales conversion. In parallel, we utilize platforms such as Xiaohongshu and WeChat to create targeted, scenario-based content that cultivates brand awareness and facilitates frequent consumer interaction.

IP Matrix Development and Technological-Powered Brand Engagement. We are building a comprehensive IP matrix to strengthen brand recognition through personalized and differentiated public personas. These include our founder, partners and in-store beauty advisors (“BA”), who serve as brand ambassadors across platforms such as Douyin and Xiaohongshu. By cultivating these role-based IPs with distinctive traits, we deepen emotional resonance with target audiences and strengthen brand affinity. In addition, we actively explore the application of emerging technologies in our sales and marketing processes. For example, we are developing technology-powered virtual livestream hosts to enrich the IP ecosystem and enhance user interaction, thereby driving sales conversion and elevating brand equity.

Camellia Provenance Tours to Foster Cultural Connection and Brand Immersion. We organize immersive brand experience events such as Camellia Provenance Tours, which offer customers and KOLs the opportunity to visit our camellia planting bases and carbon-neutral research and production base. These initiatives allow participants to experience our brand’s origin and philosophy firsthand.

We further reinforce brand positioning through initiatives such as the Camellia Art Festival, artist collaborations, member salons, flagship and pop-up store activations and top-tier celebrity endorsements. These efforts contribute to the refinement and elevation of our brand image, enhance consumer identification with the brand, and strengthen its artistic and premium appeal.

Expanding from Camellia to Other Botanicals, Advancing a Multi-Brand Strategy to Build Culturally Distinctive Premium Skincare Brands

Building on our extensive foundation in camellia-based skincare, we are advancing a multi-brand strategy by cultivating a diversified brand portfolio tailored to distinct consumer segments and emerging product trends. For example, we have developed new brands such as Xiao Xin Xuan (小馨軒), a lightweight repair and hydration skincare brand designed for consumers with general skin sensitivity and a preference for plant-based skincare. We are also developing Hua Rong Zhuang (華蓉莊), a community-focused beauty service brand featuring offline chain stores established in residential neighborhoods to provide mass-market personal care services. By leveraging our proprietary ingredients and technologies, we offer accessible beauty treatments to local residents through a growing national network of offline stores. In addition, we are exploring opportunities with other brands, such as an aromatherapy-based emotional skincare brand, to address evolving consumer needs in wellness and sensorial skincare. Meanwhile, we seek to differentiate from other market participants by unlocking new opportunities such as “oil-based makeup” and “oil-based brightening,” thereby expanding the application scope of camellia seed oil and enriching our camellia-centered product matrix.

Looking ahead, we plan to extend our research and application efforts to other botanicals for use in skincare and body care products. Anchored in the principles of safe and localized skincare, this initiative will support the long-term construction of a diversified product portfolio and multi-brand architecture, enabling us to meet the evolving skincare needs of consumers across age groups and scenarios.

Scaling Business through Both Organic Incubation and Strategic Acquisitions to Drive Global Expansion of Chinese Botanical Skincare

We are building a dynamic and vibrant organization through a matrix-style structure aimed at enhancing collaboration and operational efficiency. By attracting top talent from leading universities, fostering innovation and nurturing entrepreneurial business partners, we seek to incubate new brands that address emerging market demands and capture growth opportunities.

To accelerate our growth trajectory, we plan to pursue strategic acquisitions of upstream raw material suppliers and complementary skincare brands. The potential acquisition of raw material suppliers are intended to bolster our supply chain resilience, secure access to high-quality and differentiated ingredients and enhance cost efficiency. In parallel, by acquiring skincare brands with complementary positioning, we aim to expand our brand portfolio, access new customer segments and retail channels, and accelerate time-to-market through synergies in R&D, manufacturing and marketing. In identifying potential acquisition targets, we prioritize companies with proprietary raw materials or distinctive formulas, brands with clear market positioning and consumer recognition, and businesses with operational capabilities or channels that can be effectively integrated with our existing platform. Through these efforts, we seek to reinforce our competitive advantage and strengthen our position as China’s most distinctive premium skincare brand. As of the Latest Practicable Date, we had not identified any potential investment or acquisition target or entered into any agreements in respect thereof.

On the international front, we plan to establish a presence outside Mainland China, beginning with Southeast Asia through partnerships with local collaborators. By leveraging China's abundant and unique botanical resources, we aspire to bring the concept of "Chinese Beauty" to the global stage.

OUR BRAND AND PRODUCTS

Overview

We are a premium domestic skincare brand in China with a strategic focus on the anti-wrinkle and firming skincare segment, operating under our flagship brand *Forest Cabin*. Since the launch of our first-generation Camellia Essence Oil in 2014, we have remained committed to developing safe and effective skincare products centered on camellia-based ingredients. Building on our pioneering "oil-based skincare" philosophy, we have continuously expanded our product portfolio to address a wide range of skincare needs, including anti-wrinkle, firming and skin repair. We have architected a comprehensive oil-based skincare ecosystem, where camellia-centered innovation permeates every step of the skincare journey. Our proprietary oil-based technologies are integrated across cleansers, toners, serums, and moisturizers, delivering consistent nourishment, repair and efficacy throughout the routine.

Our brand draws inspiration from China's deep botanical heritage, with camellia-based ingredients at its core. Known for its nourishing and regenerative properties, camellia has been documented in classical Chinese texts such as *The Classic of Mountains and Seas* (《山海經》), *Compendium of Materia Medica* (《本草綱目》) and *Lingnan Herbal Medicine Records* (《嶺南草藥誌》). We meticulously source our red camellias from mountainous regions, which contribute to the potency and purity of camellia botanicals. These origins not only ensure the exceptional quality of our core ingredient but also reinforce our commitment to authenticity and cultural resonance.

We offer a comprehensive selection of premium skincare solutions under *Forest Cabin*, encompassing essence oils, face creams, toners and lotions, serums, facial masks and sunscreens. Our proprietary oil-based ingredients are integrated throughout our product portfolio, supporting the full skincare routine from cleansing and toning to moisturizing and targeted treatments. As of June 30, 2025, *Forest Cabin* offered 230 SKUs. During the Track Record Period, *Forest Cabin* contributed substantially all of our revenue, amounting to RMB685.0 million, RMB797.1 million, RMB1,197.8 million, RMB525.2 million and RMB1,041.9 million in 2022, 2023, 2024 and the six months ended June 30, 2024 and 2025, respectively, accounting for 99.1%, 99.0%, 99.0%, 99.0% and 99.1% of our total revenue in each respective period. In 2022, 2023, 2024 and the six months ended June 30, 2024 and 2025, the remaining 0.9%, 1.0%, 1.0%, 1.0% and 0.9% of our total revenue was generated from our other emerging brands, primarily Xiao Xin Xuan, which was sold across all our online and offline channels during the Track Record Period. According to CIC, *Forest Cabin* ranked 13th among all premium skincare brands in China (including both domestic and international brands) by retail sales with a market share of 1.4%, and was the only domestic brand among the top 15 premium skincare brands in China. In 2024, *Forest Cabin* ranked first among all premium domestic skincare brands in China by retail sales. Among the overall skincare market, anti-wrinkle and firming products have become a key segment and growth driver,

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accounting for 25.9% of China's total skincare market in 2024, with a CAGR of 15.0% during 2019 and 2024. By retail sales of anti-wrinkle and firming skincare products in 2024, *Forest Cabin* ranked tenth among all premium skincare brands in China (including both domestic and international brands) with a market share of 2.2%, and was the only domestic brand among the top ten premium skincare brands. According to the same source, *Forest Cabin* also ranked first among domestic brands in China by retail sales of anti-wrinkle and firming skincare products in 2024.

Central to our product portfolio is our signature Camellia Essence Oil, which had recorded cumulative sales of over 45 million bottles since its launch as of June 30, 2025. The product also remains as the only product in the facial essence oil category in China to achieve over RMB100 million in retail sales for eight consecutive years, according to CIC.

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

	Year ended December 31,						Six months ended June 30,			
	2022		2023		2024		2024		2025	
	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%
(RMB in thousands, except for percentage)										
(Unaudited)										
Essence oil	217,838	31.5	284,044	35.3	447,600	37.0	173,243	32.7	478,592	45.5
Face cream	94,503	13.7	119,726	14.8	190,402	15.7	76,886	14.5	153,933	14.6
Lotion and toner	121,590	17.6	107,618	13.4	128,836	10.7	56,380	10.6	97,408	9.3
Serum	100,251	14.5	100,999	12.5	121,436	10.0	59,297	11.2	95,788	9.1
Facial mask	68,617	9.9	93,156	11.6	147,558	12.2	70,376	13.3	94,997	9.0
Sunscreen	3,040	0.4	2,880	0.4	36,396	3.0	29,996	5.7	42,075	4.0
Other cosmetic products ⁽¹⁾	84,704	12.3	95,783	11.9	136,490	11.3	63,758	11.9	88,593	8.5
Others ⁽²⁾	607	0.1	798	0.1	923	0.1	512	0.1	382	0.0
Total	691,150	100.0	805,004	100.0	1,209,641	100.0	530,448	100.0	1,051,768	100.0

Notes:

(1) Other cosmetic products primarily consisted of eye cream, cleanser, body care and color cosmetics.

(2) Others primarily consisted of brand licensing fees paid by joint operators and franchisees.

Below sets forth our representative skincare products as of the Latest Practicable Date:

Camellia Anti-Wrinkle Repairing Essence Oil
(山茶花抗皺修護精華油)

Our Camellia Anti-Wrinkle Repairing Essence Oil, the fifth-generation of our signature product initially launched in 2014, is designed to address signs of aging by promoting skin rejuvenation and repair. With over 45 million bottles sold cumulatively since its launch as of June 30, 2025, the product ranked first in China by total retail sales across all sales channels among all facial essence oil products for 11 consecutive years since 2014, according to CIC. The product also remains as the only product in the facial essence oil category in China to achieve over RMB100 million in retail sales for eight consecutive years, according to the same source. We have leveraged over 22 years of expertise in combining natural ingredients and innovative technology, along with a decade of focused research into alpine camellia flowers, to create this signature product. The Camellia Anti-Wrinkle Repairing Essence Oil is formulated with fermented camellia seed oil using Molecular Recombination Bio-Fermentation Technology. This advanced formulation promotes deep cellular-level rejuvenation, delivering targeted anti-wrinkle, firming and skin repair benefits. According to CIC, the efficacy of Camellia Anti-Wrinkle Repairing Essence Oil was substantiated through in vivo human studies, in vitro cellular assays and ex vivo tissue tests conducted by multiple



independent accredited third-party laboratories in China. Using advanced methods such as Raman spectroscopy, instrumental skin measurements and molecular assays, the product demonstrated time-dependent dermal penetration within 8 hours, significant improvements in hydration, elasticity and firmness, and measurable reductions in wrinkle number, area, volume and depth. Molecular analysis confirmed increased elastin and collagen expression, reduced collagen-degrading enzyme MMP-1, and enhanced cellular repair markers. Moreover, its lightweight, fast-absorbing texture ensures suitability for all skin types, including sensitive skin.

Camellia Black Gold Rejuvenate Peptide Anti-Wrinkle Brightening Essential Cream
(山茶花黑金時光肽抗皺煥亮精華霜)

The Camellia Rejuvenate Cream is designed to address skin issues such as collagen loss, dullness and sagging. The upgraded Camellia Black Gold Rejuvenate Peptide Anti-Wrinkle Brightening Essential Cream targets wrinkle reduction at the cellular level. The product includes a complex aimed at increasing the levels of NAD⁺ within cells and enhancing adenosine triphosphate production. The cream features different types of micro-peptides and other key ingredients to support the synthesis of proteins that maintain skin firmness and elasticity. It also includes technology to protect against thermal aging and environmental stressors, helping to prevent collagen degradation. According to CIC, the efficacy of the Black Gold Rejuvenate Peptide Anti-Wrinkle Brightening Essential Cream was validated through independent studies by accredited laboratories. Over 28 days, standardized instrumental tests and expert and consumer assessments confirmed its moisturizing, barrier-repairing, anti-wrinkle, firming and skin-smoothing effects. Results showed up to a 122% increase in skin moisture, a 20% reduction in transepidermal water loss and a 10-60% decrease in wrinkle metrics across facial zones. Participants also reported improved skin gloss, smoothness and overall appearance.



The cream is available in two textures to suit different skin types. In 2024 and the six months ended June 30, 2025, the Camellia Rejuvenate Cream achieved revenue of RMB61.5 million and RMB50.0 million, respectively, rising to become one of our best-selling products.

UV Protection Cream
(高倍隔離防曬霜)

Our high-performance UV Protection Cream is an advanced sunscreen product focusing on comprehensive UV protection and wrinkle smoothing. With eight layers of



protection, it efficiently guards against both UVB and UVA rays with high SPF 50 PA++++. Designed to prevent photoaging and maintain skin health, this sunscreen incorporates over 60% skin-nourishing ingredients and 13 plant extracts, locking in 92.49% of collagen to robustly counteract photoaging.

The product features a lightweight and breathable texture, which forms a quick, long-lasting protective film for up to eight hours while delivering a natural, non-greasy finish. Suitable for sensitive skin, it can be easily removed with regular facial cleansing products. According to CIC, the efficacy and safety of the UV Protection Cream were verified through tests conducted by accredited institutions in China. In a 4-week trial with 33 participants, including sensitive skin, the product reduced wrinkles by 15%, improved elasticity by about 9%, and showed no irritation or adverse reactions. Skin hydration increased by 72% after 4 hours, and transepidermal water loss decreased by 47% after 7 days. Notably, our UV Protection Cream recorded revenue of RMB36.3 million and RMB42.1 million in its debut year in 2024 and the six months ended June 30, 2025, respectively.

Camellia Moisturizing Peptide Firming Facial Mask (山茶花保濕勝肽緊緻面膜)

Our Camellia Moisturizing Peptide Firming Facial Mask is specifically formulated to address the challenges of fatigued skin caused by modern lifestyle factors, including late nights, prolonged screen exposure, aging, and environmental stressors. With a cutting-edge blend of peptides and active ingredients, the Camellia Moisturizing Peptide Firming Facial Mask offers a comprehensive solution to restore skin's firmness and vitality. This mask adopts the second-generation camellia peptides, which can boost collagen expression by 9.26 times, alongside a patented peach gum extract and active ingredients such as taurine and niacinamide which can effectively brighten, hydrate and protect the skin. The mask's patented fruitwood fiber material is designed to hold and deliver 13 times more essence than conventional masks, maximizing absorption and efficacy.

According to CIC, the efficacy of the Camellia Moisturizing Peptide Firming Facial Mask was verified by an independent accredited laboratory. In a 28-day study with



31 participants, skin moisture increased by up to 61% within 15 minutes and 28% after 28 days, while transepidermal water loss decreased by 14.5%. Participants showed improved elasticity and firmness, with nasolabial wrinkles reduced by up to 52.5% in number and 11.4% in volume. Over 90% reported visible improvements in elasticity, fine lines and pores, with no adverse effects.

Camellia Repair Balancing Pre-Essence
(山茶花修護平衡精華肌底液)

The Camellia Repair Balancing Pre-Essence 2.0 incorporates eight bioactives to balance the skin's micro-ecosystem. Enriched with multiple restorative ingredients like Qingxuan Extract, Ectoin and Madecassoside, it soothes redness and strengthens physical barriers. The lotion is designed to soothe redness, strengthen the skin's natural barrier and activate basal cells to support overall skin health. It also enhances the expression of aquaporin AQP3, improving the skin's ability to retain moisture for long-lasting hydration.

According to CIC, the efficacy of Camellia Repair Balancing Pre-Essence was evaluated by independent accredited third-party laboratories. In a 28-day trial with 32 participants, transepidermal water loss decreased by 14.5%, IL-1 β and IL-8 gene expression dropped by over 68%, and basal layer viable cells increased by 54%. Results



show that Camellia Repair Balancing Pre-Essence significantly strengthens the skin barrier, provides long lasting moisturization and soothes sensitive skin. Microbiome analysis showed improved diversity and balance after four weeks.

Camellia Active Anti-Wrinkle Essence Lotion
(紅山茶煥活淡紋精華水)

Collagen levels in the skin begin to decline significantly after the age of 25, which lead to the development of common facial wrinkles such as crow's feet, forehead lines, lip lines and nasolabial folds. To address these concerns, our Camellia Active Anti-Wrinkle Essence Lotion is formulated with 90% high-concentration camellia peptide 2.0, a breakthrough ingredient that not only stimulates collagen production but also prevents excessive collagen loss, which effectively reduces the appearance of fine and dry lines. The formulation is further enhanced with four advanced moisturizing ingredients that boost skin hydration and repair the skin barrier, which helps to promote the overall skin health. According to CIC, the efficacy of Camellia Active Anti-Wrinkle Essence Lotion was evaluated by independent accredited third-party laboratories. Results show that consistent use of Camellia Active Anti-Wrinkle Essence Lotion significantly improves four key facial wrinkles and enhances skin radiance, hydration and repair. In trials with 30-31



healthy adults, the product increased skin moisture for up to 8 hours, reduced wrinkle area by 10-24% over 28 days and decreased transepidermal water loss, indicating stronger barrier function. Over 90% of participants reported improved gloss and smoother texture. Made with natural ingredients and free from common irritants, this gentle yet effective formula is suitable for sensitive skin.

Camellia Black Gold Rejuvenate Peptide Anti-wrinkle Brightening Toner
(山茶花黑金時光肽抗皺煥亮柔膚液)

The Camellia Black Gold Rejuvenate Peptide Anti-wrinkle Brightening Toner is specifically designed to combat three-dimensional skin aging issues such as dullness, fine lines, and loss of firmness. The upgraded 2.0 formulation features a powerful blend of three key active components: (i) botanical extract to revitalize cellular energy, (ii) an advanced peptide-collagen complex with four small-molecule peptides and two types of collagen to boost collagen production and smooth wrinkles, and (iii) high-purity antioxidants ($\geq 98\%$) including ergothioneine, niacinamide and vitamin E to combat free radicals and deliver advanced anti-oxidation benefits. The formulation also features Molecular Repair Technology with dual ceramides to restore intercellular lipids, reduce moisture loss and strengthen the skin's protective barrier. According to CIC, the efficacy of Camellia Black Gold Rejuvenate Peptide Anti-Wrinkle Brightening Toner was evaluated by independent accredited third-party laboratories. In a 28-day study with 32 women (ages 36-55) showing visible facial aging, the product



increased stratum corneum hydration by 19.4% and reduced transepidermal water loss by 5.53%, indicating improved skin barrier function. Wrinkle metrics, including number, area, volume, length and depth, improved across facial zones. Elasticity parameters R2, R5 and R7 increased by 2.37%, 2.49% and 1.65%, while firmness indicator F4 decreased by 13.1%, reflecting firmer, less lax skin.

Forest Cabin Camellia Anti-Wrinkle Peptide Dewy Essence Toner
(林清軒山茶花抗皺肽微珠精華水)



The Forest Cabin Camellia Anti-Wrinkle Peptide Dewy Essence Toner is an essence-grade toner. Each bottle contains approximately 4,300 camellia oil microbeads, utilizing our proprietary microfluidic suspension techniques to deliver both water- and oil-based nourishment. The formula

incorporates six types of low-molecular peptides designed to support skin firmness and reduce the appearance of fine lines, together with edelweiss extract sourced from high-altitude regions. These actives work to improve skin elasticity, brightness and overall texture. The product also applies our dual-adhesion formulation approach, which targets type VII and type XVII collagen to help reinforce the skin's basement membrane and provide structural support. In a 28-day usage cycle, the toner demonstrated improvements in parameters such as skin firmness, radiance and pore visibility, contributing to a more refined complexion. The product garnered wide market recognition since its launch. According to official data from Tmall dated August 7, 2025, the product ranked No. 1 on the Tmall New Toner Products Chart and No. 2 on the Tmall Toner Bestsellers Chart.

OUR RESEARCH AND DEVELOPMENT

Our commitment to R&D is the cornerstone of our success. We prioritize the independent development of core ingredients and technologies used in our product development, particularly those related to camellia-based ingredients in anti-wrinkle, firming and skin repair, to enhance the product efficacy and maintain our competitive edge. In 2022, 2023, 2024 and the six months ended June 30, 2024 and 2025, our research and development costs amounted to RMB21.1 million, RMB19.7 million, RMB30.4 million, RMB13.1 million and RMB18.0 million, respectively.

Our prolonged dedication to R&D has resulted in a robust portfolio of core ingredients and technologies. Notably, leveraging the unique properties of alpine red camellia, we employ exclusive extraction techniques, including supercritical CO₂ extraction, ultrasonic-assisted extraction, enzymatic extraction and multi-stage purification processes including vacuum concentration, macroporous resin adsorption, and membrane separation, to produce Qingxuan Extract, a proprietary formulation enriched with oleic acid, vitamin E, squalene, phytosterols, flavonoids and polyphenols. Qingxuan Extract, along with other proprietary ingredients such as camellia peptides, camellia collagen, camellia retinol, camellia callus extract filtrate and polypeptide complex, offers repair benefits, including skin barrier restoration, improved elasticity and reduction of fine lines. Our expertise further extends to the development of core technologies such as transdermal absorption technology, molecular blade-directed enzyme cutting technology, molecular recombination bio-fermentation technology, nano-capsule transdermal absorption technology, full-spectrum extraction technology and other emerging technologies. Our continuous innovation has resulted in the accumulation of over 600 formulations, 87 patents (including 46 invention patents related to core ingredients, technologies or camellia compositions), publication of nearly 40 scholarly articles and participation in the formulation of more than 40 industry and group standards as of the Latest Practicable Date, collectively solidifying our leadership in oil-based skincare and advanced anti-wrinkle and firming solutions. In particular, as of the Latest Practicable Date, our registered invention patents primarily cover botanical compositions and extraction methods, particularly involving camellia and red camellia extracts and their applications in skincare products, as well as formulation technologies such as microemulsions and soft bead delivery systems. See “Appendix VI — Statutory and General Information — Intellectual Property Rights — Patents.”

Our R&D Team

Our R&D team plays a key role in driving our innovation and progress. As of June 30, 2025, our R&D team comprised 85 experienced personnel with extensive expertise in botany, biology, dermatology and applied chemistry, with over 50% holding a master’s degree or higher. Our team focuses on advancing skincare technologies and developing proprietary formulations. With an emphasis on independent development, particularly in exploring the potential of camellia-based ingredients, our team has contributed to the creation of solutions for anti-wrinkle and firming products. By combining academic knowledge with industry experience, our R&D team continues to develop innovations that improve product efficacy and support our position in oil-based skincare and anti-wrinkle and firming solutions.

Set forth below are some of our core members of our R&D team:

Mr. Gao Hongqi

Mr. Gao Hongqi serves as our vice president and chief research officer, overseeing all activities of the research center. He received his Bachelor's degree in Fine Chemicals from Jiangnan University and brings nearly 30 years of experience in the cosmetics industry. Mr. Gao is a Senior Engineer and a Distinguished Professor at the School of Chemical and Material Engineering at Jiangnan University. He is responsible for strategic R&D planning, project management, team leadership and the transformation of research outcomes. With extensive expertise in raw material development, technical innovation, formulation research and product development, Mr. Gao plays a pivotal role in driving our overall scientific direction.

Dr. Yu Guo

Dr. Yu Guo leads the research center's in vitro safety, efficacy and mechanism research platform. He holds a Ph.D. from the School of Life Sciences and Biotechnology and postdoctoral degree from School of Pharmacy of Shanghai Jiao Tong University and brings deep professional expertise to his role. Dr. Yu focuses on innovative molecular and cellular biology methods, spearheading critical projects such as key raw material screening, efficacy evaluation and cellular-level anti-wrinkle and firming research. His work provides essential support for product development and mechanism design, contributing significantly to our scientific advancements.

Mr. Li Guangtao

Mr. Li Guangtao is the head of the research center's plant utilization and camellia core raw material development platform. He holds a Master's degree in Chemical Process from Tianjin University and specializes in the development of natural plant-based raw materials for cosmetics and has led several major R&D projects. His innovative work on camellia flowers, leaves and seeds has resulted in raw materials widely used in our core products. Mr. Li has filed five invention patents and published two research paper.

Dr. Gao Chenglong

Dr. Gao Chenglong leads the cosmetics active ingredient carrier technology and transdermal absorption research platform at the research center. He holds a Ph.D. in Physical Chemistry from East China University of Science and Technology and specializes in the encapsulation and delivery of active ingredients as well as transdermal absorption technologies, Dr. Gao has spearheaded several key R&D projects. His research outcomes have been successfully applied to many of our signature products. He has filed five invention patents.

Dr. Hu Xin

Dr. Hu Xin oversees the external collaboration and R&D project platform at the research center. She holds a Ph.D. in Chemical Engineering and Technology from Jiangnan University and specializes in innovative raw materials and technologies for cosmetics. Dr. Hu has led numerous collaborative projects and new material registration initiatives. Dr. Hu is the recipient of the Yangtze River Delta G60 Sci-Tech Corridor Youth Innovation Entrepreneurship Talent Award and holds a doctoral degree from Jiangnan University. With three patent application acceptance notices and three published papers, her strong academic foundation and international perspective bring unique value to our R&D efforts.

Fundamental Research and Development

We have been dedicated to developing safe and effective skincare products that resonate with our consumers. Recognizing the potential of alpine red camellia, we strategically positioned our product innovation around the philosophy of “oil-based skincare.” This led to the creation of Qingxuan Extract, which became the foundation of our successful anti-wrinkle and firming skincare product lines. Building on this foundation, we have continuously incorporated molecular biotechnology principles, such as bioactive screening, cellular-level mechanism validation and fermentation-based processing, into our ingredient development and efficacy enhancement processes.

Through a consistent product upgrade cycle of approximately every two years as well as continuous new product launches, we ensure that our product offerings remain aligned with market trends and evolving consumer preferences. A key example of this approach is the upgrade of our signature Camellia Essence Oil, which had undergone five iterations since its initial launch in 2014 up to the Latest Practicable Date. In 2022, 2023, 2024 and the six months ended June 30, 2025, *Forest Cabin* introduced 30, 22, 56 and 32 new SKUs, respectively, with the revenue of these new SKUs amounting to RMB91.3 million, RMB112.1 million, RMB184.0 million and RMB141.7 million, or 13.2%, 13.9%, 15.2% and 13.5% of our total revenue, in each respective period.

Core Ingredients

Our key ingredient platform centers on the red camellia, which we procure, process and refine using proprietary extraction and fermentation techniques. These processes allow us to preserve and amplify the skin-beneficial properties of camellia-derived compounds such as polyphenols, flavonoids and ceramides. In particular, our use of camellia leaf fermentation and camellia callus tissue culture enables the production of targeted metabolites with demonstrated biological activity related to anti-wrinkle, firming and skin repair functions, as validated through cellular and molecular efficacy studies. Below sets forth a brief introduction of our self-developed core ingredients:

Qingxuan Extract (清軒萃). As our flagship ingredient, Qingxuan Extract is derived from alpine red camellia flowers through a proprietary extraction techniques, including supercritical CO₂ extraction, ultrasonic-assisted extraction, enzymatic extraction and multi-stage purification processes including vacuum concentration, macroporous resin adsorption, and membrane separation. These techniques are designed to maximize the

content and purity of active ingredients such as flavonoids, polyphenols, phytosterols, squalene and vitamin E, further enhancing the product efficacy in repair, soothing, and anti-wrinkle by increasing the bioavailability and concentration of these functional components in the products. As of the Latest Practicable Date, we held registered patent for extraction processes relating to the preparation of camellia flower and leaf extracts, as well as the patent for refining high-activity camellia seed oil. Other process combinations and parameter settings are protected as proprietary know-how rather than registered patents. Rich in essential compounds such as oleic acid, vitamin E, squalene, phytosterols, flavonoids and polyphenols, Qingxuan Extract delivers skin repair benefits, including enhanced elasticity, improved barrier function and visible reduction in fine lines. In vitro studies conducted by a third-party research institution using human skin fibroblasts and keratinocyte migration assays, the results demonstrated significant increases in collagen and elastin expression (up to 380%), a 23% improvement in cell migration, and a 32% reduction in oxidative stress, supporting its skin repair benefits. This ingredient serves as a cornerstone in our anti-wrinkle and firming product lines and sets us apart in the competitive landscape of oil-based skincare solutions.

Camellia Peptides (山茶超勝肽). We have developed a proprietary blend of peptides sourced from camellia, designed to stimulate collagen production and improve skin elasticity. These peptides strengthen the skin's internal structure, reducing the appearance of wrinkles and promoting a firmer, more resilient complexion. Camellia Peptides are key to our anti-wrinkle, firming and skin rejuvenation collections.

Camellia Collagen (山茶超膠原). Camellia Collagen is engineered to mimic the structural proteins of human skin, enhancing skin density and resilience. By reinforcing the skin's natural framework, this ingredient helps improve texture and firmness, achieving a more youthful and supple appearance.

Camellia Retinol (山茶超A醇). This plant-based retinol variant provides anti-wrinkle, firming and skin repair benefits by stimulating cell renewal and addressing premature aging signs like fine lines and uneven skin texture. Its gentle formulation ensures compatibility with all skin types, including sensitive skin.

Camellia Callus Extract Filtrate (山茶花癒傷組織提取物濾液). Derived from callus tissues of camellia flowers through an innovative cell culture process, this extract promotes regenerative benefits, boosting the skin's ability to repair itself and improving overall vitality and hydration.

Polypeptide Complex (多肽組合物). This innovative formulation blends polypeptides with red camellia extract to provide advanced anti-wrinkle, firming and skin repair benefits. Through a proprietary encapsulation process using low-energy emulsification, we have addressed the solubility challenges of palmitoyl peptides and enhanced their compatibility with Camellia extract. The resulting formulation is a clear, flowable liquid that is stable, safe and highly effective. It promotes collagen production, inhibits elastase activity and helps reduce the appearance of wrinkles, which offers a groundbreaking solution for improving skin texture and elasticity.

Core Technologies

Our product development has been supported by proprietary technologies grounded in biological and dermatological science. These include fermentation-based enhancement processes, supercritical liposome encapsulation for transdermal absorption, and in vitro cellular testing to evaluate biological activity relevant to anti-wrinkle, firming and skin repair functions. We have also worked closely with academic institutions to investigate mechanisms such as inflammation-induced aging and collagen degradation, which have informed our ingredient design and functional positioning. Below sets forth a brief introduction of our self-developed core technologies:

Molecular Blade-Directed Enzyme Cutting Technology (分子刀定向生物酶切技術). This precise enzyme cutting technology reduces the molecular weight of active ingredients to enhance absorption and bioavailability. It enables us to deliver potent, high-efficacy formulations like the *Camellia Essence Oil*, which balances oil and water replenishment for superior anti-wrinkle, firming and skin repair results.

Molecular Recombination Bio-Fermentation Technology (分子重組生物發酵技術). This technology re-engineers natural ingredients through a bio-fermentation process that enhances their stability, potency and overall effectiveness. We have leveraged this technology to refine the *Camellia Essence Oil*, continuously enhancing its active properties through five product iterations.

Nano-Capsule Transdermal Absorption Technology (納米囊透皮吸收技術). This technology is a system designed to encapsulate active ingredients in nano-sized capsules for controlled release and targeted delivery. We have developed an optimized formulation system that enables active ingredients to penetrate the skin's stratum corneum and reach the epidermal and dermal layers effectively. This ensures transdermal absorption of active ingredients to deliver their intended benefits. This technology has been adopted in Qingxuan Extract in our *Camellia Essence Oil* to achieve enhanced anti-wrinkle, firming, and skin repair effects.

Full-Spectrum Extraction Technology (全光譜提取技術). This extraction technology maximizes the retention of active compounds from camellia flowers, seeds and leaves. By capturing the full spectrum of benefits, we enhance the antioxidant, moisturizing and soothing properties of our products, thereby improving their overall effectiveness.

In addition to our current core technological capabilities, we are biologically-driven ingredient processing techniques, such as callus tissue culture technology (癒傷組織培養技術), optimized camellia seed oil fermentation technology (山茶籽發酵油菌種優化技術), camellia leaf fermentation technology (山茶花葉發酵技術), supercritical liposome encapsulation technology (超臨界脂質體包裹技術) and mitochondrial energy technology (線粒體能量技術). These emerging technologies are expected to further strengthen our leadership in the field of oil-based skincare solutions and advanced anti-wrinkle and firming products.

Material Patents

We own a number of patents in the PRC covering our core ingredients, formulations and technologies such as camellia-based active compositions, plant extracts, skin-repair and whitening formulations, anti-aging and anti-blue light technologies, and advanced cosmetic preparation methods. Details of the material patents owned by our Group as of the Latest Practicable Date are set forth below:

No.	Patent Name	Application No.	Application Type	Patent Owner	Place of Registration	Grant Date	Expiry Date
1.	Plant composition for whitening, plant extract and preparation method thereof (用於美白的植物組合物、植物提取液及其製備方法)	2016103710463	Invention	The Company	PRC	May 30, 2016	May 29, 2036
2.	Anti-aging composition with stable adhesion between epidermis and dermis and its use (具有穩定表皮與真皮間黏連作用的抗衰老組合物及其用途)	2018102607290	Invention	The Company, Shanghai Qitan	PRC	March 27, 2018	March 26, 2030
3.	A combination extract of red camellia and its preparation method and application in cosmetics (一種紅山茶組合提取物及其製備和在化妝品中的應用)	2018112510304	Invention	The Company, Shanghai Qitan	PRC	October 25, 2018	October 24, 2038
4.	The microemulsion facial mask fluid containing camellia seed oil with repairing effect and its preparation method (含有山茶籽油的具有修復功效的微乳面膜液及其製備方法)	2018115942719	Invention	The Company	PRC	December 25, 2018	December 24, 2038
5.	A biomimetic composition containing camellia extract for repairing skin barrier and its application (一種仿生的、含山茶提取物的修復皮膚屏障組合物和應用)	2020103579882	Invention	The Company	PRC	April 29, 2020	April 28, 2040

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No.	Patent Name	Application No.	Application Type	Patent Owner	Place of Registration	Grant Date	Expiry Date
6.	An anti-blue light restoration composition containing camellia extract and its application (一種含山茶提取物的抗藍光修復組合物及其應用)	2020106171589	Invention	The Company	PRC	June 30, 2020	June 29, 2040
7.	Camellia oil with high content of colorless and odorless active ingredients, as well as its preparation method and application (無色無味活性成分含量高的山茶油及其製備方法及應用)	2019109832504	Invention	The Company	PRC	October 16, 2019	October 15, 2039
8.	A combination of multiple whitening pathways containing red camellia extract (一種含紅花山茶提取物的多重美白途徑組合物)	2022108794526	Invention	The Company	PRC	July 25, 2022	July 24, 2042
9.	Multiple anti-wrinkle composition containing red camellia extract, as well as its preparation method and application (含紅花山茶提取物的多重抗皺組合物及製備方法和應用)	2022108781954	Invention	The Company	PRC	July 25, 2022	July 24, 2042
10.	A micro lotion and its preparation method (一種微乳液及其製備方法)	202211695584X	Invention	The Company	PRC	December 28, 2022	December 27, 2042
11.	A camellia soft bead containing red camellia extract and its preparation method (一種含紅山茶花提取物的山茶花柔珠及其製備方法)	2023112704705	Invention	The Company	PRC	September 28, 2023	September 27, 2043
12.	Self-thickening system of glutamate-based surfactants and its preparation method (谷氨酸型表面活性劑的自增稠體系及其製備方法)	2023112704601	Invention	The Company	PRC	September 28, 2023	September 27, 2043

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No.	Patent Name	Application No.	Application Type	Patent Owner	Place of Registration	Grant Date	Expiry Date
13.	A composition of hydroxy-pinacolone retinoate with high content and high stability and its applications (一種高含量、高穩定性的羥基頻哪酮視黃酸酯組合物及其應用)	2023116693841	Invention	The Company	PRC	December 6, 2023	December 5, 2043
14.	A composition of camellia seed oil containing tetrahydrocurcumin and its applications (一種含四氫薑黃素的山茶籽油組合物及其應用)	2023117386501	Invention	The Company	PRC	December 15, 2023	December 14, 2043
15.	An anti-wrinkle repairing composition containing red camellia extract and its applications (一種含紅山茶提取物的抗皺修護組合物及其應用)	2024100337447	Invention	The Company	PRC	January 9, 2024	January 8, 2044

Product Design and Development

Our product design and development process are structured to ensure product quality, efficacy and market readiness. The entire cycle, from initial market and consumer research to market launch, typically spans around nine months to two years, with certain specialized products such as sunscreen, freckle removal and whitening products requiring additional time required to complete safety, performance and compliance assessments prior to commercialization.

The key stages of our product design and development process include:

Market and Consumer Research. We begin with comprehensive market and consumer research to identify trends, unmet needs and preferences. These insights form the basis of our product concepts, which are refined into development inquiries.

Feasibility Assessment. The R&D team evaluates the feasibility of the proposed concepts. A development task form is then issued to proceed with product development.

Sample Development and Testing. An initial sample is typically produced within two months, followed by a three-month period of comprehensive testing to assess compatibility, stability, packaging compatibility and efficacy. This rigorous phase ensures that each product meets our quality and performance standards.

Regulatory Approval. Before launching new cosmetic products, required registration or filing procedures must be completed. Special use cosmetics, such as those for hair growth, dyeing, perming, removal, body shaping, freckle removal, and sun protection, must be registered with the State Drug Administration before production. General cosmetics must be filed with the local drug administration authority prior to market launch.

Production and Market Launch. Upon successful testing and receipt of regulatory approval, we proceed with packaging procurement and production, which spans approximately three months. The product is then prepared for market launch.

By adhering to this structured approach, we maintain high standards of quality, safety and consumer appeal in all our products, ensuring timely market responsiveness.

Our R&D Collaborations

We have established long-term strategic collaborations with leading botanical research institutes, medical universities, biotechnology-focused raw material companies and international research institutions to enhance our R&D capabilities and drive innovation. These partnerships focus on advancing the research of core ingredients, optimizing formulation techniques and developing innovative products that align with consumer preferences and market trends.

Collaboration with Botanical Research Institutes and Universities

We have entered into long-term partnership with Nanjing Institute for Comprehensive Utilization of Wild Plants and Nanjing University of Chinese Medicine to conduct in-depth research on camellia flowers, seeds and oils. The primary focus of these collaborations is to study the active components, mechanisms of action and efficacy of camellia-based ingredients, with an emphasis on enhancing the effectiveness of our product formulations.

Additionally, we partnered with the Institute of Cell and Gene Therapy of Shanghai Jiao Tong University and have established a cellular-level anti-wrinkle and firming joint research laboratory, with a view to advance the application of cutting-edge cellular-level and molecular biotechnology in the cosmetics industry. The laboratory focuses on addressing skin inflammatory aging and investigating the anti-wrinkle and firming potential of camellia-based plant ingredients. By combining our industry expertise with leading academic research, we aim to develop innovative solutions that push the boundaries of skincare science. This partnership strengthens our R&D capabilities in cellular-level anti-wrinkle and firming technology and reinforce our competitive edge in skincare innovation. We also work closely with other universities throughout the product development process, particularly in conducting product testing.

Under our collaboration with universities, universities are responsible for conducting comprehensive product testing based on agreed specifications and providing detailed test reports. The rights to apply for new patents are shared between us and the universities. However, we are the primary patent holder and retain the rights to use the relevant intellectual properties for commercial purposes. Furthermore, universities are required to maintain confidentiality concerning all aspects of the technology, product specifications and testing results to protect our proprietary information.

Collaboration with Naturalps

We have entered into a strategic partnership with Naturalps, a leading Swiss skincare research institution, to jointly develop innovative anti-wrinkle and firming technologies. This collaboration leverages Naturalps' expertise in advanced research and formulation development, combined with our focus on alpine plant extracts. Together, we aim to create new camellia-based formulations, particularly an oil-soluble liquid featuring a unique camellia complex.

Under this partnership, we provide Naturalps with essential market insights and product development information. Naturalps undertakes the R&D process, which includes formulation creation, product development and testing. We retain responsibility for marketing the final products.

With respect to intellectual property, all intellectual properties generated by Naturalps during the development phase initially belongs to Naturalps. However, upon full payment of the agreed fees, on February 10, 2025 we acquire exclusive ownership of the accepted formulations and all related documentation. Naturalps is contractually prohibited from reusing or disclosing these formulations to any other customers. We had made all payments in acquiring such intellectual property rights as of the Latest Practicable Date.

During our collaboration with Naturalps during the Track Record Period, Naturalps provided initial formulation compositions that contributed to the early-stage development of process techniques. Importantly, our in-house R&D team has independently refined and further developed these techniques, which we believe will enable us to facilitate mass production and ongoing product innovation in the future. While these technical advancements have not yet been applied in any launched products, they are intended to support future product R&D and we have no ongoing dependency on Naturalps' contributions.

Collaboration with Biotechnology-Focused Raw Material Companies

We also maintain close partnerships with various biotechnology-focused raw material companies, focusing on the R&D of key ingredients that enhance the efficacy of our camellia-based formulations. These collaborations involve joint research initiatives to explore new active compounds, improve ingredient processing techniques and optimize product performance. For example, we have partnered with Shanghai Shiling Pharmaceutical Co., Ltd. to leverage their expertise in transdermal delivery technology. Together, we were in the process of developing an oil-soluble active encapsulation composition designed for layered delivery of active ingredients to precise target sites, significantly enhancing efficacy as of the Latest Practicable Date, integrating biotechnological innovation into products like essence oils through advanced transdermal delivery systems.

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In addition, we collaborated with Shanghai Jiakai Biotechnology Co., Ltd. to develop an advanced oil made from fermented camellia seed using the molecular restructuring and bio-fermentation technology. By isolating specific strains from aged camellia seed oil and optimizing the fermentation, purification and production processes, we have significantly improved the efficacy of the oil. With these advancements, the fermented camellia seed oil have subsequently been applied to our fifth generation Anti-Wrinkle Repairing Essence Oil as the key formulation, which elevates the product with cutting-edge technology and significantly enhances its performance.

OUR SALES NETWORK

We have established an integrated sales network that strategically combines diversified online channels with a strong offline presence, leveraging our OMO approach. Our offline channels comprise offline stores, including directly-operated stores and store partners, as well as sales to offline retailers, enterprise customers and distributors. Simultaneously, our online channels include online direct sales and sales to online retailers, bringing convenience and accessibility to our customers. This dual approach strengthens brand engagement and drives sustainable growth across all consumer touchpoints.

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

	Year ended December 31,						Six months ended June 30,			
	2022		2023		2024		2024		2025	
	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%
<i>(RMB in thousands, except for percentage)</i>										
<i>(Unaudited)</i>										
Offline channels	378,213	54.7	409,721	50.9	494,368	40.8	239,839	45.2	363,474	34.6
Offline stores	371,011	53.7	383,132	47.6	444,089	36.7	223,470	42.1	285,127	27.1
– Directly-operated stores	354,461	51.3	357,240	44.4	398,332	32.9	202,535	38.2	252,766	24.0
– Store partners	16,550	2.4	25,892	3.2	45,757	3.8	20,935	3.9	32,361	3.1
Sales to offline retailers and enterprise customers	7,202	1.0	12,104	1.5	17,153	1.4	8,276	1.6	8,281	0.8
Distributors	–	–	14,485	1.8	33,126	2.7	8,093	1.5	70,066	6.7
Online channels	312,330	45.2	394,485	49.0	714,350	59.1	290,097	54.7	687,912	65.4
Online direct sales	263,106	38.1	348,951	43.3	634,837	52.5	246,967	46.6	616,775	58.6
Sales to online retailers	49,224	7.1	45,534	5.7	79,513	6.6	43,130	8.1	71,137	6.8
Others	607	0.1	798	0.1	923	0.1	512	0.1	382	0.0
Total	691,150	100.0	805,004	100.0	1,209,641	100.0	530,448	100.0	1,051,768	100.0

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The following table sets forth the average transaction value per customer order through both online and offline channels for the periods indicated:

	2022	2023 (RMB)	2024	Six months ended June 30, 2025
Offline channels	1,292	1,203	984	1,026
Online channels	591	579	519	497

Note: The average transaction value per customer order is tax-inclusive and excludes sample orders.

During the Track Record Period, changes in our average transaction value per customer order were primarily attributable to changes to our promotional strategies, a higher sales proportion of smaller-sized products in line with market preference, and the launch of new products targeting younger consumers that generally feature relatively lower prices. The combined effect of these factors shifted the overall order structure, attracted more customers favoring entry-level small-sized products while resulted in the changes in the average transaction value per order. In addition, our online and offline channels exhibited different sales characteristics. Online sales, consistent with broader e-commerce consumption patterns, tended to concentrate on smaller-sized items, resulting in lower average order values. In contrast, our offline directly-operated stores, which emphasize larger-sized and higher-value products, generally had a higher average transaction value than online channels.

Our Offline Channels

Our offline channels are essential for building long-term consumer trust and loyalty. We have prioritized a directly-operated store-first strategy and built nationwide offline channels covering all major cities in China. Our offline channels consist of offline stores, including directly-operated stores and store partners, as well as sales to offline retailers, enterprise customers and distributors. In 2022, 2023, 2024 and the six months ended June 30, 2024 and 2025, our revenue generated from the sales through our offline sales network amounted to RMB378.2 million, RMB409.7 million, RMB494.4 million, RMB239.8 million and RMB363.5 million respectively, accounting for 54.7%, 50.9%, 40.8%, 45.2% and 34.6% of our total revenue generated from product sales, respectively.

Offline Stores

We prioritize the strategic expansion of our offline channels as a cornerstone of our brand development. These physical locations serve as vital touchpoints for direct consumer engagement, enabling us to cultivate authentic customer relationships and strengthen brand trust. Most of our stores are strategically located in premium, commercially vibrant shopping malls, which enhances brand recognition and reinforces our premium market positioning. We further differentiate our brand by offering in-store experiential skincare services at certain stores, committed to enhancing customer experience while demonstrating our product efficacy firsthand. As of June 30, 2025, we had 554 stores nationwide, with over 95% located in shopping malls, ranking first among domestic and international premium skincare brands in terms of total store number in China, according to CIC. In 2022, 2023, 2024 and the six months ended June 30, 2024 and 2025, our revenue generated from offline channels amounted to RMB378.2 million, RMB409.7 million, RMB494.4 million, RMB239.8 million and RMB363.5 million, respectively, accounting for 54.7%, 50.9%, 40.8%, 45.2% and 34.6% of our total revenue generated from product sales in each respective period.

Our store network in China is strategically dispersed across various tiers of cities. While maintaining our presence in top-tier cities to enhance our brand identity and stay abreast of market trends, we have been and will continue to penetrate lower-tier cities with promising potential for consumption growth. While income levels in lower-tier cities remain lower in absolute terms compared to those in first-tier and new first-tier cities, income growth in these markets has outpaced that of higher-tier cities in recent years. According to the National Bureau of Statistics of China and CIC, disposable income per capita in lower-tier cities (including second-tier cities and below) increased from RMB25,966 in 2019 to RMB34,951 in 2024, representing a CAGR of 6.15%, which is higher than the CAGRs recorded in first-tier and new first-tier cities. This robust income growth is supporting increasing affordability and spending power among households in lower-tier cities, driving demand for premium skincare products. Consumers in these markets are increasingly willing to pay for high-quality products with trusted efficacy and strong brand reputation. This deliberate distribution ensures we reach a broad spectrum of consumers and establish brand visibility across all city tiers. The following table sets forth a breakdown of our store coverage by city tier in China as of the dates indicated:

	As of December 31,			As of
	2022	2023	2024	June 30,
				2025
First-tier cities	41	48	55	61
New first-tier cities	121	139	159	171
Second-tier cities	71	80	78	86
Third-tier cities	84	110	136	146
Other lower-tier cities	49	66	78	90
Total	366	443	506	554

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Our revenue generated from all city tiers in China demonstrated steady growth during the Track Record Period. The following table sets forth a breakdown of our revenue from offline stores by city tier in China for the periods indicated:

	Year ended December 31,						Six months ended June 30,			
	2022		2023		2024		2024		2025	
	<i>Amount</i>	<i>%</i>	<i>Amount</i>	<i>%</i>	<i>Amount</i>	<i>%</i>	<i>Amount</i>	<i>%</i>	<i>Amount</i>	<i>%</i>
<i>(RMB in thousands, except for percentage)</i>										
<i>(Unaudited)</i>										
First-tier cities	49,291	13.3	51,352	13.4	61,585	13.9	30,005	13.4	38,292	13.4
New first-tier cities	134,994	36.4	139,867	36.5	155,223	35.0	78,527	35.1	101,543	35.6
Second-tier cities	62,358	16.8	62,447	16.3	69,118	15.6	34,814	15.6	37,628	13.2
Third-tier cities	85,280	23.0	87,488	22.8	103,566	23.3	52,442	23.5	70,607	24.8
Other lower-tier cities	39,088	10.5	41,978	11.0	54,597	12.3	27,682	12.4	37,057	13.0
Total revenue from offline stores	371,011	100.0	383,132	100.0	444,089	100.0	223,470	100.0	285,127	100.0

We maintain a consistent store design, layout, and service quality across our retail network to ensure a uniform atmosphere and customer experience. The design philosophy of our stores centers on nature, healing and radiance, blending natural elements with advanced technology to create a serene atmosphere that revitalizes customers and offers a refreshing, cutting-edge experience. Specifically, our store design incorporates natural curves and camellia petal elements, with green as the primary color palette to evoke a fresh and natural ambiance. We use velvet furnishings to further create a cozy environment. Additionally, dedicated treatment areas enhance the customer journey and deepen engagement. This seamless integration of nature, aesthetics, science, technology and sustainability makes our stores more than a retail space. They become warm, welcoming spaces where customers can connect with our brand in a comfortable and meaningful way.

The following picture showcases our store designs:



During the Track Record Period, the GFA of our stores typically ranged from approximately 30 sq.m. to 60 sq.m. We consider factors including store location, expected consumer traffic and the brand image we intend to project when determining the GFA of our stores, ensuring optimal consumer experience, brand consistency and efficient utilization of store space. We also take a prudent approach in site selection. Upon determining a suitable business area for store opening, we strive to secure the optimal location within that area. We conduct thorough research and analysis to determine optimal locations that support expansion goals and maximize return on investment. We also take into account local regulations and zoning requirements to ensure smooth operations and compliance with regional policies.

We have implemented a standardized operational standard for all stores, ensuring consistent high quality of services for all consumers across all locations. For example, we require our stores to be equipped with trained beauty advisors that can provide personalized skincare consultations, skin analysis and customized skincare solutions to our customers. All store site selections must be supported by a comprehensive site selection report, which includes photographs, videos and relevant market research data for the proposed location. Most of our offline stores are located in premium shopping malls, which aligns with our brand's high-end positioning and allows us to reach high-potential quality conscious customers more easily.

In line with market practice, during the Track Record Period, we primarily operated our stores under two operation models, namely (i) direct operation model, which takes the forms of lease and commission models; and (ii) store partner model, which takes the forms of joint operation and franchise. Each of our operation model is tailored to suit different strategic objectives and operational dynamics.

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The following table sets forth the number of our stores under each model as of the dates indicated:

	As of December 31,			As of
	2022	2023	2024	June 30, 2025
Directly-Operated Stores				
Lease model	229	225	244	259
Commission model	89	95	98	107
Subtotal	318	320	342	366
Stores Operated by Store Partners				
Joint operation model	48	88	132	163
Franchise model	—	35	32	25
Subtotal	48	123	164	188
Total	366	443	506	554

Directly-Operated Stores

We operate the majority of our stores through direct operations. Under direct operation model, we maintained full control over the store's management, staffing and operational decisions, which allows us to consistently deliver high-quality customer experiences and adhere strictly to our brand standards. This model helps us to establish a solid brand image and build trust with consumers by providing an exemplary service standard in key locations. The first directly-operated *Forest Cabin* store was established in Shanghai Cloud Nine Shopping Center in 2008 and we have since rapidly expanded our directly-operated store network across China. As of December 31, 2022, 2023, 2024 and June 30, 2025, we directly-operated a total of 318, 320, 342 and 366 stores, respectively.

Under the direct operation model, we recognize revenue when the control of goods is transferred to end customers. In 2022, 2023, 2024 and the six months ended June 30, 2024 and 2025, our revenue generated from directly-operated stores amounted to RMB354.5 million, RMB357.2 million, RMB398.3 million, RMB202.5 million and RMB252.8 million, respectively, accounting for 51.3%, 44.4%, 32.9%, 38.2% and 24.0% of our total revenue generated from product sales in each respective period.

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We primarily operate our directly-operated stores under the lease model and the commission model.

- Under the lease model, we lease retail premises from the shopping malls and pay rent in accordance with the terms of the lease agreement. We are responsible for the daily operation of the store and for obtaining all necessary licenses, permits and approvals required for the store's operation. In 2022, 2023, 2024 and the six months ended June 30, 2024 and 2025, our revenue generated from stores under the lease model amounted to RMB254.6 million, RMB255.0 million, RMB275.9 million, RMB138.3 million and RMB176.8 million, respectively, accounting for 36.8%, 31.7%, 22.8%, 26.1% and 16.8% of our total revenue generated from product sales in each respective period.

As of June 30, 2025, we had entered into a total of 259 lease agreements for use as our stores under the lease model, which further increased to 277 lease agreements as of the Latest Practicable Date. We do not foresee any material obstacles in renewing our soon-to-expire leases. The following table sets forth the maturity profile of the lease agreements that we had entered into for use as stores as of the Latest Practicable Date:

	2025	2026	2027	2028
Number of leases expiring	16	172	80	9

- Under the commission model, we collaborate with shopping malls to operate stores. Shopping malls allocate specific areas within their premises for the sale of our products. In this arrangement, we generally settle payments with the shopping malls on a monthly basis, calculated as a pre-agreed commission based on the actual sales generated in those dedicated areas. The shopping malls are responsible for obtaining and maintaining all requisite licenses, permits and approvals for stores operated under the commission model. In 2022, 2023, 2024 and the six months ended June 30, 2024 and 2025, our revenue generated from stores under the commission model amounted to RMB99.8 million, RMB102.3 million, RMB122.4 million, RMB64.2 million and RMB76.0 million, respectively, accounting for 14.4%, 12.7%, 10.1%, 12.1% and 7.2% of our total revenue generated from product sales in each respective period.

Under both models, we are responsible for the daily management of our business, including staffing, inventory management and product sales, and the ownership of the products remains with us until they are sold to end customers.

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The following table sets forth a summary of the salient terms of our typical agreements with shopping malls under lease and commission model:

<i>Duration</i>	The term of our agreements with shopping malls is generally one to three years.
<i>Product Pricing</i>	Under both models, we sell our products at our directly-operated stores under the price we determined.
<i>Rent/Commission Fee</i>	<p>Under the lease model, we are generally responsible for a monthly rental fee.</p> <p>Under the commission model, commission fee is generally calculated as pre-agreed commission based on the actual monthly sales generated in those dedicated areas.</p>
<i>Settlement Arrangement and Other Fees and Charges</i>	<p>Under the lease model, customers typically remit payment for their purchases directly to our Company. We generally pay a fixed amount of property management fee, utilities fee and other miscellaneous fees to shopping malls on a monthly basis.</p> <p>Under the commission model, customers typically remit payment for their purchases directly to the shopping malls, which subsequently pay the sales proceeds to us, net of commission fees and other applicable fees and charges, such as property management fee, utilities fee, transaction service fee and promotion fee, in accordance with our contractual arrangements.</p>
<i>Termination</i>	Under both models, arrangements can be terminated upon contract expiration, by mutual agreement, or due to significant breach by counterparties.

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The following table sets forth the movement in the number of our directly-operated stores under each of the lease and commission models during the Track Record Period:

	Year ended December 31,			Six months ended
	2022	2023	2024	June 30, 2025
Lease model				
Number of stores at the beginning of the period	246	229	225	244
Number of stores newly launched	24	26	39	20
Number of stores under lease model converted from other models ⁽¹⁾	3	5	5	9
Number of stores under lease model converted to other models ⁽¹⁾	4	5	5	10
Number of stores closed ⁽³⁾	40	30	20	4
Number of stores at the end of the period	229	225	244	259
Commission model				
Number of stores at the beginning of the period	100	89	95	98
Number of stores newly launched	5	13	14	12
Number of stores under commission model converted from other models ⁽²⁾	1	1	1	3
Number of stores under commission model converted to other models ⁽²⁾	3	2	2	2
Number of stores closed ⁽³⁾	14	6	10	4
Number of stores at the end of the period	89	95	98	107

Notes:

- (1) Other models include the commission model, joint operation model and/or franchise model.
- (2) Other models include the lease model, joint operation model and/or franchise model.
- (3) Store closures during Track Record Period were primarily due to (i) external factors such as mall restructuring, operational issues or lease non-renewal; (ii) proactive operational adjustments including locations with lower foot traffic, changes in mall positioning, high rental costs, and staffing challenges; and (iii) other strategic considerations aimed at optimizing the store network and improving overall efficiency.

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Our same store revenue for directly-operated stores experienced continued growth during the Track Record Period, primarily attributable to the increased sales volume of our products driven by the launch of new SKUs, the upgrade of existing signature products and the improved operational efficiency achieved through our refined management process (including enhancing in-store experiential skincare services, developing channel-specific products to respond swiftly to consumer needs, and improving store daily management by drawing on practices adopted by benchmark stores). The following table sets forth the details of our same store revenue for directly-operated stores for the periods indicated:

	Year ended December 31,			Six months ended	
	2022	2023	2023	2024	June 30, 2025
Number of same stores ⁽¹⁾	198		248		268
Aggregate same store revenue (RMB in thousands)	245,094	253,095	305,893	331,779	177,417 212,158
Average same store period-to-period revenue growth	3.3%		8.5%		19.6%

Note:

- (1) Refers to the number of stores that have been in continuous operation for two consecutive years/periods.

Similarly to the growth in our same store revenue, the average daily revenue per directly-operated store experienced continued growth during the Track Record Period, primarily attributable to the increased sales volume of our products driven by the launch of new SKUs, the upgrade of existing signature products and the improved operational efficiency achieved through our refined management process as mentioned above. The following table sets forth the average daily revenue per directly-operated store by year/period of opening for the periods indicated:

Year of opening	Year ended December 31,			Six months ended	
	2022	2023	2024	2024	2025
	<i>RMB in thousand</i>				
Newly opened within the same year	1.9	2.1	2.3	2.3	2.6
Opened in the previous year	2.5	2.3	2.6	2.8	3.1
Opened for two years or more	3.5	3.7	3.9	3.9	4.8
Overall	3.2	3.5	3.6	3.6	4.2

Note: The average daily revenue is calculated by dividing each store's monthly revenue by the number of days in that month, then calculating the average of these daily figures across the store's effective opening months.

In 2022, 2023, 2024 and the six months ended June 30, 2024 and 2025, we recorded 57, 46, 41, 32 and 31 loss-making stores among our directly-operated stores and the aggregate losses attributable to the loss-making stores were RMB5.8 million, RMB4.0 million, RMB3.5 million, RMB2.2 million and RMB1.4 million during the same period. These losses were primarily attributable to newly opened stores that were still in their ramp-up phase, while certain existing stores recorded losses due to store-specific factors such as reduced shopping mall traffic, higher rental costs at certain high-end shopping malls and extended staff training periods.

To ensure the profitability of our store network, we conduct rigorous monthly reviews of each store's financial performance, with particular focus on identifying and addressing loss-making counters. For underperforming stores, we implement targeted action plans that combine revenue enhancement initiatives (such as localized marketing and product mix optimization), and cost control measures (including staffing adjustments and operational efficiencies). Stores exhibiting sustained negative cash flow and weak margins are flagged and enter a structured turnaround phase. If performance fails to improve within a defined observation period, we initiate a tiered closure assessment process that weighs strategic relevance and contractual obligations. This disciplined approach enables us to contain losses, reallocate resources to higher-performing locations, and maintain the overall profitability of our directly-operated store portfolio.

Store Partners

In line with market practice, to accelerate our offline expansion and enhance our market coverage with operational flexibility, we have adopted two partnership models for store operations: the joint operation model and the franchise model. Under these models, we generate revenue from sales of products to our store partners. These models allow us to leverage the retail resources and entrepreneurial drive of local partners while maintaining brand consistency and service standards across locations. In 2022, 2023, 2024 and the six months ended June 30, 2024 and 2025, revenue generated from stores operated by store partners amounted to RMB16.6 million, RMB25.9 million, RMB45.8 million, RMB20.9 million and RMB32.4 million, respectively, representing 2.4%, 3.2%, 3.8%, 3.9% and 3.1% of our total revenue from product sales.

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We commenced our joint operation model to efficiently enter strategic locations while maintaining control over brand presentation, inventory and pricing. In 2023, we introduced the franchise model to further scale our offline network with lower capital outlay, leveraging the execution capabilities of franchisees. The fundamental differences between the joint operation model and the franchise model primarily lie with the inventory management and settlement method. The key commercial terms of each model are summarized below:

	<u>Joint Operation Model</u>	<u>Franchise Model</u>
<i>Duration</i>	Typically two years.	Typically two years.
<i>Store Setup and management</i>	Joint operators are generally responsible for store setup and daily management. We provide certain support such as soft decoration and brand support.	Franchisees are generally responsible for store setup and daily management. We provide support for soft decoration, branding and training, as well as ongoing support to ensure operational consistency.
<i>Ownership and Management of Inventory</i>	We supply inventory on consignment to joint operators based on sales forecasts and retain inventory ownership until the products are sold to end customers. Revenue from joint operation stores is recognized at the point when they obtain the legal title of the products and become obliged to pay for the products, which is when the joint operation store sell the products to their customers in their stores.	Franchisees purchase inventory directly from us at a discounted price off the recommended retail price, and assume ownership upon acceptance of inventory delivery. Revenue is recognized upon their acceptance of inventory delivery. To strength inventory control and management, franchisees are required to order exclusively from us and to sell only through authorized stores and channels. Each product is assigned a unique QR code to enhance product traceability, enabling us to monitor sales channels and promptly address any unauthorized sales by franchisees.

<i>Product Return</i>	Not applicable. In cases of product defects, we provide replacements or adjust future inventory supplies as needed.	Product returns are not permitted for franchisees unless there are quality issues that fall within the warranty or guarantee period. Returns are reviewed and approved on a case-by-case basis for defective products.
<i>Pricing</i>	We generally sell to joint operators at a discount off the recommended retail price and provide them with recommended retail price as guidance. The discount we offered is in line with industry norm, as advised by CIC. We have entered into agreements with joint operators stipulating that, to ensure price uniformity and prevent disorderly pricing, prices may not be arbitrarily reduced without our consent. We closely monitor the prices they set and, in the event of significant deviation from the recommended price, may impose penalties on the performance bond or terminate cooperation under the contract.	We generally sell to franchisees at a discount off the recommended retail price and provide them with recommended retail price as guidance. The discount we offered is in line with industry norm, as advised by CIC. We have entered into agreements with franchisees stipulating that, to ensure price uniformity and prevent disorderly pricing, prices may not be arbitrarily reduced without our consent. We closely monitor the prices they set and, in the event of significant deviation from the recommended price, may impose penalties on the performance bond or terminate cooperation under the contract.
<i>Fee Arrangement</i>	Joint operators typically pay a fixed brand licensing fee and inventory quality deposit as security for the consigned inventory.	Franchisees typically pay a fixed brand licensing fee and an upfront brand security deposit and receive a one-time subsidy for store setup.

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<i>Settlement</i>	We generally provide our POS system, which is connected to our internal systems, to joint operators for payment collection. Joint operators may offer consumers two payment options: (i) direct payment to our Company; or (ii) direct payment to the joint operator or shopping mall depending on their method of collaboration. In all cases, the payments and/or invoices are processed through our POS system, which generates a transaction record for each sale. Revenue is settled with joint operators monthly following reconciliation, the accuracy of which is ensured by comprehensive transaction records from our POS system and corresponding inventory movements.	Franchisees pay for inventory upon delivery and retain revenue from sales. No monthly settlement is required.
<i>Minimum Sales Target or Purchase Requirement</i>	We typically do not impose any minimum sales targets or purchase requirements on join operators.	We typically do not impose a minimum sales target but would impose a minimum purchase requirement on franchisees.
<i>Termination</i>	Can be terminated by mutual agreement, upon expiration, or due to significant breaches.	Can be terminated by mutual agreement, upon expiration, or due to significant breaches.

We select store partners based on factors such as industry experience, operational capabilities, financial condition and alignment with our brand values. To the best of our knowledge, except for Jiangsu Sunview Garments Co., Ltd., which is a connected person, all store partners were Independent Third Parties as of the Latest Practicable Date. In addition, to the best of our knowledge, during the Track Record Period, the legal representatives (where the store is operated by a company) or the individuals themselves (where the store is operated by an individual) of 34 store partners were either our former employees or close family members of our former employees. Save as disclosed, there had been no employment, financing or family relationships between our store partners and us during the Track Record Period and up to the Latest Practicable Date. All key terms of the agreements with Jiangsu Sunview Garments Co., Ltd. and these 34 store partners are generally comparable with those with other parties after negotiated on an arm's length basis.

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The following table sets forth the movement in the number of our store partners under both joint operation model and franchise model for the periods indicated:

	As of December 31,			As of
	2022	2023	2024	June 30, 2025
Joint Operators				
Number of store partners at the beginning of the period	31	41	72	118
Number of store partners newly added	21	39	67	27
Number of store partners terminated	11	8	21	12
Number of store partners at the end of the period	<u>41</u>	<u>72</u>	<u>118</u>	<u>133</u>
Subtotal	<u>41</u>	<u>72</u>	<u>118</u>	<u>133</u>
Franchisees				
Number of store partners at the beginning of the period	–	–	32	28
Number of store partners newly added	–	32	2	–
Number of store partners terminated	–	–	6	8
Number of store partners at the end of the period	<u>–</u>	<u>32</u>	<u>28</u>	<u>20</u>
Subtotal	<u>–</u>	<u>32</u>	<u>28</u>	<u>20</u>
Total	<u>41</u>	<u>104</u>	<u>146</u>	<u>153</u>

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The following table sets forth the movement in the number of stores operated by our store partners under the joint operation model and franchise model for the periods indicated:

	As of December 31,			As of
	2022	2023	2024	June 30, 2025
Joint Operation Stores				
Number of stores at the beginning of the period	36	48	88	132
Number of stores newly opened or transferred from directly-operated stores or franchised stores	29	51	75	43
Number of stores closed or transferred to directly-operated stores or franchised stores	17	11	31	12
Number of stores at the end of the period	<u>48</u>	<u>88</u>	<u>132</u>	<u>163</u>
Subtotal	<u>48</u>	<u>88</u>	<u>132</u>	<u>163</u>
Franchised Stores				
Number of stores at the beginning of the period	—	—	35	32
Number of stores newly opened or transferred from directly-operated stores or jointly operated stores	—	43	6	1
Number of stores closed or transferred to directly-operated stores or jointly operated stores	—	8	9	8
Number of stores at the end of the period	<u>—</u>	<u>35</u>	<u>32</u>	<u>25</u>
Subtotal	<u>—</u>	<u>35</u>	<u>32</u>	<u>25</u>
Total	<u>48</u>	<u>123</u>	<u>164</u>	<u>188</u>

During the Track Record Period, our joint operation store network had expanded rapidly, while the scale of our franchised store network had remained relatively stable since its commencement in 2023. As part of our store development strategy, we typically encourage store partners with strong sales performance and proven operational capabilities to open multiple stores. As of December 31, 2022, 2023, 2024 and June 30, 2025, 15, 23, 24 and 20 joint operators had operated two or more joint operation stores, respectively. As of December 31, 2023, 2024 and June 30, 2025, five, three and three franchisees had operated two or more franchised stores, respectively. We also continuously optimized our store partner network in response to evolving market conditions and operational performance. During the Track Record Period, we terminated cooperation with 11, 8, 21, and 12 joint operators in 2022, 2023, 2024 and the six months ended June 30, 2025, respectively, as well as six and eight franchisees in 2024 and the six months ended June 30, 2025. These store closures were mainly initiated voluntarily by the store partners (including joint operators and franchisees), primarily due to factors such as business performance falling short of their expectations, changes in their individual plans, local market changes or adjustments to their business focus. We are also strategically shifting our strategic focus from franchise model toward the joint operation model, which we believe offers greater consistency in service quality, stronger brand control and improved scalability.

Store Management and Offline Channel Coordination

We have implemented a comprehensive management system to ensure consistent brand representation and effective channel coordination across our directly-operated stores, joint operation stores and franchised stores.

- To preserve brand integrity and visual identity, we adopt standardized management across store formats, covering store layout and decoration, daily operations, supply chain processes and promotional activities. This ensures that consumers receive a unified brand experience regardless of store type or location.
- To maintain pricing consistency, we provide recommended retail prices to store partners as guidance. A designated team is responsible for price tracking and enforcement.
- To minimize channel conflict and avoid internal competition, we implement protective distance policies that typically require a minimum physical separation between stores based on regional market capacity estimates. We assess the store saturation potential in each region primarily with reference to the previous year's local permanent population, urbanization rate, retail cosmetics penetration in urban areas and our brand's market share in the respective region. Based on these assessments, we estimate the number of stores that can sustainably operate in each area. For regions with higher projected store capacity, we implement a protective distance policy that generally requires a minimum physical distance between any two stores to prevent excessive density and internal competition. Any exceptions to this requirement, such as in locations with high consumer demand or improved commercial conditions, require our prior review and approval.

- In addition, our OMO strategy facilitates coordination between online and offline channels, helping us maintain consistent pricing, inventory allocation and promotional messaging, while optimizing market coverage and consumer accessibility.

These management measures allow us to safeguard brand consistency, enhance customer experience and support sustainable expansion of our offline retail network.

Sales to Offline Retailers and Enterprise Customers

In line with market practice, we directly sell our products to a wide range of offline retailers and enterprise customers, ensuring broad offline coverage and diverse consumer accessibility. Our offline retail partners include nationwide beauty chain stores and duty-free shops. Our enterprise customers include corporate clients, hotels and banks. In 2022, 2023, 2024 and the six months ended June 30, 2025, we sold our products to 29, 27, 58 and 41 offline retailers and enterprise customers, respectively. By partnering with these trusted retail channels and enterprise customers, we effectively expand our market reach, enhance brand visibility, and make our products available to customers across multiple touchpoints, catering to both general consumers and niche customer groups through specialized retail environments. In 2022, 2023, 2024 and the six months ended June 30, 2024 and 2025, our revenue generated from offline retailers and enterprise customers amounted RMB7.2 million, RMB12.1 million, RMB17.2 million, RMB8.3 million and RMB8.3 million, respectively, representing 1.0%, 1.5%, 1.4%, 1.6% and 0.8% of our total revenue generated from product sales in each respective period.

The following sets forth a summary of the salient terms of our typical retail agreements entered into with offline retailers and enterprise customers:

- *Duration.* The term of our agreements with retailers and enterprise customers is generally one to two years.
- *Product Pricing.* We generally sell to retailers and enterprise customers at a discount off the recommended retail price. We provide retailers with recommended retail price as guidance. The discount we offered is in line with industry norm, as advised by CIC.
- *Minimum Sales Target.* We generally do not have minimum sales target for retailers and enterprise customers.
- *Fee Arrangements.* We generally cover the shipping costs and other fees and charges.

- *Payment and Settlement.* We typically require retailers and enterprise customers to make payments upfront upon making a purchase order.
- *Product Return.* Products sold to retailers and enterprise customers can only be returned for product defects.
- *Termination.* Arrangements can be terminated upon mutual agreement, or due to significant breach by counterparties.

Sales to Distributors

In line with market practice, during the Track Record Period, we have cooperated with distributors to expand our sales network and improve brand awareness. Our distributors are typically regional or channel distributors primarily engaged in the sales and distribution of cosmetics products with local distribution network and channel resources. Our distributors typically sell to downstream customers including beauty retail stores, small- to mid-sized multi-brand cosmetics stores and group sales in private domain, which differ from the shopping-mall based retail format of our directly-operated or partner-operated stores. We also consider a protected distance policy in downstream channel planning to prevent store over-saturation and internal competition. There was no material overlap between the locations of downstream customers of distributors and our self-operated stores during the Track Record Period. Products supplied to distributors are also differentiated from those offered in our directly-operated stores in terms of product mix and SKU selection. These arrangements help maintain orderly channel management and mitigate the risk of cannibalization across channels. We believe that distributors with strong sale channel management capabilities as well as sales and distribution experience of cosmetics products can help us penetrate a broader consumer base, increase our market share and enhance our brand awareness efficiently. We started to engage distributors in 2023. As of December 31, 2023, 2024 and June 30, 2025, we engaged 15, 63 and 93 distributors, respectively. In 2023, 2024 and the six months ended June 30, 2024 and 2025, our revenue generated from distributorship amounted to RMB14.5 million, RMB33.1 million, RMB8.1 million and RMB70.1 million, respectively, accounting for 1.8%, 2.7% , 1.5% and 6.7% of our total revenue in each respective period.

We have adopted a set of distributor selection criteria and management policies to ensure our distributors are capable, efficient and well-resourced. Factors considered in distributor selection include their geographic coverage, scale of operations, qualifications, existing consumer base and market reputation. We regularly review the performance of distributors through a selection process and annual assessment. We consider various factors in renewing agreements with distributors, including their qualifications, sales and marketing capabilities, sales network, financial resources, customer resources and synergies with our brands.

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The following table sets forth the movement in the number of our distributors for the periods indicated:

	Year ended December 31,			Six months ended
	2022	2023	2024	June 30, 2025
Number of distributors at the beginning of the period	–	–	15	63
Number of distributors newly engaged	–	15	52	36
Number of distributors terminated	–	–	4	6
Number of distributors at the end of the period	–	15	63	93

In line with market practice, we primarily enter into standard distribution agreements with our distributors, which are sales and purchase agreements in nature. Under such arrangements, we have a buyer-seller relationship with distributors and recognize revenue when they accept our products upon delivery. The following sets forth a summary of the salient terms of our typical distribution agreements:

- *Duration.* The term of our agreements with our distributors is generally one to two years.
- *Designated distribution area or channels.* The distributors are only allowed to sell the products within the designated distribution areas or through the designated channels within the specified areas.
- *Product Pricing.* We sell to all our distributors at a discount off the recommended retail price. The discount we offered is in line with industry norm, as advised by CIC. We provide distributors with recommended retail price as guidance.
- *Payment and Credit Terms.* We typically require distributors to make payment upfront upon making a purchase order.
- *Minimum Sales Targets or Purchase Requirements.* We generally do not set a minimum sales target or purchase requirement for our distributors.
- *Sub-distributorship arrangement.* We generally do not allow our distributors to set up or sell products to sub-distributors. To our best knowledge, our distributors did not engage sub-distributors during the Track Record Period.

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- *Logistics.* We are generally responsible for delivering our products to the distributor's location specified.
- *Transfer of Risk.* The ownership of products and associated risks are transferred to distributors when the products are accepted by the distributors.
- *Product Return and Exchange.* We only accept product return and exchange from our distributors in cases of product defects and other causes that are not attributable to the distributors.
- *Termination.* We are entitled to terminate the distribution agreement with the distributor who breaches the distribution agreement, including unauthorized distribution outside their designated distribution area and failure to obtain required qualifications.

We strive to minimize the channel stuffing risks associated with our distributors through the following measures: (i) we generally require a full payment upon delivering products to distributors; (ii) we generally do not allow returns of products sold to distributors unless there are product defects and other causes that are not attributable to the distributors, and believe such measures discourage distributors from over-purchasing; (iii) we do not set minimum purchase requirements for distributors; and (iv) we generally implement a reasonable and well-structured division of distribution regions, prohibiting distributors from operating outside their designated areas. By assigning specific regions, we are able to clearly track actual sales performance and manage distributors more effectively. This approach incentivizes distributors to better forecast demand within their assigned regions, maintain an optimal level of inventory for sales, and reduce the risk of channel stuffing.

We have also adopted a set of measures to avoid cannibalization among our distributors, including (i) designating specific distribution areas or channels to each distributor through distribution agreement; (ii) instituting a "one product, one code" product tracing system that generates a unique QR code for our products, enabling us to track the movement of products across channels and identify unauthorized cross-channel sales, thereby deterring channel conflict and protecting the interests of compliant distributors; and (iii) implementing a consistent pricing policy for our products, and providing our distributors with recommended retail prices for our products as their guidance. We believe these measures incentivize our distributors to maintain a reasonable level of inventory of our products and avoid channel stuffing.

To our best knowledge, as of the Latest Practicable Date, all of our distributors were Independent Third Parties. To our best knowledge, there was no employment, financing or family relationship between our distributors and us during the Track Record Period.

Our Online Channels

Leveraging our strong brand image, product advantages and consumer trust cultivated through our offline channels, we are rapidly expanding our online channels to meet the evolving needs of today's digital-savvy customers. Designed to bring convenience and accessibility to our customers, our online channels primarily consists of online direct sales and online retailers. In 2022, 2023, 2024 and the six months ended June 30, 2024 and 2025, our revenue generated from the sales through our online channels amounted to RMB312.3 million, RMB394.5 million, RMB714.4 million, RMB290.1 million and RMB687.9 million respectively, accounting for 45.2%, 49.0%, 59.1%, 54.7% and 65.4% of our total revenue, respectively.

Online Direct Sales

Our online direct sales channel comprises sales to end customers through self-operated stores across major e-commerce and social commerce platforms. These include mainstream e-commerce platforms such as Tmall and JD.com; short video platforms such as Douyin and Kuaishou; as well as social media platforms such as Xiaohongshu and WeChat. By leveraging multiple leading e-commerce platforms in China, we ensure our products are accessible to a broad and diverse consumer base, enhancing convenience for consumers and optimizing our digital presence. Our self-operated online stores allow us to maintain control over branding, pricing and customer experience. In 2022, 2023, 2024 and the six months ended June 30, 2025, the average transaction amount per order (excluding all sample orders) from online direct sales amounted to RMB493, RMB499, RMB425 and RMB400, respectively. During the same periods, our revenue generated from online direct sales amounted to RMB263.1 million, RMB349.0 million, RMB634.8 million, RMB247.0 million and RMB616.8 million, accounting for 38.1%, 43.3%, 52.5%, 46.6% and 58.6% of our total revenue in 2022, 2023, 2024 and the six months ended June 30, 2024 and 2025, respectively.

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

	Year ended December 31,						Six months ended June 30,			
	2022		2023		2024		2024		2025	
	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%
<i>(RMB in thousands, except for percentage)</i>										
<i>(Unaudited)</i>										
Tmall	122,279	46.5	173,272	49.7	248,749	39.2	111,485	45.1	112,338	18.2
Douyin	105,045	39.9	107,704	30.9	218,434	34.4	80,641	32.7	345,001	55.9
WeChat	19,191	7.3	34,553	9.9	90,054	14.2	27,372	11.1	84,056	13.6
JD.com	8,664	3.3	12,667	3.6	16,678	2.6	7,167	2.9	8,286	1.3
Others ⁽¹⁾	7,927	3.0	20,755	5.9	60,922	9.6	20,302	8.2	67,094	11.0
Total revenue from online direct sales	263,106	100.0	348,951	100.0	634,837	100.0	246,967	100.0	616,775	100.0

Note:

- (1) Others primarily include social media and e-commerce platform, such as Aikucun, Jinglinggou, Pinduoduo and Kuaishou, among others.

Sales to Online Retailers

In line with market practice, during the Track Record Period, we also engaged online retailers, primarily consisting of e-commerce platforms such as Vipshop and JD.com's self-operated stores and retailers who operate stores on e-commerce platforms, who directly sell our products to end customers. As of December 31, 2022, 2023, 2024 and June 30, 2025, we engaged 13, 15, 15 and 24 online retailers, respectively. During the Track Record Period, there was no material concentration risk associated with any of our online retailers. In 2022, 2023, 2024 and the six months ended June 30, 2024 and 2025, our revenue generated from sales to online retailers amounted to RMB49.2 million, RMB45.5 million, RMB79.5 million, RMB43.1 million and RMB71.1 million, respectively, accounting for 7.1%, 5.7%, 6.6%, 8.1% and 6.8% of our revenue generated from the product sales of the same periods.

In line with market practice, we primarily enter into standard sales and purchase arrangements with retailers who operate online stores on e-commerce platforms, or consignment arrangements with e-commerce platforms including Vipshop and JD.com's self-operated stores. Under sales and purchase agreements, we have a buyer-seller relationship with online retailers and recognize revenue when they accept our products upon delivery. Under consignment agreements, we recognize revenue when end customers confirm acceptance of our products on the relevant e-commerce platform. The following sets forth a summary of the salient terms of our typical agreements entered into with online retailers:

- *Duration.* The term of our agreements is generally one year.
- *Product pricing.* We provide a recommended retail price as guidance.
- *Fee arrangement.* For e-commerce platforms, in line with market practice, as advised by CIC, we typically pay service fees for store operation, marketing and logistics, typically calculated as a percentage of sales or based on services used.
- *Return policy.* E-commerce platforms can only return defective, customer-returned, or unsold products to us. Retailers who operate online stores on e-commerce platforms are generally only allowed to return defective products.
- *Termination.* The agreements may be terminated by either party under specified conditions, including breach of contract or platform rules, with notice periods and post-termination obligations.

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The following table sets forth the movement in the number of online retailers during the Track Record Period:

	Year ended December 31,			Six months ended
	2022	2023	2024	June 30, 2025
Number of online retailers at the beginning of the period	6	13	15	15
Number of online retailers newly engaged	8	6	3	10
Number of online retailers terminated	1	4	3	1
	<u>13</u>	<u>15</u>	<u>15</u>	<u>24</u>
Number of online retailers at the end of the period	<u>13</u>	<u>15</u>	<u>15</u>	<u>24</u>

Coordination Among Sales Channels

To minimize the risk of cannibalization among our online and offline sales channels and to enhance overall channel efficiency, we have adopted a structured and coordinated sales strategy. Specifically:

- *Channel-specific product strategies.* In addition to signature products that are made available through all sales channels, we implement a differentiated product strategy whereby certain SKUs or specifications are designated exclusively for either online or offline channels. These channel-specific products are supported by the most advantageous mechanisms available in their respective channels to maximize their commercial value and avoid overlap.
- *Aligned yet differentiated promotions for signature products.* For signature products offered across both online and offline channels, we maintain a consistent level of promotional intensity, while adopting differentiated promotional strategies such as varying the lead product specifications or promotional gifts. This approach reduces the likelihood of internal competition and enables each channel to retain its promotional focus.
- *Differentiated operating strategies among online sales channels.* When our self-operated online stores operate on the same e-commerce platform with other online retailers or third-party self-operated stores, we adopt differentiated operating models to balance performance and optimize exposure. For instance, on JD.com, our products are sold through both (i) JD.com's self-operated store, which enjoys strong platform support, high user trust and larger business scale, and focuses on driving sales of signature products and new launches with a streamlined SKU offering; and (ii) our official flagship store, which emphasizes product richness by offering an extensive range of SKUs and bundled product sets. These two store models are positioned to complement each other and enable consumers to experience the same brand values and product quality.

- *Consistent brand experience across channels.* Despite the differentiated strategies adopted across sales channels, we are committed to delivering a unified brand image and consistent consumer experience across all customer touchpoints:
 - o Our offline stores, regardless of operation model, are subject to standardized site selection criteria, with over 95% of our stores located in shopping malls as of June 30, 2025. We maintain a unified store design to reflect our brand identity, and provide standardized training to store staff to ensure they can deliver professional product recommendations. In certain stores, we also offer in-store experiential skincare services to allow consumers to engage with our products in an immersive setting.
 - o In parallel with our offline expansion, we have actively strengthened our online presence by leveraging a broad range of online sales and marketing channels. In addition to online stores, we also employ livestreaming, short video platforms and targeted campaigns on major e-commerce platforms to improve consumer engagement and drive sales conversion.
- *Consistent pricing policy and enforcement mechanisms.* We maintain a consistent pricing policy across all sales channels to protect our brand value and ensure a fair and transparent consumer experience. For products distributed through third-party channels, we provide recommended retail prices and have established a designated team responsible for price monitoring and enforcement. We actively monitor pricing across channels, including regular site inspections and ad hoc store visits for offline stores, and automated price monitoring for online platforms. Our standard contractual terms with third parties typically include requirements for compliance with our pricing policy, with penalties for non-compliance such as warnings, fines or termination of cooperation.

PROCUREMENT AND PRODUCTION

Procurement

We adopt a centralized and quality-oriented procurement strategy to ensure the stability, traceability and efficacy of raw materials across our product portfolio. Our procurement center is responsible for the unified procurement of primary raw materials required for product formulation. We procure certain raw materials, including camellia seed oil, camellia flowers, camellia leaves and camellia seed cake, which undergo multiple processing steps to become semi-finished ingredients used in the production of finished products. In addition to camellia-derived inputs, we also procure other raw materials such as polyols, lipids and other botanical extracts, as well as packaging materials, to support product development and delivery.

In particular, to secure a stable, high-quality supply of camellia flowers, we have entered into long-term supply agreements with nine camellia planting bases across Zhejiang and Jiangxi provinces as of the Latest Practicable Date, which collectively covered an area of over 20,000 mu (approximately 3,295 acres), including exclusive supply agreements with four camellia planting bases in Songyang, Dexing, Jizhai and Jinyun. Under the exclusive supply agreements, the suppliers commit to supplying camellia flowers solely to us within the skincare industry based on agreed price over the duration of the contract. During the Track Record Period, we primarily sourced from four planting bases to meet production needs, while the remaining five planting bases served as strategic reserves to guarantee uninterrupted future supply and accommodate any fluctuations in demand. These bases are located in mountainous regions, which create optimal conditions for cultivating high-quality red camellias. During the Track Record Period and up to the Latest Practicable Date, all camellia planting bases with which we had long-term supply agreements were Independent Third Parties, and there were no past or present relationships, including family, trust, employment, shareholding, or financing relationships, between these suppliers and us, our subsidiaries, our directors, our shareholders, our senior management, or any of their respective associates.

The following pictures present these camellia planting bases:



We provide these planting bases with technical guidance in planting, seedling cultivation, maintenance and harvesting to ensure the consistency and quality of camellia flowers. During the Track Record Period, we entered into long-term framework agreements with four planting bases securing exclusive supply of camellia flowers and issued purchase orders specifying the quantity, unit price, total value and quality requirements. The planting bases are responsible for delivering the camellia flowers to our designated sites, where we carry out inspection and quality acceptance before payment. This structured approach ensures end-to-end control over the supply of our core ingredient, effectively manages any material fluctuations in the price of camellia flowers, while supporting our long-term innovation and product development goals. Our Directors confirm that, during the Track Record Period and up to the Latest Practicable Date, there were no material fluctuations in the purchase price of camellia flowers from these camellia planting bases.

BUSINESS

The following sets forth a summary of the salient terms of our long-term supply agreements with the camellia planting bases:

- *Duration.* The agreements typically has a duration of 10 years.
- *Quality control.* Camellia planting bases are typically required to ensure that all raw materials are natural and environmentally friendly, prohibiting the use of toxic pesticides and growth hormones.
- *Minimum purchase.* The long-term supply agreements generally do not specify any minimum purchase requirements.
- *Exclusivity.* Among all nine long-term supply agreements which we have entered into with camellia planting bases as of the Latest Practicable Date, four contained exclusivity provisions, where the planting bases commit to supplying camellia flowers solely to us within the skincare industry based on agreed price over the duration of the contract.
- *Penalty.* Penalty clauses are typically included to address any breaches of exclusivity.
- *Pricing arrangement.* Purchase prices are typically determined annually based on prevailing market rates and mutually agreed quality standard.

The following table sets forth details of each planting base, including its location, area, and the year in which our business relationship commenced, as of the Latest Practicable Date:

No.	Planting bases with location	Approximate area (Mu)	Year of commencement of business relationship
1.	Jiangxi Province, Wuyuan Base	16,800	2018
2.	Zhejiang Province, Songyang Base	1,000	2018
3.	Zhejiang Province, Minguang Base	800	2019
4.	Jiangxi Province, Dexing Base	3,000	2022
5.	Zhejiang Province, Pan'an Base	1,500	2024
6.	Zhejiang Province, Longyin Base	1,000	2019
7.	Zhejiang Province, Xiazhuang Base	800	2023
8.	Zhejiang Province, Jizhai Base	1,000	2025
9.	Zhejiang Province, Jinyun Base	1,000	2025
Total		26,900	

BUSINESS

Based on historical purchases and past transactions, the Songyang and Dexing planting bases have agreed to maintain production levels sufficient to meet our demand requirements. In line with our business and production needs, during the Track Record Period, we procured from these four planting bases, all of which are under long-term exclusive agreements with us. These four planting bases have a combined annual maximum production capacity of 20 tons, with the Songyang Base contributing five tons, the Dexing Base contributing 10 tons, the Jizhai Base contributing to three tons and the Jinyun Base contributing to two tons, exceeding our actual usage level in each year/period during the Track Record Period. The raw materials we procure undergo multiple processing steps before being converted into semi-finished ingredients and, ultimately, finished products. Given their relatively long storage life of approximately two to three years, we are able to manage inventory efficiently and carry forward reserves when necessary. The following table details the annual supply volume, committed minimum available supply and our actual production usage of camellia flowers for these four planting bases for the periods indicated:

Six months ended													
June 30, 2025													
		2022		2023		2024							
		Committed		Committed		Committed		Committed					
		minimum	Annual	minimum	Annual	minimum	Annual	minimum	Annual	Supply	Actual		
		available	supply	available	supply	available	supply	available	supply	volume ⁽³⁾	usage ⁽²⁾		
No.	Planting bases	supply	volume	usage	supply	volume	usage ⁽¹⁾	supply	volume	usage ⁽²⁾	supply ⁽³⁾	volume ⁽³⁾	usage
(Production unit in tons)													
1.	Zhejiang Province, Songyang Base	2.0	2.2	1.9	2.0	–	0.2	2.5	2.5	2.5	5.0	3.2	–
2.	Jiangxi Province, Dexing Base	3.0	2.2	1.4	4.0	0.6	1.8	5.0	2.1	3.1	10	9.6	3.0
3.	Zhejiang Province, Jizhai Base	–	–	–	–	–	–	–	–	–	1.5	1.2	–
4.	Zhejiang Province, Jinyun Base	–	–	–	–	–	–	–	–	–	1.5	0.9	–
Total		5.0	4.4	3.3	6.0	0.6	2.0 ⁽⁴⁾	7.5	4.6	5.6	18.0	14.9	3.0

Notes:

- (1) Actual usage exceeded the annual supply volume in 2023 due to the utilization of reserves carried forward from prior years, which supplemented procurement in 2023 to meet production demands.
- (2) Actual usage exceeded the annual supply volume in 2024 due to the utilization of reserves carried forward from prior years, which supplemented procurement in 2024 to meet production demands.
- (3) The committed minimum available supply is an annual commitment from the planting bases. The supply volume represents the amount actually supplied in the six-month period ending June 30, 2025.
- (4) The decline in 2023 was primarily due to the utilization of reserved semi-finished ingredients processed from camellia flowers in previous years.

Given that camellia flowers undergo multiple processing steps before being converted into semi finished ingredients and ultimately finished products, and considering their relatively long storage life of approximately two years, our procurement volume in any given year does not necessarily correspond to the actual usage of camellia flowers, or production output or revenue of finished products in the same period. Our procurement activities for camellia flowers are therefore cross-period in nature and may result in carry-forward reserves from year to year. In particular, the decline in our usage of camellia flowers in 2023 was primarily attributable to our utilization of semi finished ingredients processed from camellia flowers procured in previous years. In addition, our procurement volume in the six months ended June 30, 2025 increased and exceeded actual usage, as we (i) increased purchases in a year of favorable camellia harvest to secure high quality raw materials, (ii) replenished inventory in advance to support anticipated growth in production and sales, and (iii) conducted concentrated procurement in the first half of the year in line with the seasonal harvesting pattern of camellia, while actual consumption of these raw materials takes place throughout the year.

Other ingredients are sourced from reputable domestic and international suppliers. We have also established a centralized supplier management system and implemented a rigorous supplier selection and evaluation procedure. A dedicated department is responsible for reviewing supplier qualifications, conducting on-site inspections prior to engagement, and periodically evaluating supplier performance. Our selection process considers factors such as product quality and efficacy, production facility conditions, warehouse management, quality control and production equipment capabilities. Qualified suppliers are maintained on an approved supplier list managed by our procurement department, which also monitors performance with respect to product quality and delivery timeliness. We maintain a list of qualified suppliers and reserve the right to suspend or terminate cooperation with suppliers that fail to meet our internal standards, which also ensures stable supplies from alternative suppliers at comparable quality and prices in the unlikely event of supply shortage. We also reserve the right to adjust our product prices in the unlikely event of significant rise in raw material costs. For details of our five largest suppliers in each year/period during the Track Record Period, see “— Our Suppliers.”

During the Track Record Period and up to the Latest Practicable Date, we did not encounter any material quality problems or receive defective products, experience any supply shortages that materially and adversely affected our business, financial condition or results of operations, nor were there any material breaches of our agreements with camellia planting bases.

Production

To maintain high standards and ensure product quality, we have established in-house production capabilities for core ingredients, especially those based on camellia extracts, and our major skincare products during the Track Record Period. This approach allows us to exercise stringent quality control, ensuring consistency across our product portfolio and reinforcing our competitive advantage.

Equipment and Technology

We continuously strive to stay ahead in terms of technological advancements to enhance production efficiency and product quality. We have equipped our production facilities with advanced machinery sourced from reputable manufacturers and optimized our production processes using innovative technologies.

Our key equipment used in the production of skincare products include emulsifying equipment, cleaning and filling equipment, sterilization equipment and packaging equipment. Our key equipment used in the processing of ingredients include extraction and refining equipment, mixing equipment and separation equipment.

We have stayed attuned to the latest production technological development globally. We collaborate with leading suppliers on raw materials development, technology advancement and equipment upgrade to continually improve the quality of our products. For example, in order to ensure the quality of our raw materials and the confidentiality requirements of our production process, we have established an independent production line for our core raw materials, including extraction, purification and mixing production lines.

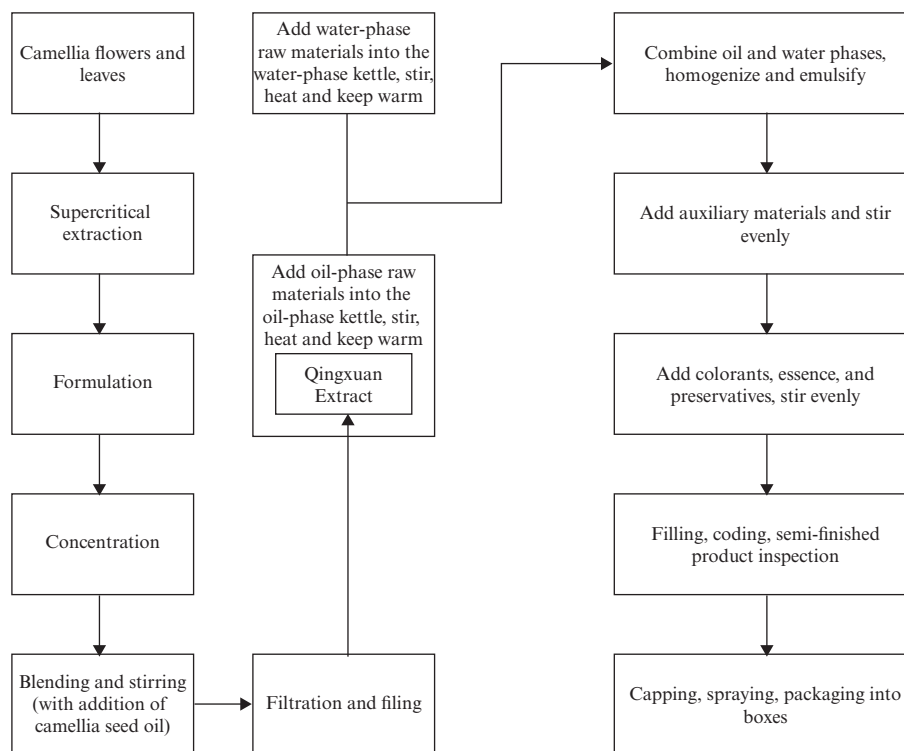
We precisely manage our product line by implementing digital control over production parameters and monitoring production data. We consistently enhance the automation and digitalization of our production process through upgrades to our key equipment and devices involved in our production process.

Production Process

We have established standardized and orderly production processes covering both cream and lotion products as well as general liquid products. For cream and lotion products, production starts with preparing the water phase and oil phase separately. Each phase is heated and stirred in dedicated vessels to ensure full dissolution and stability. The two phases are then combined in emulsification equipment to achieve uniform mixing. After emulsification, auxiliary ingredients, pigments, fragrances and preservatives are incorporated through controlled stirring. The semi-finished materials are subjected to in-process inspections before being transferred for filling, coding and packing.

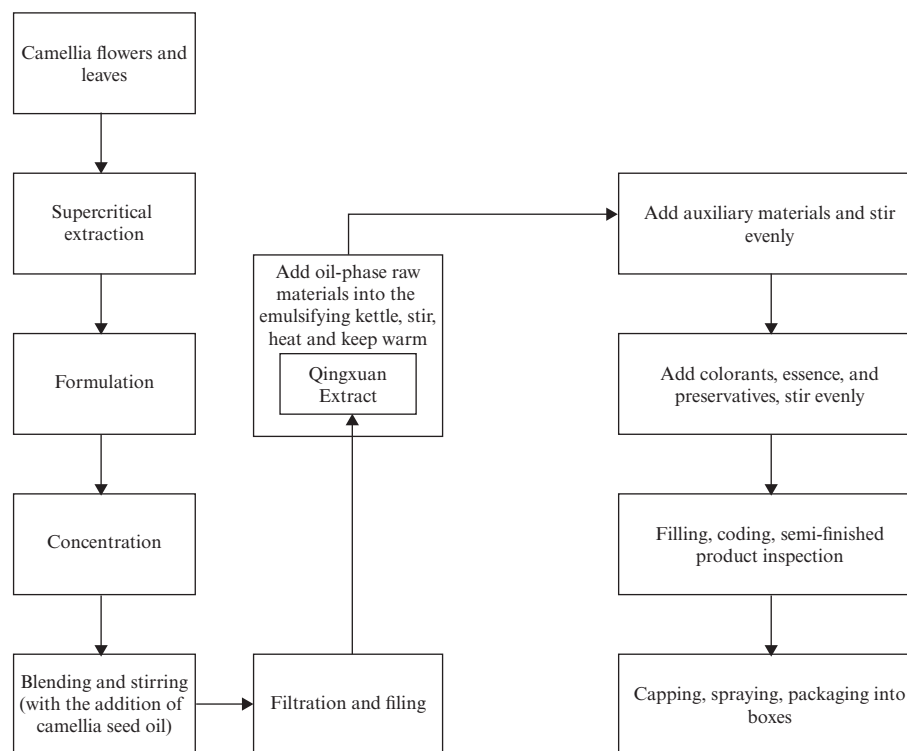
BUSINESS

The following chart presents the typical production process of our cream and lotion products:



For general liquid products, production begins with the extraction and concentration of key plant-based ingredients, followed by blending with other raw materials and oils. The mixture then undergoes filtration and transfer to filling lines. All semi-finished products are inspected before filling, coding and packing.

The following chart presents the typical production process of our general liquid products:



Finished products that pass final quality inspection are placed into storage and prepared for delivery. After raw materials are prepared, the production cycle for most products generally requires approximately one month.

We apply rigorous quality control measures throughout the production process to deliver safe and effective skincare products. We strictly control each production step, with key processes including formulation, filling and packaging closely monitored and supported by a high degree of automation, ensuring precision, consistency and efficiency. Our production facility employs independent personnel and material flow paths and a 100,000-grade purification system. All raw materials and final products undergo rigorous testing for physical, chemical and microbiological indicators. This end-to-end quality control system enables us to deliver products that are safe, reliable and effective, strengthening consumer trust and reinforcing the reputation of our brand.

Production Capacity

We have established robust production capabilities to support our growth, ensure product quality and enhance supply chain responsiveness. As of the Latest Practicable Date, we operated two production bases in Shanghai: Shanghai Production Base No.1 and the Shanghai Main Production Base, which together form the backbone of our production infrastructure. Among which, the Shanghai Main Production Base consists of two dedicated production facilities for skincare production and ingredients processing, respectively. Notably, our Shanghai Main Production Base is a carbon-neutral research and production base constructed with reference to GMP standards typically applied in pharmaceutical manufacturing. These standards significantly exceed those of the cosmetics industry, underscoring our commitment to stringent quality control. Together, these facilities have a combined GFA of 49,120 sq.m. as of June 30, 2025. Subject to market condition and evolving demands of the growing cosmetic market of China, we may expand and upgrade our production capabilities in the future.

The following table sets forth the details of our production facilities as of June 30, 2025:

<i>Production Base</i>	<i>Primarily Function</i>	<i>GFA (sq.m.)</i>
Shanghai Production Base No.1	Production of skincare products	50,000
Shanghai Main Production Base		
– Skincare production facility	Production of skincare products and handcrafted soaps	41,960
– Ingredients production facility	Production and processing of botanical extracts	2,160
Total		49,120

BUSINESS

The following table sets forth the details of our production capacity for finished products by product category for the periods indicated:

	Year ended December 31,									Six months ended June 30,		
	2022			2023			2024			2025		
	Designed production capacity ⁽¹⁾	Actual production volume	Utilization rate ⁽²⁾	Designed production capacity ⁽¹⁾	Actual production volume	Utilization rate ⁽²⁾	Designed production capacity ⁽¹⁾	Actual production volume	Utilization rate ⁽²⁾⁽⁴⁾	Designed production capacity ⁽¹⁾	Actual production volume	Utilization rate ⁽²⁾⁽⁴⁾
	<i>Production unit in thousand units</i>		<i>(%)</i>	<i>Production unit in thousand units</i>		<i>(%)</i>	<i>Production unit in thousand units</i>		<i>(%)</i>	<i>Production unit in thousand units</i>		<i>(%)</i>
Essence oil	6,955	6,546	94.1	7,000	6,529	93.3	13,000	9,181	70.6	10,257	8,235	80.3
Facial cream	2,430	2,317	95.3	3,800	3,690	97.1	8,300	6,004	72.3	6,616	4,475	67.6
Sunscreen	51	48	94.1	30	29	96.7	2,380	1,764	74.1	1,053	624	59.2
Toner and lotion	3,800	3,628	95.5	4,056	3,829	94.4	3,900	2,832	72.6	3,428	2,111	61.6
Serum	2,200	2,083	94.7	1,088	1,047	96.2	4,919	3,738	76.0	3,968	2,296	57.9
Facial masks	4,212	3,974	94.3	4,000	3,890	97.3	5,200	3,782	72.7	9,360	2,115	22.6
Others ⁽³⁾	1,350	1,286	95.3	1,320	1,274	96.5	3,001	2,234	74.4	3,323	1,862	56.0
Total/Overall	20,998	19,882	94.7	21,294	20,288	95.3	40,700	29,535	72.6	38,005	21,718	57.1

Notes:

- (1) The designed production capacity for our major production facilities of the year/period is calculated based on the following assumptions: (i) all product lines function at their full capacity, with our production facilities running 20 hours per day. The number of actual working days at full capacity was 331, 304, 331 and 159 working days in 2022, 2023, 2024 and the six months ended June 30, 2025 for our product lines, respectively. Only actual production time is counted; time spent on pilot runs, scale-up activities, and overlapping production cycles was excluded from the calculation of working days. The reduced number of working days in 2023 resulted from the acquisition of additional production facilities at our production base, which increased production volume and consequently decreased the required number of working days for that year; and (ii) our average overall equipment efficiency rate of compounded ingredient is 85%, which reflects the deduction of standard daily downtime for cleaning, changeovers, and maintenance from the total available production time, representing the proportion of time the equipment is productively operating. We may allocate production capacity among different product lines based on the market demand and product sales. Certain production lines of our new Shanghai Main Production Base commenced operations towards the end of 2024, leading to a 47.7% increase in designed production capacity and an initial reduction in the utilization rate. The calculation basis of our designed production capacity is in line with market practice, as advised by CIC.
- (2) Utilization rate is calculated by dividing the actual production volume by designed production capacity for the same year/period.
- (3) Others primarily include eye cream, cleanser, color cosmetics and body care.
- (4) The decrease in the utilization rate in 2024 and the six months ended June 30, 2025 resulted from an expansion of our designed production capacity. Our Shanghai Main Production Base commenced operation in October 2024, and we continued to install and commission new production equipment throughout the first half of 2025.

BUSINESS

The following table sets forth the details of our production capacity for ingredients for the periods indicated:

	Year ended December 31,									Six months ended June 30,		
	2022			2023			2024			2025		
	Designed production capacity ⁽¹⁾	Actual production volume	Utilization rate ⁽²⁾	Designed production capacity ⁽¹⁾⁽³⁾	Actual production volume	Utilization rate ⁽²⁾	Designed production capacity ⁽¹⁾⁽³⁾	Actual production volume ⁽⁴⁾	Utilization rate ⁽²⁾⁽⁴⁾	Designed production capacity ⁽¹⁾	Actual production volume	Utilization rate ⁽²⁾
	<i>Production unit in tons</i>		<i>(%)</i>	<i>Production unit in tons</i>		<i>(%)</i>	<i>Production unit in tons</i>		<i>(%)</i>	<i>Production unit in tons</i>		<i>(%)</i>
Qingxuan Extract	20	17	85.0	20	18	90.0	65	65	100.0	60	40.1	66.8
Camellia extracts	20	14	71.2	50	49	98.0	100	64	64.0	50	34.1	68.2
Peptides and other ingredients	50	41	82.0	50	38	76.0	200	176	88.0	130	118.0	90.8
Total/Overall	90	72	80.0	120	105	87.5	365	305	83.6	240	192.1	80.1

Notes:

- (1) The designed production capacity for our major production facilities of the year/period is calculated based on the following assumptions: (i) all product lines function at their full capacity, with our production facilities running 8 hours for the Qingxuan Extract lines and 11 hours for other ingredient lines per day. For our ingredient production lines, the number of actual working days at full capacity was 185, 249, 250 and 149 working days in 2022, 2023, 2024 and the six months ended June 30, 2025, respectively. Only actual production time is counted; time spent on pilot runs, scale-up activities, and overlapping production cycles was excluded from the official production time. The reduced number of working days in 2022 was due to pandemic-related delays in procuring and installing ingredient extraction equipment, necessitating a ramp-up of production in subsequent years; and (ii) our average overall equipment efficiency rate of compounded ingredient is 85%, which reflects the deduction of standard daily downtime for cleaning, changeovers, and maintenance from the total available production time, representing the proportion of time the equipment is productively operating. The calculation basis of our designed production capacity is in line with market practice, as advised by CIC.
- (2) Utilization rate is calculated by dividing the actual production volume by designed production capacity for the same year/period.
- (3) The increase in designed production capacity for camellia extracts from 2022 to 2023 was primarily because the camellia extraction workshop commenced trial operation in August 2022, and its designed production capacity for 2022 was therefore adjusted on a pro rata basis to reflect the capacity from August to December 2022, as compared to that of a full year in 2023 and the following years. The increase in overall designed production capacity for 2024 was resulted from our equipment upgrades, process optimization and commissioning of new equipment.
- (4) The increase in actual production volume in 2024 was resulted from the expanded designed capacity and stronger market demand. The decrease in utilization rate in 2024, however, was primarily due to the expansion of our designed production capacity in 2024 resulted from our equipment upgrades, process optimization and commissioning of new equipment that underwent maintenance and was generally still in the ramp-up period during 2024.

In addition, considering factors such as use of facility space, energy consumption, production efficiency and market demand, we partnered with a selection of reliable OEM suppliers to assist with intermediary production steps, such as ingredient purification and concentration, as well as to produce certain sample canning and semi-finished product canning, such as certain travel-sized products and facial masks. We also cooperated with a selection of reliable ODM suppliers to produce perfumes and color cosmetics. We carefully select OEM and ODM suppliers by taking into account their prices, quality, production capacity, financial condition, business scale and reputation. During the Track Record Period and up to the Latest Practicable Date, we had not experienced any incidents of material shortage or delay in the supply of products, nor any material disputes with the OEM/ODM providers. Below sets forth a summary of the salient terms of our standard agreements with OEM/ODM providers:

- *Duration.* The term of our agreements with OEM/ODM providers is typically one year.
- *Minimum purchase.* We generally do not specify minimum purchase in the agreements with ODM/OEM providers.
- *Production.* We generally require our OEM/ODM providers to use certain kinds of materials for the design and development of our products, and our OEM/ODM providers are primarily responsible for production of cosmetics products based on our requirement.
- *Product returns.* We may return products to OEM/ODM providers under scenarios such as product quality issues.
- *Intellectual property.* All materials provided by us to the OEM/ODM providers, including trademarks, logos, product formulations, formulation patents and product packaging, as well as any associated copyrights and patent application rights, shall remain our property. The OEM/ODM providers are permitted to use these materials only within the scope of our prior consent and for the purpose of the cooperative project. During the Track Record Period and up to the Latest Practicable Date, no new intellectual property rights have been developed during our collaboration with OEM/ODM providers. If new intellectual properties are developed, the ownership of the relevant rights will be determined by mutual agreement based on the respective contributions of the parties.
- *Confidentiality.* We require OEM/ODM provider to keep all technical and business information obtained from us strictly confidential and use it solely for contractual purposes. The OEM/ODM provider shall implement appropriate technical and organizational measures to protect the confidentiality of such information, including secure storage, restricted access and regular training of personnel. Upon termination or expiry of the contract, or upon our request, the OEM/ODM provider shall promptly return or securely destroy all confidential information in its possession.
- *Termination.* We reserve the right to terminate the agreement in instances such as late delivery and product quality issues.

During the Track Record Period, we partnered with 16, 11, 12 and 12 OEM/ODM suppliers in 2022, 2023, 2024 and the six months ended June 30, 2025, respectively, all of whom were Independent Third Parties as of the Latest Practicable Date.

INVENTORY MANAGEMENT AND LOGISTICS

Inventory Management

Our inventories primarily consist of raw materials, work in progress and finished goods. As of December 31, 2022, 2023, 2024 and June 30, 2025, we had inventories of RMB70.5 million, RMB55.1 million, RMB141.2 million and RMB245.7 million, respectively. We primarily utilized the warehouses located within our production bases and engaged third-party logistics service providers to provide warehousing facilities as supplemental warehousing facilities. We developed policies and procedures for procurement and inventory management, indicating a proactive and structured approach to managing our supply chain. We generally maintain a minimum inventory level of raw materials based on our historical sales, real-time market demands for our products and future sales projections. Our integrated IT systems, including the OneEDP, OMS, and ERP platforms, provide centralized, real-time inventory management across all sales channels. These systems enable us to continuously monitor stock levels, generate detailed inventory reports, and maintain optimal product availability while ensuring operational efficiency. During the Track Record Period, we did not experience any material shortage of inventory or material obsolescence of inventory of raw materials.

Transportation and Logistics

We engage third-party logistics service providers for product delivery. Our transportation arrangements with third-party logistics service providers enable us to maintain a low level of capital investment in developing and maintaining an in-house logistics system. We select logistics service providers based on their reputation, scale of operation, track record and price. We usually enter into long-term agreements with our logistics service providers. We use a standardized logistics agreement for our logistics service providers. Our logistics service providers bear the risks associated with the delivery of our products, the liability for product damage occurring during the transportation process and are required to purchase necessary insurance. We assess our logistics service providers based on delivery performance, transportation capability and overall service quality. During the Track Record Period and up to the Latest Practicable Date, we had not experienced any material disruption in the delivery of our products or suffered any material loss due to late delivery or mishandling of products by our logistics service providers.

QUALITY CONTROL

Product quality is at the core of our business success. We have implemented stringent quality control in all material aspects of our operations, including product design and development, raw material procurement and production, ensuring consistent high quality of our products. We have assembled a quality control team consisting of 35 members as of June 30, 2025, overseeing our quality control processes to make sure all processes meet up to our internal standards.

Product design and development. We embed our quality control processes into the product design and development phase. Through close collaboration between our quality control team and the R&D department, we identify and address potential quality issues before the production of products. By involving quality control early in the design and development stages, we can integrate quality control measures into the product design specifications, including selection of materials, design for manufacturability, to ensure the product can be reliably produced.

Procurement. We carefully select our suppliers for raw materials, including mandatory qualification assessment before engaging suppliers. This assessment ensures that only suppliers who meet our standards for quality, reliability and other criteria such as sustainability and ethical practices are chosen to provide raw materials. See “— Procurement and Production — Procurement.”

Production. We have implemented a set of quality control standards for our self-manufacturing process and for our ODM/OEM providers to ensure consistent quality of our products. See “— Procurement and Production — Production.” Our quality control team conducts internal inspections and external testing, sorting and inspecting finished products against our quality standards. These products are then sent to national or local testing institutes for further testing. This external testing adds an extra layer of quality assurance, verifying the product’s compliance with relevant national standards and regulations. Depending on the nature of the product, this may involve a range of tests, including safety, performance, and durability assessments. Through our internal and external quality control measures, we ensure that products are free from defects and meet all specified requirements before delivery to our sales channels.

Storage and Delivery. We cooperate with selected logistic providers to deliver our finished products in a cost-effective and timely manner. We then store our finished products in warehouses under conditions with ventilation, temperature and humidity controlled. In addition, we take measures to safely store our finished products with firefighting facilities. See “— Inventory Management and Logistics.”

PRODUCT SAFETY

We are committed to ingredient transparency and stringent product safety standards. Our comprehensive compliance system ensures strict adherence to the PRC cosmetic regulations at every stage, from ingredient selection through final product delivery, ensuring regulatory compliance and maintaining consumer trust. We do not conduct animal testing in our product development process.

Full ingredient disclosure. In compliance with regulatory requirements, we list all ingredients exceeding 0.1% concentration on product packaging in descending order of quantity. All components are identified using standardized nomenclature from China’s Inventory of Cosmetic Ingredients. For enhanced transparency, complete ingredient lists are publicly available through the national cosmetic product registration platform and authorized third-party applications.

Strict ingredient safety protocols. Our safety management system begins with rigorous raw material screening. We strictly forbid the use of prohibited ingredients listed in China's Cosmetic Safety Technical Regulations and require suppliers to provide complete technical documentation, including the material safety data sheet, technical data sheet, specification sheet, certificate of analysis, and appendix 14 to the Cosmetic Safety Technical Regulations. These documents provide detailed information on the chemical properties, safety, quality standards, product testing results, and regulatory compliance of our ingredients.

Prohibited use of restricted ingredients. We prohibit the use of all ingredients restricted under China's Cosmetic Safety Technical Regulations and carefully monitor restricted ingredients through rigorous formulation reviews to ensure usage remains within approved limits. Suppliers are required to provide complete technical documentation as detailed above for substance identification and control.

Comprehensive production quality control. We maintain stringent production standards through controlled environments, regular equipment sanitation, and comprehensive finished product testing. All finished products undergo quality checks including microbial and physicochemical analysis, with additional third-party verification for heavy metals and other hazardous substances.

MARKETING AND BRANDING

We have adopted a comprehensive and innovative marketing and branding strategy to promote our products and services, enhance our brand awareness and reputation, and attract and retain consumers. Advertisements, product packaging, and media content undergo rigorous internal review prior to publication.

Short Video and Livestreaming Synergy. We utilize an integrated online promotion strategy to create synergies between short-video and livestreaming, combining the interactivity of short videos and livestreaming to accumulate and convert online traffic effectively. In 2022, 2023, 2024 and the six months ended June 30, 2025, we collaborated with approximately 170, 250, 540 and 650 KOLs/KOCs, respectively, and held over 460, 700, 1,640 and 1,600 livestreaming sessions, respectively. This approach has strengthened our position across major platforms, attracting approximately 7.9 million followers on Tmall and 2.7 million followers on Douyin as of June 30, 2025. Our livestreaming efforts have driven exceptional campaign performance. For example, we ranked first in the Tmall Double 11 Anti-Wrinkle Essence Oil Pre-sale Chart 2024, first in the Tmall Essence Oil Bestsellers Chart 2024, and first in the Tmall "618 Carnival" Facial Essence Oil Bestsellers Chart, among others.

Short Videos. We create short videos featuring our brands, products, services and skincare tips, and distribute them through various platforms such as Douyin and Kuaishou. We also collaborate with professional video production agencies to produce high-quality and engaging videos. In 2024, our short video marketing content on platforms such as Douyin generated over 400,000 likes.

Livestreaming. We amplify our social media presence through livestreaming hosted by our account matrix, alongside in-house livestreaming studios and collaborations with KOLs and KOCs. This integrated approach, combined with strong product strength, has strengthened our presence across major e-commerce and livestreaming platforms. Collaborations with well-known KOLs and KOCs have significantly boosted our online visibility and consumer engagement. We have established rigorous selection criteria for qualified KOLs and KOCs, focusing on factors such as popularity, relevance and alignment with our brand values. In 2024, we collaborated with KOLs and KOCs and created collaborative content pieces through online social media such as Xiaohongshu and Douyin, which enhanced the market presence of our products.

As part of our marketing strategy and in line with market practice as advised by CIC, we collaborate with KOL agencies to engage KOLs/KOCs for promotional activities. The salient terms of the typical agreements with KOL agencies are set forth as follows:

- ***Duration.*** Agreements with KOL agencies generally range from one month to one year, with some agreements allowing renewal or extension upon mutual agreement.
- ***Service scope.*** The scope of services typically involves engaging KOLs/KOCs to conduct marketing campaigns through livestreaming sessions, short videos, or social media posts to promote our brand and products. We supply KOLs/KOCs with promotional materials, product samples, and guidelines, based on which the KOLs design, produce, and disseminate promotional content.
- ***Fee arrangement.*** Our fee arrangement with KOLs/KOCs generally comprise a fixed fee and a variable fee. When determining the mix between the fixed and variable components for a particular KOL/KOC, we consider, among other factors, the operational scale and market influence of the relevant KOL/KOC, and agree with such KOL/KOC a fixed sales target. Based on our observation, KOLs/KOCs with broader operational scale and stronger market influence are generally able to support a higher pre-agreed GMV target and therefore receive a higher fixed fee, while KOLs/KOCs with a relatively smaller scale typically have a lower fixed fee and a higher proportion of variable fee. The fixed fee is generally determined with reference to the fixed GMV target. The variable fee is generally calculated at a certain percent to the actual GMV achieved by the KOLs/KOCs, typically ranging from 1% to 20%. During the Track Record Period, the fixed fee component has taken an increasing portion of our total fees paid to KOLs/KOCs and, in 2024 and the six months ended June 30, 2025, exceeded 50% of the total fees paid to KOLs/KOCs.
- ***Intellectual property.*** We generally retain intellectual property rights for all materials we supplied to KOLs/KOCs for creating promotional content. KOL agencies and their KOLs/KOCs retain intellectual property rights in their original creative work. Our use of KOL/KOC-created content for other commercial purposes typically requires separate authorization from KOL agencies.

- ***Product sales and customer service.*** We are responsible for providing products for sale, typically through links that direct consumers to our directly-operated online stores on e-commerce platforms, as well as for providing post-sale customer service.
- ***Termination.*** Agreements are typically terminable upon expiration, mutual agreement or a material breach by either party.

Our GMV attributable to sales by KOLs and KOCs amounted for 9.0%, 22.6%, 28.2%, 20.8% and 27.0% of our total GMV in 2022, 2023, 2024 and the six months ended June 30, 2024 and 2025, respectively. In 2022, 2023, 2024 and the six months ended June 30, 2024 and 2025, our total fees paid to KOLs and KOCs accounted for approximately 5.3%, 10.0%, 13.0%, 10.4% and 14.3% of our total revenue, respectively. We believe the concentration risk in terms of the GMV contributed by KOLs/KOCs during the Track Record Period is limited, considering (i) the GMV contributed by top KOLs/KOCs during the Track Record Period primarily reflected their respective market positions and shares in their industry, as advised by CIC, rather than any reliance on specific individuals or agencies; (ii) the ranking of top-performing KOLs/KOCs by GMV contribution changed in each year/period during the Track Record Period, in line with the evolving market conditions; (iii) the proportion of GMV attributable to top KOLs/KOCs had consistently declined throughout the Track Record Period, reflecting a more balanced contribution and reduced risk of concentration; (iv) since the commencement of our collaboration with KOLs/KOCs in 2022, we have proactively intensified efforts in managing and diversifying our KOL/KOC base to balance and mitigate associated concentration risks, resulting in a significant increase in the total number of KOLs/KOCs we worked with during the Track Record Period, with approximately 170 in 2022, 250 in 2023, 540 in 2024 and 650 in the six months ended June 30, 2025.

Our Directors confirmed, and the Joint Sponsors concurred that, as confirmed by our PRC Legal Advisor, during the Track Record Period and up to the Latest Practicable Date, we had complied with the relevant laws and regulations in relation to advertising and livestreaming in all material respects, while requiring the KOLs and KOCs with whom we collaborate with to comply with relevant laws and regulations. Additionally, we have established robust internal measures to monitor the behaviors of the KOLs/KOCs during livestreaming sessions, including:

- We require KOL agencies to enter into agreements that explicitly bind their conduct to applicable legal and platform standards, including clearly defined penalties and the company's right to terminate the contract in the event of any violations.
- We provide KOLs/KOCs with comprehensive training on compliance matters, particularly focusing on appropriate advertising language and regulatory requirements.
- Our dedicated team conducts pre-approval reviews of scripts and promotional materials to ensure alignment with guidelines.

- During and after livestreaming sessions, we assign dedicated personnel to monitor promotional content and ensure compliance with platform regulations.

Experiential Skincare Services. We have adopted a robust and comprehensive offline marketing strategy, utilizing experiential skincare services at certain stores to attract new customers and foster deeper engagement with existing ones. Our offline stores serve as both sales points and hubs for customer engagement. When customers show interest in our products, our staff offer personalized experiential services including facial cleansing and product demonstrations. During these sessions, our staff guide customers through proper application techniques, usage sequences, and massage methods to enhance product absorption and effectiveness. This hands-on consultation approach has received positive feedback, while also providing customers with valuable skincare knowledge and a memorable brand experience. These services the overall customer experience, attract consumers into our stores and encourage ongoing engagement. This experiential approach is pivotal in boosting customer loyalty and distinguishing our brand in a competitive market.

Celebrity Endorsement and Media Exposure. We have employed a diverse range of strategies to enhance our brand image and build a strong market reputation. These initiatives include celebrity endorsements, industry event participation, media exposure and strategic social media campaigns. By collaborating with well-known and respected celebrities who embody our brand values, we ensure a strong connection with our target audience, leveraging their influence to boost credibility and expand our reach. In addition to celebrity endorsements, we actively participate in and sponsor prominent industry events such as beauty expos, awards ceremonies and industry forums. These engagements allow us to showcase our products and services, create networking opportunities with industry peers and stay abreast of emerging trends and innovations, ensuring our brand remains relevant and proactive. Furthermore, our social media presence plays a crucial role in consumer engagement and brand storytelling. We have established and maintained active profiles on popular platforms like WeChat, Weibo, Douyin and Xiaohongshu where we interact directly with our consumers. Through these channels, we share our brand narrative, promote our culture and invite feedback and suggestions, fostering a sense of community and strengthening consumer loyalty.

Membership System. We have established integrated online and offline membership systems that cater to diverse customer preferences, offering tailored benefits to enhance the shopping experience while delivering personalized products and services. To deepen consumer engagement, we invite our members from time to time to participate in activities such as visiting our camellia planting base and production facilities. These experiences not only allow our consumers to witness the production process of our products in person but also strengthen their loyalty to our brands. Through these exclusive Factory Traceability Visits, members gain meaningful insights into our sustainable practices and quality craftsmanship, fostering deeper connections with our brand values and heritage. We also leverage enterprise WeChat links to connect with our consumers and provide them with exclusive content, offers and services to foster consumer loyalty and stickiness. With over 5.6 million active customers and an average of annual repurchase rates of approximately 33.5% during the Track Record Period, we outperformed the industry average for domestic skincare brands, according to CIC.

IP Co-branding Collaborations. In 2024, our Company collaborated with renowned artist Jia Wei to create the “As Beautiful as Flowers” (如花禮盒) limited-edition gift set. This collaboration aimed to blend artistic aesthetics with our skincare products, creating a unique offering that resonates with consumers through a combination of beauty and creativity. Jia Wei’s artistic vision complemented the elegance of our brand, enhancing the visual appeal and positioning the gift set as a premium option for customers seeking a blend of art and skincare.



Additionally, inspired by the Classic of Mountains and Seas, we partnered with artist Li Yongfei, curator Yang Xuzi, and the renowned art installation studio Sanshu Art to create the “the Classic of Mountains and Seas: Camellia Goddess” artwork and the 21st Anniversary Limited Edition Gift Set. This collaboration highlighted our dedication to integrating Chinese cultural heritage with modern skincare by using camellia-based products paired with artistic storytelling. Through this partnership, we emphasized the beauty and efficacy of our camellia skincare line, making it a distinctive representation of our brand’s philosophy.



To further expand our collaborative efforts, we worked with Zhou Liu Fu Jewelry to launch the Linqingxuan × Zhou Liu Fu Limited Edition Gift Set. By combining the timeless elegance of jewelry with the nourishing power of our camellia skincare products, this collaboration celebrated meaningful moments while offering consumers a luxurious and memorable blend of beauty and craftsmanship.



Furthermore, we partnered with Wanglaoji, a leading herbal tea brand with a strong global presence, to design a co-branded gift series. This collaboration highlights our commitment to cross-industry partnerships, which not only broaden our market reach but also diversify our product portfolio. The co-branded series aimed to tap into Wanglaoji's established brand recognition, blending the traditional herbal tea culture with modern skincare concepts.



These collaborations are part of our broader strategy to leverage partnerships for enhancing brand appeal and market positioning. By working with prominent artists and established brands, we aim to continuously innovate and explore new avenues for expanding our market presence and reaching a wider consumer base.

Below sets forth the salient terms of our agreements of our IP co-branding collaborations:

- *Duration.* Collaborations typically range from several months to one year.
- *Roles and responsibilities.* We typically provide product or artwork requirements, manage payments, marketing, and promotional activities, while our collaborators typically handle design, production, licensing of intellectual property, and may assist with sales, exhibitions, and promotional events.

- *Fees.* For partnership with Jia Wei, we agreed to pay for a licensing fee through a fixed-value bundled products instead of cash, covering the commercial use of the licensed artwork on product packaging, design and marketing materials. For partnership with Li Yongfei, we agreed to pay a fixed fee in installments, covering artwork creation, commercial use authorization, design and branding collaboration. For partnership with Zhou Liu Fu Jewelry where we co-designed a co-branded gift set, we adopted a mutual procurement arrangements, under which each party purchases products from the other at an agreed price. We adopted a similar exchange arrangement with Wang Lao Ji for the co-branded gift set as that with Zhou Liu Fu Jewelry, except that in the case for Wang Lao Ji, both parties agreed for a product exchange with no procurement payments to each other required.
- *Ownership of IP.* We own the physical products and commercial licenses for marketing and sales within agreed scopes, while IP rights in relation to the collaborator's original artwork, trademarks and designs remain with the collaborators.

PRICING

We implement an effective pricing strategy. The retail prices of our products are determined based on various factors, including cost of materials, the price of comparable products in the market, market conditions and our manufacturing and operation costs. We adopt a uniform pricing system for our sales channels. We provide recommended retail prices for our *Forest Cabin* products, with the recommended retail price of our core products ranging from approximately RMB200 to RMB800, depending on the type of product, across all sales channels, to facilitate the standardization and stability of our sales network. We may, from time to time, offer discounts and participate in promotional events hosted by third-party e-commerce platforms and shopping malls. We may also offer rewards and discounts to our registered members pursuant to our membership policies. With respect to sales to store partners and distributors, our products are generally sold at a discount off the recommended retail prices of our products, taking into account the volume of products purchased by them, the profit margins, the prices of our products across the market, marketing and promotion costs for the sales channels, designated sales channels, as well as the number of end customers they can reach. For details of our salient terms with them, see “— Our Sales Network — Our Offline Channels — Store Partners.”

OUR SUPPLIERS

Our suppliers primarily comprise online e-commerce service providers, promotional services providers and raw material providers located in China. Purchases from our five largest suppliers in each year/period during the Track Record Period amounted to RMB108.5 million, RMB104.2 million, RMB172.7 million and RMB121.3 million, respectively, representing 24.2%, 19.5%, 19.5% and 19.7% of our total purchases for the respective year/period. Purchases from our largest suppliers in each year/period during the Track Record Period amounted to RMB39.5 million, RMB49.5 million, RMB59.7 million and RMB31.3

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million, which accounted for 8.8%, 9.3%, 6.7% and 5.1% of our total purchases for the respective year/period. During the Track Record Period, we were not subject to any material supplier concentration risk.

The following tables set forth the identities and relevant details of the Company's five largest suppliers in each year/period during the Track Record Period:

For year ended December 31, 2022

No.	Suppliers	Background	Products/services provided to us	Purchase cost (RMB'000)	% of our total purchase cost	Year of commencement of business relationship with us	Credit term
1.	Supplier A	The supplier primarily engages in digital entertainment and social media services.	E-commerce platform service	39,452	8.8	2020	N/A ⁽¹⁾
2.	Supplier B	The supplier is a listed company that primarily engages in e-commerce, cloud computing, and digital media.	E-commerce platform service	32,925	7.4	2011	N/A ⁽¹⁾
3.	Supplier C	The supplier primarily engages in software development, data processing, and logistics services.	Logistics and transportation	15,169	3.4	2021	Within 10 days after invoice date
4.	Supplier D	The supplier is a listed company that primarily engages in e-commerce and international trade.	E-commerce platform service	11,567	2.6	2014	N/A ⁽¹⁾
5.	Supplier E	Supplier E is a listed company that primarily engages in e-commerce marketing, and data-driven advertising solutions.	Branding service	9,418	2.0	2021	Within 60 days from the date of advertisement placement
Total				108,531	24.2		

(1) The credit term is not applicable as services are rendered on a prepayment basis.

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For the year ended December 31, 2023

No.	Suppliers	Background	Products/services provided to us	Purchase cost (RMB'000)	% of our total purchase cost	Year of commencement of business relationship with us	Credit term
1.	Supplier B	The supplier is a listed company that primarily engages in e-commerce, cloud computing, and digital media.	E-commerce platform service	49,536	9.3	2011	N/A ⁽¹⁾
2.	Supplier C	The supplier primarily engages in software development, data processing, and logistics services.	Logistics and transportation	18,499	3.5	2021	Within 10 days after invoice date
3.	Supplier A	The supplier primarily engages in digital entertainment and social media services.	E-commerce platform service	15,137	2.8	2020	N/A ⁽¹⁾
4.	Supplier D	The supplier is a listed company that primarily engages in e-commerce and international trade.	E-commerce platform service	11,376	2.1	2014	N/A ⁽¹⁾
5.	Supplier F	The supplier primarily engages in providing brand promotion and marketing services.	Promotion services	9,685	1.8	2023	Milestone payments in accordance with the agreement
Total				104,233	19.5		

(1) The credit term is not applicable as services are rendered on a prepayment basis.

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For the year ended December 31, 2024

No.	Suppliers	Background	Products/services provided to us	Purchase cost (RMB'000)	% of our total purchase cost	Year of commencement of business relationship with us	Credit term
1.	Supplier B	The supplier is a listed company that primarily engages in e-commerce, cloud computing, and digital media.	E-commerce platform service	59,700	6.7	2011	N/A ⁽¹⁾
2.	Supplier G	The supplier primarily engages in network technology services, software development, and advertising.	E-commerce platform service	45,558	5.1	2023	By the end of the following month
3.	Supplier H	The supplier primarily engages in packaging technology, product design, and manufacturing.	Packaging materials	29,432	3.3	2021	Within 90 days after invoice date
4.	Supplier I	The supplier primarily engaged in customized plastic solutions.	Packaging materials	19,373	2.2	2023	Within 90 days after invoice date
5.	Supplier F	The supplier primarily engages in providing brand promotion and marketing services.	Promotion services	18,647	2.2	2023	Milestone payments in accordance with the agreement
Total				<u>172,710</u>	<u>19.5</u>		

(1) The credit term is not applicable as services are rendered on a prepayment basis.

BUSINESS

For six months ended June 30, 2025

No.	Suppliers	Background	Products/services provided to us	Purchase cost (RMB'000)	% of our total purchase cost	Year of commencement of business relationship with us	Credit term
1.	Supplier J	The supplier primarily engages in brand promotion and marketing services.	Promotion services	31,315	5.1	2024	Milestone payments in accordance with the agreement
2.	Supplier B	The supplier is a listed company that primarily engages in e-commerce, cloud computing, and digital media.	E-commerce platform service	28,141	4.6	2011	N/A ⁽¹⁾
3.	Supplier K	The supplier primarily engages in the placement of advertisements.	Promotion services	25,282	4.1	2025	Before the 15th day of the following month
4.	Supplier L	The supplier primarily engages in brand promotion and marketing services.	Promotion services	19,133	3.1	2025	Milestone payments in accordance with the agreement
5.	Supplier M	The supplier primarily engages in the placement of advertisements.	Promotion services	17,412	2.8	2025	Before the 15th day of the following month
Total				121,283	19.7		

(1) The credit term is not applicable as services are rendered on a prepayment basis.

All of our five largest suppliers in each year/period during the Track Record Period are Independent Third Parties. As of the Latest Practicable Date, none of our Directors, their close associates or any of our shareholders (who owned or to the knowledge of Directors had owned more than 5% of our total issued share capital) had any interest in any of our five largest suppliers in each year/period during the Track Record Period.

The following sets forth a summary of the salient terms of our typical agreements with suppliers:

- *Duration.* The term of our agreements is typically one to two years, with some agreements with e-commerce service providers featuring automatic renewal clauses.
- *Service type.* Agreements with our suppliers include the supply of advertising, logistics, e-commerce platform services and packaging materials.
- *Payment terms.* Payments to e-commerce platforms are typically settled on a prepayment basis. Payments to other suppliers, such as packaging material suppliers, are typically settled with a pre-agreed credit term as set forth above.
- *Termination.* Either party may terminate the agreement under specified circumstances, typically requiring advance notice.

OUR CUSTOMERS

Our customers primarily comprise individual consumers, e-commerce platforms, retailers (including individual retailers who operate online stores on e-commerce platforms), store partners and distributors located in China. Revenue from our five largest customers in each year/period during the Track Record Period amounted to RMB49.5 million, RMB50.9 million, RMB82.9 million and RMB81.0 million, respectively, representing 7.2%, 6.3%, 6.9% and 7.6% of our total revenue for the respective year/period. During the Track Record Period, we were not subject to any material customer concentration risk. For salient terms of our typical agreements with customers, see “— Our Sales Network.”

All of our five largest customers in each year/period during the Track Record Period are Independent Third Parties. As of the Latest Practicable Date, none of our Directors, their close associates or any of our shareholders (who owned or to the knowledge of Directors had owned more than 5% of our total issued share capital) had any interest in any of our five largest customers in each year/period during the Track Record Period.

OVERLAPPING OF MAJOR CUSTOMER AND SUPPLIER

Supplier D was both one of our five largest suppliers and one of our five largest customers in 2022 and 2023. In line with common market practice, this supplier-customer served as one of our online retailers and also provided e-commerce platform services to us. In each of 2022 and 2023, (i) our purchases of services from this supplier-customer amounted to RMB11.6 million and RMB11.4 million, respectively, representing 2.6% and 2.1% of our total purchase costs in the same periods; and (ii) our sales to this supplier-customer amounted to RMB18.5 million and RMB18.4 million, respectively, accounting for 2.7% and 2.3% of our total revenue in the same periods. Additionally, in 2022 and 2023, our gross profit from this supplier-customer was RMB14.3 million and RMB14.6 million, respectively, with gross profit margins of 77.3% and 79.6%, respectively. The supplier-customer ceased to be one of our top suppliers in 2024 but remained one of our largest customers for the period ended June 30, 2025.

Our sales and purchases with this supplier-customer were not inter-conditional with each other. All of our sales to and purchases from this supplier-customer were conducted in the ordinary course of business under normal commercial terms and on an arm's length basis. The terms with this supplier-customer were generally comparable to those with other suppliers and customers. There was no instance of set-off trade receivables from this supplier-customer with trade payables to the company during the Track Record Period. Save as disclosed above, to the best of our knowledge, none of our five largest customers in each year/period during the Track Record Period was a supplier of us and vice versa.

CUSTOMER SERVICE

We have a highly trained customer service team that is dedicated to providing exceptional support to our valued customers worldwide. Our team is equipped with technical knowledge and experience to provide accurate and timely assistance. We are committed to providing personalized service to each of our customers in an effort to build long-lasting customer relationship and enhance our customer loyalty and satisfaction.

Complaint Handling Policy/Procedure

Consumer satisfaction remains our top priority. We have a dedicated consumer service team that stays responsive to consumers' inquiries, feedback and complaints, committed to providing personalized consumer services to build long-lasting consumer relationships and enhance consumer loyalty and satisfaction. Our consumer service team closely monitors and keeps record of reviews, feedback or complaints received across various channels such as our offline stores, third-party e-commerce platforms and accounts on social media and short video, and promptly contacts relevant consumers to address their concerns in a timely manner. In 2022, 2023, 2024 and the six months ended June 30, 2025, the consumer complaint rate on major e-commerce platforms, which is calculated by dividing the number of complaints for each period on Tmall and Douyin by the total number of orders on Tmall and Douyin, was 0.05%, 0.08%, 0.09% and 0.03%, respectively, which were lower than the industry average, according to CIC.

We maintain a systematic approach to consumer complaints, prioritizing swift response and preventive improvements. Upon receiving a complaint, we immediately investigate batch records and quality controls. Verified issues trigger corrective actions like staff retraining or system upgrades, followed by direct consumer engagement for resolution. Each complaint undergoes root-cause analysis to refine production and quality processes. All measures are documented to ensure continuous improvement in quality standards and consumer satisfaction.

Supported by our customer service team and well-established consumer complaint and product recall protocols, we have built a strong track record of consumer satisfaction. To the best of our knowledge, during the Track Record Period and up to the Latest Practicable Date, there were no material litigations related to product safety or quality, nor did we receive any complaint from consumers that had a material and adverse effect on our operations and business reputation.

Product Returns and Recalls

We have implemented a comprehensive product return and recall policy in compliance with applicable PRC laws and regulations and relevant third-party platform policies. We have set a comprehensive product return policy across sales channels in line with industry practices, according to CIC.

For products sold via our offline stores, we generally allow product returns for product defects or when customers experience any adverse skin reactions after the use of our products, provided such claims are substantiated with (i) photographic evidence of the reaction, (ii) images of the product, and (iii) an official diagnosis from a Tier 3A hospital in China dated after purchase, with at least one-third of the product remaining. Returns must be processed at the original store within 30 days, and original gifts/points must be returned or their value deducted.

For products sold via our online stores on third-party e-commerce platforms, we generally allow consumers to return or exchange products in a condition suitable for a second sale within seven days from the delivery according to the relevant laws and regulations, provided the product is unopened, in its original packaging, and accompanied by proof of purchase, such as the online order number. We generally do not allow product returns and exchanges after the seven-day period, except for product defects or adverse skin reactions supported by the aforementioned documentation.

For return policies of products sold to retailers and distributors, see “— Our Sales Network.” In 2022, 2023, 2024 and the six months ended June 30, 2025, we maintained a low product return and exchange rate of less than 2%. During the Track Record Period and up to the Latest Practicable Date, we had not encountered any material product recalls, returns or defects.

INFORMATION TECHNOLOGY

Information technology (“IT”) systems are essential to competitiveness and efficient operations. We have instituted a systematic IT system covering all material aspects of our operations, including product sales, human resource management, membership management, financial reporting, e-commerce transactions via third-party platforms and logistics. Our core systems include the OneEDP System, ERP System, and OMS System, which are supplied by third-party vendors, as well as our internally developed BI System. Below is an overview of these IT systems:

- **OneEDP System:** We utilize the OneEDP System to support our daily operation which equipped various functions including POS, CRM, and distribution. The OneEDP system seamlessly connects online and offline membership data, order information, and product inventory, ensuring a unified and efficient management system.

- **ERP System:** We utilize the enterprise resource planning system (“**ERP System**”) to retrieve and analyze our operational data to aid faster decision-making and boost productivity and profitability. The ERP system provides solutions covering various aspects of our operations, including manufacturing, sales, financial accounting and enterprise performance management.
- **OMS System:** We operate an effective Order Management System (“**OMS System**”), which serves as a centralized place to manage orders from all online sales channels. With a unified order management system, we perform a number of key functions, such as managing customer information and interactions, accessing sales data, managing inventory level, product delivery and product returns.
- **BI System:** Our Business Intelligence System (“**BI System**”) supports functions such as data collection, cleaning, analysis and visualization, enabling us to efficiently extract meaningful information from large datasets. This helps us gain insights into store operations, management and consumer demands. For example, we use sales forecasts generated by the BI system to calculate the daily stock replenishment volume needed by stores. Additionally, the system provides a visual display of our performance in real-time, offering a solid basis for daily operations and decision-making.

During the Track Record Period and up to the Latest Practicable Date, we did not experience any information technology system failure or downtime that had a material adverse effect on our business operations.

DATA PRIVACY AND SECURITY

With the prior consent of our customers, we collect and maintain certain customer information during the ordinary course of our business to the extent necessary for the sales and delivery of our products and provision of services. The collected information may encompass customers’ names, contact numbers, birthdays, gender and shipping addresses. The collection of such data facilitates user registration, order processing, membership management, gift card redemption, and other services related to the sale of beauty products. We have implemented measures to preserve the confidentiality of such information to ensure regulatory compliance. Specifically, we employ advanced encryption techniques for data storage and transmission, conduct regular audits to identify and mitigate potential security vulnerabilities, and provide comprehensive training to our employees on data privacy and security protocols. Furthermore, we have established stringent access controls and monitoring mechanisms to prevent unauthorized data access and ensure that data handling practices comply with both domestic and international data protection standards. We adopted the principle of minimum authority and minimum scope regarding the access of database address, account and password. Personnel at different levels with open permissions can only view the customer information of one store/single member at a time.

Currently, all sales-related business systems and data are stored on our private cloud and sensitive information is desensitized if downloaded. Our cloud security protection components include anti-virus, anti-trojan, anti-ransomware, vulnerability updates and abnormal attack interception. During the Track Record Period and up to the Latest Practicable Date, we did not experience any material data leakage or data loss or any material unauthorized use of customers' personal information. As advised by our PRC Legal Advisor, we had complied with the applicable laws and regulations with respect to data privacy and personal data protection during the Track Record Period and up to the Latest Practicable Date in all material aspects. Given that legislation and law enforcement in the PRC on data privacy and security are still evolving, we will closely monitor further regulatory developments and take appropriate measures in a timely manner.

INTELLECTUAL PROPERTY

Intellectual property rights are critical to our business. As of the Latest Practicable Date, we maintained a patent portfolio consisted of 619 registered trademarks in China, 51 copyrights, 27 domain names and 87 patents. See "Appendix VI — Statutory and General Information — Intellectual Property Rights."

We rely on a combination of patent, trademark, copyright and other intellectual property protections laws in the jurisdictions in which we operate, fair trade practices, contractual arrangements and confidentiality procedures to establish and protect our proprietary technologies, know-how and other intellectual property rights. Despite our precautions, we may be subject to risks associated with alleged infringement of third parties' intellectual property rights, or infringement of our intellectual property rights by third parties. See "Risk Factors — Risks Relating to Our Business and Industry — We may not be able to adequately protect our intellectual property rights, and may be subject to intellectual property infringement claims, which could be expensive and may materially and adversely affect our business, financial condition and results of operations." During the Track Record Period and up to the Latest Practicable Date, we had not been subject to any material infringement of our intellectual property rights or allegations of infringement by third parties, nor did we encounter any material counterfeit of our products.

We have implemented a series of anti-counterfeit measures to protect our intellectual property and prevent unauthorized imitation of our products by third parties, including:

- *Unique product traceability codes.* We assigned each product a unique QR code under our "one product, one code" product tracing system. Consumers could scan the QR code to verify product authenticity, while our backend system monitored scan frequency and location in real time to detect abnormal activity.
- *Tamper-resistant packaging design.* We enhanced our product packaging with advanced anti-counterfeit features, including distinctive materials, printing techniques and unique identifiers that are difficult to replicate. Detailed packaging data had been archived to support forensic comparison with suspicious products when necessary.

- *Multi-channel verification services.* In addition to QR code scanning and packaging inspection, we offered consumers multiple authentication channels. These included our official website, customer service hotline and WeChat account, through which consumers could submit product details or images to receive timely authentication support from our dedicated anti-counterfeit team.

ENVIRONMENTAL, SOCIAL, AND CORPORATE GOVERNANCE

Being a socially responsible company is an integral part of our business, and has been one of our core values since our founding. We are committed to corporate governance, environmental consciousness and social responsibility, and have been actively implementing practices to enhance our values. As part of our commitment to sustainability, we have undertaken a comprehensive transformation of our corporate culture centered around. We are committed building a path of long-term sustainability and green innovation. We established one of the first research and production bases in the skincare industry, designed to meet carbon-neutral standards, setting a benchmark in sustainability, according to CIC. We strive to preserve 50 million camellia trees on the Earth, which reflects our dedication to sustainable development and environmental protection, integrating the future of humanity, the planet and our company. This dedication firmly integrates environmental sustainability into the core values of our company. Guided by this dedication, we have aligned and strengthened our practices to reflect these commitments.

Corporate Governance

We have established a comprehensive ESG governance framework and policies. The Board of Directors serve as the highest authority, and assume full responsibility for our ESG governance. We also set up an EHS (environmental, health, and safety) department responsible for (i) organising, establishing, and improving the environmental protection, safety, and health management systems; (ii) identifying, evaluating, and addressing ESG-related risks and opportunities; (iii) establishing and refining ESG metrics and targets, and implementing mitigation measures; (iv) monitoring ESG performance and progress; and (v) reporting to the Board on the effectiveness of our ESG governance.

In parallel with strengthening our ESG management structure, we are also committed to enhancing the diversity of our Board of Directors, recognising that a diverse board contributes to more effective decision-making and better corporate governance. Our board diversity takes into account a variety of factors, including but not limited to gender, age, professional experience, skills, and industry knowledge. We strive to maintain a balanced and inclusive board composition, and consider diversity as a key criterion in director nominations and succession planning. Through this, we aim to ensure that the Board is equipped to oversee ESG matters from multiple perspectives, fostering resilience, innovation, and long-term value creation.

ESG-related Metrics

We have established a comprehensive ESG policy that aligns with applicable laws and regulations. Our commitment to fulfilling ESG responsibilities is demonstrated through regular assessment of the effectiveness of our ESG efforts. The Board of Directors holds responsibility for overseeing all ESG-related matters, acting as the leadership and decision-making body. The Board provides strategic direction and approves the ESG management system to ensure compliance with regulatory requirements. To facilitate seamless coordination of ESG activities, we have established an Executive Management Team (EMT).

Our ESG targets are closely aligned with our business objectives, with a focus on sustainability, social responsibility, and governance best practices. These targets are set by the Board of Directors and reviewed periodically to assess progress. The Executive Management Team is responsible for ensuring that these targets are achieved and that ESG-related risks are identified and mitigated in a timely manner. Regular reviews of ESG performance are conducted to monitor progress and implement necessary adjustments, including internal reviews by the Board and management, as well as external evaluations by independent advisors when necessary.

We monitor the following metrics to oversee and manage environmental protection issues that may affect our business, strategy, and financial performance. The major resources we consumed were energy consumption including petrol, diesel oil, natural gas, electricity, and water consumption. Table A and B illustrates our usage of different resources and the respective resource consumption density from 2022 to 2024. As a result of revenue growth and the establishment of our new production facility in 2024, our usage of resources and consumption density of diesel, natural gas, electricity, and water have increased. During the six months ended June 30, 2025, the consumption of diesel, natural gas, and water increased due to higher production volume, expanded warehouse space, increased logistics and operations.

Table A: Use of resources in 2022, 2023, 2024 and the six months ended June 30, 2025.

Use of resources	KPIs	Energy Type	Unit	Year ended December 31			Six months ended
				2022	2023	2024	June 30, 2025
Energy	Petrol	Direct	Litre	3,550.0	3,969.0	3,246.4	2,600.0
	Diesel oil	Direct	Litre	650.0	922.0	2,330.4	2,637.9
	Natural gas	Direct	m ³	0.0	0.0	65,102.0	169,502.0
	Electricity	Indirect	kWh	855,982.3	845,586.9	2,262,556.1	1,208,453.0
Water	Water consumption		Tones	13,650.0	16,382.0	28,709.0	25,788.0

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Table B: Resource consumption density in 2022, 2023, 2024 and the six months ended June 30, 2025.

Use of resources	KPIs	Unit	Year ended December 31			Six months ended
			2022	2023	2024	June 30, 2025
Energy	Petrol	Litre/RMB100 million	513.6	493.0	268.4	247.2
	Diesel oil	Litre/RMB100 million	94.0	114.5	192.6	250.8
	Natural gas	m ³ /RMB100 million	0.0	0.0	5,381.9	16,115.9
	Electricity	kWh/RMB100 million	123,849.0	105,041.3	187,043.6	114,897.3
Water	Water consumption	Tones/RMB100 million	1,975.0	2,035.0	2,373.3	2,451.9

The air emission is mainly caused by vehicle and the electricity purchased. The total emissions generated by us in 2022, 2023, 2024 and the six months ended June 30, 2025 are shown in Table C. With the establishment of our new production facility in late 2024, our consumption of electricity and natural gas increased to support expanded operation, leading to a rise in GHG emission.

Table C: Total air emissions in 2022, 2023, 2024 and the six months ended June 30, 2025.

Emission Category	KPIs	Unit	Year ended December 31			Six months ended
			2022	2023	2024	June 30, 2025
Air Emission	Nitrogen oxides (NO _x)	Kg	36.6	69.8	72.2	76.8
	Sulphur oxides (SO _x)	Kg	0.1	0.1	0.1	0.2
	Particulate Matters (PM)	Kg	3.5	6.7	5.9	4.8
	Total air emission	Kg	40.2	76.6	78.2	81.8
	Air emission density	Kg/RMB100 million	5.8	9.5	6.5	7.8
GHG Emission	Direct GHG emission (Scope 1)	tCO ₂ e	9.7	10.9	9.2	7.5
	Indirect GHG emission (Scope 2)	tCO ₂ e	688.7	680.4	1,850.3	1,050.0
	Indirect GHG emission (Scope 3)	tCO ₂ e	–	–	62.4	110.5
	Total GHG emission	tCO ₂ e	698.4	691.3	1,921.9	1,167.9
	GHG emission density	tCO ₂ e/RMB100 million	101.0	85.9	158.9	111.0

Based on our past environmental performance, anticipated business growth, the energy-saving measures already implemented, as well as those planned for the future, we have set targets that support the nation's efforts to achieve carbon peaking by 2030 and carbon neutrality by 2060, along with international standards such as the Paris Agreement. Our goal-setting framework aligns with these national and international standards, and we have established a timeline for these targets accordingly.

We have set GHG emission reduction targets, focusing on the emission density of Scope 1 and 2 GHG, and resource consumption density. Taking 2025 as the base year, our targets are to reduce GHG emission density (Scope 1 and 2) by 10% and energy consumption density by 16% by 2030.

To achieve these goals, we have already taken, and will continue to implement, a series of measures including but not limited to adopting more energy-efficient equipment, installing photovoltaic power generation systems, solar carports, wind power devices, wind-solar hybrid streetlights, BIPV photovoltaic facades, photovoltaic tiles, charging stations, smart integrated management platforms, and fiber-optic lighting equipment. We also encourage employees to adopt energy-saving behaviors in the workplace. In the short term, the implementation of ESG measures will require some initial investment. However, in the long term, these ESG measures will help reduce operating costs, improve energy efficiency, and contribute to sustainable growth.

Packaging materials usage: The primary packaging materials used in our products include paper, plastic, glass, and metal. In 2022, 2023, 2024 and the six months ended June 30, 2025, the total volume of packaging materials utilised in product packaging amounted to 1,027.1 tons, 1,374.4 tons, 2,663.2 tons and 4,801.1 tons, respectively. Additionally, packaging materials are incurred during the sales process, including cartons, bubble wraps, paper bags, etc. The packaging materials associated with online sales totalled 420.1 tons, 453.3 tons, 825.4 tons and 790.7 tons in 2022, 2023, 2024 and the six months ended June 30, 2025, respectively, while those used for offline sales amounted to 10.9 tons, 22.7 tons, 77.92 tons and 70.70 tons, respectively, in 2022, 2023, 2024 and the six months ended June 30, 2025. To protect the environment, we use eco-friendly materials in our packaging. The percentage of eco-friendly materials used in our packaging was 12.9%, 11.0%, 16.5% and 35.4% in 2022, 2023, 2024 and the six months ended June 30, 2025, respectively. Looking ahead, our target is to increase the percentage of eco-friendly materials to 45% over the next three years.

Environmental Protection

We are committed to addressing environmental challenges and minimise our environmental footprint. We strictly adhere to applicable laws and regulations, including the Environmental Protection Law of the People's Republic of China (《中華人民共和國環境保護法》), Atmospheric Pollution Prevention and Control Law of the People's Republic of China (《中華人民共和國大氣污染防治法》), Law of the People's Republic of China on Prevention and Control of Water Pollution (《中華人民共和國水污染防治法》), Solid Waste Pollution Prevention and Control Law of the People's Republic of China (《中華人民共和國固體廢物污染環境防治法》), Law of the People's Republic of China on Prevention and Control of Pollution from Environmental Noise (《中華人民共和國環境噪聲污染防治法》), etc. We actively seek to conserve resources, reduce greenhouse gas emissions, and minimize waste.

Establishment of carbon-neutral infrastructure: We have a carbon-neutral research and production base covering 44,120 sq.m.. The base is expected to reduce annual standard coal consumption by approximately 154 tons. Moreover, this base integrates renewable energy sources, including solar and wind power, into an intelligent energy system that satisfies the facilities' energy demand. Additionally, we are creating a “multi-energy integration, three-network interconnection” (“多能合一，三網互聯”) low-carbon smart energy network, utilising modern technologies such as big data, cloud computing, and artificial intelligence to enable smart energy management and achieve carbon-neutrality. In April 2025, we were awarded a Certificate of Carbon Neutrality which certifies that we commit to monitoring and reducing greenhouse gas emissions, as well as achieving carbon neutrality in accordance with PAS 2060: 2014 Specification for the Demonstration of Carbon Neutrality, recognizing our compliance with international carbon-neutral standards and reinforcing our commitment to sustainable development.

Taking energy-saving measures: We have established a thorough energy management platform to monitor and optimise energy consumption across our facilities. Solar power systems are installed on rooftops, while photovoltaic floor tiles, photovoltaic glass facades, and fiber-optic lighting are used in showrooms. For outdoor areas, we have implemented hybrid solar and wind-powered streetlights, photovoltaic carports, wind turbines, and solar-powered shade umbrellas. Smart charging stations are also available in the underground parking garage.

Enhancing water usage efficiency: We collect wastewater generated during the production of purified water (including first-grade and second-grade water) for use in restrooms and general floor cleaning. Additionally, at our new production facility, we have implemented a wastewater-based fish farming technology. By recycling concentrated water through the production facility's purified water system (RO concentrate), we successfully converted wastewater, originally destined for disposal, into water suitable for fish farming. The water is then directed to the production facility's water tanks and filtered in a continuous cycle, further purifying the water. This approach demonstrates our commitment to environmental protection and sustainability. Moreover, we have introduced several water-saving initiatives, including the addition of a recycling filtration system in the bottle-washing machines in our packaging area to reuse cleaning water, thus improving the efficiency of first-grade purified water usage and conserving water. We have also replaced conventional faucets in the hand-washing sinks in the purification workshops with sensor-controlled faucets to minimize water waste. Additionally, we have adopted CIP (Clean-in-Place) cyclic cleaning methods for our emulsifying kettles to improve the reuse of cleaning water.

Sustainable packaging, eco-friendly materials, and recycling practices: We are committed to reducing waste and promoting sustainable practices throughout our operations. We actively promote the recycling of production turnover boxes, delivery cartons, and other reusable packaging materials. In product design, we incorporate eco-friendly materials, such as reusable gift bags made from waterproof recycled paper. To further minimise our environmental impact, we promote the recycle of laboratory samples, testing glass bottles, and other materials to minimise waste. Through our “Empty Bottle Recycling” program, we encourage consumers to participate in sustainability efforts by returning used packaging for responsible disposal or reuse. Additionally, we optimise our promotional materials by centralising the production and distribution of store posters, ensuring unified monthly shipments to minimise waste. To reduce paper usage even further, we are introducing electronic posters as a more sustainable alternative.

Development of green supply chain: Our green supply chain ensures that our raw materials are sourced responsibly and sustainably, ultimately leading to products that are both high-quality and environmentally friendly. We have partnered with 20,000 mu of cultivation bases in Zhejiang Province and Jiangxi Province to incorporating the unique Chinese red camellia plant. This collaboration is an essential part of our commitment to sustainable sourcing. By integrating this plant into our products, we support local agriculture, cultivate high-quality materials for our products, and contribute to the overall health of the environment.

Beside the above environmental footprints, we have also established a comprehensive safety management framework for hazardous and harmful chemicals. We ensure safety from the procurement stage, ensuring the compliance of chemical properties, plan dedicated storage areas based on characteristics, equip appropriate protective and emergency facilities, and set clear standards and guidelines for their use. Operational risks are standardized and controlled to safeguard personnel and ensure the orderly operation of production.

- ***Workplace Safety***

We ensure the health and safety of employees, contractors, and visitors when handling hazardous chemicals, aiming for zero accidents. We strictly adhere to the Occupational Safety and Health Regulations, the Dangerous Goods Regulations, and international standards such as GHS. We have established a chemical lifecycle risk assessment system and equipped Material Safety Data Sheets (MSDS). We ensure that employees receive thorough training on chemical safety, including storage, handling, emergency response to leaks, etc., and that employees in high-risk positions hold the necessary certifications. Regular safety audits and equipment maintenance are conducted to ensure ventilation, explosion protection, and protective gear meet standards.

- ***Supply Chain Supervision***

We have established a comprehensive supply chain supervision system for hazardous and harmful chemicals. We audit suppliers' qualifications in the upstream supply chain, covering production, safety, and environmental responsibility compliance. In the middle stage, we supervise the logistics providers' transportation qualifications and protective measures, requiring all parties to regularly submit safety management reports. Through full-process supervision, we maintain supply chain stability and ensure chemical safety.

- ***Product Safety***

We regulate the use of hazardous and harmful chemicals in products in compliance with cosmetics safety regulations. During R&D, the safety of formulations is verified, and during production, strict control is applied to the amount of chemicals used and the production processes. Regulations and quality monitoring are the tools used to ensure product safety, aligning with market and consumer demands.

- ***Labeling Policy***

We strictly implement national labeling regulations, marking safety information on the packaging of hazardous and harmful chemicals. We accurately label ingredients on cosmetic product packaging and provide clear explanations for special chemicals, ensuring consumers' right to be informed and aiding in the correct use of the products.

- ***Environmental Impact***

We adhere to green principles, follow environmental protection regulations, and prioritize the selection of chemicals with low environmental risks. From the production of cosmetics to disposal, we manage the entire lifecycle to improve the efficiency of chemical use. We implement chemical reduction measures, adopt alternative processes, promote recycling, and regulate the recovery of waste, reducing environmental impact and achieving a balance between economic and environmental benefits.

Social Responsibility

Social responsibility is a core element of our growth strategy, and is essential for enhancing our capability to embrace diversity and advance the public interest while creating sustainable value for shareholders. Our efforts and achievements in social responsibility mainly include the following:

Supporting rural revitalization: Harnessing the potential of the Yangtze River Delta G60 sci-tech corridor (長三角G60科創走廊), we launched the “Tech-driven agricultural development public welfare program” (“科創興農公益計劃”). Since 2022, we have donated 2,200 red camellia seedlings to Yong'an, Fujian Province. The cultivation of these plants helps to improve air quality, and the project also creates employment opportunities for local farming households, contributing to rural revitalization and ecological co-development.

Investing in ecological diversity: In 2024, we launched the public welfare initiative of “Searching for the Super Camellia Seed”(“尋找超級山茶花種子”) with the goal of discovering and cultivating high-quality camellia seeds with enhanced active components. By encouraging mutually beneficial collaboration between the business and local farmers, this initiative hopes to support the establishment of a sustainable “biodiversity development chain.”

Promoting the development of the camellia industry: In March 2024, we visited rural villages in Qingtian County, Lishui, and traced the origins of camellia cultivation bases, and actively promoted China's rich forestry resources and the culture of red camellia through a public welfare livestream. During the livestream, we educated viewers about red camellia oil and raised public awareness of this rare plant. Due to the alpine geographical conditions, red camellia raw materials are scarce. Our presence is committed to advancing the large-scale and standardized development of the red camellia oil industry, enhancing the visibility and reputation of local agricultural products, and injecting new vitality into rural revitalization. Going forward, we will further strengthen our industrial collaboration with alpine red camellia producers, encouraging more farmers to participate in red camellia oil cultivation, implementing more projects to promote the integration of primary, secondary, and tertiary industries, and supporting local villagers in achieving shared prosperity.

Employee care: We adhere to a people-centered management philosophy, and continuously optimise our talent development strategies. By fostering an inclusive and collaborative work environment, we promote effective teamwork, enhance overall performance, and ensure alignment with consumer needs. We prioritize the well-being of our employees by offering competitive compensation, comprehensive health benefits, and professional development opportunities. Our programs are designed to support work-life balance, mental health, and career growth, providing employees with the resources they need to succeed both personally and professionally.

Public welfare initiatives: During the COVID-19 pandemic, we collaborated with various sectors of society to provide humanitarian aid, supplying essential supplies to medical and charitable organizations, including the Shanghai Charity Foundation. Additionally, we actively engaged in supporting underprivileged students by establishing campus scholarships and grants in partnership with several leading universities in China. These initiatives aim to assist students from financially disadvantaged backgrounds and reward those who excel academically and demonstrate a pioneering spirit in research. By initiating these initiatives, we strengthen our commitment to corporate social responsibility, enhance our brand reputation, and foster goodwill within the communities where we operate.

Anti-corruption: We are fully committed to conducting business with integrity and transparency, ensuring strict adherence to all applicable anti-corruption laws and regulations. In order to protect our reputation and maintain the highest ethical standards, we have implemented a comprehensive anti-bribery policy that mandates full compliance with relevant legal requirements by all employees in the performance of their duties and business activities. We have established robust internal controls and rigorous auditing procedures to prevent, detect, and address any fraudulent conduct promptly. We maintain a zero-tolerance approach toward bribery and corruption, and any breach of the anti-bribery policy may result in severe disciplinary actions, including the termination of employment or business relationships. During the Track Record Period and up to the Latest Practicable Date, we have not been involved in any legal cases related to corruption, bribery, fraud, or money laundering.

ESG-related Risks, Opportunities and Control Measures

The following ESG-related risks and opportunities have been identified by us as significant and could potentially impact our business:

Impact of climate change: Extreme weather or natural disasters may affect the availability and cost of raw materials, disrupt our supply chain and daily operations, damage infrastructure, or endanger the safety of our employees. To mitigate these risks, we carry out thorough risk assessments to identify potential hazards, implement preventive measures in place, and strengthen our emergency response protocols. We also invest in resilient infrastructure and provide safety training to employees to ensure preparedness and continuity in the face of climate-related challenges.

Product safety and quality: The skincare industry is becoming more regulated, where non-compliance to safety standards or product efficacy could lead to legal consequences and erode consumer trust. We mitigate this risk by adhering to strict quality control procedures, conducting regular product testing, and ensuring compliance with laws and regulations. Furthermore, we continuously innovate to offer products that meet the evolving needs of consumers while prioritising safety and effectiveness.

Opportunities in clean and green products: With increasing consumer awareness and demand for sustainable products, there is a growing opportunity for skincare brands that can offer eco-friendly products. We are committed to animal welfare and do not conduct animal testing during our product development process. By developing formulations with natural, biodegradable ingredients, building sustainable supply chain, and using eco-friendly packaging, we can enhance our market position and differentiate our brands as leader in sustainability within the skincare industry.

We have established internal control measures to support our ESG initiatives and to ensure compliance with relevant product testing and safety laws and regulations:

Ingredient procurement and management: We have implemented a rigorous supplier selection and pre-evaluation system, requiring full documentation including quality certifications and safety assessment reports. Based on supplier data and industry/national standards, we establish internal testing protocols to strictly inspect all procured materials.

Risk assessment and control: We have maintained a comprehensive cosmetic ingredient risk assessment system aligned with the Cosmetic Safety Technical Regulations. Prior to use, all ingredients undergo thorough evaluation for potential hazardous substances, with documented reports and mandatory supplier controls for identified risks.

Production environment and process control: We have enforced strict hygiene protocols, including controlled cleanroom environments, validated sanitation procedures, and real-time monitoring of critical parameters, with documented SOPs and regular staff training to ensure consistent GMP compliance throughout manufacturing.

Product safety: Each product undergoes full safety assessment by our regulatory team and mandatory third-party testing to ensure compliance with all hazardous substance regulations.

Quality inspection and record keeping: We have maintained a comprehensive quality inspection system that includes microbiological and physicochemical testing conducted in our certified laboratory, with detailed batch-by-batch records stored in both physical and digital formats to ensure full traceability and compliance.

Label management: All product labels undergo strict review before market release to ensure regulatory compliance.

During the Track Record Period up to the Latest Practicable Date, we had complied with national standards for ingredient safety, production controls, quality testing, and labeling requirements in all material respects through rigorous internal controls. We actively maintain quality management systems to drive continuous operational improvements across all material operational respects.

RISK MANAGEMENT AND INTERNAL CONTROL

We have put in place a set of internal control and risk management policies and procedures to address potential operational, financial, legal and market risks identified in relation to our operations. We also periodically review these procedures to ensure their effectiveness.

To monitor the ongoing implementation of our risk management policies and corporate governance measures after the Listing, we have adopted, among other things, the following risk management measures:

- established an Audit Committee to review and supervise our financial reporting process and internal control system. For the qualifications and experience of the committee members, see “Directors and Senior Management — Board Committees — Audit Committee”;
- adopted policies to ensure compliance with the Listing Rules, including but not limited to aspects related to risk management, connected transactions and information disclosure;
- organized training sessions for our Directors and senior management in respect of the relevant requirements of the Listing Rules and duties of directors of companies listed in Hong Kong;
- established a set of emergency procedures in the event of major quality-related issues;
- adopted internal control policies with regard to the monitoring of KOL-related contents of our brands and products;
- provided enhanced training programs on quality assurance and product safety procedures; and
- distributed employee handbooks to enhance employees’ awareness of complying with laws and regulations.

COMPETITION

We operate in China’s cosmetics industry, and particularly within China’s premium skincare industry. The skincare market in China has shown consistent growth in recent years, with the industry’s market size expanding from RMB332.9 billion in 2019 to RMB461.9 billion in 2024, representing a CAGR of 6.8%. Notably, the premium segment has grown significantly, rising from RMB74.9 billion in 2019 to RMB114.4 billion in 2024. China’s premium skincare industry is relatively concentrated, with the top 15 brands accounting for 66.1% of the market share, according to CIC. In 2024, China’s premium skincare industry reached RMB114.4 billion in terms of retail sales value, with the top 15 premium skincare brands predominantly foreign. According to CIC, in 2024, *Forest Cabin* ranked 13th among all premium skincare brands in China (including both domestic and international brands) by retail sales with a market share of 1.4%, and was the only domestic brand among the top 15 premium skincare brands in China. In 2024, *Forest Cabin* ranked first among all premium domestic skincare brands in China by retail sales. Among the overall skincare market, anti-wrinkle and firming products have become a key segment and growth driver, accounting for 25.9% of China’s total skincare market in 2024, with a CAGR of 15.0% during 2019 and 2024. By retail sales of anti-wrinkle and firming skincare products in 2024, *Forest Cabin* ranked tenth among all premium skincare brands in China (including both domestic and international brands) with a market share of 2.2%, and was the only domestic brand among the top ten premium skincare brands. According to the same source, *Forest Cabin* also ranked first among domestic brands in the same market segment in China by retail sales of anti-wrinkle and firming skincare products in 2024. While competing with brands that may have greater financial, technical and marketing resources, our strategic focus on premium skincare and culturally rooted innovations distinguishes us from mass-market competitors. We believe that with our strategic positioning, robust R&D capabilities, and dynamic sales and distribution network, we are well-positioned in the industry to capture the rapidly growing market opportunities, attract and maintain consumers and increase our market share. See “Industry Overview.”

EMPLOYEES

As of June 30, 2025, we had 2,423 full-time employees located in China. The following table sets forth a breakdown of our employees by business function as of the same date:

Business Function	Number of Employees	Percent (%)
Sales and Marketing	2,028	83.7
Administration	132	5.4
Production	178	7.4
Research and Development	85	3.5
Total	2,423	100.0

Attracting, retaining and motivating qualified employees is crucial to our success. We utilize various recruitment channels, including professional recruitment websites, campus recruitment and referrals to attract talents. We are committed to creating a fair and equal working environment for our employees. We endeavor to motivate our employee by providing competitive salaries, comprehensive welfare packages, and merit-based incentive schemes based on their performance.

We offer training for all employees from entry-level to management, including induction training programs for new joiners and management skills training programs for key personnel in management positions. We also provide regular and specialized training programs tailored to the specific needs of employees in different departments.

We have established a labor union that protect employees' rights, help fulfill our and our subsidiaries' economic objectives, encourage employee participation in management decisions and assist in mediating disputes between us and union members. We have maintained a good relationship with our employees and did not have any material labor dispute during the Track Record Period and up to the Latest Practicable Date. We also enter into employment contracts and agreements regarding confidentiality, intellectual property, and non-competition with our executive officers, managers, and employees.

Social Insurance and Housing Provident Funds

As required by the laws and regulations in the PRC, we participate in various employee social security plans that are administered by local governments, including housing provident fund, pension insurance, medical insurance, maternity insurance, work-related injury insurance and unemployment insurance. During the Track Record Period, we did not make adequate contributions to the social insurance and housing provident funds with respect to certain of our employees as required by the relevant PRC laws and regulations, primarily because (i) the applicable PRC laws and regulations governing social insurance and housing provident funds are intricate and vary by region, which added complexity to our compliance efforts; and (ii) certain employees were unwilling to pay the social insurance and housing provident funds in full as it requires additional contributions from our employees. In 2022, 2023, 2024 and the six months ended June 30, 2025, our shortfall for the social insurance was RMB1.0 million, RMB0.8 million, RMB1.1 million and RMB0.6 million, respectively; and that for housing provident fund contributions was RMB2.2 million, RMB2.8 million, RMB2.2 million and RMB1.7 million, respectively.

As advised by our PRC Legal Advisor, pursuant to applicable PRC laws and regulations, if an employer fails to make social insurance contributions in full, the relevant authorities could order the employer to pay, within a prescribed time limit, the outstanding amount with an additional late payment penalty at the daily rate of 0.05%, and if the employer fails to make the overdue contributions within such time limit, a fine equal to one to three times the outstanding amount may be imposed. As such, the maximum potential penalties that we may be subject to for the shortfall for social insurance during the Track Record Period would be approximately RMB10.5 million. For the shortfall of housing provident funds, we may be ordered to compensate for the shortfall within a prescribed period, and an application may be made to the PRC courts for compulsory enforcement if the payment is not made within such time limit. As advised by our PRC Legal Advisor, according to the Regulation on the Administration of Housing Accumulation Funds, there is no late payment penalty or fine for delayed payment of the housing provident funds. We have formulated and implemented a series of internal rectification measures and compliance plans to ensure ongoing compliance, including:

- Promoting full participation and contribution of all eligible employees in social insurance and housing provident fund schemes, with a plan to gradually increase the contribution base during the annual adjustment window in July to improve compliance coverage;

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- Conducting employee engagement and communication to ensure understanding and cooperation regarding statutory contribution requirements and to facilitate smooth implementation of the revised contribution base;
- Updating our human resources policies to explicitly require full compliance with local contribution regulations;
- Mandating monthly compliance reviews by our human resources and administration center on declaration and payment records;
- Monitoring regulatory developments and maintaining communication with the relevant authorities to ensure timely alignment with updated rules; and
- Regularly consulting legal advisors for professional opinions and guidance on compliance obligations and regulatory updates.

We plan to achieve full compliance with the relevant requirements within the next five years and undertake to make timely and full payment of any shortfall as required by the competent authorities. Accordingly, the maximum potential penalty exposure of our Group would be limited to the shortfall amount and the corresponding late payment penalty.

Considering that during the Track Record Period and up to the Latest Practicable Date, (i) no administrative penalties or notices were issued by the relevant authorities requiring us to make up for contribution shortfalls or amend our policies; (ii) no material employee complaints were received, nor were any disputes raised regarding such payments; (iii) according to the Urgent Notice of the General Office of the Ministry of Human Resources and Social Security on Implementing the Spirit of the Executive Meeting of the State Council in Stabilizing the Collection of Social Insurance Premiums (人力資源社會保障部辦公廳關於貫徹落實國務院常務會議精神切實做好穩定社保費徵收工作的緊急通知) (Ren She Ting Han [2018] No. 246) promulgated by the Ministry of Human Resources and Social Security of the PRC, the local authorities are strictly forbidden from retroactively collecting historical unpaid social insurance contributions from enterprises; and (iv) we have adopted detailed rectification and compliance plans to ensure compliance and prevent similar non-compliance in the future, our PRC Legal Advisor is of the view that the risk of us being required to make up for shortfalls or facing administrative penalties related to our social insurance and housing provident fund contributions during the Track Record Period is low. Based on the foregoing, our Directors believe that the aforementioned incidents would not have any material adverse effect on our business, financial condition and results of operations. As a result, we had not made any provision for the shortfall in our social insurance and housing provident fund contributions during the Track Record Period.

In addition, the Interpretation (II) on Issues Concerning the Application of Law in the Trial of Labor Dispute Cases (the “New Judicial Interpretation”) was issued by the Supreme People’s Court on July 31, 2025 and became effective on September 1, 2025. Article 19(1) of the New Judicial Interpretation provides that any agreement between an employer and an employee, or any undertaking by an employee to the employer, to waive social insurance contributions shall be deemed invalid by the people’s court. If an employer fails to pay social insurance contributions in accordance with the law and the employee requests to terminate the labor contract and seeks economic compensation under the Labor Contract Law of the People’s Republic of China, the people’s court shall grant such request in accordance with the law.

Based on (i) there are no agreements or undertakings between the Company and our employees to waive social insurance contributions; (ii) during the Track Record Period and up to the Latest Practicable Date, no employee had initiated any litigation or arbitration regarding social insurance contributions; and (iii) as advised by our PRC Legal Advisor, the New Judicial Interpretation does not repeal or amend any currently effective PRC social insurance laws or regulations and will not increase our exposure to penalties, our PRC Legal Advisor is of the view that the New Judicial Interpretation will not have additional material adverse impact on our business operation and financial condition.

INSURANCE

We maintain insurance coverage in place for our daily operations. Our principal insurance policies primarily include property insurance, employer’s liability insurance and a wide range of insurances offered by digital e-commerce platforms such as cosmetics allergy insurance and insurance on inventories. We believe that we have adequately covered major risks in the jurisdictions in which we operate, and we follow general market practices by not maintaining certain policies that are not available or required by law in those jurisdictions, such as product liability insurance. However, we may be subject to product liability claims under relevant laws if any of our products are found to be defective or cause damage to persons or property. See “Regulatory Overview — Regulations Relating to Product Liability and Consumer Protection” and “Risk Factors — Risks Relating to Our Business and Industry — Product quality is core to our business. Any quality issues related to our products may result in a loss of customers and subject us to product liability claims, recalls or regulatory actions.” Therefore there exists the risk where our insurance coverage may not be adequate to protect us from all potential liabilities. See “Risk Factors — Risks Relating to Our Business and Industry — Our insurance coverage may be inadequate to protect us from the liabilities we may incur or cover all of our potential losses.”

We have implemented a series of internal quality control and risk management measures to minimize product defects and safety risks, including ingredient disclosure, strict safety protocols, and comprehensive quality control throughout the process. See “Business — Product Safety.” We were not subject to any material product liabilities during the Track Record Period and up to the Latest Practicable Date. Considering these factors and our historical track record, as advised by CIC, we believe that our insurance coverage is deemed sufficient for our business and aligns with industry standards and market practice. We regularly review and assess our risk portfolio and make necessary adjustments to our insurance plans to meet our needs and industry practices. During the Track Record Period, we did not have any significant insurance claims related to our business.

PROPERTIES

Our headquarters office is located in Shanghai, China. We own and lease properties in China. As of the Latest Practicable Date, none of the properties leased by us had a carrying amount of 15% or more of our consolidated total assets. According to Chapter 5 of the Hong Kong Listing Rules and section 6(2) of the Companies Ordinance (Exemption of Companies and Prospectuses from Compliance with Provisions) Notice, this prospectus is exempt from the requirements of section 342(1)(b) of the Companies (Winding up and Miscellaneous Provisions) Ordinance to include all interests in land or buildings in a valuation report.

Owned Properties

As of June 30, 2025, we held the land use right of one parcel of land in China, with an area of approximately 18,557.1 sq.m., primarily used for R&D and as production bases, for which we had obtained the valid land use right certificate.

Leased Properties

As of the Latest Practicable Date, we leased 299 properties in China with an aggregate GFA of approximately 57,497.1 sq.m., which were primarily used for directly-operated stores, office spaces, warehouses, production facilities and staff quarters.

As of the Latest Practicable Date, the lessors of 41 leased properties with an aggregate GFA of approximately 2,562.7 sq.m. (representing approximately 4.5% of our total leased GFA) had not provided valid title certificates. These properties were primarily used for directly-operated stores, offices and staff quarters. As advised by our PRC Legal Advisor, our leasehold interests may be affected if the lessors do not have the requisite rights to lease the relevant premises. Taking into account (i) the relatively small proportion of such properties in our overall leased properties; (ii) as of the Latest Practicable Date, we had not been required to cease operations due to any third-party challenge to the lessors' leasehold rights, nor were we aware of any ongoing litigation, arbitration or other legal disputes in respect of these leases; (iii) in the event of any dispute or loss arising from the use of such premises, we are contractually entitled to request a reduction of rental expenses, refuse payment of rent or seek indemnification from the lessors under the relevant lease agreements; and (iv) given the readily replaceable nature of these properties due to their limited size and standard usage, our Directors are of the view that the absence of valid title certificates for such leased properties would not have any material adverse effect on our business, financial condition or results of operations.

Among our leased properties, the actual usage of one leased property with an aggregate GFA of 23.4 sq.m. used for directly-operated stores (representing approximately 0.04% of our total leased GFA as of the Latest Practicable Date) was inconsistent with the usage set out in its title certificate or relevant authorization documents. As advised by our PRC Legal Advisor, the inconsistent usage may affect our continued use of such premises. However, considering that (i) the aggregate GFA of such property accounts for an insignificant proportion of our total leased GFA; (ii) this premise is highly replaceable with minimal relocation cost; and (iii) as of the Latest Practicable Date, we had not received any notice requiring us to vacate these premises due to such inconsistency, our Directors are of the view that the use of such leased property in a manner inconsistent with its designated land use will not have any material adverse effect on our business, financial condition or results of operations.

As of the Latest Practicable Date, 299 of our lease agreements had not been registered with the relevant housing administrative authorities. Registration requires cooperation from both parties, and lessors are typically unwilling to complete such procedures due to the low penalty risk. As such, we were unable to complete registration for these lease agreements. We have implemented internal policies requiring our employees to proactively coordinate with lessors to complete the registration process and to register lease agreements where lessors are cooperative. As advised by our PRC Legal Advisor, failure to register these lease agreements does not affect their legal validity. However, we may be required by the relevant local authorities to complete the registration within a specified period, and may be subject to fines ranging from RMB1,000 to RMB10,000 per agreement. The maximum aggregate penalty, if imposed, would be approximately RMB3.0 million, which our Directors believe would not have any material adverse impact on our business operations. Based on the foregoing and considering that, as of the Latest Practicable Date, we had not been required to register these leases by the authorities and had not been penalized for such non-registration, our Directors are of the view that the non-registration of the lease agreements will not have any material adverse effect on our business, financial condition or results of operations.

Having considered the above, our Directors believe that the foregoing incidents do not constitute material or systemic non-compliance on the part of our Group and will not, individually or in the aggregate, materially and adversely affect our business or results of operations. For further details on risks relating to our leased properties, see “Risk Factors — Risks Relating to Our Business and Industry — We may face risks related to our properties.”

LICENSES, PERMITS AND APPROVALS

We are required to obtain various licenses, permits and approvals for our business, including cosmetics production license, cosmetics administrative license and sewage discharge permit, among others. As advised by our PRC Legal Advisor, we had obtained the requisite licenses, permits and approvals from applicable competent authorities which are material to our operations, and such licenses, permits and approvals are valid and subsisting as of the Latest Practicable Date.

Fire Safety

As advised by the PRC Legal Advisor, among the offline store network which we directly lease and operate as of the Latest Practicable Date, six stores failed to complete the mandatory fire safety filing procedures and five stores failed to complete the requisite pre-operation fire safety inspection during the Track Record Period. As advised by our PRC Legal Advisor, failure to complete the fire safety filing as required under applicable PRC laws and regulations may result in an order for rectification or a fine of up to RMB5,000 for each store. Furthermore, if a public gathering venue is put into use or operation without completing the requisite pre-operation fire safety inspection, or if, upon inspection, the actual use does not conform to the committed standards, the competent authority may order the suspension of construction, use, or business operations, and a fine ranging from RMB30,000 to RMB300,000 may be imposed. As advised by our PRC Legal Advisor, the maximum potential penalty for the aforementioned incidents would be approximately RMB1.53 million. We had fully rectified the aforementioned incidents as of June 30, 2025.

These non-compliances occurred primarily due to the evolving and varied requirements and practices on the relevant fire safety procedures adopted by the local governmental authorities of different cities in China where our stores are located, which resulted in misunderstanding of the applicable local requirements and practices by certain of our employees who were in charge of completing the relevant fire safety procedures. We have enhanced relevant internal control measures, and undertaken active measures to rectify the abovementioned incidents. As of June 30, 2025, (i) for the six stores that had not completed the mandatory fire safety filing procedures, we had completed the fire safety filing procedures; and (ii) for the five stores that had not completed the requisite pre-operation fire safety inspection, we had completed the required inspections.

Considering that (i) we had fully rectified such incidents as of June 30, 2025; (ii) as of the Latest Practicable Date, we had not received any notice of fines, rectification orders, or suspension of use from the fire safety authorities, nor were there any outstanding disputes or controversies with the fire safety authorities or landlords; and (iii) these stores primarily engage in the sale of skincare products, the business nature of which is generally subject to relatively low fire safety risk, our PRC Legal Advisor is of the view that the likelihood of us being subject to administrative penalties, such as suspension of use, that would have a material adverse effect on our business operations and results of operations in relation to the above-mentioned stores is low.

We place great emphasis on compliance with fire safety laws and regulations, recognizing that the safety of our customers, employees, and assets is of paramount importance. To this end, we have established and implemented a series of internal control measures to ensure compliance with fire safety requirements and to mitigate the risk of non-compliance in relation to fire safety filings and pre-operation fire safety inspections for our offline stores. Our key internal control measures include:

- *Standardized Procedures.* We have developed and implemented standard operating procedures for the application, submission, and follow-up of fire safety filings and inspections for all of our stores. These procedures are regularly reviewed and updated to reflect changes in applicable laws and regulations.
- *Regular Training.* We provide regular training to relevant personnel, including store managers and employees, to enhance their awareness and understanding of fire safety requirements and procedures.
- *Pre-Opening Compliance Checks.* Before the opening of any new store, we conduct a comprehensive compliance check to ensure that all requisite fire safety filings and inspections have been completed. In accordance with our internal license and permit management policy, our administrative and operations departments coordinate the licensing process across stores. Regional teams are responsible for the timely completion of required filings and for maintaining records of relevant fire safety approvals. The head office sales operations team centrally collects and verifies scanned copies of these documents, which are uploaded to a designated internal platform and included in a consolidated register. To ensure the ongoing effectiveness of these compliance procedures, our management office conducts periodic reviews of uploaded materials, and our

internal audit team carries out random inspections as part of our broader internal control and audit framework. Fire safety compliance forms part of the scope of our annual financial audit.

- *Ongoing Communication with Legal Advisors.* We maintain regular communication with the legal advisors to stay informed of any updates to regulatory requirements and to facilitate the timely resolution of any issues that may arise.

Through the implementation of these internal control measures, we aim to ensure ongoing compliance with fire safety laws and regulations, minimize the risk of non-compliance, and safeguard the safety of our customers, employees, and assets.

After taking into account the above rectification and enhanced internal control measures, our Directors believe that the above-mentioned incidents would not have a material and adverse effect on our business and results of operations, considering that (i) we had fully rectified such incidents as of June 30, 2025; (ii) we had not received any fines, rectification orders, or suspension notices from the competent fire safety authorities in relation to these incidents, nor were there any outstanding disputes or controversies with the authorities or landlords as of the Latest Practicable Date; (iii) our principal business activities involve the sale of skincare products, which are not subject to particularly stringent fire safety regulatory scrutiny; (iv) we have implemented robust internal control measures to prevent recurrence of similar incidents in the future; and (v) our PRC Legal Advisor is of the view that the likelihood of being subject to significant administrative penalties is low.

LEGAL PROCEEDINGS AND COMPLIANCE

Legal Proceeding

During the Track Record Period and up to the Latest Practicable Date, we had not been and were not a party to any material legal, arbitral or administrative proceedings, and we were not aware of any pending or threatened legal, arbitral or administrative proceedings against us or our Directors that could, individually or in the aggregate, have a material adverse effect on our business, financial condition and results of operations.

Between September 2024 and October 23, 2024, one of our directly-operated stores in Beijing was found to have made inaccurate claims regarding the “anti-aging” efficacy of our products. Specifically, the store’s advertising materials contained descriptions of product performance, functions and intended uses that generalized the National Medical Products Administration approved anti-wrinkle, firming and repairing effects as “anti-aging.” These claims were deemed misleading under applicable regulatory standards. This incident primarily arose due to a misunderstanding of the relevant legal requirements by the responsible employees. As a result, the store was fined RMB21,234.5 by the Beijing Municipal Administration for Market Regulation. On February 26, 2025, Mr. Sun Laichun voluntarily issued a public apology on behalf of our Company for promoting the products’ anti-wrinkle, firming and repairing effects as “anti-aging” and reaffirmed our commitment to strengthening internal management and compliance procedures. From September to October 23, 2024, the relevant store recorded total sales revenue of RMB112,900, with its main products including Forest Cabin Camellia Essence Oil and Camellia Moisturizing Peptide Firming Facial Mask.

While we already had relevant measures in place, we have since further strengthened and expanded our internal control measures to ensure strict compliance with advertising regulations and to prevent the recurrence of similar events. These enhanced measures include:

- Establishing a dedicated compliance team responsible for overseeing adherence to all relevant laws and regulations, coordinating compliance efforts across departments and serving as the primary liaison with regulatory authorities.
- Implementing a review process for advertising content and promotional materials to ensure consistency with product registration and compliance with advertising laws.
- Conducting regular training for staff to reinforce compliance awareness, especially among marketing and product development teams.
- Implementing a product recall control procedure supported by a dedicated recall team to ensure timely reporting and accurate record-keeping with regulatory authorities.
- Formulating the advertising compliance management policy and risk management policy to strengthen controls and prevent non-compliant advertising.

Other than the isolated event mentioned above, during the Track Record Period and up to the Latest Practicable Date, we had not received any other regulatory penalties related to advertising or promotional activities. In light of the nature and circumstances of the incident, the prompt remedial actions taken, and the absence of any other regulatory penalties with respect to product advertising or promotion, our Directors are of the view that the aforementioned incident was an isolated event. Given that (i) the breach was limited to a single retail location and did not reflect a systemic issue within our broader operations or compliance framework, (ii) the financial penalty imposed was not significant relative to our overall financial position, and (iii) we responded promptly and transparently, including issuing a public apology, implementing robust corrective measures, and there have had no subsequent or similar regulatory findings against us as of the Latest Practicable Date, our Directors are of the view that this isolated event did not have any material adverse effect on our business, financial condition or results of operations.

As advised by our PRC Legal Advisor, we are subject to relevant laws and regulations associated with cosmetics advertising in China, including the Advertising Law of the People's Republic of China, the Measures for the Administration of Internet Advertising and the Guiding Opinions of the State Administration for Market Regulation on Strengthening the Supervision and Regulation of Live Webcasting Marketing Activities, among others. See "Regulatory Overview — Regulations Relating To Advertising." As advised by our PRC Legal Advisor, we had complied with the PRC Advertising Law in respect of cosmetic advertising in material respects during the Track Record Period and up to the Latest Practicable Date. Based on the foregoing, we do not expect the laws and regulations associated with cosmetics advertising in China to have any material adverse effect on our business, financial condition and results of operations.

Compliance

During the Track Record Period and up to the Latest Practicable Date, we had not been and were not involved in any non-compliance incidents that led to fines, enforcement actions or other penalties that could, individually or in the aggregate, have a material adverse effect on our business, financial condition or results of operations. Our Directors are of the view that, save as disclosed in "— License, Permits and Approvals — Fire Safety," we had complied, in all material respects, with all relevant laws and regulations in the jurisdictions we operate in during the Track Record Period and up to the Latest Practicable Date.

AWARDS AND RECOGNITIONS

During the Track Record Period, we received awards and recognition in respect of our products, technology and innovation. The following table sets out major awards and recognitions we received during the Track Record Period and up to the Latest Practicable Date:

Year	Name of award or recognition	Awarding Authority
2025	Municipal-level Enterprise Technology Center (市級企業技術中心)	Shanghai Municipal Commission of Economy and Informatization (上海市經濟和信息化委員會)
2025	Certificate of Carbon Neutrality (碳中和認證)	Centre Testing International Group Co., Ltd. (華測認證有限公司)
2024	High and New Technology Enterprise of Shanghai (Fourth Designation) (上海市高新技術企業(第四次))	Shanghai Municipal Commission of Science and Technology (上海市科學技術委員會)

BUSINESS

Year	Name of award or recognition	Awarding Authority
2024	2024 Special Funds for Promoting High-Quality Industrial Development — “Shanghai Excellent Manufacturing Brand” (2024年促進產業高質量發展專項資金 (上海製造品牌))	Shanghai Municipal Commission of Economy and Informatization (上海市經濟和信息化委員會)
2023	Shanghai Excellent Invention Bronze Award (上海市優秀發明銅獎)	Shanghai Federation of Trade Unions (上海市總工會), Shanghai Intellectual Property Bureau (上海市知識產權局)
2023	Shanghai Famous Brands of Light Industry (Products) (上海輕工知名品牌 (產品))	Shanghai Light Industry Association (上海市輕工業協會)
2022	Shanghai Specialized and Sophisticated Enterprises (上海市專精特新企業)	Shanghai Municipal Economy and Information Technology Commission (上海市經濟和信息化委員會)
2022	Shanghai Design Demonstration Enterprises (上海市設計示範企業)	Shanghai Municipal Economy and Information Technology Commission (上海市經濟和信息化委員會)
2022	Shanghai Songjiang District Development Guidance Fund (上海市松江區發展引導資金)	Shanghai Municipal Songjiang District Development and Reform Commission (上海市松江區發展和改革委員會)

DIRECTORS AND SENIOR MANAGEMENT

BOARD OF DIRECTORS

Our Board of Directors comprises of six Directors, including two executive Directors, one non-executive Director and three independent non-executive Directors as at the prospectus date. Our Directors serve a term of three years and may be re-elected for successive reappointments.

The following table sets out information in respect of the Directors:

Name	Age	Position/Title	Date of appointment as Director	Date of joining our Group	Key responsibilities	Relationship with Directors and senior management
<i>Executive Directors</i>						
Mr. Sun Laichun (孫來春先生)	51	Founder, chairperson of the Board, executive Director and president	December 22, 2011	December 22, 2011	Responsible for the overall business strategies, operations and development plans of our Group	Brother of Mr. Sun Fuchun
Mr. Gao Hongqi (高宏旗先生)	58	Executive Director and deputy general manager	October 16, 2020	July 1, 2013	Responsible for the scientific research of our Group	None
<i>Non-executive Director</i>						
Ms. Jing Aimei (景愛梅女士)	54	Non-executive Director	June 12, 2024	June 12, 2024	Responsible for providing professional opinion and judgment to the Board	None
<i>Independent Non-executive Directors</i>						
Mr. Zhu Qian (朱乾先生)	43	Independent non-executive Director	May 23, 2025 (effective from December 11, 2025)	May 23, 2025	Providing independent strategic advice and guidance on the business and operations of our Group	None
Mr. Liu Yuliang (劉玉亮先生)	64	Independent non-executive Director	May 23, 2025 (effective from December 11, 2025)	May 23, 2025	Providing independent strategic advice and guidance on the business and operations of our Group	None
Ms. Qiang Yilan (強一嵐女士)	39	Independent non-executive Director	May 23, 2025 (effective from December 11, 2025)	May 23, 2025	Providing independent strategic advice and guidance on the business and operations of our Group	None

DIRECTORS AND SENIOR MANAGEMENT

Executive Directors

Mr. Sun Laichun (孫來春先生), aged 51, is our founder, executive Director, chairperson of the Board and president. He is primarily responsible for the overall business strategies, operations and development plans of our Group.

Mr. Sun first founded the brand of *Forest Cabin* in September 2003 and later founded our Company in December 2011, serving as the chairperson of the Board and president of our Company since then. Mr. Sun also serves as a director of our several subsidiaries.

Prior to founding our Group, he served various positions in Mudanjiang Wenchun Shuanghe Pharmaceutical Co., Ltd. (牡丹江溫春雙鶴藥業股份有限責任公司, currently known as Mudanjiang Wenchun Pharmaceutical Co., Ltd. (牡丹江溫春藥業有限責任公司)) from July 1995 to July 2000, with his last position as the principal of sales of Shenyan region.

Mr. Sun completed the master's program courses at Liaoning University (遼寧大學) in the PRC in September 2004. He is currently the deputy of the People's Congress of Shanghai's Songjiang District (上海市松江區人大代表). He was awarded as one of 2020 Shanghai Business Outstanding Entrepreneurs (2020上海商業優秀創業企業家) in 2020, the business technology innovator of China (全國商業科技創新人物) in 2022 and an exceptional entrepreneur in China (全國商業優秀企業家) in 2023. Mr. Sun currently holds the title of senior economist (高級經濟師) granted by Bureau of Human Resources and Social Security of Shanghai (上海市人力資源和社會保障局) in December 2023.

Mr. Gao Hongqi (高宏旗先生), aged 58, is our executive Director and deputy general manager. He is primarily responsible for the scientific research of our Group.

Mr. Gao joined our Group in July 2013 and has served as the vice president and general manager of scientific research center since then. Prior to joining our Group, Mr. Gao worked at Nanjing Surfactant Factory (南京表面活性劑廠) from July 1988 to December 1992; at Nanjing Institute of Applied Chemistry (南京應用化學研究所) from December 1992 to October 1996; as the research and development engineer at Nanjing Golden Ballet Cosmetics Co., Ltd. (南京金芭蕾化妝品有限公司) from October 1996 to October 2004; as the deputy general manager at Shanghai Yuanzhongkui Cosmetics Co., Ltd. (上海園中葵化妝品有限公司) from September 2006 to June 2013. He has served as a distinguished professor at the School of Chemistry and Materials Engineering of Jiangnan University (江南大學) since January 2024.

Mr. Gao received his bachelor's degree in fine chemicals from Wuxi Qingong University (無錫輕工大學, currently known as Jiangnan University (江南大學)) in the PRC, in July 1988. He was granted as senior engineer by the Shanghai Engineering Series Light Industry Professional Senior Title Review Committee (上海市工程系列輕工專業高級職稱評審委員會) in December 2021.

DIRECTORS AND SENIOR MANAGEMENT

Non-executive Director

Ms. Jing Aimei (景愛梅女士), aged 54, is our non-executive Director.

Ms. Jing has been serving as the chairperson of the board at Jiangsu Solamoda Garments Group Co. Ltd. (江蘇三潤服裝集團股份有限公司) since January 1999, among which she served as a deputy general manager from 1999 to 2003 and has been a general manager since 2003. She has also served as a part-time professor at the School of Foreign Languages and Cultures of Nanjing Normal University (南京師範大學外國語學院) since December 2023.

Ms. Jing received a bachelor's degree in arts from Nanjing Normal University (南京師範大學) in the PRC in 2001. She received her master's degree in EMBA from the China Europe International Business School (中歐國際工商學院) in the PRC in November 2004.

Independent Non-executive Directors

Mr. Zhu Qian (朱乾先生), aged 43, was appointed as our independent non-executive Director in May 2025, effective from December 11, 2025.

Mr. Zhu has over 20 years of experience in financial operations and strategic management. Mr. Zhu served as the chief financial officer at JNBY Design Limited (江南布衣有限公司, a company listed on the Stock Exchange (stock code: 3306.HK)) from November 2013 to December 2022, and concurrently served as the chief strategy officer therein from July 2021 to December 2022, mainly responsible for its overall strategy, business planning and development, financial and operational management, and capital market matters. Mr. Zhu worked at PricewaterhouseCoopers LLP from August 2003 to November 2013, where he last served as a senior manager and was primarily responsible for assurance business. Currently, he has served as the chief executive officer at Qingdao Vector Spiral Technology Co., Ltd (青島向量螺旋科技有限公司) since August 2023.

Mr. Zhu was granted with the qualification of Certified Public Accountant by Shanghai Institute of Certified Public Accountants in August 2006. Mr. Zhu received a certificate for SHICPA-SNAI TOPCPA executive (上海市註冊會計師協會行業優秀人才) jointly issued by Shanghai Institute of Certified Public Accountant and Shanghai National Accounting Institute in August 2013. Mr. Zhu graduated from Shanghai University of Finance and Economics (上海財經大學) in the PRC in July 2003 with a bachelor's degree of economics majoring in public finance (asset management and evaluation) and a dual degree of management majoring in accounting.

DIRECTORS AND SENIOR MANAGEMENT

Mr. Liu Yuliang (劉玉亮先生), aged 64, was appointed as our independent non-executive Director in May 2025, effective from December 11, 2025.

Mr. Liu worked in Shanghai Jahwa United Co., Ltd. (上海家化聯合股份有限公司), a company listed on the Shanghai Stock Exchange (stock code: 600315.SH), from 1995 to July 2003, with his last position as managing director. He worked in Huayuan International Hospital Management (Beijing) Co., Ltd. (華源國際醫院管理(北京)有限公司) from August 2004 to February 2024, with his last position as the managing director. He worked in Guangzhou Liby Enterprise Group Co., Ltd. (廣州立白企業集團有限公司) from March 2007 to May 2008, with his last position as the vice president. He served as the chief executive officer of Sino-PNG (Papua New Guinea) Investment Holding Company from June 2008 to May 2009. After that, he served as vice president at Shanghai Fosun Pharmaceutical (Group) Co., Ltd. (上海復星醫藥(集團)有限公司), a company listed on the Shanghai Stock Exchange (stock code: 600196.SH), and the Stock Exchange (stock code: 2196.HK) from July 2009 to February 2010. He served as the executive vice president at Shanghai Natural Hall Group Co., Ltd (伽藍(集團)股份有限公司, currently known as 上海自然堂集團有限公司) from December 2009 to April 2019. He has served as the chairman of Shanghai Zhongrui Investment Management Center (Limited Partnership) (上海仲芮投資管理中心(有限合夥)) since December 2019. He has served as the chairman of Shanghai Liangdia Data Technology Co., Ltd (上海亮嘜數據科技有限公司) since August 2021.

Mr. Liu obtained master's degree and doctor's degree from the Second Military Medical University (第二軍醫大學) in the PRC in August 1989 and July 1994, respectively. Additionally, he has completed a training programme under the auspices of Royal Danish Ministry of Foreign Affairs, Danida Fellowship Programme on Trauma-Burns Surgery and Care at Hvidovre Hospital and Coloplast Inc. in Denmark from October 1994 to April 1995. He obtained an EMBA at the China Europe International Business School (中歐國際工商學院) in April 2001.

Ms. Qiang Yilan (強一嵐女士), aged 39, was appointed as our independent non-executive Director in May 2025, effective from December 11, 2025.

Ms. Qiang served as the assistant company secretary, investor relations manager and assistant to chief financial officer at TOP SPRING INTERNATIONAL HOLDINGS LIMITED (萊蒙國際集團有限公司, a company listed on the Stock Exchange (stock code: 3688.HK)) from September 2011 to June 2017. She has served as the director of investor relations at JNBY Design Limited (江南布衣有限公司, a company listed on the Stock Exchange (stock code: 3306.HK)) since June 2017.

Ms. Qiang obtained her bachelor's degree in arts from Tianjin University of Sport (天津體育大學) in the PRC in June 2008. She obtained her master's degree in science from Hong Kong Baptist University in Hong Kong in November 2009.

DIRECTORS AND SENIOR MANAGEMENT

SENIOR MANAGEMENT

The following table sets out information regarding the members of senior management of our Company:

Name	Age	Position/Title	Date of appointment as senior management	Date of joining our Group	Key responsibilities	Relationship with Directors and senior management
Mr. Sun Laichun (孫來春先生)	51	Founder, chairperson of the Board, executive Director and president	December 22, 2011	December 22, 2011	Responsible for the overall business strategies, operations and development plans of our Group	Brother of Mr. Sun Fuchun
Mr. Sun Fuchun (孫福春先生)	52	Deputy general manager	June 1, 2015	June 1, 2015	Responsible for the sales and sales training of our Group	Brother of Mr. Sun
Mr. Gao Hongqi (高宏旗先生)	58	Executive Director and deputy general manager	July 1, 2013	July 1, 2013	Responsible for the scientific research of our Group	None
Mr. Du Youyi (杜有義先生)	56	Chief financial officer	February 3, 2020	February 3, 2020	Responsible for the overall financial management of the Group	None
Ms. Zeng Lu (曾璐女士)	40	Secretary to the Board, director of president's office, legal director and joint company secretary	December 1, 2020	May 20, 2013	Overseeing the Board related matters, information disclosure, investor relations management and legal issues	None

For details of the biographies of Mr. Sun Laichun (孫來春先生) and Mr. Gao Hongqi (高宏旗先生), see “— Board of Directors.”

Mr. Sun Fuchun (孫福春先生), aged 52, is our deputy general manager. He is primarily responsible for the sales and sales training of our Group.

Mr. Sun Fuchun joined our Group in June 2015 and successively served as the sales supervisor and deputy general manager and general manager of sales since then. He also serves as a director in our several subsidiaries.

Prior to joining our Group, Mr. Sun Fuchun served as the general manager of Orion Co., Ltd. (奧里昂有限責任公司) from April 2001 to November 2011, and served as the general manager of Shenyang Danbo Fang Cosmetics Co., Ltd. (瀋陽淡泊坊化妝品有限公司) from December 2011 to May 2015.

DIRECTORS AND SENIOR MANAGEMENT

Mr. Sun Fuchun obtained a diploma in computer science and technology from Jilin University of Finance and Economics (吉林財經大學) in the PRC in January 2011 through correspondence learning and an EMBA certificate from Liaoning University (遼寧大學) in the PRC in October 2014. He also graduated from international business retail president class at Shanghai Jiao Tong University (上海交通大學國際商業零售總裁班) in the PRC in June 2021. Mr. Sun Fuchun holds the title of corporate coach-trainer (Phase 1) from China Corporate Coach Union (中國企業教練聯合會) in June 2018; and a title of senior marriage counsellor from China National Personnel Talents Training Net (中國國家人事人才培訓網) in August 2021. He has been a member of the Shanghai Committee of China Democratic National Construction Association (中國民主建國會上海市委員會) since June 2023.

Mr. Du Youyi (杜有義先生), aged 56, is our chief financial officer. He is primarily responsible for the overall financial management of our Group.

Mr. Du joined our Group in February 2020 and has been serving as the chief financial officer since then. Prior to joining our Group, Mr. Du served as the finance manager of Wuhan Yong'an Children's Shopping Amusement Center (武漢永安兒童購物遊樂中心) from January 1996 to February 1999; as the financial director and audit manager, respectively, at center of the headquarter of Wushang Group Co., Ltd. (武商集團股份有限公司) from March 1999 to January 2001; as the finance manager and the manager of management department, respectively, of Wuhan PEPSI-COLA Beverage Co., Ltd. (武漢百事可樂飲料有限公司) from February 2001 to August 2008; as the performance financial director of Coca-Cola (Guangxi) Beverage Co., Ltd. (可口可樂(廣西)飲料有限公司) from August 2008 to May 2010; as the regional finance director of Zhejiang regional supply chain of AB InBev from July 2010 to July 2012, managing the financial management of four companies in Zhejiang including AB InBev (Ningbo) Brewing Co., Ltd. (百威(寧波)啤酒有限公司); as the finance director of Shanghai Xiangyi Materia Medica Cosmetics Co., Ltd. (上海相宜本草化妝品股份有限公司) from August 2012 to December 2015; and as the general manager of finance of Guangdong Danzi Group Co., Ltd. (廣東丹姿集團有限公司) from January 2018 to April 2019.

Mr. Du received his master's degree in business administration from Kunming University of Science and Technology (昆明理工大學) in Yunnan Province, the PRC, in December 2007 and his EMBA from China Europe International Business School (中歐國際工商學院) in Shanghai, the PRC, in November 2017. Mr. Du holds the title of accountant from the Ministry of the Human Resources and Social Security (人力資源和社會保障部) and the Department of Finance (財政部) of the PRC in 1994.

Ms. Zeng Lu (曾璐女士), aged 40, is the secretary to the Board, director of president's office, legal director and joint company secretary. She is primarily responsible for overseeing the Board related matters, information disclosure, investor relations management and legal issues.

Ms. Zeng joined our Group in May 2013 and currently serves as the secretary to the Board, the director of the president's office and legal director. Prior to joining our Group, Ms. Zeng served as an attorney of Shanghai Joint-Win Partners (上海正策律師事務所) from July 2010 to May 2013.

DIRECTORS AND SENIOR MANAGEMENT

Ms. Zeng obtained her bachelor's degree in law from Nanjing Tech University (南京工業大學) in the PRC in June 2006. She received her master's degree in legal history from East China University of Political Science and Law (華東政法大學) in the PRC in June 2010. Ms. Zeng received the legal professional qualification from the Ministry of Justice (司法部) of the PRC in 2009.

JOINT COMPANY SECRETARIES

Ms. Zeng Lu (曾璐女士) is the secretary to the Board, the director of the president's office, legal director and joint company secretary. For details of her biography, see “— Senior Management” in this section.

Ms. Tam Pak Yu, Vivien (譚栢如) is a joint company secretary of our Company. Ms. Tam serves as a manager of SWCS Corporate Services Group (Hong Kong) Limited (方圓企業服務集團(香港)有限公司), a professional services provider specializing in corporate services, and has over nine years of experience in corporate secretarial field. Ms. Tam has been admitted as an associate member of both The Hong Kong Chartered Governance Institute and The Chartered Governance Institute of the United Kingdom in 2018. Ms. Tam obtained a bachelor's degree in China Studies from Hong Kong Baptist University in 2014 and a master's degree in Professional Accounting and Corporate Governance from City University of Hong Kong in 2017.

CONFIRMATION FROM OUR DIRECTORS

Rule 8.10 of the Listing Rules

None of our Directors had interests in any other companies as of the Latest Practicable Date that may, directly or indirectly, compete with our business and would require disclosure under Rule 8.10 of the Listing Rules.

Rule 3.09D of the Listing Rules

Each of our Directors confirms that he or she (i) has obtained the legal advice referred to under Rule 3.09D of the Listing Rules in May 2025, and (ii) understands his or her obligations as a director of a listed issuer under the Listing Rules.

Rule 3.13 of the Listing Rules

Each of the independent non-executive Directors confirms (i) his/her independence as regards each of the factors referred to in Rule 3.13(1) to (8) of the Listing Rules, (ii) that he/she has no past or present financial or other interest in the business of the Company or its subsidiaries or any connection with any core connected person of the Company under the Listing Rules as of the Latest Practicable Date, and (iii) that there are no other factors that may affect his/her independence at the time of his/her appointment.

BOARD COMMITTEES

Our Board delegates certain responsibilities to various committees. In accordance with the relevant PRC laws and regulations and the Corporate Governance Code, Appendix C1 to the Listing Rules, our Company has formed three Board committees, namely the Audit Committee, the Remuneration Committee and the Nomination Committee.

Audit Committee

We have established an Audit Committee with written terms of reference in compliance with Rule 3.21 of the Listing Rules and with written terms of references in compliance with the Corporate Governance Code set out in Appendix C1 to the Listing Rules. The Audit Committee consists of three Directors, namely Mr. Zhu Qian, Mr. Liu Yuliang and Ms. Jing Aimei. Mr. Zhu Qian holds the appropriate professional qualifications as required under Rules 3.10(2) and 3.21 of the Listing Rules and serves as the chairperson of the Audit Committee. The primary duties of the Audit Committee include, but not limited to, the following:

- examining the authenticity of financial reports of our Company and monitoring financial reporting procedures of our Company;
- examining the effectiveness of risk management and internal control system of our Company;
- ensuring that our Company's resources in accounting, internal audit and financial reporting functions, qualifications and experience of our Company's accounting and reporting personnel, and the training and budget for relevant expenditures are adequate;
- reviewing results of internal investigations and responses from management in relation to any suspected dishonesty, non-compliances, or suspected violations of laws, rules and regulations;
- evaluating whether our Company has any major internal control defaults or deficiencies;
- evaluating the nature and severity of major risks faced by our Company in the preceding financial year;
- evaluating the performance of the audit function and personnel;
- proposing the appointment of external auditors to our Board, and reviewing the qualification, independence and performance of the external auditors; and
- regularly examining the financial reports and annual reports of our Company.

DIRECTORS AND SENIOR MANAGEMENT

Remuneration Committee

We have established a Remuneration Committee with written terms of reference in compliance with the Corporate Governance Code set out in Appendix C1 to the Listing Rules. The Remuneration Committee consists of three Directors, namely Mr. Liu Yuliang, Mr. Zhu Qian and Mr. Sun. Mr. Liu Yuliang serves as the chairperson of the Remuneration Committee. The primary duties of the Remuneration Committee include, but not limited to, the following:

- formulating the overall remuneration policy and structure of our Company's Directors and members of the senior management, formulating proper and transparent remuneration procedures, and making suggestions to our Board;
- reviewing and approving remuneration proposals of members of our senior management in accordance with our Company's policies and objectives as approved by our Board from time to time;
- making recommendations to our Board on remuneration of individual executive Directors and member of senior management, including non-monetary benefits, pension rights and amount of compensation (including compensation for loss or termination of office or appointment);
- making recommendations to our Board on remuneration of our non-executive Directors (including independent non-executive Directors), advisers to the Board (if any) and committees of our Board;
- reviewing and approving compensation payable to our executive Directors and members of senior management for loss or termination of office or appointment, so as to ensure that such compensation is consistent with the terms of relevant contracts, and if such compensation is not determined in accordance with the relevant contract terms, compensation should be fair, reasonable and not excessive;
- reviewing and approving compensation arrangements in relation to dismissal or removal of our Directors due to misconduct, so as to ensure that such compensation is consistent with terms of relevant contract, and if such compensation is not determined in accordance with the relevant contract terms, compensation should be fair, reasonable and not excessive; and
- dealing with other matters as required by laws, regulations, rules, articles of our Company, terms of reference and applicable securities regulatory authorities, and other matters that are authorized by the Board.

DIRECTORS AND SENIOR MANAGEMENT

Nomination Committee

We have established a Nomination Committee with written terms of reference in compliance with the Corporate Governance Code set out in Appendix C1 to the Listing Rules. The Nomination Committee consists of three Directors, namely Mr. Sun, Ms. Qiang Yilan and Mr. Liu Yuliang. Mr. Sun serves as the chairperson of the Nomination Committee. The primary duties of the Nomination Committee include, but not limited to, the following:

- reviewing the structure, composition and diversity of our Board at least once a year with reference to our Company's business activities, scale of assets and shareholding structure, and making recommendations to our Board on any change in Board composition in accordance with our Company's strategies;
- making recommendations on the appointment and re-appointment of our Directors (in particular, the chairperson of our Board, and including our non-executive Director and independent non-executive Directors) and our president;
- conducting search in potential suitable candidates for Directors and making recommendations to our Board on the suitable candidates;
- evaluating the independence of our independent non-executive Directors, the performance of our Directors (including both executive and non-executive Directors) and whether our Directors have devoted sufficient time in performing their duties;
- developing corporate governance standards and procedures and monitoring the implementation of such standards and procedures, and making recommendations to our Board;
- monitoring and overseeing the trainings and continuous professional development plan for our Directors and members of our senior management, and developing and overseeing the compliance of code of conducts and compliance handbook (if any) for our employees, Directors;
- formulating and evaluating our Board diversity policy, and making disclosures in the corporate governance report (which shall be included as part of our annual report) the relevant policies, including the nomination procedures adopted by the nomination committee and standards for the election of our Board members; and
- dealing with other matters that are authorized by our Board or our Articles from time to time, and other matters that are required by applicable laws from time to time.

DIRECTORS AND SENIOR MANAGEMENT

COMPENSATION OF DIRECTORS AND SENIOR MANAGEMENT

We offer our executive Directors and senior management members, who are also the Company's employees, compensation in the form of salaries, retirement benefit scheme contributions, discretionary bonus, housing allowances and other benefits in kind. Our independent non-executive Directors receive compensation with reference to their respective positions and duties, including being a member or the chairperson of Board committees.

For the years ended December 31, 2022, 2023, 2024 and six months ended June 30, 2025, the aggregate amount of remuneration paid or payable, including share-based compensation, to our Directors and supervisors amounted to RMB4.2 million, RMB3.8 million, RMB6.4 million and RMB1.8 million, respectively.

Under the arrangement currently in force, we estimate the total compensation before taxation, including estimated-share based compensation, to be accrued to our Directors and our Supervisors for the year ending December 31, 2025 to be approximately RMB9.7 million. The actual remuneration of Directors and Supervisors in 2025 may be different from the expected remuneration.

For each of the years ended December 31, 2022, 2023, 2024 and six months ended June 30, 2025, there were two, two, two and two Directors among the five highest paid individuals, respectively. The total emoluments for the remaining individual(s) among the five highest paid individuals amounted to approximately RMB3.9 million, RMB5.6 million, RMB5.5 million and RMB3.0 million, for the years ended December 31, 2022, 2023, 2024 and six months ended June 30, 2025, respectively.

We confirmed that during the Track Record Period, no consideration was paid by our Company to, or receivable by, our Directors for making available directors' services or as termination benefits.

Save as disclosed above, no other payments have been paid, or are payable, by our Company or any of our subsidiaries to our Directors, supervisors or the five highest paid individuals during the Track Record Period.

CORPORATE GOVERNANCE

Our Company is committed to achieving high standards of corporate governance with a view to safeguarding the interests of our Shareholders. To accomplish this, our Company complies or intends to comply with the corporate governance requirements under the Corporate Governance Code set out in Appendix C1 to the Hong Kong Listing Rules after the Listing.

DIRECTORS AND SENIOR MANAGEMENT

Pursuant to code provision C.2.1 of the Corporate Governance Code, companies listed on the Stock Exchange are expected to comply with, but may choose to deviate from the requirement that the responsibilities between the chairperson and the chief executive officer should be segregated and should not be performed by the same individual. We do not have a separate chairperson and chief executive officer (i.e. president) and Mr. Sun currently performs these two roles. Our Board believes that, in view of his experience, personal profile and his roles in our Company as mentioned above, Mr. Sun is the Director best suited to identify strategic opportunities and focus of the Board due to his extensive understanding of our business as our chief executive officer. The Board also believes that vesting the roles of both chairperson and chief executive officer in the same person has the benefit of (i) ensuring consistent leadership within the Group, (ii) enabling more effective and efficient overall strategic planning and execution of strategic initiatives of the Board, and (iii) facilitating the flow of information between the management and the Board for the Group. In particular, Mr. Sun has over 20 years of corporate management experience. Mr. Sun founded our brand of *Forest Cabin* in September 2003 and later founded our Company in December 2011. His deep industry insight as well as extensive corporate management experience are invaluable to the Group's strategic planning and effective internal management, therefore Mr. Sun performs the roles of both chairperson and chief executive officer. The Board considers that the balance of power and authority for the present arrangement will not be impaired and this structure will enable the Company to make and implement decisions promptly and effectively. In addition, there is sufficient check and balance in the Board as the decision to be made by the Board requires approval by at least a majority of the Directors and the Board has three independent non-executive Directors out of the six Directors. The Board will continue to review and consider splitting the roles of chairperson of the Board and the chief executive officer of the Company at a time when it is appropriate by taking into account the circumstances of the Group as a whole.

BOARD DIVERSITY POLICY

In order to enhance the effectiveness of our Board and to maintain the high standard of corporate governance, we have adopted the board diversity policy which sets out the objective and approach to achieve and maintain diversity of our Board. Pursuant to the board diversity policy, we seek to achieve Board diversity through the consideration of a number of factors when selecting the candidates to our Board, including but not limited to gender, skills, age, professional experience, knowledge, cultural, education background, ethnicity and length of service. The ultimate decision of the appointment will be based on merit and the contribution which the selected candidates will bring to our Board.

Our Directors have a balanced mix of knowledge and skills, including overall management and strategic development, quality assurance and control, finance and accounting and corporate governance in addition to industry experience relevant to our Group's operations and business. They obtained degrees in various majors including economics, and business administration. We have three independent non-executive Directors with different industry backgrounds, representing more than 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 and specific needs as well as the different background of our Directors, the composition of our Board satisfies our board diversity policy.

DIRECTORS AND SENIOR MANAGEMENT

Our Nomination Committee is responsible for reviewing the structure and diversity of the Board and selecting individuals to be nominated as Directors. After the Listing, our Nomination Committee will monitor and evaluate the implementation of the Board Diversity Policy from time to time to ensure its continued effectiveness, and when necessary, make any revisions that may be required and recommend any such revisions to our Board for consideration and approval. The Nomination Committee will also include in annual reports a summary of the Board Diversity Policy, including any measurable objectives set for implementing the Board Diversity Policy and the progress on achieving these objectives.

COMPLIANCE ADVISOR

We have appointed Maxa Capital Limited as our Compliance Advisor pursuant to Rules 3A.19 of the Listing Rules. The Compliance Advisor will provide us with guidance and advice as to compliance with the Listing Rules and other applicable laws, rules, codes and guidelines. Pursuant to Rule 3A.23 of the Listing Rules, the Compliance Advisor will advise our Company in certain circumstances including:

- (a) before the publication of any regulatory announcement, circular or financial report;
- (b) where a transaction, which might be a notifiable or connected transaction, is contemplated, including share issues and share repurchases;
- (c) where we propose to use the proceeds of the Global Offering in a manner different from that detailed in this Prospectus or where our business activities, developments or results deviate from any forecast, estimate or other information in this Prospectus; and
- (d) where the Hong Kong Stock Exchange makes an inquiry to our Company regarding unusual movements in the price or trading volume of its listed securities or any other matters in accordance with Rule 13.10 of the Listing Rules.

The Compliance Advisor will, on a timely basis, inform our Company of any amendment or supplement to the Listing Rules that are announced by the Hong Kong Stock Exchange. The Compliance Advisor will also inform our Company of any new or amended law, regulation or code in Hong Kong applicable to us, and advise us on the continuing requirements under the Listing Rules and applicable laws and regulations.

The term of the appointment will commence on the Listing Date and is expected to end on the date on which our Company complies with Rule 13.46 of the Listing Rules in respect of our financial results for the first full financial year commencing after the Listing.

OUR CONTROLLING SHAREHOLDERS

As of the Latest Practicable Date, Mr. Sun was interested in approximately 79.27% of our total issued share capital, among which, directly (38.21%) and indirectly through Shanghai Fangjiaoshi¹ (28.56%), Shanghai Yuanhui² (8.08%) and Shanghai Yuangan³ (4.42%). Immediately following the completion of the Share Subdivision and the Global Offering (assuming the Over-allotment Option are not exercised), Mr. Sun, Shanghai Fangjiaoshi, Shanghai Yuanhui, Shanghai Yuantan⁴, Shanghai Lingren and Shanghai Yuangan will be entitled to control the exercise of 71.34% of the voting rights at the general meetings of our Company and will constitute a group of Controlling Shareholders of our Company upon Listing.

INDEPENDENCE FROM OUR CONTROLLING SHAREHOLDERS

Our Directors consider that we are capable of carrying on our business independently from our Controlling Shareholders and their respective close associates after the Listing, taking into consideration the factors below.

¹ As of the Latest Practicable Date, Shanghai Fangjiaoshi was owned as to 97.5% and 2.5% by Mr. Sun and Mr. Sun Fuchun. Notwithstanding that Mr. Sun Fuchun is the brother of Mr. Sun, as Mr. Sun Fuchun is not involved in the management of Shanghai Fangjiaoshi, has no concert party arrangement with Mr. Sun and is only entitled to the passive economic interest in Shanghai Fangjiaoshi, Mr. Sun Fuchun should not be treated as a Controlling Shareholder of our Company.

² As of the Latest Practicable Date, Shanghai Yuanhui was owned as to (i) 35.14% by Mr. Sun as its sole general partner; (ii) 6.13% by Mr. Sun Fuchun as its limited partner; (iii) 5.26% by Shanghai Yuantan as its limited partner, which is in turn controlled by Mr. Sun; and (iv) 53.47% by the remaining limited partners, each of them with less than 30% interest in Shanghai Yuanhui. As each of Mr. Sun Fuchun and the remaining limited partners of Shanghai Yuanhui (other than Shanghai Yuantan) is not involved in the management of Shanghai Yuanhui, has no concert party arrangement with Mr. Sun and is only entitled to the passive economic interest in Shanghai Yuanhui, each of Mr. Sun Fuchun and the remaining limited partners of Shanghai Yuanhui (other than Shanghai Yuantan) should not be treated as a Controlling Shareholder of our Company.

³ As of the Latest Practicable Date, Shanghai Yuangan was owned as to (i) 23.42% by Shanghai Lingren as its sole general partner, which in turn was controlled by Mr. Sun, (ii) 4.63% by Mr. Sun as its limited partner; (iii) 3.33% by Mr. Sun Fuchun as its limited partner; and (iv) 68.62% by the remaining limited partners, each of them with less than 30% interest in Shanghai Yuangan. As each of Mr. Sun Fuchun and the remaining limited partners of Shanghai Yuangan (other than Mr. Sun), is not involved in the management of Shanghai Yuangan, has no concert party arrangement with Mr. Sun and is only entitled to the passive economic interest in Shanghai Yuangan, each of Mr. Sun Fuchun and the remaining limited partners of Shanghai Yuangan (other than Mr. Sun) should not be treated as a Controlling Shareholder of our Company.

⁴ As of the Latest Practicable Date, Shanghai Yuantan, a limited partner of Shanghai Yuanhui, was held as to 11.76% by Mr. Sun as its sole general partner, and 88.24% by the limited partners, each of them with less than 30% interest in Shanghai Yuantan. As each of the limited partners of Shanghai Yuantan is not involved in the management of Shanghai Yuantan, has no concert party arrangement with Mr. Sun and is only entitled to the passive economic interest in Shanghai Yuantan, each of the limited partners of Shanghai Yuantan should not be treated as a Controlling Shareholder of our Company.

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

Management Independence

Our Board consists of six Directors, namely two executive Directors, one non-executive Director and three independent non-executive Directors. Mr. Sun, one of our Controlling Shareholders, is an executive Director, chairperson of the Board and president of our Company.

Our Directors consider that we are able to carry on our business independently from our Controlling Shareholders from a management perspective for the following reasons:

- (a) Mr. Sun currently serve as a director of Shanghai Fangjiaoshi and Shanghai Yuangan's general partner, as well as a general partner of Shanghai Yuanhui. Shanghai Fangjiaoshi, Shanghai Yuanhui and Shanghai Yuangan are the shareholding platforms and do not have any business other than its shareholding in the Company. Other than above, our executive Directors and all our senior management members do not hold any management position and/or directorship in the Controlling Shareholders Group or its close associates (other than our Group).
- (b) our daily management and operations are carried out by a senior management team, all of whom have substantial experience in the industry in which our Company is engaged, and will therefore be able to make business decisions that are in the best interests of our Group. For details of the industry experience of our senior management team, please refer to the section headed "Directors and Senior Management" in this Prospectus;
- (c) each Director is aware of his/her fiduciary duties as a director which require, among other things, that he/she acts for the benefit and in the interest of our Company and does not allow any conflict between his/her duties as our Director and his/her personal interests. In the event that there is a potential conflict of interest arising out of any transaction to be entered into between our Group and a Director and/or his/her associate, he/she shall abstain from voting and shall not be counted towards the quorum for the voting;
- (d) we have three independent non-executive Directors and certain matters of our Company must always be referred to the independent non-executive Directors for review; and
- (e) we have adopted a series of corporate governance measures to manage conflicts of interest, if any, between our Group and our Controlling Shareholders which would support our independent management. For details, see "— Corporate Governance" in this section.

Based on the above, our Directors believe that our Board as a whole and together with our senior management are able to perform the managerial role in our Group independently from our Controlling Shareholders and their respective close associates after the Listing.

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

Operational Independence

We do not rely on our Controlling Shareholders and their respective close associates for our business development, staffing, logistics, administration, finance, internal audit, information technology, sales and marketing, or company secretarial functions. We have our own departments specializing in these respective areas which have been in operation and are expected to continue to operate separately and independently from our Controlling Shareholders and their respective close associates. In addition, we have our own headcount of employees for our operations and management for human resources.

We have independent access to suppliers and customers and an independent management team to handle our day-to-day operations. We are also in possession of all relevant licenses, certificates, facilities and intellectual property rights necessary to carry on and operate our principal businesses and we have sufficient operational capacity in terms of capital and employees to operate independently.

In addition, we also entered into a framework agreement with one of our Controlling Shareholders, Mr. Sun, which will constitute continuing connected transactions of our Group after Listing. For details, see “Connected Transactions.” The transactions under the Broadcast Account Licensing Framework Agreement will not undermine the operational independence of our Group on the basis that (i) we have built a long-standing and mutually beneficial relationship with Mr. Sun, whereby we benefited from Mr. Sun’s positive influence on the online broadcast platforms accumulated through his personal images, empowering our business through creating promotional effect on the online platforms, and (ii) our Company has established extensive sales network covering online direct sales to both end customers and online platforms, sales to retailers, our store network and distributors, ensuring broad market coverage and diverse consumer touchpoint, while the transactions contemplated under Mr. Sun’s broadcast accounts accounted for merely a minor portion of the total revenue of our Group.

Based on the above, our Directors believe that we are able to operate independently of our Controlling Shareholders and their respective close associates.

Financial Independence

We have an independent financial system and make financial decisions according to our Group’s own business needs. We have internal control and accounting systems and an independent finance department in charge of our treasury function. We do not expect to rely on our Controlling Shareholders and their respective close associates for financing after the Listing as we expect that our working capital will be funded by the cash, cash equivalent on hand as well as the proceeds from the Global Offering.

In addition, we are capable of obtaining financing from Independent Third Parties without relying on any guarantee or security provided by our Controlling Shareholders and their respective close associates. As of the Latest Practicable Date, there were no outstanding loans or guarantee provided by or granted to our Controlling Shareholders and their respective close associates.

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

Based on the above, our Directors believe that we are capable of carrying on our business independently of, and do not place undue reliance on our Controlling Shareholders and their respective close associates after the Listing.

INTERESTS OF THE CONTROLLING SHAREHOLDERS IN OTHER BUSINESS

Our Controlling Shareholders confirmed that as of the Latest Practicable Date, they did not have any interest in other business, apart from the business of our Group, which competes or is likely to compete, directly or indirectly, with our business, which would require disclosure under Rule 8.10 of the Listing Rules.

CORPORATE GOVERNANCE

Our Company will comply with the provisions of the Corporate Governance Code in Appendix C1 to the Listing Rules (the “**Corporate Governance Code**”), which sets out principles of good corporate governance.

Our Directors recognize the importance of good corporate governance in protection of our Shareholders’ interests. We would adopt the following measures to safeguard good corporate governance standards and to avoid potential conflict of interests:

- (a) where a Shareholders’ meeting is to be held for considering proposed transactions in which any Shareholders or any of their respective associates has a material interest, the interested Shareholders will not vote on the resolutions and shall not be counted in the quorum in the voting;
- (b) as part of our preparation for the Global Offering, we have amended our Articles of Association to comply with the Listing Rules which will become effective upon Listing. In particular, our Articles of Association provides that, a Director shall be abstained from voting on any resolution approving any contract, transaction or arrangement in which such Director or any of his/her close associates has a material interest nor shall such Director be counted in the quorum present at the Board meeting;
- (c) our Company has established internal control mechanisms to identify connected transactions. Upon Listing, if our Company enters into connected transactions with our Controlling Shareholders and their respective close associates, our Company will comply with the applicable Listing Rules;
- (d) we are committed that our Board shall include a balanced composition of executive Directors and non-executive Directors (including independent non-executive Directors). We have appointed three independent non-executive Directors, and we believe our independent non-executive Directors (i) possess sufficient experiences, (ii) are free of any business or other relationship which could interfere in any material manner with the exercise of their independent judgment, and (iii) will be able to provide an impartial and external opinion to protect the interests of our Shareholders as a whole. For details of the independent non-executive Directors, see the section headed “Directors and Senior Management” in this Prospectus;

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

- (e) where our Directors reasonably request the advice of independent professionals, such as financial advisors, the appointment of such independent professionals will be made at our Company's expenses; and
- (f) we have appointed Maxa Capital Limited as our Compliance Advisor to provide advice and guidance to us in respect of compliance with the Listing Rules, including various requirements relating to corporate governance.

Based on the above, our Directors are satisfied that sufficient corporate governance measures have been put in place to manage existing and potential conflicts of interest, and to protect minority Shareholders' interests after the Listing.

CONNECTED TRANSACTIONS

OVERVIEW

Upon Listing, certain transactions between our Group and our connected persons will constitute continuing connected transactions of our Company under Chapter 14A of the Listing Rules.

OUR CONNECTED PERSONS

Our Company has entered into agreements with the following connected persons, the transactions contemplated under such agreements will constitute our continuing connected transactions upon Listing.

Name of our connected persons	Connected relationship
Mr. Sun	Mr. Sun is our founder, chairman of the Board, an executive Director, the president and one of the Controlling Shareholders. Therefore, Mr. Sun is a connected person of our Company.
Mr. Sun Fuchun	Mr. Sun Fuchun is the brother of Mr. Sun and a director of our significant subsidiary. Therefore, Mr. Sun Fuchun is a connected person of our Company.
Jiangsu Sunview Garments Co., Ltd. (江蘇尚約服裝有限公司) ("Jiangsu Sunview")	As of the Latest Practicable Date, Jiangsu Sunview was owned as to over 30% by Ms. Jing Aimei, our non-executive Director. Therefore, Jiangsu Sunview is a connected person of our Company.

SUMMARY OF OUR CONTINUING CONNECTED TRANSACTIONS

We entered into the following transactions with the above-mentioned connected persons that will constitute continuing connected transactions under Rule 14A.31 of the Listing Rules upon Listing:

Nature of transactions	Counterparty	Applicable Listing Rules	Waiver Sought
Fully-exempt continuing connected transaction			
Broadcast Account Licensing Framework Agreement	Mr. Sun	14A.76 ⁽¹⁾	N/A
Broadcast Account Licensing Framework Agreement	Mr. Sun Fuchun	14A.76 ⁽¹⁾	N/A
Joint Operation Framework Agreement	Jiangsu Sunview	14A.76 ⁽¹⁾	N/A

CONNECTED TRANSACTIONS

FULLY-EXEMPT CONTINUING CONNECTED TRANSACTION

We engage in the following transactions with our connected persons from time to time and plan to continue these transactions after the Listing. The details of the relevant transactions are set out below:

1. Broadcast Account Licensing Framework Agreements

We have entered into a broadcast account licensing framework agreement with Mr. Sun and Mr. Sun Fuchun, respectively (the “**Broadcast Account Licensing Framework Agreements**”), pursuant which each of Mr. Sun and Mr. Sun Fuchun agreed to grant the Group exclusive license to operate his personal broadcast accounts on several online platforms (the “**Licensed Accounts**”) on a royalty-free basis for sales of our Group’s products and the Group shall be entitled to all benefits and bear all costs relating to operation of the Licensed Accounts. The initial term of each of the Broadcast Account Licensing Framework Agreements commenced on January 1, 2024 until December 31, 2026, subject to renewal through mutual consent by the parties and compliance with the Listing Rules.

To fully mobilize the Company’s senior management to participate in the promotion and sales of the Company’s products and enhance brand publicity and sales, Mr. Sun and Mr. Sun Fuchun established their personal live broadcast accounts dedicated to marketing the Company’s products. Recognizing the operational efficiency of centralized account management, Mr. Sun and Mr. Sun Fuchun authorized the Company to manage their personal broadcast accounts. The Company first began utilising Mr. Sun’s and Mr. Sun Fuchun’s live broadcast accounts in April 2024 and October 2024, respectively.

The highest applicable percentage ratios for the purpose of Chapter 14A of the Listing Rules in respect of the transactions contemplated under the Broadcast Account Licensing Framework Agreement is to be less than 0.1%, the transactions under the Broadcast Account Licensing Framework Agreements constitute de minimis transactions and are fully exempt from the reporting, annual review, announcement, circular and independent Shareholders’ approval requirements under Chapter 14A of the Listing Rules.

2. Joint Operation Framework Agreement

We have entered into a joint operation framework agreement with Jiangsu Sunview (the “**Joint Operation Framework Agreement**”), pursuant to which we agreed to grant a right and license to Jiangsu Sunview to operate joint operation stores, where Jiangsu Sunview is responsible for staffing, store setup, sales of our products and managing day-to-day sales activities, while we oversee inventory supply, brand marketing and quality control to ensure brand consistency. These transactions are made in the ordinary and usual course of business and on normal commercial terms. The initial term of the Joint Operation Framework Agreement shall commence on the Listing Date until December 31, 2027, subject to renewal through mutual consent by the parties and compliance with the Listing Rules.

CONNECTED TRANSACTIONS

Ms. Jing Aimei was appointed as our Director in June 2024, therefore, Jiangsu Sunview has been a connected party of the Company since June 2024. For the years ended December 31, 2022, 2023, 2024 and six months ended June 30, 2025, the historical transaction amounts between our Company and Jiangsu Sunview under the joint operation arrangement was approximately RMB0.19 million, RMB0.17 million, RMB0.30 million and RMB0.10 million.

The prices of transactions contemplated under the Joint Operation Framework Agreement shall be determined based on the Group's unified pricing to all joint operation store partners no more favorable than Independent Third Parties for comparable transactions where, as our Directors currently expect, the highest applicable percentage ratios for the purpose of Chapter 14A of the Listing Rules will be less than 5% and the total consideration is less than HK\$3 million on an annual basis. Accordingly, these transactions will constitute de minimis continuing connected transactions of our Company that will be fully exempt from reporting, annual review, announcement and independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

SUBSTANTIAL SHAREHOLDERS

So far as our Directors are aware, immediately following the Share Subdivision and the completion of the Global Offering and the Conversion of Domestic Unlisted Shares into H Shares and without taking into account any H Shares which may be issued pursuant to the exercise of the Over-allotment Option, the following persons will have an interest and/or short position in the Shares or the underlying Shares which would fall to be disclosed to us and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or, who are, directly or indirectly interested in 10% or more of the nominal value of any class of our share capital carrying rights to vote in all circumstances at general meetings of our Company:

Shareholder	Nature of Interest	Class and Number of Shares held upon completion of the Share Subdivision and the Global Offering ⁽¹⁾	Approximate percentage of shareholding in total/issued share capital of our Company as of the Latest Practicable Date	Approximate Percentage of Shareholding in the Total Issued Share Capital of our Company immediately after the Global Offering ⁽²⁾	Approximate Percentage of Shareholding in the Relevant Class of Shares immediately after the Global Offering ⁽²⁾
Mr. Sun ⁽²⁾⁽³⁾⁽⁴⁾	Beneficial owner, interest in controlled corporations	33,570,658 Domestic Unlisted Shares	26.71%	24.04%	100%
		66,066,487 H shares	52.56%	47.30%	62.27%
Shanghai Fangjiaoshi ⁽²⁾	Beneficial owner	14,360,000 Domestic Unlisted Shares	11.42%	10.28%	42.78%
		21,540,000 H Shares	17.14%	15.42%	20.30%
Shanghai Yuanhui ⁽³⁾	Beneficial owner	10,155,000 H Shares	8.08%	7.27%	9.57%
Shanghai Lingren ⁽⁴⁾	Interest in a controlled corporation	5,555,500 H Shares	4.42%	3.98%	5.24%
Shanghai Yuangan ⁽⁴⁾	Beneficial owner	5,555,500 H Shares	4.42%	3.98%	5.24%
Youngor Fashion ⁽⁵⁾	Beneficial owner	5,645,030 H Shares	4.49%	4.04%	5.32%
Youngor Fashion Co., Ltd. ⁽⁵⁾	Interest in a controlled corporation	5,645,030 H Shares	4.49%	4.04%	5.32%

SUBSTANTIAL SHAREHOLDERS

Notes:

- (1) All interests are long positions. The number of Shares is presented based on the assumption that the Share Subdivision is completed.
- (2) As of the Latest Practicable Date, Shanghai Fangjiaoshi was owned as to 97.5% and 2.5% by Mr. Sun and Mr. Sun Fuchun, respectively. Therefore, Mr. Sun was deemed to be interested in the Shares of our Company held by Shanghai Fangjiaoshi.
- (3) As of the Latest Practicable Date, Shanghai Yuanhui is held as to (i) 35.14% by Mr. Sun as its sole general partner; (ii) 6.13% by Mr. Sun as its limited partner; (iii) 5.26% by Shanghai Yuantan as its limited partner, which in turn is controlled by Mr. Sun; and (iv) 53.47% by the remaining limited partners, each of them holds less than 30% interest in Shanghai Yuanhui. Therefore, Mr. Sun was deemed to be interested in the Shares of our Company held by Shanghai Yuanhui.
- (4) As of the Latest Practicable Date, Shanghai Yuangan is held as to (i) 23.42% by Shanghai Lingren as its sole general partner, which in turn is controlled by Mr. Sun, (ii) 4.63% and 3.33% by Mr. Sun and Mr. Sun Fuchun as two limited partners, respectively, and (iii) 68.62% by the remaining limited partners, each of them holds less than 30% interest in Shanghai Yuangan. Shanghai Lingren is owned as to 99.91% and 0.09% by Mr. Sun and Mr. Sun Fuchun, respectively. Therefore, Mr. Sun was deemed to be interested in the Shares of our Company held by Shanghai Yuangan.
- (5) As of the Latest Practicable Date, Youngor Fashion was wholly owned by Youngor Fashion Co., Ltd. Therefore, Youngor Fashion Co., Ltd. was deemed to be interest in the Shares of our Company held by Youngor Fashion.

For those who are directly and/or indirectly interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meeting of any other member of our Group, see “Appendix VI — Statutory and General Information — Further Information about Our Directors, Management and Substantial Shareholders — 2. Disclosure of Interests of Substantial Shareholders — (b) Interests of the Substantial Shareholders of Other Members of Our Group”.

Save as disclosed herein, the Directors are not aware of any other person who will, immediately following the Share Subdivision and the Global Offering and the Conversion of Domestic Unlisted Shares into H Shares (and the offering of any additional H Shares pursuant to the Over-allotment Option), have an interest or short position in Shares or underlying Shares of the Company, which would be required to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO or will, directly or indirectly, be interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meeting of the Company.

As at the Latest Practicable Date, our Company is not aware of any arrangement which may result in any change of control in our Company at any subsequent date.

SHARE CAPITAL

OUR SHARE CAPITAL

Immediately before the Share Subdivision and the Global offering

As of the Latest Practicable Date, the total issued share capital of our Company was RMB25,139,567, comprising 25,139,567 Shares with a nominal value of RMB1.00 each.

Upon Completion of the Share Subdivision and Global offering

Immediately after the Share Subdivision, Global Offering and Conversion of Domestic Unlisted Shares into H Shares (assuming the Over-allotment Option is not exercised), the share capital of the Company will be as follows:

Description of Shares	Number of Shares	Approximate % of the enlarged issued share capital after the Global Offering
Domestic Unlisted Shares	33,570,658	24.04%
H Shares converted from Domestic Unlisted Shares	92,127,177	65.96%
H Shares to be issued pursuant to the Global Offering	13,966,450	10.00%
Total	139,664,285	100.00%

The Conversion of Domestic Unlisted Shares into H Shares will involve an aggregate of 92,127,177 Domestic Unlisted Shares held by all 14 existing Shareholders, representing approximately 65.96% of total issued Shares of the Company upon completion of the Share Subdivision, Conversion of Domestic Unlisted Shares into H Shares and the Global Offering (assuming the Over-allotment Option is not exercised). Set out below are such Shares held by our existing Shareholders and their respective shareholding upon completion of the Share Subdivision, the Conversion of Domestic Unlisted Shares into H Shares and the Global Offering (assuming the Over-allotment Option is not exercised).

SHARE CAPITAL

Shares immediately after Global Offering
(assuming the Over-allotment Option is not exercised) and
the Conversion of Domestic Unlisted Shares into H Shares

Shareholders	Number of Domestic Unlisted Shares to be converted into H Shares	H Shares	Approximate Percentage	Domestic Unlisted Shares	Approximate Percentage
Mr. Sun	28,815,987	28,815,987	20.63%	19,210,658	13.75%
Shanghai Fangjiaoshi	21,540,000	21,540,000	15.42%	14,360,000	10.28%
Shanghai Yuanhui	10,155,000	10,155,000	7.27%	—	—
Shanghai Yuangan	5,555,500	5,555,500	3.98%	—	—
Mr. Sun Fuchun	1,250,000	1,250,000	0.90%	—	—
Youngor Fashion	5,645,030	5,645,030	4.04%	—	—
Toutoushidao	4,516,020	4,516,020	3.23%	—	—
Shanghai Cathay Beauty & Innovation	3,458,100	3,458,100	2.48%	—	—
Xinghan Yanchuang	3,308,310	3,308,310	2.37%	—	—
Foshan Haiyujia	3,387,015	3,387,015	2.43%	—	—
Foshan Huibi No. 2	1,580,610	1,580,610	1.13%	—	—
Top New Development	1,129,005	1,129,005	0.81%	—	—
Hundun Innovation	1,129,005	1,129,005	0.81%	—	—
Xiamen Womeida	657,595	657,595	0.47%	—	—
Total	92,127,177	92,127,177	65.96%	33,570,658	24.04%

Immediately after the Share Subdivision, Global Offering and Conversion of Domestic Unlisted Shares into H Shares (assuming that the Over-allotment Option is fully exercised), the share capital of the Company will be as follows:

Description of Shares	Number of Shares	Approximate % of the enlarged issued share capital after the Global Offering
Domestic Unlisted Shares	33,570,658	23.68%
H Shares converted from Domestic Unlisted Shares	92,127,177	64.99%
H Shares to be issued pursuant to the Global Offering	16,061,400	11.33%
Total	141,759,235	100.00%

SHARE CAPITAL

DOMESTIC UNLISTED SHARES AND H SHARES

Upon completion of the Share Subdivision, Global Offering and the Conversion of Domestic Unlisted Shares into H Shares, the Shares will consist of Domestic Unlisted Shares and H Shares. Domestic Unlisted Shares and H Shares are all ordinary Shares in the share capital of our Company.

Apart from certain qualified domestic institutional investors in the PRC, the qualified PRC investors under the Shanghai-Hong Kong Stock Connect and the Shenzhen-Hong Kong Stock Connect and other persons who are entitled to hold our H Shares pursuant to relevant PRC laws and regulations or upon approvals of any competent authorities (such as our certain existing shareholders the Domestic Unlisted Shares held by whom will be converted into H Shares according to the filing information of CSRC), H Shares generally cannot be subscribed for by or traded between legal or natural PRC persons.

Domestic Unlisted Shares and H Shares shall rank *pari passu* with each other in all respects and, in particular, will rank equally for dividends or distributions declared, paid or made. All dividends for H Shares will be denominated and declared in Renminbi, and paid in Hong Kong dollars or Renminbi, whereas all dividends for Domestic Unlisted Shares will be paid in Renminbi. Other than cash, dividends could also be paid in the form of shares.

CONVERSION OF DOMESTIC UNLISTED SHARES INTO H SHARES

If any of the Domestic Unlisted Shares are to be converted, listed and traded as H Shares on the Hong Kong Stock Exchange, such conversion, listing and trading will need the filing of the relevant PRC regulatory authorities, including the CSRC, and the approval of the Stock Exchange.

File with the CSRC for Full Circulation

In accordance with the Overseas Listing Trial Measures and related guidelines, H-share listed companies shall file with the CSRC for the conversion of Domestic Unlisted Shares into H shares for listing and circulation on the Hong Kong Stock Exchange. An unlisted domestic joint stock company may file for “full circulation” when applying for an overseas initial public offering.

We have filed with the CSRC for the conversion of 92,127,177 Domestic Unlisted Shares into H Shares on a one-for-one basis upon completion of the Share Subdivision and the Global Offering (“**Full Circulation Filing of the Company**”) and CSRC issued the filing notice in respect of the Global Offering dated November 27, 2025.

SHARE CAPITAL

Listing Approval by the Hong Kong Stock Exchange

We have applied to the Listing Committee of the Hong Kong Stock Exchange for the granting of listing of, and permission to deal in, our H Shares to be issued pursuant to the Global Offering (including any H Shares which may be issued pursuant to the exercise of the Over-allotment Option), and the H Shares to be converted from 92,127,177 Domestic Unlisted Shares on the Stock Exchange, which is subject to the approval by the Stock Exchange.

We will perform the following procedures for the conversion of Domestic Unlisted Shares into H Shares after receiving the approval of the Hong Kong Stock Exchange: (1) giving instructions to our H Share Registrar regarding relevant share certificates of the converted H Shares; and (2) enabling the converted H Shares to be accepted as eligible securities by HKSCC for deposit, clearance and settlement in the CCASS.

RESTRICTION ON TRANSFER OF SHARES ISSUED PRIOR TO THE GLOBAL OFFERING

In accordance with the PRC Company Law, the shares issued prior to any public offering of shares by a company cannot be transferred within one year from the date on which such publicly offered shares are listed and traded on the relevant stock exchange. As such, the Shares issued by the Company prior to the Global Offering will be subject to such statutory restriction on transfer within a period of one year from the Listing Date.

CIRCUMSTANCES UNDER WHICH GENERAL MEETINGS ARE REQUIRED

Pursuant to the PRC Company Law and the terms of the Articles of Association, our Company may from time to time by special resolution of shareholders, among others, increase its capital or decrease its capital or repurchase of shares. See “Appendix V — Summary of the Articles of Association” in this Prospectus.

FINANCIAL INFORMATION

You should read the following discussion and analysis with our audited consolidated financial information, including the notes thereto, included in the Accountants' Report in Appendix I to this prospectus. Our consolidated financial information has been prepared in accordance with IFRS Accounting Standards.

The following discussion and analysis contain forward-looking statements that reflect our current views with respect to future events and financial performance. These statements are based on our assumptions and analysis in light of our experience and perception of historical trends, current conditions and expected future developments, as well as other factors we believe are appropriate under the circumstances. However, whether actual outcomes and developments will meet our expectations and predictions depends on a number of risks and uncertainties. In evaluating our business, you should carefully consider the information provided in this document, including but not limited to the sections headed "Risk Factors" and "Business."

For the purpose of this section, unless the context otherwise requires, references to 2022, 2023 and 2024 refer to our financial years ended December 31 of such years. Unless the context otherwise requires, financial information described in this section is described on a consolidated basis.

OVERVIEW

We are a premium domestic skincare brand in China with a focus on the anti-wrinkle and firming skincare market, distinguished by our longstanding commitment to premium skincare solutions rooted in camellia-based ingredients under our flagship brand *Forest Cabin*. Since embarking on our camellia-based skincare research journey in 2012, we have pioneered the "oil-based skincare" philosophy and the camellia facial essence oil. Our commitment to creating safe and effective skincare products culminated in the 2014 launch of our inaugural Camellia Essence Oil — the foundational product that established our signature oil-based skincare product line. Over the decade, we have built expertise in cellular-level anti-wrinkle essence oil. Our facial essence oil products had ranked first in China by total retail sales across all sales channels among all facial essence oil products for 11 consecutive years since 2014. According to CIC, in 2024, *Forest Cabin* ranked 13th among all premium skincare brands in China (including both domestic and international brands) by retail sales with a market share of 1.4%, and was the only domestic brand among the top 15 premium skincare brands in China. In 2024, *Forest Cabin* ranked first among all premium domestic skincare brands in China by retail sales. The skincare market in China has experienced steady growth in recent years. The market size of China's skincare industry grew from RMB332.9 billion in 2019 to RMB461.9 billion in 2024, reflecting a CAGR of 6.8%. Among the overall skincare market, anti-wrinkle and firming products have become a key segment and growth driver, accounting for 25.9% of China's total skincare market in 2024, with a CAGR of 15.0% during 2019 and 2024. By retail sales of anti-wrinkle and firming skincare products in 2024, *Forest Cabin* ranked tenth among all premium skincare brands in China (including both domestic and international brands) with a market share of 2.2%, and was the only domestic brand among the top ten premium skincare brands. According to the same source, *Forest Cabin* also ranked first among domestic brands in the same market segment in China by retail sales of anti-wrinkle and firming skincare products in 2024.

FINANCIAL INFORMATION

We achieved rapid revenue growth during the Track Record Period. Our revenue increased from RMB691.2 million in 2022 to RMB805.0 million in 2023, and further increased to RMB1,209.6 million in 2024, representing a CAGR of 32.3% from 2022 to 2024. Our revenue increased from RMB530.4 million in the six months ended June 30, 2024 to RMB1,051.8 million in the six months ended June 30, 2025. Our profit and total comprehensive income amounted to RMB186.8 million in 2024. In the same year, our net profit margin was 15.4%. Our profit and total comprehensive income amounted to RMB181.8 million in the six months ended June 30, 2025. In the same period, our net profit margin was 17.3%.

BASIS OF PREPARATION

For ordinary shares issued to the Pre-IPO Investors and the New Pre-IPO Investors, pursuant to the supplemental agreements entered into between the Company, the Pre-IPO Investors and the New Pre-IPO Investors in relation to the termination of redemption rights granted by the Company, which are *void ab initio* as described in Note 29 to the Accountants' Report included in Appendix I to this prospectus, having taking into account the legal and regulatory framework of the Company's jurisdiction and the governing law of the supplemental agreements, the directors considered that it is appropriate to present the Pre-IPO Investments as equity throughout the Track Record Period. For the details of financial impacts, see Note 29 to the Accountants' Report included in Appendix I to this prospectus.

The Historical Financial Information has been prepared in accordance with IFRS Accounting Standards, which comprise all standards and interpretations approved by the International Accounting Standards Board (the "IASB"). All IFRS Accounting Standards effective for the accounting period commencing from January 1, 2025 together with the relevant transitional provisions, have been early adopted by us in the preparation of the Historical Financial Information throughout the Track Record Period. The Historical Financial Information has been prepared under the historical cost convention, except for financial assets at fair value through profit or loss which have been measured at fair value.

MAJOR FACTORS AFFECTING OUR RESULTS OF OPERATIONS

Our business, results of operations and financial position have been, and are expected to be, continuously and materially affected by a number of key factors, some of which are outside of our control, including, without limitation, the following:

Macro Economy Environment and Development of the Cosmetics Industry in China

Our business, financial condition and results of operations are impacted by general factors affecting the cosmetics industry in China, such as per capita disposable income, the growth of e-commerce, the emergence of domestic cosmetics brands, regulatory support and others. According to CIC, generally there is a positive correlation between per capita disposable income, which represents consumer purchasing power, and per capita expenditure on cosmetic products. The per capita disposable income in China increased from RMB30.7 thousand to RMB41.3 thousand at a CAGR of 6.1% from 2019 to 2024, and is expected to further increase to RMB54.9 thousand in 2029 at a CAGR of 5.9%. The rising consumer spending power in China drove the growth in sales of our products throughout the Track Record Period.

FINANCIAL INFORMATION

According to CIC, the cosmetics market in China witnessed significant growth in recent years, increasing from RMB531.1 billion in 2019 to RMB688.6 billion in 2024 in terms of retail sales, with skincare sector accounting for the greatest proportion of the total market. While mass-market skincare sector currently dominates China's skincare market in terms of market share, the premium skincare sector has experienced faster growth, rising from RMB74.9 billion in 2019 to RMB114.4 billion in 2024 at a CAGR of 8.8%, and its market size is expected to reach RMB218.5 billion by 2029 at a CAGR of 13.8%. According to the same source, our flagship brand *Forest Cabin* ranked 13th among all premium skincare brands in China (including both domestic and international brands) by retail sales with a market share of 1.4%, and ranked first among all premium domestic skincare brands in China by retail sales in 2024, enabling us to be well positioned to capture the market's growth.

Expanding and Diversified Product Portfolio Empowered by R&D Capabilities

We offer a comprehensive selection of products that address the entire skincare routine from cleansing and toning to moisturizing and targeted treatments, mainly encompassing essence oils, face creams, toners and lotions, serums, facial masks and sunscreens. As of June 30, 2025, *Forest Cabin's* product portfolio comprised 230 SKUs. Notably, with over 45 million bottles sold cumulatively since its launch, our Camellia Essence Oil ranked first in China by total retail sales across all sales channels among all facial essence oil products for 11 consecutive years since 2014, according to CIC. We believe that our superior R&D capabilities lay down a solid foundation for our persistency on expansion of product portfolio. We prioritize the independent development of key raw materials and technologies used in our product development, particularly those related to camellia-based ingredients in anti-wrinkle, firming and skin repair, to enhance the product efficacy and maintain our competitive edge in the market. We have committed significant resources to the development of technologies and core ingredients. Our research and development costs increased from RMB21.1 million in 2022 to RMB30.4 million in 2024 with a CAGR of 20.0% from 2022 to 2024. Our research and development costs increased by 37.5% from RMB13.1 million in the six months ended June 30, 2024 to RMB18.0 million in the six months ended June 30, 2025. Such commitment to R&D solidifies our leadership in oil-based skincare and advanced anti-wrinkle and firming solutions, which is critical to our steady performance and future growth.

Going forward, we will continuously refine and broaden our signature product portfolio to offer customers more personalized and premium products that cater to their diverse high-quality skincare needs under different scenarios.

Expanding and Maintaining Our Sales Network

We sell our products through an integrated sales network that combines diversified online sales channels with a strong offline presence, enabling comprehensive and effective consumer reach. We have established a nationwide offline channels through directly-operated stores and store partners, covering all major cities in China. In line with market practice, during the Track Record Period, we have also cooperated with retailers and distributors to expand our offline sales network and improve brand awareness. Our wide-reaching offline sales network not only constantly brings in new customers and broadens our customer base but also enhances brand loyalty and recognition among existing customers. In 2022, 2023, 2024 and the six months ended June 30, 2024 and 2025, our revenue generated from offline channels amounted to RMB378.2 million, RMB409.7 million, RMB494.4 million, RMB239.8

FINANCIAL INFORMATION

million and RMB363.5 million, respectively, accounting for 54.7%, 50.9%, 40.8%, 45.2% and 34.6% of our total revenue in the same respective years/periods.

Furthermore, we have established a robust online sales presence which covers online direct sales to end customers through our self-operated stores on major e-commerce and social commerce platforms such as Tmall, JD.com, Douyin and WeChat, and sales to online retailers such as Vipshop and JD.com. In 2022, 2023, 2024 and the six months ended June 30, 2024 and 2025, our revenue generated from online channels amounted to RMB312.3 million, RMB394.5 million, RMB714.4 million, RMB290.1 million and RMB687.9 million, accounting for 45.2%, 49.0%, 59.1%, 54.7% and 65.4% of our total revenue in the same years/periods, respectively.

We place great importance on the integration of online and offline channels. We attract consumer traffic primarily through online channels while relying on offline channels to deliver outstanding consumer services and purchasing experiences to captivate online visitors. Moving forward, we expect to drive continuous revenue growth across all sales channels through omni-channel marketing activities.

Our Ability to Effectively Conduct Marketing and Branding Activities

The effectiveness of our marketing and branding activities is critical to our financial performance. We have adopted a comprehensive and innovative marketing and branding strategy to promote our products and services, enhance our brand awareness and reputation, and attract and retain consumers. We have utilized an integrated online promotion strategy to create synergies between short-video and livestreaming, combining the interactivity of short videos and livestreaming to accumulate and convert online traffic effectively. We amplify our social media presence through livestreaming hosted by our account matrix, alongside in-house livestreaming studios and collaborations with KOLs and KOCs. These initiatives have allowed us to strengthen our presence across major e-commerce and livestreaming platforms and boost our online visibility and consumer engagement. We also have adopted a unique experiential skincare retail approach at certain stores, offering consumers a personalized and high-touch skincare experience at our stores.

Our spending on sales and marketing activities has affected and is expected to continue affecting our financial performance. Our selling and distribution expenses were RMB509.0 million, RMB485.5 million, RMB688.5 million, RMB290.1 million and RMB580.6 million in 2022, 2023, 2024 and the six months ended June 30, 2024 and 2025, respectively. We seek to adopt various measures to more efficiently conduct marketing activities, such as formulating budgets based on our business strategies, market trend and historical experience conducting regular analysis of marketing campaigns and making adjustment accordingly. Our capability to undertake cost-effective branding and marketing activities is crucial for our operational efficiency and financial performance.

Supply Chain Management and Quality Control Capabilities

We operate a comprehensive supply chain system covering our whole production process including raw materials procurement, production, quality check and delivery. We have a centralized procurement center which is responsible for the unified procurement of all

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primary raw materials required for product formulation. To ensure control over our core ingredient, camellia, we have established collaboration with a number of camellia planting bases, which serve as our exclusive suppliers, receiving technical guidance from us in planting, seedling cultivation, maintenance and harvesting. As of the Latest Practicable Date, we operated two production bases located in Shanghai, China. Our large-scale production capability enables us to effectively respond to market demand and achieve economies of scale. In addition, we cooperate with selected logistic providers to deliver our finished products in a cost-effective and timely manner. We have also implemented stringent quality control in all material aspects of our operations, including product R&D, raw material procurement and production, ensuring consistent high quality of our products. Leveraging our profound industry experience, we aim to further enhance our supply chain management and quality control capabilities to improve our operation and management efficiencies, and ultimately improve our financial performance.

MATERIAL ACCOUNTING POLICIES AND ESTIMATES

Some of our accounting policies require us to apply estimates and assumptions as well as complex judgments related to accounting items. The estimates and assumptions we use and the judgments we make in applying our accounting policies have a significant impact on our financial position and operational results. Our management continually evaluates such estimates, assumptions and judgments based on past experience and other factors, including industry practices and expectations of future events which are deemed to be reasonable under the circumstances. There has not been any material deviation from our management's estimates or assumptions and actual results, and we have not made any material changes to these estimates or assumptions during the Track Record Period. We do not expect any material changes to these estimates and assumptions in the foreseeable future.

We set forth below accounting policies which we believe are of critical importance to us or involve the most significant estimates, assumptions and judgments used in the preparation of our financial statements. Our material accounting policies, estimates, assumptions and judgments, which are important for understanding our financial condition and results of operations, are set forth in details in Notes 2 and 3 to the Accountants' Report in Appendix I to this document.

Revenue Recognition

Revenue from contracts with customers

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

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

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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 us and the customer at contract inception. When the contract contains a financing component which provides us with a significant financial benefit for more than one year, revenue recognized under the contract includes the interest expense accreted on the contract liability under the effective interest method. For a contract where the period between the payment by the customer and the transfer of the promised goods or services is one year or less, the transaction price is not adjusted for the effects of a significant financing component, using the practical expedient in IFRS 15.

(a) Sale of products

We primarily sell our products to customers through offline channels such as direct sales via directly-operated stores, joint operation stores, franchised stores, offline retailers, enterprise customers and distributors and online channels such as direct online sales and online retailers. Revenue from the sale of products is recognized at the point in time when control of the asset is transferred to the customers, generally on delivery of the goods or upon the confirmation by the customers. Specifically, revenue from direct sales is recognized when the goods are delivered to customers directly in the stores or when the goods are sent by express delivery to and accepted by customers. Revenue from franchised stores, offline retailers, enterprise customers, online retailers and distributors is recognized when the goods are delivered to designated locations or transferred to designated carriers. Revenue from joint operation stores is recognized at the point when they obtain the legal title of the products and become obliged to pay for the products, which is when the joint operation stores sell the products to their customers in their stores.

Some contracts for the sale of products provide customers with rights of return, 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 we will be entitled. The requirements in IFRS 15 on constraining estimates of variable consideration are applied in order to determine the amount of variable consideration that can be included in the transaction price. For goods that are expected to be returned, instead of revenue, a refund liability is recognized. A right-of-return asset (and the corresponding adjustment to cost of sales) is also recognized for the right to recover products from a customer.

(ii) Membership loyalty programme

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

(b) *Others*

Others mainly represent the revenue from brand licensing fees paid by joint operators and franchisees, which is recognized over the scheduled period on a straight-line basis because the customer simultaneously receives and consumes the benefits provided by us.

Property, Plant and Equipment

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 the statement of profit or loss in the period in which it is incurred. In situations where the recognition criteria are satisfied, the expenditure for a major inspection is capitalized in the carrying amount of the asset as a replacement. Where significant parts of property, plant and equipment are required to be replaced at intervals, we recognize such parts as individual assets with specific useful lives and 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 used for this purpose are as follows:

– Leasehold improvements	Two to three years
– Electronic equipment	Three to five years
– Machinery	Three to ten years
– Motor vehicles	Four years
– Buildings	Twenty 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.

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

Construction in progress mainly represents buildings and machinery under construction is stated at cost less any impairment losses, and is not depreciated. Cost comprises the direct costs of construction and capitalized borrowing costs on related bank borrowings during the period of construction. Construction in progress is reclassified to the appropriate category of property, plant and equipment, when completed and ready for use.

Inventories

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

Leases

We assess 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

We apply a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. We recognize 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 recognized at the commencement date of the lease (that is the date the underlying asset is available for use). Right-of-use assets are measured at cost, less accumulated depreciation and any impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognized, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease terms and the estimated useful lives of the assets as follows:

Land use right	20 years
Self-operated stores	1 to 3 years
Warehouses and office premises	1 to 6 years

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

(b) Lease liabilities

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

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

Our lease liabilities are presented separately in the consolidated statement of financial position.

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

We apply the short-term lease recognition exemption to our short-term leases of machinery and equipment (that is those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). We also apply the recognition exemption for leases of low-value assets to leases of office premises that are considered to be of low value.

Lease payments on short-term leases and leases of low-value assets are recognized as an expense on a straight-line basis over the lease term.

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Income Tax

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

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of each period of the Track Record Period, taking into consideration interpretations and practices prevailing in the countries in which we operate.

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

Deferred tax liabilities are recognized 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, 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 recognized for all deductible temporary differences, and the carry forward of unused tax credits and any unused tax losses. Deferred tax assets are recognized to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilized, 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, deferred tax assets are only recognized 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 utilized.

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The carrying amount of deferred tax assets is reviewed at the end of each period of the Track Record 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 utilized. Unrecognized deferred tax assets are reassessed at the end of each period of the Track Record Period and are recognized 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 realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of each period of the Track Record Period.

Deferred tax assets and deferred tax liabilities are offset if and only if we have 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 recognized at their fair value where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. When the grant relates to an expense item, it is recognized as income on a systematic basis over the periods that the costs, for which it is intended to compensate, are expensed.

Provisions

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

When we expect some or all of a provision to be reimbursed, the reimbursement is recognized as a separate asset, but only when the reimbursement is virtually certain. The expense relating to a provision is presented in the statement of profit or loss net of any reimbursement.

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

IMPACT OF COVID-19 OUTBREAK

On January 30, 2020, the International Health Regulations Emergency Committee of the World Health Organization declared the novel coronavirus disease 2019 (the “COVID-19”) outbreak a public health emergency of international concern, and on March 11, 2020, the World Health Organization declared the global COVID-19 outbreak a pandemic. The COVID-19 virus continued to spread rapidly worldwide in 2022, including where we have business operations and where our customers, suppliers and business partners are located. In particular, the COVID-19 pandemic caused a temporary decline in consumer traffic to retail sales points and consumer demand due to reduced social networking, which in turn had an adverse impact on our offline sales channels and the corresponding revenue in 2022, which was a primary reason for our net loss of RMB5.9 million in 2022. Specifically, we closed 54 directly-operated stores in 2022, reducing the total number of directly-operated stores from 346 at the beginning of the year to 318 by year-end. To contain the virus spread within our office premises and protect the well-being of our employees, we adopted various mitigation measures, such as remote working, social distancing and mask wearing, and other site-specific precautionary measures. Despite the challenges presented by the COVID-19 pandemic, our supply chain demonstrated considerable resilience. The procurement of raw materials and the delivery of goods were generally unaffected by the pandemic. While lockdown measures impacted delivery timelines in certain regions, such as Shanghai, the location of our e-commerce warehouse in Wuxi, Jiangsu enabled us to maintain uninterrupted customer deliveries, except in areas subject to stringent pandemic controls. Our manufacturing facilities in Shanghai sustained normal production levels by providing on-site accommodation for employees. Packaging materials and finished goods were transported using vehicles with valid travel permits, thereby ensuring the continuity of our manufacturing and distribution operations. Our business operations subsequently returned to normal from the first quarter of 2023. As the COVID-19 pandemic has since subsided, our Directors do not anticipate any further impact from COVID-19 going forward.

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DESCRIPTION OF MAJOR COMPONENTS OF OUR RESULTS OF OPERATIONS

The following table sets out a summary of our results of operations for the years/periods indicated:

	Year ended December 31,			Six months ended June 30,	
	2022	2023	2024	2024	2025
	<i>(RMB in thousands)</i>			<i>(Unaudited)</i>	
Revenue	691,150	805,004	1,209,641	530,448	1,051,768
Cost of sales	(152,073)	(151,141)	(211,985)	(96,115)	(185,562)
Gross profit	539,077	653,863	997,656	434,333	866,206
Other income and gains	14,433	18,402	20,500	4,957	9,704
Selling and distribution expenses	(509,042)	(485,521)	(688,476)	(290,079)	(580,607)
Administrative expenses	(56,408)	(62,431)	(77,761)	(31,730)	(61,093)
Research and development costs	(21,120)	(19,745)	(30,404)	(13,114)	(18,032)
Other expenses	(1,504)	(1,020)	(1,295)	(656)	(992)
Finance costs	(2,011)	(1,421)	(2,479)	(756)	(2,616)
Reversal of impairment losses/(impairment losses) on financial assets	189	(2,465)	552	856	135
(Loss)/profit before tax	(36,386)	99,662	218,293	103,811	212,705
Income tax credit/(expense)	30,455	(15,144)	(31,460)	(17,158)	(30,856)
(Loss)/profit and total comprehensive (loss)/income for the year/period	(5,931)	84,518	186,833	86,653	181,849
Attributable to:					
Owners of the parent	(5,871)	84,518	186,833	86,653	181,849
Non-controlling interests	(60)	—	—	—	—

For details on the accounting treatment of redemption rights of Pre-IPO investments, see “— Discussion of Certain Key Balance Sheet Items — Paid-In Capital/Share Capital” below and Note 29 to the Accountants’ Report included in Appendix I to this prospectus.

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We recorded a net loss in 2022, primarily due to the impact of COVID-19 outbreak on our offline business and high initial investment and limited efficiency in our online business.

- **Impact of COVID-19 outbreak on offline business:** In 2022, stringent nationwide pandemic prevention and control measures, including large-scale lockdowns in multiple cities, significantly disrupted offline consumer activity. This led to a notable decline in foot traffic and revenue at our offline stores. Although we closed 54 directly-operated stores in 2022, reducing the total number of directly-operated stores from 346 at the beginning of the year to 318 by year-end, fixed costs such as store rents and offline employee salaries remained largely unchanged and continued to be incurred, primarily because (i) store rents and employee salaries for stores that remained in operation still needed to be paid during the pandemic period and (ii) early termination of leases and employee contracts involved additional costs such as deposit forfeitures, contract termination penalties and severance payments.
- **High initial investment and limited efficiency in online business:** Meanwhile, we began shifting focus toward developing our online channels. However, as online channels were still in the early stages of market development, there was a lag between investment and the generation of stable revenue. Additionally, substantial upfront costs were incurred for channel development, content marketing, and logistics arrangements, resulting in overall losses for the online channels in 2022.

We recorded exponential growth in 2023 and 2024, changing from a net loss position in 2022 to a net profit of RMB84.5 million in 2023, which further increased by 121.1% to RMB186.8 million in 2024. This turnaround was driven by the recovery of offline consumption and channel expansion, maturity and accelerated growth of online channels and a series of cost reduction and efficiency improvement measures.

- **Recovery of offline consumption and channel expansion:** Following the stabilization of the pandemic in November 2022, offline consumption began to rebound, revitalizing our offline business. The number of directly-operated stores increased from 318 at the end of 2022 to 320 by the end of 2023 and further to 342 by the end of 2024. Simultaneously, we actively expanded the network of joint-operated and franchised stores. The number of joint-operated stores rose from 48 in 2022 to 88 in 2023 and further to 132 in 2024. We introduced the franchise model in 2023, with the number of franchised stores reaching 35 in 2023 and 32 in 2024. Additionally, we began partnering with distributors in 2023, increasing the number of distributors from 15 in 2023 to 63 in 2024.

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- **Maturity and accelerated growth of online channels:** Our online channels entered a mature development phase in 2023, with significantly improved sales efficiency. In 2023 and 2024, we strengthened collaborations with KOLs and KOCs and intensified live-streaming efforts, driving rapid growth in online sales.
- **Series of cost reduction and efficiency improvement measures:** In 2023 and 2024, we implemented several initiatives to optimize costs and improve efficiency, including: (i) optimizing promotional sales strategies, such as adjusting our “free samples with purchase” promotional mechanism by replacing multiple small-sized samples with fewer medium-sized or full-sized samples, which not only enhanced the consumer experience by providing more practical and desirable promotional formats, but also significantly reduced packaging material usage and packaging costs, (ii) negotiating more favorable prices with warehousing and logistics service providers and changing delivery service vendors to control logistics and warehousing expenses, (iii) reducing production costs through production process optimization, such as improving the product design, to reduce the manufacturing cost per unit product, and (iv) lowering the unit price of raw materials and packaging materials through procurement negotiations by leveraging centralized procurement and bulk purchasing as well as establishing long-term cooperation agreements with suppliers to secure more favorable pricing.

Our net profit increased by 109.9% from RMB86.7 million in the six months ended June 30, 2024 to RMB181.8 million in the six months ended June 30, 2025, primarily due to (i) a higher revenue contribution from high-margin products, supported by repeat purchases from existing customers and the acquisition of new customers, (ii) the ongoing adoption of more cost-effective promotional strategies, and (iii) sustained improvements in cost control, such as enhancing automation of production process.

Non-IFRS Measure

To supplement our consolidated financial statements, which are presented in accordance with IFRS Accounting Standards, we also use adjusted net (loss)/profit (non-IFRS measure) as additional financial measure, which is not required by, or presented in accordance with IFRS Accounting Standards. We believe this non-IFRS measure facilitates comparisons of operating performance from year to year/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 they help our management. However, such non-IFRS financial measure that we presented may not be directly comparable to similar measures presented by other companies. The use of this non-IFRS measure should not be considered as substitute for analysis of, our results of operations or financial condition as reported under IFRS Accounting Standards.

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We define adjusted net (loss)/profit (non-IFRS measure) as net (loss)/profit for the year/period adjusted by adding back listing expenses and share-based payments. The following table reconciles our adjusted (loss)/profit (non-IFRS measure) for the years/periods presented in accordance with IFRS Accounting Standards, which is net (loss)/profit for the years/periods:

	Year ended December 31,			Six months ended June 30,	
	2022	2023	2024	2024	2025
	<i>(RMB in thousands)</i>			<i>(Unaudited)</i>	
Net (loss)/profit	(5,931)	84,518	186,833	86,653	181,849
Add:					
– Listing expenses	–	–	8,284	2,328	13,232
– Share-based payments ⁽¹⁾	2,276	3,940	5,125	3,021	5,720
Adjusted net (loss)/profit (non-IFRS measure)	(3,655)	88,458	200,242	92,002	200,801

Note:

- (1) Our share-based payments are non-cash in nature.

Revenue

During the Track Record Period, our total revenue amounted to RMB691.2 million, RMB805.0 million, RMB1,209.6 million, RMB530.4 million and RMB1,051.8 million in 2022, 2023, 2024 and the six months ended June 30, 2024 and 2025, respectively.

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Revenue by product category

The following table sets forth our revenue by product category for the periods indicated:

	Year ended December 31,						Six months ended June 30,			
	2022		2023		2024		2024		2025	
	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%
(RMB in thousands, except for percentage)										
(Unaudited)										
Essence oil	217,838	31.5	284,044	35.3	447,600	37.0	173,243	32.7	478,592	45.5
Face cream	94,503	13.7	119,726	14.8	190,402	15.7	76,886	14.5	153,933	14.6
Lotion and toner	121,590	17.6	107,618	13.4	128,836	10.7	56,380	10.6	97,408	9.3
Serum	100,251	14.5	100,999	12.5	121,436	10.0	59,297	11.2	95,788	9.1
Facial mask	68,617	9.9	93,156	11.6	147,558	12.2	70,376	13.3	94,997	9.0
Sunscreen	3,040	0.4	2,880	0.4	36,396	3.0	29,996	5.7	42,075	4.0
Other cosmetic products ⁽¹⁾	84,704	12.3	95,783	11.9	136,490	11.3	63,758	11.9	88,593	8.5
Others ⁽²⁾	607	0.1	798	0.1	923	0.1	512	0.1	382	0.0
Total	691,150	100.0	805,004	100.0	1,209,641	100.0	530,448	100.0	1,051,768	100.0

Notes:

(1) Other cosmetic products primarily consisted of eye cream, cleanser, body care and color cosmetics.

(2) Others primarily consisted of brand licensing fees paid by joint operators and franchisees.

Our revenue increased by 16.5% from RMB691.2 million in 2022 to RMB805.0 million in 2023 and further increased by 50.3% from to RMB1,209.6 million in 2024, which subsequently increased by 98.3% from RMB530.4 million in the six months ended June 30, 2024 to RMB1,051.8 million in the same period of 2025, primarily due to an increase in revenue from sales of essence oil and face cream. Such increase was mainly attributable to the increased sales volume driven by the launch of new SKUs and the upgrade of existing signature products.

Revenue by sales channel

During the Track Record Period, we sold our products through online and offline channels. We sold our products primarily via (i) offline stores, (ii) sales to offline retailers and enterprise customers, (iii) distributors, (iv) online direct sales and (v) sales to online retailers.

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

	Year ended December 31,						Six months ended June 30,			
	2022		2023		2024		2024		2025	
	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%
<i>(RMB in thousands, except for percentage)</i>										
<i>(Unaudited)</i>										
Offline channels	378,213	54.7	409,721	50.9	494,368	40.8	239,839	45.2	363,474	34.6
Offline stores	371,011	53.7	383,132	47.6	444,089	36.7	223,470	42.1	285,127	27.1
– Directly-operated stores	354,461	51.3	357,240	44.4	398,332	32.9	202,535	38.2	252,766	24.0
– Store partners	16,550	2.4	25,892	3.2	45,757	3.8	20,935	3.9	32,361	3.1
Sales to offline retailers and enterprise customers	7,202	1.0	12,104	1.5	17,153	1.4	8,276	1.6	8,281	0.8
Distributors	–	–	14,485	1.8	33,126	2.7	8,093	1.5	70,066	6.7
Online channels	312,330	45.2	394,485	49.0	714,350	59.1	290,097	54.7	687,912	65.4
Online direct sales	263,106	38.1	348,951	43.3	634,837	52.5	246,967	46.6	616,775	58.6
Sales to online retailers	49,224	7.1	45,534	5.7	79,513	6.6	43,130	8.1	71,137	6.8
Others⁽¹⁾	607	0.1	798	0.1	923	0.1	512	0.1	382	0.0
Total	691,150	100.0	805,004	100.0	1,209,641	100.0	530,448	100.0	1,051,768	100.0

Note:

- (1) Others primarily consisted of brand licensing fees paid by joint operators and franchisees.

Our revenue generated from offline channels increased from RMB378.2 million in 2022 to RMB409.7 million in 2023, and further increased to RMB494.4 million in 2024, and increased from RMB239.8 million in the six months ended June 30, 2024 to RMB363.5 million in the six months ended June 30, 2025, primarily due to (i) the continuous increase in revenue from offline stores because we expanded our offline store network by establishing new directly-operated stores and cooperating with new store partners, and (ii) the continuous increase in revenue from distributors resulting from our commencement and expansion of cooperation with distributors in the Track Record Period.

Our revenue generated from online channels increased from RMB312.3 million in 2022 to RMB394.5 million in 2023, primarily due to an increase in revenue from online direct sales because we conducted promotional activities such as livestreaming sessions on e-commerce platforms such as Tmall. Our revenue generated from online channels further increased to RMB714.4 million in 2024, and increased from RMB290.1 million in the six months ended June 30, 2024 to RMB687.9 million in the six months ended June 30, 2025, primarily due to the continuous increase in revenue from online direct sales because we increased livestreaming sessions hosted by our account matrix, alongside in-house livestreaming studios and collaboration with KOLs and KOCs, as well as actively expanding and developing new online sales channels to increase the revenue from online direct sales.

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Cost of Sales

Our cost of sales primarily consisted of (i) cost of inventories sold, (ii) logistics and transportation costs, (iii) labor costs, and (iv) taxes and surcharges. In 2022, 2023, 2024 and the six months ended June 30, 2024 and 2025, our cost of sales amounted to RMB152.1 million, RMB151.1 million, RMB212.0 million, RMB96.1 million and RMB185.6 million, respectively. The following table sets forth a breakdown of our cost of sales in absolute amounts and as a percentage of our total cost of sales for the years/periods indicated:

	Year ended December 31,						Six months ended June 30,			
	2022		2023		2024		2024		2025	
	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%
<i>(RMB in thousands, except for percentage)</i>										
<i>(Unaudited)</i>										
Cost of inventories sold	115,081	75.7	111,452	73.7	149,702	70.6	68,865	71.6	132,781	71.6
– Cost of raw materials ⁽¹⁾	111,745	73.5	108,822	72.0	140,706	66.4	65,545	68.1	122,441	66.0
– OEM/ODM expenses ⁽²⁾	3,336	2.2	2,630	1.7	8,996	4.2	3,320	3.5	10,340	5.6
Logistics and transportation costs	16,093	10.6	17,084	11.3	26,217	12.4	12,580	13.1	19,920	10.7
Labor costs	13,622	9.0	14,274	9.4	22,676	10.7	9,258	9.6	19,520	10.5
Taxes and surcharges	3,473	2.3	4,404	2.9	7,393	3.5	3,382	3.5	7,701	4.2
Others ⁽³⁾	3,804	2.4	3,927	2.7	5,997	2.8	2,030	2.2	5,640	3.0
Total	152,073	100.0	151,141	100.0	211,985	100.0	96,115	100.0	185,562	100.0

Notes:

- (1) Including cost of camellia-related raw material and their processed products, which were procured based on their market prices as a primary agricultural commodities and accounted for 9.7%, 8.6%, 7.0%, 9.2% and 16.3% of our total raw material procurement costs in 2022, 2023, 2024 and the six months ended June 30, 2025, respectively.
- (2) OEM/ODM expenses refer to the fees paid to our OEM/ODM partners to produce our products. During the Track Record Period, our OEM/ODM expenses increased primarily as a result of our overall sales growth, which led to a higher volume of products being outsourced to OEM/ODM partners. As our sales volume continues to increase, we expect OEM/ODM expenses to continue to grow to some extent, but our primary focus will remain on expanding our own production capacity, with OEM/ODM arrangements serving as a complementary strategy to support product diversification and operational efficiency.
- (3) Others primarily consisted of depreciation and amortization and utilities costs.

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Sensitivity Analysis

In 2022, 2023, 2024 and the six months ended June 30, 2025, our cost of raw materials amounted to RMB111.7 million, RMB108.8 million, RMB140.7 million and RMB122.4 million, respectively, accounting for 73.5%, 72.0%, 66.4% and 66.0% of our total cost of sales in the same years/periods.

	Change in profit and total comprehensive income for the year/period for change in cost of raw materials		
	+/-5%	+/-10%	+/-15%
	<i>(RMB in thousands)</i>		
2022	-/+4,749	-/+9,499	-/+14,248
2023	-/+4,625	-/+9,250	-/+13,875
2024	-/+5,980	-/+11,960	-/+17,940
Six months ended June 30, 2025	-/+5,204	-/+10,407	-/+15,611

Gross Profit and Gross Profit Margin

Our gross profit represents our revenue less our cost of sales, and our gross profit margin represents our gross profit divided by our revenue, expressed as a percentage. In 2022, 2023, 2024 and the six months ended June 30, 2024 and 2025, our gross profit amounted to RMB539.1 million, RMB653.9 million, RMB997.7 million, RMB434.3 million and RMB866.2 million, respectively. In 2022, 2023, 2024 and the six months ended June 30, 2024 and 2025, our gross profit margin was 78.0%, 81.2%, 82.5%, 81.9% and 82.4%, respectively.

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Gross profit and gross profit margin by product category

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

	Year ended December 31,						Six months ended June 30,			
	2022		2023		2024		2024		2025	
	Gross profit		Gross profit		Gross profit		Gross profit		Gross profit	
	Gross profit	margin (%)	Gross profit	margin (%)	Gross profit	margin (%)	Gross profit	margin (%)	Gross profit	margin (%)
(RMB in thousands, except for percentage)										
(Unaudited)										
Essence oil	177,977	81.7	240,261	84.6	381,620	85.3	147,753	85.3	412,670	86.2
Face cream	78,442	83.0	101,070	84.4	162,594	85.4	64,282	83.6	129,049	83.8
Lotion and toner	92,134	75.8	82,124	76.3	101,791	79.0	43,693	77.5	77,190	79.2
Serum	87,637	87.4	91,087	90.2	106,813	88.0	51,804	87.4	81,382	85.0
Facial mask	48,788	71.1	70,204	75.4	116,623	79.0	55,857	79.4	73,208	77.1
Sunscreen	2,699	88.8	2,543	88.3	29,747	81.7	24,545	81.8	32,195	76.5
Other cosmetic products ⁽¹⁾	50,793	60.0	65,776	68.7	97,545	71.5	45,887	72.0	60,130	67.9
Others ⁽²⁾	607	100.0	798	100.0	923	100.0	512	100.0	382	100.0
Total	539,077	78.0	653,863	81.2	997,656	82.5	434,333	81.9	866,206	82.4

Notes:

- (1) Other cosmetic products primarily consisted of eye cream, cleanser, body care and color cosmetics.
- (2) Others primarily consisted of brand licensing fees paid by joint operators and franchisees.

Our gross profit increased by 21.3% from RMB539.1 million in 2022 to RMB653.9 million in 2023 and further increased by 52.6% to RMB997.7 million in 2024. Our gross profit margin increased from 78.0% in 2022 to 81.2% in 2023 and further increased to 82.5% in 2024, primarily due to an increase in gross profit margin of essence oil and face cream. The increase in the gross profit margin of essence oil was mainly attributable to (i) the adoption of more cost-effective promotional strategies and (ii) the implementation of more effective cost control measures such as negotiating more favorable price with raw material suppliers to reduce our procurement cost, optimization of production processes to improve production efficiency, and enhanced warehouse management to lower storage cost. In particular, we refined our “free samples with purchase” promotional mechanism by replacing the previous practice of offering multiple small-sized samples with fewer medium-sized samples or full-sized products, which not only enhanced the consumer experience by providing more practical and desirable promotional formats, but also significantly reduced packaging material usage and packaging costs. As a result, the cost of promotional products under the “free samples with purchase” mechanism as a percentage of total revenue decreased from 9.0% in 2023 to 6.7% in 2024. The increase in the gross profit margin of face cream was mainly

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attributable to increased revenue contribution from high-margin products. Our gross profit increased by 99.4% from RMB434.3 million in the six months ended June 30, 2024 to RMB866.2 million in the six months ended June 30, 2025. Our gross profit margin increased from 81.9% in six months ended June 30, 2024 to 82.4% in the six months ended June 30, 2025, primarily due to an increase in the revenue contribution of essence oil, which had relatively higher gross profit margin among all product categories and an increase in the gross profit margin of essence oil as a result of cost reduction in raw materials achieved through optimization of supplier selection and price negotiations.

Gross profit and gross profit margin by sales channel

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

	Year ended December 31,						Six months ended June 30,			
	2022		2023		2024		2024		2025	
	Gross profit	Gross margin (%)	Gross profit	Gross margin (%)	Gross profit	Gross margin (%)	Gross profit	Gross margin (%)	Gross profit	Gross margin (%)
(RMB in thousands, except for percentage)										
(Unaudited)										
Offline channels	314,143	83.1	341,247	83.3	409,543	82.8	197,552	82.4	297,213	81.8
Offline stores	308,695	83.2	325,007	84.8	375,435	84.5	186,536	83.5	243,677	85.5
– Directly-operated stores	297,156	83.8	306,903	85.9	342,713	86.0	171,939	84.9	219,505	86.8
– Store partners	11,539	69.7	18,104	69.9	32,722	71.5	14,597	69.7	24,172	74.7 ⁽³⁾
Sales to offline retailers and enterprise customers	5,448	75.6	7,634	63.1	11,510	67.1	5,600	67.7	5,661	68.4
Distributors ⁽¹⁾	–	–	8,606	59.4	22,598	68.2	5,416	66.9	47,875	68.3
Online channels	224,327	71.8	311,818	79.0	587,190	82.2	236,269	81.4	568,611	82.7
Online direct sales	189,148	71.9	277,578	79.5	525,830	82.8	203,258	82.3	514,184	83.4
Sales to online retailers	35,179	71.5	34,240	75.2	61,360	77.2	33,011	76.5	54,427	76.5
Others⁽²⁾	607	100.0	798	100.0	923	100.0	512	100.0	382	100.0
Total	539,077	78.0	653,863	81.2	997,656	82.5	434,333	81.9	866,206	82.4

Notes:

- (1) We began partnering with distributors in 2023. Building on the experience gained in 2023, we optimized the product mix within the distributor channel in 2024 by increasing the proportion of high-margin products. In addition, we introduced channel-exclusive products for our distributors, which generally carry higher overall profit margins. As a result of these strategic initiatives, the gross profit margin of sales to distributors increased from 59.4% in 2023 to 68.2% in 2024, and increased from 66.9% in the six months ended June 30, 2024 to 68.3% in the same period of 2025.
- (2) Others primarily consisted of brand licensing fees paid by joint operators and franchisees.
- (3) The gross profit margin of store partners increased from 69.7% in the six months ended June 30, 2024 to 74.7% in the six months ended June 30, 2025, primarily because we optimized the product mix and further leveraged the retail resources and entrepreneurial drive of local partners, supported by the deepening collaboration with our store partners.

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Other Income and Gains

Our other income and gains primarily consisted of (i) government grants, which mainly represented subsidies granted by local governments for the purpose of encouraging industry development, which were mainly one-off in nature, and had no condition or contingencies attached or were recognized upon compliance with the attached conditions, (ii) investment income from financial assets at fair value through profit or loss, which mainly represented our investment income from wealth management products, (iii) foreign exchange gains, (iv) bank interest income and (v) gain on disposal of items of property, plant and equipment. In 2022, 2023, 2024 and the six months ended June 30, 2024 and 2025, our other income amounted to RMB14.4 million, RMB18.4 million, RMB20.5 million, RMB5.0 million and RMB9.7 million, respectively. The following table sets out a breakdown of our other income for the years/periods indicated:

	Year ended December 31,			Six months ended June 30,	
	2022	2023	2024	2024	2025
	<i>(RMB in thousands)</i>			<i>(Unaudited)</i>	
Government grants	8,951	12,487	13,669	2,061	3,840
Investment income from financial assets at fair value through profit or loss	3,224	393	826	346	640
Foreign exchange gains	908	182	163	294	–
Bank interest income	346	2,787	2,583	1,345	1,627
Gain on disposal of items of property plant and equipment	120	485	–	–	7
Others ⁽¹⁾	884	2,068	3,259	911	3,590
Total	14,433	18,402	20,500	4,957	9,704

Note:

- (1) Others primarily consisted of (i) insurance claims and (ii) income associated with closures of the stores operated by our store partners, which represented income generated from the early termination of store operations by joint operators and franchisees, including forfeited security deposits and penalties arising from breaches of contract. The increase in others during the Track Record Period was primarily due to an increase in insurance claims related to product allergy and logistics damage coverage, in line with the growth in sales volume from online channels.

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Selling and Distribution Expenses

Our selling and distribution expenses primarily consisted of (i) marketing and promotion expenses, (ii) labor costs, (iii) depreciation and amortization, and (iv) store operation fees, mainly including property management fees and service fees paid to shopping malls and utilities fees. In 2022, 2023, 2024 and the six months ended June 30, 2024 and 2025, our selling and distribution expenses amounted to RMB509.0 million, RMB485.5 million, RMB688.5 million, RMB290.1 million and RMB580.6 million, respectively. Our marketing and promotion expenses comprised (a) e-commerce platform marketing expenses, (b) offline advertising expenses and celebrity endorsement fees and (c) e-commerce platform service fees. The increase in e-commerce platform service fees was in line with the growth in our online sales across respective platforms during the Track Record Period. According to CIC, our e-commerce platform service fee rates are comparable to the prevailing industry norms. The following table sets forth a breakdown of our selling and distribution expenses by nature for the years/periods indicated:

	Year ended December 31,						Six months ended June 30,			
	2022		2023		2024		2024		2025	
	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%
(RMB in thousands, except for percentage)										
(Unaudited)										
Marketing and promotion expenses	208,167	40.9	187,478	38.6	365,026	53.0	133,388	46.0	360,711	62.1
– E-commerce platform marketing expenses ⁽¹⁾	138,762	27.3	132,801	27.4	266,916	38.8	93,985	32.4	283,056	48.8
– Offline advertising expenses and celebrity endorsement fees	52,776	10.4	27,623	5.7	41,472	6.0	19,722	6.8	28,129	4.8
– E-commerce platform service fees	16,629	3.2	27,054	5.5	56,638	8.2	19,681	6.8	49,526	8.5
Labor costs	168,533	33.1	167,275	34.5	189,435	27.5	92,043	31.7	133,205	22.9
Depreciation and amortization	76,025	14.9	71,955	14.8	72,049	10.5	33,267	11.5	37,193	6.4
Store operation fees	48,771	9.6	49,070	10.1	48,568	7.1	26,237	9.0	33,436	5.8
Others ⁽²⁾	7,546	1.5	9,743	2.0	13,398	1.9	5,144	1.8	16,062	2.8
Total	509,042	100.0	485,521	100.0	688,476	100.0	290,079	100.0	580,607	100.0

Notes:

- (1) E-commerce platform marketing expenses primarily represented fees incurred for online advertising and promotion activities and fees paid to KOLs and KOCs for promotional services and livestreaming services. Our e-commerce platform marketing expenses increased from RMB132.8 million in 2023 to RMB266.9 million in 2024, and increased from RMB94.0 million in the six months ended June 30, 2024 to RMB283.1 million in the six months ended June 30, 2025, primarily due to our intensified online advertising and promotional efforts, alongside strengthened collaboration with KOLs and KOCs.
- (2) Others primarily consisted of logistics service fees, entertainment and travel expenses and office expenses. The increase in others during the Track Record Period was in line with our business expansion.

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Administrative Expenses

Our administrative expenses primarily consisted of (i) labor costs, (ii) depreciation and amortization, (iii) professional and consulting fees mainly related to consulting services from external experts primarily including management training, audit and business strategy consulting, (iv) listing expenses, (v) software service fees, (vi) office, property management and utilities expenses, (vii) travel and business entertainment expenses and (viii) bank charges. In 2022, 2023, 2024 and the six months ended June 30, 2024 and 2025, our administrative expenses amounted to RMB56.4 million, RMB62.4 million, RMB77.8 million, RMB31.7 million and RMB61.1 million, respectively. The following table sets forth a breakdown of our administrative expenses by nature for the years/periods indicated:

	Year ended December 31,						Six months ended June 30,			
	2022		2023		2024		2024		2025	
	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%
(RMB in thousands, except for percentage)										
(Unaudited)										
Labor costs	38,956	69.1	39,549	63.3	40,878	52.6	18,051	56.9	24,193	39.6
Depreciation and amortization	4,640	8.2	5,308	8.5	5,659	7.3	1,317	4.2	3,444	5.6
Professional and consulting fees	4,041	7.2	5,778	9.3	8,077	10.4	3,110	9.8	9,439	15.5
Listing expenses	–	–	–	–	8,284	10.7	2,328	7.3	13,232	21.7
Software service fees	2,178	3.9	2,309	3.7	2,471	3.2	832	2.6	1,016	1.7
Office, property management and utilities expenses	2,406	4.3	3,376	5.4	5,326	6.8	3,308	10.4	3,449	5.6
Travel and business entertainment expenses	1,628	2.9	2,490	4.0	3,146	4.0	1,062	3.3	3,209	5.3
Bank charges	1,909	3.4	2,215	3.5	2,271	2.9	1,183	3.7	1,202	2.0
Others	650	1.0	1,406	2.3	1,649	2.1	539	1.8	1,909	3.0
Total	56,408	100.0	62,431	100.0	77,761	100.0	31,730	100.0	61,093	100.0

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Research and Development Costs

Our research and development costs primarily consisted of (i) labor costs, (ii) testing expenses, (iii) direct material costs and (iv) depreciation and amortization. In 2022, 2023, 2024 and the six months ended June 30, 2024 and 2025, our research and development costs amounted to RMB21.1 million, RMB19.7 million, RMB30.4 million, RMB13.1 million and RMB18.0 million, respectively. The following table sets forth a breakdown of our research and development costs by nature for the years/periods indicated:

	Year ended December 31,						Six months ended June 30,			
	2022		2023		2024		2024		2025	
	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%
(RMB in thousands, except for percentage)										
(Unaudited)										
Labor costs	16,538	78.3	15,815	80.1	20,657	67.9	8,076	61.6	11,992	66.5
Testing expenses	1,635	7.7	1,267	6.4	4,238	13.9	2,268	17.3	1,927	10.7
Direct material costs	1,200	5.7	1,258	6.4	1,935	6.4	816	6.2	1,310	7.3
Depreciation and amortization	943	4.5	750	3.8	1,151	3.8	423	3.2	1,452	8.1
Others	804	3.8	655	3.3	2,423	8.0	1,531	11.7	1,351	7.4
Total	21,120	100.0	19,745	100.0	30,404	100.0	13,114	100.0	18,032	100.0

Other Expenses

Our other expenses mainly consisted of losses from disposal of property, plant and equipment and public welfare expenses. In 2022, 2023, 2024 and the six months ended June 30, 2024 and 2025, our other expenses amounted to RMB1.5 million, RMB1.0 million, RMB1.3 million, RMB0.7 million and RMB1.0 million, respectively.

Finance Costs

Our finance costs consisted of interest expenses on lease liabilities and interest expenses on interest-bearing bank borrowings. In 2022, 2023, 2024 and the six months ended June 30, 2024 and 2025, our finance costs amounted to RMB2.0 million, RMB1.4 million, RMB2.5 million, RMB0.8 million and RMB2.6 million, respectively.

Reversal of Impairment Losses/(Impairment Losses) on Financial assets

Our impairment losses or reversal of impairment losses on financial assets mainly represented credit losses or reversal of credit losses on trade receivables and other receivables. In 2022, 2024 and the six months ended June 30, 2024 and 2025, our reversal of impairment losses on financial assets amounted to RMB0.2 million, RMB0.6 million, RMB0.9 million and RMB0.1 million, respectively. In 2023, our impairment losses on financial assets amounted to RMB2.5 million.

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Income Tax Credit/(Expense)

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

PRC corporate income tax

Under the Law of the PRC on Enterprise Income Tax (the “**EIT Law**”) and Implementation Regulation of the EIT Law, the EIT rate of our PRC subsidiaries is 25% unless subject to tax exemption set out below.

Our Company is accredited as “High and New Technology Enterprise” and were therefore entitled to a preferential income tax rate of 15% for the years/periods end December 31, 2022, 2023, 2024 and the six months ended June 30, 2024 and 2025. Such qualifications are subject to review by the relevant tax authority in the PRC for every three years.

We recorded income tax expense of RMB15.1 million, RMB31.5 million, RMB17.2 million and RMB30.9 million in 2023, 2024 and the six months ended June 30, 2024 and 2025, respectively. In 2022, we recorded income tax credit because we recorded deferred tax assets resulting from tax losses brought from previous years. In 2022, 2023, 2024 and the six months ended June 30, 2024 and 2025, we recorded effective tax rates (calculated as income tax credit/(expense) divided by (loss)/profit before income tax) of -83.7%, 15.2%, 14.4%, 16.5% and 14.5%, respectively. See Note 11 to the Accountants’ Report included in Appendix I to this prospectus.

PERIOD-TO-PERIOD COMPARISON OF RESULTS OF OPERATIONS

Six Months Ended June 30, 2025 Compared with Six Months Ended June 30, 2024

Revenue

Our revenue increased by 98.3% from RMB530.4 million in the six months ended June 30, 2024 to RMB1,051.8 million in the six months ended June 30, 2025, primarily due to (i) launching new SKUs and upgrading existing signature products, (ii) increasing livestreaming sessions hosted by our account matrix, alongside in-house livestreaming studios and collaboration with KOLs and KOCs, as well as actively expanding and developing new online sales channels to increase the revenue from online direct sales, (iii) an increase in revenue from offline stores because we expanded our offline store network by establishing 41 directly-operated stores and cooperating with additional 21 store partners and (iv) an increase in revenue from distributors resulting from our commencement of cooperation with additional 30 distributors in the six months ended June 30, 2025.

Cost of sales

Our cost of sales increased by 93.1% from RMB96.1 million in the six months ended June 30, 2024 to RMB185.6 million in the six months ended June 30, 2025, primarily due to an increase in cost of inventories sold, logistics and transportation fees and labor costs in line with our business growth.

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Gross profit and gross profit margin

Our gross profit increased by 99.4% from RMB434.3 million in the six months ended June 30, 2024, to RMB866.2 million in the six months ended June 30, 2025. Our gross profit margin increased from 81.9% in the six months ended June 30, 2024, to 82.4% in the six months ended June 30, 2025, primarily because we continued to benefit from (i) a higher revenue contribution from high-margin products, supported by repeat purchases from existing customers and the acquisition of new customers, (ii) the ongoing adoption of more cost-effective promotional strategies, and (iii) sustained improvements in cost control.

Other income and gains

Our other income and gains increased by 95.8% from RMB5.0 million in the six months ended June 30, 2024 to RMB9.7 million in the six months ended June 30, 2025, primarily due to an increase in government grants.

Selling and distribution expenses

Our selling and distribution expenses increased by 100.2% from RMB290.1 million in the six months ended June 30, 2024, to RMB580.6 million in the six months ended June 30, 2025, primarily due to (i) an increase in marketing and promotion expenses resulting from our increased online and offline marketing activities and (ii) an increase in labor costs as a result of an increase in the number of sales personnel.

Administrative expenses

Our administrative expenses increased by 92.5% from RMB31.7 million in the six months ended June 30, 2024 to RMB61.1 million in the six months ended June 30, 2025, primarily due to (i) an increase in labor costs as a result of an increase in the number of administrative personnel, (ii) an increase in professional and consulting fees resulting from consulting services from external experts relating to business strategy and financing and (iii) an increase in listing expenses relating to the Global Offering.

Research and development costs

Our research and development costs increased by 37.5% from RMB13.1 million in the six months ended June 30, 2024 to RMB18.0 million in the six months ended June 30, 2025, primarily due to an increase in labor costs as a result of an increase in the number of R&D personnel.

Finance costs

Our finance costs increased by 246.0% from RMB0.8 million in the six months ended June 30, 2024 to RMB2.6 million in the six months ended June 30, 2025, primarily due to (i) an increase in interest on lease liabilities in line with our increased leased liabilities, and (ii) an increase in interest expenses on interest-bearing bank borrowings as the interest expenses of the bank borrowings for the construction of the new production plant was no longer capitalized but recorded as finance costs following the completion of the construction.

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Reversal of impairment losses on financial assets

Our reversal of impairment losses on financial assets decreased by 84.2% from RMB0.9 million in the six months ended June 30, 2024 to RMB0.1 million in the six months ended June 30, 2025, primarily due to lower expected credit losses resulting from subsequent recovery of trade receivables.

Income tax expense

Our income tax expense increased by 79.8% from RMB17.2 million in the six months ended June 30, 2024 to RMB30.9 million in the six months ended June 30, 2025, primarily due to an increase in profit before tax.

Profit and total comprehensive income for the period

As a result of the foregoing, our profit and total comprehensive income for the period increased by 109.9% from RMB86.7 million in the six months ended June 30, 2024 to RMB181.8 million in the six months ended June 30, 2025.

Year ended December 31, 2024 Compared with Year ended December 31, 2023

Revenue

Our revenue increased by 50.3% from RMB805.0 million in 2023 to RMB1,209.6 million in 2024, primarily due to (i) launching new SKUs and upgrading existing signature products, (ii) increasing livestreaming sessions hosted by our account matrix, alongside in-house livestreaming studios and collaboration with KOLs and KOCs to increase the revenue from online direct sales, and (iii) an increase in revenue from offline stores because we expanded our offline store network by establishing 22 directly-operated stores and cooperating with additional 42 store partners.

Cost of sales

Our cost of sales increased by 40.3% from RMB151.1 million in 2023 to RMB212.0 million in 2024, primarily due to an increase in cost of inventories sold, logistics and transportation fees and labor costs in line with our business growth.

Gross profit and gross profit margin

Our gross profit increased by 52.6% from RMB653.9 million in 2023 to RMB997.7 million in 2024. Our gross profit margin increased from 81.2% in 2023 to 82.5% in 2024, primarily because (i) the revenue contribution of high-margin products increased driven by repeat purchases from existing customers and acquisition of new customers, (ii) we adopted more cost-effective promotional sales strategies, and (iii) we implemented more effective cost control measures such as negotiating more favorable price with raw material suppliers to reduce our procurement cost, optimizing production processes to improve production efficiency and enhancing warehouse management to lower storage cost. In particular, we adopted more cost-effective promotional sales strategies by optimizing our “free samples with

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purchase” promotional mechanism. We replaced the previous practice of offering multiple small-sized samples with fewer medium-sized samples or full-sized products, which not only enhanced the consumer experience by providing more practical and desirable promotional formats, but also significantly reduced packaging material usage and packaging costs. As a result, the cost of promotional products under the “free samples with purchase” mechanism as a percentage of total revenue decreased from 9.0% in 2023 to 6.7% in 2024.

Other income and gains

Our other income and gains increased by 11.4% from RMB18.4 million in 2023 to RMB20.5 million in 2024, primarily due to an increase in government grants.

Selling and distribution expenses

Our selling and distribution expenses increased by 41.8% from RMB485.5 million in 2023 to RMB688.5 million in 2024, primarily due to an increase in marketing and promotion expenses resulting from our increased marketing activities and enhanced promotion efforts on e-commerce platforms and livestreaming sessions through collaboration with KOLs and KOCs.

Administrative expenses

Our administrative expenses increased by 24.6% from RMB62.4 million in 2023 to RMB77.8 million in 2024, primarily due to (i) an increase in listing expenses relating to the Global Offering, (ii) an increase in professional and consulting fees resulting from consulting services from external experts mainly for management training, and (iii) an increase in office, property management and utilities expenses in relation to the new production plant commenced operation in 2024.

Research and development costs

Our research and development costs increased by 54.0% from RMB19.7 million in 2023 to RMB30.4 million in 2024, primarily due to (i) an increase in labor costs as a result of an increase in the number of R&D personnel, (ii) an increase in testing expenses as we launched new R&D projects in 2024, and (iii) an increase in joint R&D expenses in relation to joint research with universities and research institutions.

Finance costs

Our finance costs increased by 74.5% from RMB1.4 million in 2023 to RMB2.5 million in 2024, primarily due to an increase in interest expenses on interest-bearing bank borrowings because the interest expenses of the bank borrowings for the construction of the new production plant was no longer capitalized but recorded as finance costs following the completion of the construction.

Reversal of impairment losses/(impairment losses) on financial assets

We recorded reversal of impairment losses on financial assets of RMB0.6 million in 2024 while we recorded impairment losses on financial assets of RMB2.5 million in 2023, primarily due to the recovery of overdue receivables in 2024.

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Income tax expense

Our income tax expense increased from RMB15.1 million in 2023 to RMB31.5 million in 2024, primarily due to an increase in profit before tax.

Profit and total comprehensive income for the year

As a result of the foregoing, our profit and total comprehensive income for the year increased significantly from RMB84.5 million in 2023 to RMB186.8 million in 2024.

Year ended December 31, 2023 Compared with the Year Ended December 31, 2022

Revenue

Our total revenue increased by 16.5% from RMB691.2 million in 2022 to RMB805.0 million in 2023, primarily due to (i) an increase in revenue from online direct sales because we conducted promotional activities such as livestreaming sessions on e-commerce platforms such as Tmall, and (ii) an increase in revenue from distributors resulting from our commencement of cooperation with 15 distributors in 2023 and an increase in revenue from store partners driven by the expansion of our network with 75 new joint operators and franchisees.

Cost of sales

While our revenue increased from 2022 to 2023, our cost of sales remained relatively stable at RMB152.1 million in 2022 and RMB151.1 million in 2023, primarily due to our strong cost management, including (i) more cost-effective online promotional sales strategies as we optimized our “free samples with purchase” promotional mechanism by replacing the previous practice of offering multiple small-sized samples with fewer medium-sized or full-sized products, which not only enhanced the consumer experience by providing more practical and desirable promotional formats, but also significantly reduced packaging material usage and packaging costs, (ii) negotiated price reductions from suppliers for raw materials, (iii) lower material consumption resulting from manufacturing process optimization, (iv) improved inventory management, and (v) logistics cost reductions through rate negotiation and delivery method adjustment.

Gross profit

Our gross profit increased by 21.3% from RMB539.1 million in 2022 to RMB653.9 million in 2023. Our gross profit margin increased from 78.0% in 2022 to 81.2% in 2023, primarily because (i) we adopted more cost-effective online promotional sales strategies by optimizing our “free samples with purchase” promotional mechanism, which contributed to a decrease in the cost of promotional products under the “free samples with purchase” mechanism as a percentage of total revenue from 11.7% in 2022 to 9.0% in 2023, and (ii) we implemented more effective cost control measures such as negotiating more favorable price with raw material suppliers to reduce our procurement cost, optimizing production processes to improve production efficiency and enhancing warehouse management to lower storage cost. Our gross profit margin for sales to offline retailers and enterprise customers decreased from 75.6% in 2022 to 63.1% in 2023, primarily due to the sales of off-season products and small-sized and medium-sized samples.

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Other income and gains

Our other income and gains increased by 27.5% from RMB14.4 million in 2022 to RMB18.4 million in 2023, primarily due to an increase in the government grants.

Selling and distribution expenses

Our selling and distribution expenses decreased by 4.6% from RMB509.0 million in 2022 to RMB485.5 million in 2023, primarily due to a decrease in marketing and promotion expenses resulting from (i) a decrease in offline advertising expenses as we shifted our marketing focus to online platforms and (ii) a decrease in e-commerce platform marketing expenses resulting from enhanced effectiveness of marketing activities as we optimized our advertising strategies to more precisely target potential customers and increase the impact of each marketing initiative.

Administrative expenses

Our administrative expenses increased by 10.7% from RMB56.4 million in 2022 to RMB62.4 million in 2023, primarily due to (i) an increase in labor costs resulting from an increase in share-based payments and (ii) an increase in office, property management and utilities expenses because we recorded lower expenses in 2022 because of relevant relief policy in response to the COVID-19 outbreak.

Research and development costs

Our research and development costs remained relatively stable at RMB21.1 million in 2022 and RMB19.7 million in 2023.

Finance costs

Our finance costs decreased by 29.3% from RMB2.0 million in 2022 to RMB1.4 million in 2023, primarily due to a decrease in interest expenses on lease liabilities resulting from rent reductions and shortened lease terms.

Reversal of impairment losses/(impairment losses) on financial assets

We recorded reversal of impairment losses on financial assets of RMB0.2 million in 2022 while we recorded impairment losses on financial assets of RMB2.5 million in 2023, primarily due to an increase in expected credit losses on trade receivables.

Income tax credit/(expense)

We recorded income tax credit of RMB30.5 million in 2022, primarily because we recorded deferred tax assets resulting from tax losses brought from previous years. We recorded income tax expense of RMB15.1 million in 2023.

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(Loss)/profit and total comprehensive (loss)/income for the year

As a result of the foregoing, we recorded a loss and total comprehensive loss of RMB5.9 million in 2022 and a profit and total comprehensive income of RMB84.5 million in 2023.

DISCUSSION OF CERTAIN KEY BALANCE SHEET ITEMS

Non-Current Assets/(Liabilities)

The following table sets out our non-current assets and liabilities as of the dates indicated:

	As of December 31,			As of
	2022	2023	2024	June 30,
				2025
	<i>(RMB in thousands)</i>			
Non-current assets				
Property, plant and equipment	47,929	174,542	229,077	240,164
Right-of-use assets	62,366	64,223	70,065	89,982
Other intangible assets	8,837	7,832	7,652	7,590
Deferred tax assets	55,637	53,907	72,166	96,872
Other non-current assets	30,220	8,859	897	1,229
Total non-current assets	204,989	309,363	379,857	435,837
Non-current liabilities				
Interest-bearing bank borrowings	—	26,969	77,955	62,226
Lease liabilities	4,690	10,857	13,105	29,617
Deferred tax liabilities	—	—	—	2,045
Total non-current liabilities	4,690	37,826	91,060	93,888

For details on the accounting treatment of redemption rights of Pre-IPO investments, see “— Discussion of Certain Key Balance Sheet Items — Paid-In Capital/Share Capital” below and Note 29 to the Accountants’ Report included in Appendix I to this prospectus.

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Property, plant and equipment

Our property, plant and equipment primarily consisted of leasehold improvements, machinery, electronic equipment, motor vehicles and construction in progress. Our property, plant and equipment increased significantly from RMB47.9 million as of December 31, 2022 to RMB174.5 million as of December 31, 2023, primarily due to the construction of our new production plant in Shanghai in 2023. Our property, plant and equipment increased by 31.2% from RMB174.5 million as of December 31, 2023 to RMB229.1 million as of December 31, 2024, primarily because we completed the construction of our new production plant in 2024 and procured new production machineries and equipment for the new production plant. Our property, plant and equipment increased by 4.8% from RMB229.1 million as of December 31, 2024 to RMB240.2 million as of June 30, 2025, primarily due to store renovation and procurement of production machinery and office equipment.

Right-of-use assets

Our right-of-use assets comprised self-operated stores, warehouses and office premises and land use rights. Our right-of-use assets remained relatively stable at RMB62.4 million as of December 31, 2022 and RMB64.2 million as of December 31, 2023. Our right-of-use assets increased by 9.1% from RMB64.2 million as of December 31, 2023 to RMB70.1 million as of December 31, 2024, primarily due to an increase in self-operated stores in line with our business growth. Our right-of-use assets increased by 28.4% from RMB70.1 million as of December 31, 2024 to RMB90.0 million as of June 30, 2025, primarily because we renewed lease of the production plant and entered into new leases of warehouses, stores, offices and livestreaming venues.

Our non-financial assets mainly include property, plant and equipment and right-of-use assets. We evaluated the performance of each self-operated stores to assess whether any indication of impairment for non-financial assets existed at the end of each of the Track Record Period in accordance with IAS 36 Impairment of Assets. For those self-operated stores incurring losses, we comprehensively assessed factors such as their development stage and strategic position and performed impairment test as required by IAS 36. No material impairment losses were identified as at the end of each of the Track Record Period.

Other non-current assets

Our other non-current assets consisted of (i) prepayment for property, plant and equipment in relation to certain construction projects and (ii) long-term receivables, mainly representing performance deposit paid to the local government in connection with the acquisition of land use rights for the construction of the new Shanghai Main Production Base. Our other non-current assets decreased from RMB30.2 million as of December 31, 2022 to RMB8.9 million as of December 31, 2023 and further decreased to RMB0.9 million as of December 31, 2024, primarily due to (i) a decrease in prepayments for property, plant and equipment resulting from the reclassification of prepayments for property, plant and equipment to construction in progress as the relevant construction projects progressed, and (ii) a decrease in long-term receivables as the performance deposit previously paid to the local government was refunded following the completion of the construction of the new Shanghai Main Production Base. Our other non-current assets remained relatively stable at RMB0.9 million as of December 31, 2024 and RMB1.2 million as of June 30, 2025.

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Net Current Assets and Liabilities

The following table sets out our current assets and liabilities as of the dates indicated:

	As of December 31,			As of	As of
	2022	2023	2024	June 30,	October 31,
				2025	2025
	<i>(RMB in thousands)</i>				<i>(Unaudited)</i>
Current assets					
Inventories	70,468	55,083	141,239	245,744	299,637
Trade receivables	21,228	34,449	45,903	48,790	56,015
Prepayments, other receivables and other assets	40,032	42,993	64,602	95,986	101,605
Financial assets at fair value through profit or loss	4,506	—	—	—	—
Restricted cash	83	11,135	2,031	11,441	11,186
Cash and cash equivalents	203,121	285,729	440,322	401,461	448,670
Total current assets	339,438	429,389	694,097	803,422	917,113
Current liabilities					
Trade and bills payables	26,367	43,946	106,014	81,188	131,402
Other payables and accruals	72,912	120,064	168,737	151,432	212,487
Contract liabilities	15,562	22,441	26,254	23,782	32,182
Interest-bearing bank borrowings	—	—	—	15,657	23,614
Lease liabilities	36,504	32,276	37,765	41,403	48,468
Tax payable	6,734	12,083	32,050	32,266	28,737
Total current liabilities	158,079	230,810	370,820	345,728	476,890
Net current assets	181,359	198,579	323,277	457,694	440,223

Our net current assets remained relatively stable at RMB457.7 million as of June 30, 2025 and RMB440.2 million as of October 31, 2025.

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Our net current assets increased from RMB323.3 million as of December 31, 2024 to RMB457.7 million as of June 30, 2025, primarily due to (i) an increase in inventories resulting from stockpiling raw materials and finished goods to meet the anticipated growing purchasing demand due to our projected sales growth, (ii) an increase in prepayments, other receivables and other assets resulting from an increase in recoverable VAT due to higher input VAT in line with our increased procurement, (iii) a decrease in trade and bills payables resulting from the settlement of payables to our suppliers and (iv) a decrease in other payables and accruals resulting from a decrease in payables for purchase of long-term assets resulting from the construction payments made for the Shanghai Main Production Base, partially offset by a decrease in cash and cash equivalents.

Our net current assets increased from RMB198.6 million as of December 31, 2023 to RMB323.3 million as of December 31, 2024, primarily due to (i) an increase in cash and cash equivalents and (ii) an increase in inventories as a result of (a) stockpiling raw materials, work in progress and finished goods to meet the anticipated growing purchasing demand and (b) maintaining parallel inventories during the ramp-up period of the new facility to ensure uninterrupted operations. In the fourth quarter of 2024, we stockpiled inventory at Shanghai Production Base No. 1 to support the anticipated surge in purchasing demand. Meanwhile, as our Shanghai Main Production Base commenced operations in October 2024, both facilities operated in parallel. This parallel operation was necessary to facilitate equipment commissioning and staff training at the new facility, while also ensuring uninterrupted supply during the ramp-up period. The concurrent operation of both production bases enabled us to maintain stable production and fulfill customer orders without disruption throughout the ramp-up period of the new facility. Such increase was partially offset by (i) an increase in trade and bills payables as a result of an increase in the procurement of packaging materials and raw materials in line with our increased product sales and (ii) an increase in other payables and accruals as a result of (a) an increase in accruals of advertising and promotion services as we focused our promotion efforts on e-commerce livestreaming sessions through collaboration with KOLs and KOCs in 2024 and (b) an increase in accruals of logistics services resulting from the expansion of our logistics service suppliers and our increased sales volume, partially offset by a decrease in payables for purchase of long-term assets as we completed the construction of our new production plant in 2024.

Our net current assets increased from RMB181.4 million as of December 31, 2022 to RMB198.6 million as of December 31, 2023, primarily due to (i) an increase in cash and cash equivalents, (ii) an increase in trade receivables resulting from our business expansion, and (iii) an increase in restricted cash, partially offset by (i) an increase in other payables and accruals resulting from an increase in payables for purchase of long-term assets resulting from an increase in construction in progress of our new production plant in 2023 and (ii) an increase in trade and bills payables resulting from an increase in the procurement of packaging materials and raw materials in line with our increased product sales.

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Inventories

Our inventories consisted of raw materials, work in progress and finished goods. The following table sets out a breakdown of our inventories as of the dates indicated:

	As of December 31,			As of June 30,
	2022	2023	2024	2025
	<i>(RMB in thousands)</i>			
Raw materials	16,048	15,700	57,778	75,289
Finished goods	54,102	38,885	70,205	159,569
Work in progress	1,909	2,447	15,920	11,623
Write-down of inventories	(1,591)	(1,949)	(2,664)	(737)
Total	70,468	55,083	141,239	245,744

The following table sets out an aging analysis of our inventories as of the dates indicated:

	As of December 31,			As of June 30,
	2022	2023	2024	2025
	<i>(RMB in thousands)</i>			
Within one year	60,342	51,947	140,064	245,181
One to two years	9,644	1,991	1,078	815
Two to three years	1,007	1,735	872	93
Over three years	1,066	1,359	1,889	392
Write-down of inventories	(1,591)	(1,949)	(2,664)	(737)
Total	70,468	55,083	141,239	245,744

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Our inventories decreased by 21.8% from RMB70.5 million as of December 31, 2022 to RMB55.1 million as of December 31, 2023, primarily due to a decrease in finished goods resulting from an increase in product sales in 2023 due to increasing customer demand. Our inventories increased by 156.4% from RMB55.1 million as of December 31, 2023 to RMB141.2 million as of December 31, 2024, primarily due to (i) stockpiling raw materials, work in progress and finished goods to meet the anticipated growing purchasing demand and (ii) maintaining parallel inventories during the ramp-up period of the new facility to ensure uninterrupted operations. In the fourth quarter of 2024, we stockpiled inventory at Shanghai Production Base No. 1 to support the anticipated surge in purchasing demand. Meanwhile, as our Shanghai Main Production Base commenced operations in October 2024, both facilities operated in parallel. This parallel operation was necessary to facilitate equipment commissioning and staff training at the new facility, while also ensuring uninterrupted supply during the ramp-up period. The concurrent operation of both production bases enabled us to maintain stable production and fulfill customer orders without disruption throughout the ramp-up period of the new facility. Our inventories increased by 74.0% from RMB141.2 million as of December 31, 2024 to RMB245.7 million as of June 30, 2025, primarily due to stockpiling raw materials and finished goods to meet the anticipated growing purchasing demand as a result of our projected sales growth.

As of October 31, 2025, RMB143.1 million, or 58.2% of inventories as of June 30, 2025, had been used, consumed or sold.

The following table sets forth our inventory turnover days for the years/period indicated:

	Year ended December 31,			Six months ended
	2022	2023	2024	June 30, 2025
	<i>(days)</i>			
Inventory turnover days ⁽¹⁾	150	156	173	189

Note:

- (1) Inventory turnover days are calculated using the average of opening balance and closing balance of inventories before provision for a year/period divided by cost of sales for the relevant year/period and multiplied by 365 days for a year and 180 days for the six month period.

Our inventory turnover days remained relatively stable at 150 days in 2022 and 156 days in 2023. Our inventory turnover days increased from 156 days in 2023 to 173 days in 2024, primarily due to stockpiling raw materials, work in progress and finished goods to meet the anticipated growing purchasing demand. Our inventory turnover days increased from 173 days in 2024 to 189 days in the six months ended June 30, 2025, primarily due to stockpiling raw materials and finished goods to meet the anticipated growing purchasing demand due to our projected sales growth.

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Trade Receivables

Our trade receivables mainly consisted of payments for our products from online and offline channels. During the Track Record Period, we usually granted a credit term of 30 to 60 days to offline directly-operated stores and online platforms. For certain directly-operated stores, customers typically remit payment for their purchases directly to the shopping malls through their centralized cashier system and the shopping malls subsequently settle with us on a periodic basis, which results in a credit period. For store partners, we usually granted a credit term of 30 to 45 days to our joint operators and required advance payment from franchisees. We seek to maintain strict control over our outstanding receivables. Our finance department regularly reviews overdue balances and is responsible for minimizing credit risks. We have also implemented strengthened credit term review and approval procedures and enhanced regular review of the receivables management performance conducted by the relevant sales personnel.

The following table sets out our trade receivables as of the dates indicated:

	As of December 31,			As of June 30,
	2022	2023	2024	2025
	<i>(RMB in thousands)</i>			
Trade receivables	22,371	37,735	48,642	51,397
Impairment	(1,143)	(3,286)	(2,739)	(2,607)
Total	21,228	34,449	45,903	48,790

The following table sets out an aging analysis of our trade receivables as of the dates indicated, based on the invoice date and net of impairment:

	As of December 31,			As of June 30,
	2022	2023	2024	2025
	<i>(RMB in thousands)</i>			
Within one year	21,168	33,930	45,727	48,704
– Within one month	12,647	25,639	33,186	40,807
– One to three months	6,867	7,614	11,889	6,818
– Three to six months	702	205	519	95
– Six to twelve months	952	472	133	984
One to two years	60	497	128	81
Two to three years	–	22	48	5
Total	21,228	34,449	45,903	48,790

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Our trade receivables increased by 62.3% from RMB21.2 million as of December 31, 2022 to RMB34.4 million as of December 31, 2023, and further increased by 33.2% to RMB45.9 million as of December 31, 2024, which subsequently increased by 6.3% to RMB48.8 million as of June 30, 2025, primarily due to our business expansion.

In relation to trade receivables of RMB48.8 million as of June 30, 2025, we believe there was no material recoverability issue with such outstanding trade receivables because (i) the outstanding balance was generally within the credit period granted to our customers or in accordance with relevant settlement procedures implemented by either us or our customers; (ii) our customers generally enjoy good credit quality; (iii) we have not had any material collection issues with our customers; and (iv) we have recorded sufficient trade receivables provisions. For our policy of trade receivable provisions, see Note 20 to the Accountants' Report included in Appendix I to this prospectus.

The following table sets forth our trade receivables turnover days for the Track Record Period:

	Year ended December 31,			Six months ended June 30,
	2022	2023	2024	2025
	<i>(days)</i>			
Trade receivables turnover days ⁽¹⁾	<u>15</u>	<u>14</u>	<u>13</u>	<u>9</u>

Note:

- (1) Trade receivables turnover days are calculated using the average of opening balance and closing balance of trade receivables before provision for a year/period divided by revenue for the relevant year/period and multiplied by 365 days for a year and 180 days for the six month period.

Our trade receivables turnover days remained relatively stable at 15 days, 14 days and 13 days in 2022, 2023 and 2024, respectively. Our trade receivables turnover days decreased from 13 days in 2024 to 9 days in the six months ended June 30, 2025, primarily due to an increase in revenue contribution from online channels, which had shorter credit terms compared to offline channels.

As of October 31, 2025, RMB47.7 million, or 97.8% of our trade receivables as of June 30, 2025, had been settled.

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Prepayments, other receivables and other assets

Our prepayments, other receivables and other assets consisted of (i) prepayments, mainly representing prepayments to suppliers for online promotion services, (ii) deposits and other receivables, representing security deposits for our store leases, (iii) recoverable VAT, and (iv) corporate income tax recoverable. The following table sets out a breakdown of our prepayments, other receivables and other assets as of the dates indicated:

	As of December 31,			As of June 30,
	2022	2023	2024	2025
	<i>(RMB in thousands)</i>			
Prepayments	14,361	15,873	38,584	41,248
Deposits and other receivables	24,088	22,797	23,452	28,058
Recoverable VAT	1,597	1,862	2,763	26,863
Corporate income tax recoverable	–	2,684	–	–
Impairment allowance	(14)	(223)	(197)	(183)
Total	40,032	42,993	64,602	95,986

Our prepayments, other receivables and other assets increased by 7.4% from RMB40.0 million as of December 31, 2022 to RMB43.0 million as of December 31, 2023, mainly due to an increase in corporate income tax recoverable. Our prepayments, other receivables and other assets increased by 50.3% from RMB43.0 million as of December 31, 2023 to RMB64.6 million as of December 31, 2024, mainly due to an increase in prepayment for online promotion services of e-commerce livestreaming sessions. In 2024, we focused our promotion efforts on e-commerce livestreaming through collaboration with KOLs and KOCs, which required advance payments under a “pay-first” model in line with industry practice to secure livestreaming time slots with KOLs/KOCs and their agencies, as advised by CIC, thereby leading to a higher prepayment balance, and (ii) an increase in prepayment for raw materials as we increased our procurement to align with our increased product sales volume in 2024. Our prepayments, other receivables and other assets increased by 48.6% from RMB64.6 million as of December 31, 2024 to RMB96.0 million as of June 30, 2025, mainly due to an increase in recoverable VAT due to higher input VAT in line with our increased procurement.

As of October 31, 2025, RMB52.0 million, or 54.2% of prepayments, other receivables and other assets as of June 30, 2025 had been settled.

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Financial Assets at Fair Value through Profit or Loss

Our financial assets at fair value through profit or loss comprised wealth management products. Our financial assets at fair value through profit or loss decreased from RMB4.5 million as of December 31, 2022 to nil as of December 31, 2023 and subsequently remained stable at nil as of December 31, 2024, primarily due to our redemption of wealth management products in 2023. Our financial assets at fair value through profit or loss remained stable at nil as of December 31, 2024 and June 30, 2025.

We primarily invest in short-term and low-risk wealth management products issued by reputable financial institutions to ensure controllable risk exposure from our investments. We have implemented internal policies on purchase and management of wealth management products. Our finance department monitors daily cash balances and initiates investment proposals when excess funds are identified. The investment decisions are made on a case-by-case basis after careful consideration of a number of factors, such as general market condition, credit of the commercial banks, our cash flow performance and the expected profit or potential loss of the investments. Each investment must be approved by both our chief executive officer and chief financial officer before execution.

Trade and bills payables

Our trade and bills payables primarily represented trade and bills payables to suppliers for packaging materials and raw materials. The trade and bills payables are normally settled within 30 to 90 days. Our trade and bills payables increased by 66.7% from RMB26.4 million as of December 31, 2022 to RMB43.9 million as of December 31, 2023, and further increased by 141.2% to RMB106.0 million as of December 31, 2024, primarily due to an increase in the procurement of packaging materials and raw materials in line with our increased product sales. Our trade and bills payables decreased by 23.4% to RMB106.0 million as of December 31, 2024 to RMB81.2 million as of June 30, 2025, primarily due to the settlement of payables to our suppliers.

The following table sets out an aging analysis of our trade and bills payables as of the dates indicated:

	As of December 31,			As of
	2022	2023	2024	June 30,
				2025
	<i>(RMB in thousands)</i>			
Within one month	7,439	18,033	54,120	30,308
One to three months	11,931	22,014	47,470	35,105
Three to six months	6,117	3,463	3,457	5,757
Six months to one year	650	20	697	9,603
Over one year	230	416	270	415
Total	26,367	43,946	106,014	81,188

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The following table sets forth our trade and bills payables turnover days for the Track Record Period:

	Year ended December 31,			Six months ended June 30,
	2022	2023	2024	2025
	<i>(days)</i>			
Trade and bills payables turnover days ⁽¹⁾	62	85	129	91

Note:

- (1) Trade and bills payables turnover days are calculated using the average of opening balance and closing balance of trade and bills payables for a year/period divided by cost of sales used for the relevant year/period and multiplied by 365 days for a year and 180 days for the six month period.

Our trade and bills payables turnover days increased from 62 days in 2022 to 85 days in 2023, primarily due to the increase in the procurement of packaging materials and raw materials during the fourth quarter to meet our increasing sales volume. Our trade and bills payables turnover days further increased to 129 days in 2024, primarily because we began stocking up packaging materials and raw materials in the second half of 2024 aiming to cover three to four months of sales demand in light of the significant increase in sales orders. Our trade and bills payables turnover days decreased from 129 days in 2024 to 91 days in the six months ended June 30, 2025, primarily due to a decrease in trade and bills payables as most purchases were made in the first quarter of 2025 with 60–90 day payment terms, resulting in a lower payables balance at the end of June 2025.

As of October 31, 2025, RMB63.8 million, or 78.6% of our trade and bills payables as of June 30, 2025, had been settled.

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Other payables and accruals

Our other payables and accruals consisted of (i) payroll and welfare payable, (ii) payables for purchase of long-term assets, representing payables for equipment and renovation, (iii) deposit payable, representing deposits paid by joint operators and franchisees to open joint operation stores and franchised stores, (iv) accruals, representing accrued expenses for advertising and promotion, logistics, training and consulting services, (v) other payables, payables of fees to joint operators and franchisees, and (vi) other tax payable. The following table sets out a breakdown of our other payables and accruals as of the dates indicated:

	As of December 31,			As of June 30,
	2022	2023	2024	2025
	<i>(RMB in thousands)</i>			
Payroll and welfare payable	27,744	30,958	38,214	35,567
Payables for purchase of long-term assets	3,203	41,356	18,354	9,286
Deposit payable	9,547	12,413	20,012	23,428
Accruals	13,802	29,945	70,275	64,334
Other payables	3,161	807	4,545	3,997
Other tax payable	15,455	4,585	17,337	14,820
Total	72,912	120,064	168,737	151,432

Our payables and accruals increased by 64.7% from RMB72.9 million as of December 31, 2022 to RMB120.1 million as of December 31, 2023, primarily due to an increase in payables for purchase of long-term assets resulting from an increase in construction in progress of our new production plant in 2023, partially offset by a decrease in other tax payables resulting from a tax policy at the end of 2022 that allowed for delayed tax payments. Our other payables and accruals increased by 40.5% from RMB120.1 million as of December 31, 2023 to RMB168.7 million as of December 31, 2024, primarily due to (i) an increase in accruals of advertising and promotion services as we focused our promotion efforts on e-commerce livestreaming sessions through collaboration with KOLs and KOCs in 2024 and (ii) an increase in accruals of logistics services resulting from the expansion of our logistics service suppliers and our increased sales volume, partially offset by a decrease in payables for purchase of long-term assets as we completed the construction of our new production plant in 2024. Our other payables and accruals decreased by 10.3% from RMB168.7 million as of December 31, 2024, to RMB151.4 million as of June 30, 2025 primarily due to a decrease in payables for purchase of long-term assets resulting from the construction payments made for the Shanghai Main Production Base.

As of October 31, 2025, RMB92.2 million, or 60.9% of our payables and accruals as of June 30, 2025, had been settled.

FINANCIAL INFORMATION

Contract liabilities

Our contract liabilities represented advance payments from our franchisees, distributors and certain online retailers for sales of products, estimated loyalty points and advance payments for brand licensing fees from our store partners. The following table sets out a breakdown of our contract liabilities as of the dates indicated:

	As of December 31,			As of June 30,
	2022	2023	2024	2025
	<i>(RMB in thousands)</i>			
Sales of products	3,145	10,118	13,319	8,396
Loyalty points	12,073	11,551	12,246	14,688
Others	344	772	689	698
Total	15,562	22,441	26,254	23,782

Our contract liabilities increased by 44.2% from RMB15.6 million as of December 31, 2022 to RMB22.4 million as of December 31, 2023, and further increased by 17.0% from RMB22.4 million as of December 31, 2023 to RMB26.3 million as of December 31, 2024, primarily due to the continuous increase in advances from customers for sales of products reflecting the growing customer demand for our products. Our contract liabilities decreased by 9.4% from RMB26.3 million as of December 31, 2024 to RMB23.8 million as of June 30, 2025, primarily due to reduced prepayment from our customers.

As of October 31, 2025, RMB21.0 million, or 88.4% of our contract liabilities as of June 30, 2025, had been recognized as revenue.

Paid-In Capital/Share Capital

Our paid-in capital/share capital amounted to RMB25.1 million, RMB25.1 million, RMB25.1 million and RMB25.1 million as of December 31, 2022, 2023, 2024 and June 30, 2025, respectively.

Pursuant to the respective shareholders agreements entered into on November 2, 2020, August 18, 2021, June 12, 2024 (collectively, the “**Agreements**”), our Company issued ordinary shares to various pre-IPO investors (collectively the “**Pre-IPO Investors**”) for a total net cash proceed of approximately RMB331,000,000. Pursuant to the Agreements, the Pre-IPO Investors were granted by our Company with redemption rights. There was no exercise of redemption rights granted by our Company throughout the Track Record Period. On December 2, 2024, our Company and the Pre-IPO Investors subsequently entered into supplemental agreement, agreeing that the redemption rights granted by our Company to the Pre-IPO Investors, have been irrecoverably terminated and shall be *void ab initio*.

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Pursuant to the equity transfer agreement and shareholders agreement entered into on May 22, 2025, certain Pre-IPO Investors transferred their Pre-IPO investments to new investors and Mr. Sun Laichun also transferred some of his shares in the Company to new investors (collectively “**New Pre-IPO Investors**”) and the New Pre-IPO Investors also enjoyed redemption rights. Subsequently, on May 27, 2025, our Company and all the existing pre-IPO investors entered into a supplemental agreement, agreeing that the redemption rights granted by our Company to all the existing pre-IPO investors have been irrecoverably terminated and shall be *void ab initio*.

The above capital increases and share transfers are also collectively referred to as “Pre-IPO Investments”. Taking into account the legal and regulatory framework of our Company’s jurisdiction and the governing law of the supplemental agreements, our directors considered that it is appropriate to present the Pre-IPO Investments as equity throughout the Track Record Period.

Had the redemption rights granted by the Company to the Pre-IPO Investors and the New Pre-IPO Investors been accounted for as financial liabilities measured at present value of the redemption amount prior to entering into the supplemental agreements, (i) the redemption financial liabilities, total non-current liabilities and net assets would have been:

	<u>As at December 31,</u> <u>2022</u>	<u>As at December 31,</u> <u>2023</u>
	<i>(RMB in thousands)</i>	
Redemption financial liabilities	370,272	396,333
Total non-current liabilities	374,962	434,159
Net assets	11,386	73,783

;and (ii) the finance costs associated with the redemption financial liabilities, the net (loss)/profit for the year, basic and dilutive (loss)/earnings per share would have been:

	<u>Year ended December 31,</u>			<u>Six months ended June 30,</u>	
	<u>2022</u>	<u>2023</u>	<u>2024</u>	<u>2024</u>	<u>2025</u>
	<i>(RMB in thousands)</i>			<i>(Unaudited)</i>	
Finance costs associated with the redemption financial liabilities	24,347	26,061	25,924	13,889	289
Total net (loss)/ profit	(30,278)	58,457	160,909	72,764	181,560
Basic and diluted (loss)/ earnings per share (expressed in RMB)	(1.20)	2.33	6.40	2.89	7.22

For further details of the financial impacts, see Note 29 to the Accountants’ Report included in Appendix I to this prospectus.

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LIQUIDITY AND CAPITAL RESOURCES

Overview

We have historically funded our cash requirements principally from financing activities, cash generated from operations and bank borrowings. After the Global Offering, we intend to finance our future capital requirements through proceeds from our business operations, bank borrowings and the net proceeds from the Global Offering. We do not anticipate any changes to the availability of financing to fund our operations in the future.

As of December 31, 2022, 2023, 2024 and June 30, 2025, we had cash and cash equivalents of RMB203.1 million, RMB285.7 million, RMB440.3 million and RMB401.5 million, respectively. Taking into account the net proceeds from the Global Offering and the financial resources available to us, including our cash and cash equivalents, our available banking facilities, and cash flows from operating activities, our Directors are of the view that we have sufficient working capital to meet our present requirements and for the next 12 months from the date of this prospectus.

Cash Flow

The following table sets out a summary of our cash flow for the years/periods indicated:

	Year ended December 31,			Six months ended June 30,	
	2022	2023	2024	2024	2025
	<i>(RMB in thousands)</i>				
	<i>(Unaudited)</i>				
Net cash generated from operating activities	65,274	205,816	306,505	106,858	37,871
Net cash generated from/(used in) investing activities	158,557	(86,755)	(88,585)	(126,990)	(40,083)
Net cash used in financing activities	(67,661)	(36,635)	(63,490)	(34,461)	(36,602)
Cash and cash equivalents at beginning of year/period	46,043	203,121	285,729	285,729	440,322
Effect of foreign exchange differences, net	908	182	163	294	(47)
Cash and cash equivalents at end of year/period	203,121	285,729	440,322	231,430	401,461

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Net cash generated from operating activities

In the six months ended June 30, 2025, our net cash generated from operating activities was RMB37.9 million, which was primarily attributable to profit before tax of RMB212.7 million, as adjusted by (i) the non-cash and non-operating items, primarily comprising depreciation of right-of-use assets of RMB33.1 million and depreciation of property, plant and equipment of RMB15.9 million; (ii) changes in working capital, which primarily comprised an increase in prepayments, other receivables and other assets of RMB31.4 million and an increase in inventories of RMB103.6 million.

In 2024, our net cash generated from operating activities was RMB306.5 million, which was primarily attributable to our profit before tax of RMB218.3 million, as adjusted by (i) the non-cash and non-operating items, primarily comprising depreciation of right-of-use assets of RMB60.5 million and depreciation of property, plant and equipment of RMB14.3 million; (ii) changes in working capital, which primarily comprised an increase in trade and bills payables of RMB62.1 million and an increase in other payables and accruals of RMB79.0 million, partially offset by an increase in trade receivables of RMB10.9 million and an increase in inventories of RMB86.9 million.

In 2023, our net cash generated from operating activities was RMB205.8 million, which was primarily attributable to our profit before tax of RMB99.7 million, as adjusted by (i) the non-cash and non-operating items, primarily comprising depreciation of right-of-use assets of RMB61.1 million and depreciation of property, plant and equipment of RMB17.1 million; (ii) changes in working capital, which primarily comprised an increase in trade and bills payables of RMB17.6 million and an increase in other payables and accruals of RMB17.4 million, partially offset by an increase in trade receivables of RMB15.4 million and an increase in restricted cash of RMB11.1 million.

In 2022, our net cash generated from operating activities was RMB65.3 million, which was primarily attributable to our loss before tax of RMB36.4 million, as adjusted by (i) the non-cash and non-operating items, primarily comprising depreciation of right-of-use assets of RMB66.4 million and depreciation of property, plant and equipment of RMB20.3 million; and (ii) changes in working capital, which primarily comprised an increase in other payables and accruals of RMB19.9 million and a decrease in trade receivables of RMB12.7 million, partially offset by an increase in inventories of RMB19.1 million.

Net cash generated from/(used in) investing activities

In the six months ended June 30, 2025, our net cash used in investing activities was RMB40.1 million, which was primarily attributable to purchases of items of property, plant and equipment of RMB39.9 million.

In 2024, our net cash used in investing activities was RMB88.6 million, which was primarily attributable to (i) purchases of items of property, plant and equipment of RMB89.6 million and (ii) purchases of financial assets at fair value through profit or loss of RMB160.0 million, partially offset by proceeds from disposal of financial assets at fair value through profit or loss of RMB160.8 million.

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In 2023, our net cash used in investing activities was RMB86.8 million, primarily attributable to (i) purchases of items of property, plant and equipment of RMB91.6 million and (ii) purchases of financial assets at fair value through profit or loss of RMB70.0 million, partially offset by proceeds from disposal of financial assets at fair value through profit or loss of RMB74.9 million.

In 2022, our net cash generated from investing activities was RMB158.6 million, primarily attributable to proceeds from disposal of financial assets at fair value through profit or loss of RMB856.7 million, partially offset by purchases of financial assets at fair value through profit or loss of RMB614.0 million and purchases of items of property, plant and equipment of RMB83.9 million.

Net cash flows used in financing activities

In the six months ended June 30, 2025, our net cash generated from financing activities was RMB36.6 million, which was primarily attributable to principal portion of lease payments of RMB32.4 million.

In 2024, our net cash used in financing activities was RMB63.5 million, which was primarily attributable to (i) principal portion of lease payments of RMB59.3 million, and (ii) dividends paid of RMB50.0 million, partially offset by proceeds from interest-bearing bank borrowings of RMB51.0 million.

In 2023, our net cash used in financing activities was RMB36.6 million, which was primarily attributable to principal portion of lease payments of RMB62.0 million, partially offset by proceeds from interest-bearing bank borrowings of RMB26.9 million.

In 2022, our net cash used in financing activities was RMB67.7 million, which was primarily attributable to (i) principal portion of lease payments of RMB65.5 million and (ii) interest portion of lease payments of RMB2.0 million.

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INDEBTEDNESS

During the Track Record Period, our indebtedness included interest-bearing bank borrowings and lease liabilities. The table below sets out the details of our indebtedness as of the dates indicated:

	As of December 31,			As of	As of
	2022	2023	2024	June 30,	October 31,
				2025	2025
	<i>(RMB in thousands)</i>				<i>(Unaudited)</i>
Current					
Interest-bearing bank borrowings	–	–	–	15,657	23,614
Lease liabilities	36,504	32,276	37,765	41,403	48,468
Non-current					
Interest-bearing bank borrowings	–	26,969	77,955	62,226	38,952
Lease liabilities	4,690	10,857	13,105	29,617	45,921
Total	41,194	70,102	128,825	148,903	156,955

Interest-bearing Bank Borrowings

As of December 31, 2022, 2023, 2024, June 30, 2025 and October 31, 2025, we had interest-bearing bank borrowings of nil, RMB27.0 million, RMB78.0 million, RMB77.9 million and RMB62.6 million, respectively, mainly representing secured bank loans to supplement our working capital. Our borrowings are all denominated in Renminbi. The interest rate on our fixed-rate bank loans ranged from 2.9% to 3.5% during the Track Record Period. As of October 31, 2025, our unutilized banking facilities amounted to RMB94.6 million.

Our Directors confirm that there was no material restrictive covenant on any of our outstanding debt and there was no material default in payments of our liabilities and/or breach of covenants during the Track Record Period and up to the Latest Practicable Date.

Lease Liabilities

As of December 31, 2022, 2023, 2024, June 30, 2025 and October 31, 2025, we had lease liabilities of RMB41.2 million, RMB43.1 million, RMB50.9 million, RMB71.0 million and RMB94.4 million, respectively, mainly representing the leased premises for our offices, warehouses and stores.

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Our lease liabilities increased by 4.7% from RMB41.2 million as of December 31, 2022 to RMB43.1 million as of December 31, 2023 and further increased by 17.9% to RMB50.9 million as of December 31, 2024, which subsequently increased by 39.6% to RMB71.0 million as of June 30, 2025 and further increased by 32.9% to RMB94.4 million as of October 31, 2025, primarily due to the increased number of leased properties, including renewed leases of production warehouses and newly leased stores in line with our business expansion.

No Other Outstanding Indebtedness

Save as disclosed above, we did not have outstanding indebtedness or any loan capital issued and outstanding or agreed to be issued, bank overdrafts, loans or similar indebtedness, liabilities under acceptances (other than normal trade bills), acceptance credits, debentures, mortgages, charges, finance leases or hire purchase commitments, guarantees or other contingent liabilities or any covenant in connection therewith as of October 31, 2025, being our indebtedness statement date. After due and careful consideration, our Directors confirm that, up to the Latest Practicable Date, there has been no material change in our indebtedness since October 31, 2025.

CONTINGENT LIABILITIES

As of December 31, 2022, 2023, 2024 and June 30, 2025, we did not have any material contingent liabilities.

KEY FINANCIAL RATIOS

The following table sets out our key financial ratios for the years/periods or as of the dates indicated:

	Year ended/As of December 31,			Six months ended/As of June 30,	
	2022	2023	2024	2024	2025
				<i>(Unaudited)</i>	
Gross profit margin (%) ⁽¹⁾	78.0%	81.2%	82.5%	81.9%	82.4%
Net (loss)/profit margin (%) ⁽²⁾	-0.9%	10.5%	15.4%	16.3%	17.3%
Return on total assets (%) ⁽³⁾	-1.1%	13.2%	20.6%	N/A	15.7%
Current ratio ⁽⁴⁾	2.1	1.9	1.9	N/A	2.3
Quick ratio ⁽⁵⁾	1.7	1.6	1.5	N/A	1.6
Gearing ratio (%) ⁽⁶⁾	–	5.7%	12.7%	N/A	9.7%

Notes:

- (1) Gross margin equals gross profit divided by revenue and multiplied by 100%.
- (2) Net (loss)/profit margin equals profit for the year/period divided by revenue and multiplied by 100%.
- (3) Return on total assets equals profit for the year/period divided by the average of the beginning and ending total assets multiplied by 100%.

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- (4) Current ratio is calculated by dividing current assets by current liabilities.
- (5) Quick ratio is calculated by dividing current assets less inventories by current liabilities.
- (6) Gearing ratio equals total interest-bearing bank borrowings divided by total equity and multiplied by 100%.

Gross Profit Margin

See “— Period-to-Period Comparison of Results of Operations” for a discussion of the factors affecting our gross profit margin during the Track Record Period.

Net (loss)/profit Margin

See “— Period-to-Period Comparison of Results of Operations” for a discussion of the factors affecting our net (loss)/profit margin during the Track Record Period.

Return on Total Assets

Our return on total assets increased from -1.1% in 2022 to 13.2% in 2023, and further increased to 20.6% in 2024, primarily due to an increase in net profit.

Current Ratio

Our current ratio decreased from 2.1 as of December 31, 2022 to 1.9 as of December 31, 2023, primarily due to an increase in our current liabilities attributable to an increase in other payables and accruals, partially offset by an increase in our current assets attributable to an increase in cash and cash equivalents. Our current ratio remained relatively stable at 1.9 as of December 31, 2023 and 1.9 as of December 31, 2024.

Quick Ratio

Our quick ratio remained relatively stable at 1.7, 1.6, 1.5 and 1.6 as of December 31, 2022, 2023, 2024 and June 30, 2025, respectively.

Gearing Ratio

Our gearing ratio for 2022 was not meaningful as our total interest-bearing bank borrowings as of December 31, 2022 were nil. Our gearing ratio increased from 5.7% as of December 31, 2023 to 12.7% as of December 31, 2024, primarily due to an increase in interest-bearing bank borrowings as we secured more bank loans in 2024 to supplement our working capital in line with our business growth.

OFF-BALANCE SHEET COMMITMENTS AND ARRANGEMENTS

As of the Latest Practicable Date, we had not entered into any off-balance sheet arrangements. We also have not entered into any financial guarantees or other commitments to guarantee the payment obligations of third parties. In addition, we have not entered into

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any derivative contracts that are indexed to our equity interests and classified as owners' equity. Furthermore, we do not have any retained or contingent interest in assets transferred to an unconsolidated entity that serves as credit, liquidity or market risk support to such entity. We do not have any variable interest in any unconsolidated entity that provides financing, liquidity, market risk or credit support to us or that engages in leasing, hedging or R&D services with us.

COMMITMENTS

During the Track Record Period, our capital commitments were mainly property, plant and equipment and other intangible assets. As of December 31, 2022, 2023, 2024 and June 30, 2025, the total amount of our capital commitments was RMB121.2 million, RMB15.8 million, RMB11.2 million and RMB5.7 million, respectively. The table below sets out the details of our capital commitments as of the dates indicated:

	As of December 31,			As of June 30,
	2022	2023	2024	2025
	(RMB in thousands)			
<i>Contracted, but not provided for</i>				
Property, plant and equipment	120,607	15,051	10,152	4,035
Other intangible assets	623	790	1,002	1,630
Total	121,230	15,841	11,154	5,665

CAPITAL EXPENDITURES

Our capital expenditure consisted of purchases of items of property, plant and equipment and purchases of other intangible assets. Our capital expenditures in 2022, 2023, 2024 and the six months ended June 30, 2024 and 2025 were RMB84.5 million, RMB92.2 million, RMB90.3 million, RMB58.2 million and RMB40.7 million, respectively.

We funded our capital expenditure requirements during the Track Record Period mainly from cash flow generated from operating activities, equity and debt financing. We intend to fund our future capital expenditures with a combination of operating cashflow, equity and debt financing and net proceeds received from the Global Offering.

MATERIAL RELATED PARTY TRANSACTIONS

For details about our related party transactions during the Track Record Period, see Note 36 of Appendix I to this prospectus.

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Our Directors believe that our transactions with related parties during the Track Record Period were conducted on an arm's length basis, and they did not distort our results of operations or make our historical results not reflective of our future performance.

FINANCIAL RISK DISCLOSURE

Our principal financial instruments include cash and cash equivalents and the main risks arising from our financial instruments are credit risk and liquidity risk. Our overall risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on our financial performance. See Note 39 of Appendix I to this prospectus.

Credit risk

We trade mainly with recognized and creditworthy third parties. It is our policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis.

Liquidity risk

We monitor our risk to a shortage of funds using a recurring liquidity planning tool. This tool considers the maturity of both its financial instruments and financial assets (e.g., trade receivables) and projected cash flows from operations.

Capital management

The primary objectives of our capital management are to safeguard our ability to continue as a going concern and to maintain healthy capital ratios in order to support our business and maximize shareholders' value.

We manage our capital structure and make adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, we may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. We are not subject to any externally imposed capital requirements. No changes were made in the objectives, policies or processes for managing capital during the Track Record Period.

DIVIDEND

On January 26, 2024, our Company declared dividends of RMB50.0 million to its shareholders which were fully paid in April 2024. On August 5, 2025, we declared final dividends for 2024 amounting to approximately RMB95.0 million, of which around RMB94.2 million was paid to our shareholders in August 2025 and the remaining RMB0.8 million was paid to our shareholders in December 2025. No other dividend was paid or declared by our Company or other entities comprising our Group during the Track Record Period. We do not have any dividend policy or fixed payout ratio. Our Board may declare dividends in the future after taking into account our results of operations, financial condition, cash requirements and availability and other factors as it may deem relevant at such time. Future dividend payments will also depend upon the availability of dividends received from our subsidiaries in China.

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PRC laws require that dividends should be paid only out of the profit for the year/period calculated according to PRC accounting principles, while the calculation of distributable profits under PRC GAAP is different from the calculation under IFRS Accounting Standards in certain respects. PRC laws also require our subsidiaries to set aside part of their net profit as statutory reserves, which are not available for distribution as cash dividends. Distributions from our subsidiaries may also be restricted if they incur debt or losses, or in accordance with any restrictive covenants in bank credit facilities or other agreements that we or our subsidiaries may enter into in the future.

DISTRIBUTABLE RESERVES

As of June 30, 2025, we had distributable reserves of RMB264.1 million.

LISTING EXPENSE

Assuming an Offer Price of HK\$77.77 per Share, the aggregate commissions and fees, together with the Stock Exchange listing fee, AFRC transaction levy, SFC transaction levy and Stock Exchange trading fee, legal and other professional fees, printing and other expenses relating to the Global Offering, which are payable by us, are estimated to amount in aggregate to be approximately RMB81.0 million, accounting for 8.2% of the gross proceeds from the Global Offering, of which RMB8.3 million and RMB13.2 million have been charged to our consolidated statements of profit or loss and other comprehensive income in 2024 and the six months ended June 30, 2025, respectively, approximately RMB19.8 million is expected to be charged to profit or loss and other comprehensive income after the Track Record Period, and approximately RMB39.7 million is directly attributable to the offering and listing of our Offer Shares and will be deducted from equity upon the Listing. By nature, our listing expenses are composed of (i) underwriting commission of approximately RMB34.6 million, and (ii) non-underwriting related expenses of approximately RMB46.4 million, which consist of fees and expenses of legal advisors and Reporting Accountants of approximately RMB27.2 million and other fees and expenses of approximately RMB19.2 million.

UNAUDITED PRO FORMA STATEMENT OF ADJUSTED NET TANGIBLE ASSETS

See “Appendix II — Unaudited Pro Forma Financial Information.”

NO MATERIAL ADVERSE CHANGE

Our Directors have confirmed that, up to the date of this prospectus, there has been no material adverse change in our financial or trading position or prospects since June 30, 2025, being the end date of our latest audited financial statements, and there has been no event since June 30, 2025 that would materially affect the information shown in the Accountants’ Report set out in Appendix I to this prospectus.

DISCLOSURE UNDER RULES 13.13 TO 13.19 OF THE LISTING RULES

Our Directors confirm that as of the Latest Practicable Date, there was no circumstance that would give rise to a disclosure requirement under Rules 13.13 to 13.19 of the Listing Rules.

THE CORNERSTONE PLACING

We have entered into cornerstone investment agreements (each a “**Cornerstone Investment Agreement**”, and together the “**Cornerstone Investment Agreements**”) with the cornerstone investors set out below (each a “**Cornerstone Investor**”, and together the “**Cornerstone Investors**”), pursuant to which the Cornerstone Investors have agreed to, subject to certain conditions, subscribe, or cause their designated entities to subscribe, at the Offer Price for such number of Offer Shares (rounded down to the nearest whole board lot of 50 H Shares) that may be purchased for an aggregate amount of approximately US\$62.00 million (or approximately HK\$482.56 million, calculated based on an exchange rate of US\$1.00 to HK\$7.78319) (exclusive of brokerage fee, the SFC transaction levy, the AFRC transaction levy and the Stock Exchange trading fee) (the “**Cornerstone Placing**”).

Based on the Offer Price of HK\$77.77 per H Share, the total number of Offer Shares to be subscribed for by the Cornerstone Investors would be 6,204,700 H Shares, representing approximately 44.43% of the Offer Shares and approximately 4.44% of the total issued share capital of our Company immediately upon completion of the Global Offering (assuming the Over-allotment Option is not exercised), and approximately 38.63% of the Offer Shares and approximately 4.38% of the total issued share capital of our Company immediately upon completion of the Global Offering (assuming the Over-allotment Option is fully exercised).

We believe that the Cornerstone Placing demonstrates our Cornerstone Investors’ confidence in our Company and its business prospect, and that leveraging on the Cornerstone Investors’ investment or industry experience, the Cornerstone Placing will help to raise the profile of our Company. Our Company became acquainted with each of the Cornerstone Investors in its ordinary course of operation through the Group’s business network or through introduction by the Overall Coordinators.

The Cornerstone Placing will form part of the International Offering, and, save as otherwise obtained consent from the Stock Exchange, the Cornerstone Investors and their respective close associates will not subscribe for any Offer Shares under the Global Offering (other than pursuant to the Cornerstone Investment Agreements). The Offer Shares to be subscribed by the Cornerstone Investors will rank *pari passu* in all respects with the fully paid H Shares in issue following the Global Offering of the Company and will be counted towards the public float of our Company under Rule 19A.13A of the Listing Rules, and three largest public shareholders of our Company do not hold more than 50% of the H shares in public hands at the time of listing in compliance with Rule 8.08(3) and 8.24 of the listing rules. Immediately following the completion of the Global Offering, the Cornerstone Investors or their close associates will not, by virtue of their cornerstone investments, have any Board representation in our Company; and none of the Cornerstone Investors and their close associates will become a substantial Shareholder of our Company. Other than a guaranteed allocation of the relevant Offer Shares at the Offer Price, the Cornerstone Investors do not have any preferential rights under each of their respective Cornerstone Investment Agreements, as compared with other public Shareholders. There are no side arrangements or agreements between our Company and the Cornerstone Investors or any benefit, direct or indirect, conferred on the Cornerstone Investors by virtue of or in relation to the Listing, other than a guaranteed allocation of the relevant Offer Shares at the final Offer Price, following the principles as set out in Chapter 4.15 of the Guide for New Listing Applicants.

CORNERSTONE INVESTORS

To the best knowledge of our Company, each of the Cornerstone Investors and their beneficial owners and/or associates is (i) not accustomed to take and have not taken any instructions from our Company or any of our Directors, chief executive, our Controlling Shareholders, substantial Shareholders or existing Shareholders or any of its subsidiaries or their respective close associates in relation to the acquisition, disposal, voting or other disposition of the Shares registered in their name or otherwise held by them; (ii) not, directly or indirectly, financed, funded or backed by any core connected person of our Company, our Company or any of our Directors, chief executive of our Company, our Controlling Shareholders, substantial Shareholders, existing Shareholders or any of its subsidiaries or their respective close associates; and (iii) independent of the other Cornerstone Investors, our Group, our connected persons and their respective associates, and is not an existing Shareholder or a close associate of our Group. To the best knowledge of our Company, each of the Cornerstone Investors and their respective beneficial owners is an Independent Third Party.

To the best knowledge of our Company and as confirmed by each of the Cornerstone Investors, each of the Cornerstone Investors and their beneficial owners is independent from each other and make independent investment decisions, and their subscription under the Cornerstone Placing would be financed by its own internal financial resources or the assets managed for its investors (in the case of Cornerstone Investors which are funds or investment managers) and it has sufficient funds to settle its respective investment under the Cornerstone Placing. None of the Cornerstone Investors or their shareholder(s) are listed on any stock exchanges. Each of the Cornerstone Investors has confirmed that all necessary approvals have been obtained with respect to the Cornerstone Placing and that no specific approval from any stock exchange (if relevant) is required for the relevant Cornerstone Placing.

The Cornerstone Investors have agreed to pay for the relevant Offer Shares that they have subscribed before dealings in the H Shares commence on the Stock Exchange. Some of the Cornerstone Investors have agreed that the Joint Sponsors and the Overall Coordinators in their sole discretion may defer the delivery of all or part of the Offer Shares such Cornerstone Investors will subscribe to on a date later than the Listing Date. Such delayed delivery arrangement is in place to facilitate the over-allocation in the International Offering. There will be no delayed delivery if there is no over-allocation in the International Offering. Where delayed delivery takes place, each of such Cornerstone Investors that may be affected by such delayed delivery has agreed that (i) the delayed delivery date should be no later than three business days following the last day on which the Over-allotment Option may be exercised; (ii) no extra payment will be made to such Cornerstone Investors for the purpose of the delayed delivery arrangement; and (iii) it shall nevertheless pay for the relevant Offer Shares before the Listing. As such, there will not be any deferred settlement in payment by the Cornerstone Investors.

The total number of Offer Shares to be subscribed by the Cornerstone Investors may be affected by reallocation of the Offer Shares between the International Offering and the Hong Kong Public Offering as described in the paragraph headed “Structure of the Global Offering — The Hong Kong Public Offering — Reallocation” in this Prospectus. The number of Offer Shares to be acquired by each Cornerstone Investor may be reduced on a *pro rata* basis in accordance with the terms of the Cornerstone Investment Agreement to satisfy the short fall, after taking into account the requirements under Appendix F1 to the Listing Rules as well as the discretion of the Overall Coordinators (for themselves and on behalf of the International Underwriters) to exercise the Over-allotment Option. Details of the actual number of Offer Shares to be allocated to the Cornerstone Investors will be disclosed in the allotment results announcement of our Company to be published on or around December 29, 2025.

CORNERSTONE INVESTORS

THE CORNERSTONE INVESTORS

The table below sets forth details of the Cornerstone Placing:

Cornerstone Investor	Subscription amount ⁽¹⁾ (USD in millions)	Number of Offer Shares ⁽²⁾	Based on the Offer Price of HK\$77.77 per H Share			
			Assuming the Over-allotment Option is not exercised		Assuming the Over-allotment Option is exercised in full	
			<i>Approximate</i>		<i>Approximate</i>	
			<i>Approximate</i> % of the Offer Shares	<i>Approximate</i> % of the issued share capital	<i>Approximate</i> % of the Offer Shares	<i>Approximate</i> % of the issued share capital
FIL Investment	15.00	1,501,150	10.75%	1.07%	9.35%	1.06%
Mega Prime	12.00	1,200,950	8.60%	0.86%	7.48%	0.85%
LVC	10.00	1,000,750	7.17%	0.72%	6.23%	0.71%
Duckling Fund	10.00	1,000,750	7.17%	0.72%	6.23%	0.71%
SS Capital	8.00	800,600	5.73%	0.57%	4.98%	0.56%
Dajia Life	5.00	500,350	3.58%	0.36%	3.12%	0.35%
Yield Royal Investment	2.00	200,150	1.43%	0.14%	1.25%	0.14%
Total	62.0	6,204,700	44.43%	4.44%	38.63%	4.38%

Notes:

- (1) Exclusive of brokerage, the SFC transaction levy, the Stock Exchange trading fee and the AFRC transaction levy, and to be converted to Hong Kong dollars based on the exchange rate as disclosed in this prospectus;
- (2) Subject to rounding down to the nearest whole board lot of 50 Offer Shares. Calculated based on the exchange rate set out in the section headed “Information about this Prospectus and the Global Offering — Currency Translations”.

The information about our Cornerstone Investors set forth below has been provided by the Cornerstone Investors in connection with the Cornerstone Placing.

FIL Investment

FIL Investment Management (Hong Kong) Limited (“**FIL Investment**”) has entered into a Cornerstone Investment Agreement with the Company and the Joint Sponsors in the capacity as fiduciary and agent for the following entities: Fidelity China Special Situations PLC, a sub-fund of Fidelity Funds - China Consumer, a sub-fund of Fidelity Funds -China Innovation and a certain other third-party fund, all of which are advised or sub-advised by FIL Investment Management (Hong Kong) Limited and its related group of companies collectively known as Fidelity International. There is no ultimate beneficial owner holding more than 30% of Fidelity China Special Situations PLC or Fidelity Funds — China Consumer or Fidelity Funds — China Innovation.

Mega Prime

Mega Prime Development Limited (“**Mega Prime**”) is a company incorporated in the British Virgin Islands with limited liability and is a wholly-owned subsidiary of GBA Homeland Limited, which in turn is wholly owned by Greater Bay Area Homeland Investments Limited (“**GBAHIL**”).

GBAHIL is a company incorporated in Hong Kong with limited liability and is jointly owned by ten shareholders, each of which holds less than 13% equity interest therein. GBAHIL’s business encompasses investment, investment holding and the establishment or management of private equity funds through its subsidiaries to grasp the historical opportunities of the development of Guangdong-Hong Kong-Macao Greater Bay Area, and the construction of an international innovation and technology hub, focusing on technological innovation, industrial upgrading, quality of life, smart city and all other related industries.

Mega Prime subscribes for the Offer Shares through the account managed by Greater Bay Area Development Fund Management Limited (大灣區發展基金管理有限公司), a company wholly owned by GBAHIL and licensed under the SFO to conduct type 1 (dealing in securities), type 4 (advising on securities) and type 9 (asset management) regulated activities in Hong Kong. No single ultimate beneficial owner holds 30% or more interests in Greater Bay Area Development Fund Management Limited.

LVC

Loyal Valley Capital (“**LVC**”) is a private equity firm that mainly focuses on the following segments: tech&consumer, healthcare and advanced manufacturing. LVC is ultimately controlled by Lijun Lin (林利軍), an Independent Third Party, and has investments in, without limitation, Cloud Music Inc., Bilibili Inc. and Pop Mart International Group Limited. LVC will subscribe for the Offer Shares through Golden Valley Global Limited and Golden Valley Value Select Master Fund, each an investment vehicle of LVC. Golden Valley Global Limited is a business company established by LVC in 2016 and none of the remaining shareholders of Golden Valley Global Limited holds 30% or more of the equity interest therein. Golden Valley Value Select Master Fund is a mutual fund established by LVC in 2022, with Golden Valley Value Select Fund holding 99.99% equity interest therein. Golden Valley Value Select Fund is ultimately controlled by Lijun Lin.

Duckling Fund

Duckling Fund, L.P. (“**Duckling Fund**”), an exempted limited partnership registered under the laws of Cayman Islands, whose general partner is Grandiflora Hook GP Limited and ultimately controlled by Mr. Eric Li (李浩良), an Independent Third party. The only limited partner of Duckling Fund, L.P. is Lionet Fund, L.P., which is a fund focusing on logistics, healthcare, telecommunication, media, technology and consumer industries investment. The general partner of Lionet Fund, L.P. is Grandiflora Hook GP Limited. Lionet Fund, L.P. has more than 15 limited partners, none of which holds more than 30% of the interest in Lionet Fund, L.P.

SS Capital

SynerSuccess Capital Ltd. (“**SS Capital**”) is a company incorporated in the British Virgin Islands primarily focusing on the big consumer industry and is ultimately controlled by Mr. Ju Xinghai (鞠興海), the founder and executive director of Shanghai Zhongxingyuan Fund Management Co., Ltd. (上海眾行遠私募基金管理有限公司), and previously served as the chief analyst for the consumer sector in the research department of CITIC Securities, and as the deputy director/head of consumer research at the research institute of Guosheng Securities. He possesses over 17 years of experience in the financial investment sector. Mr. Ju Xinghai is an Independent Third Party. SS Capital serves the actual controllers and their families of multiple listed and private companies. Through the synergistic integration of industry and investment, it is committed to establishing a multi-family office dedicated to global asset allocation. SS Capital will subscribe for the Offer Shares through, SS Capital Exponential Ascent Strategy Ltd. (the “**Funds**”), which is managed by SS Capital. The Funds is incorporated in the British Virgin Islands and include multiple investors with industrial background, such as Mr. Lai Shixian (賴世賢), an Independent Third Party, the executive director and co-CEO of ANTA Group. No single beneficial owners hold 30% or more interests in the Funds.

Dajia Life

Dajia Life Insurance Co., Ltd. (“**Dajia Life**”) is a professional life insurance company which is a subsidiary of Dajia Insurance Group, which is ultimately controlled by China Insurance Security Fund Company Limited (“**China Insurance Company**”). China Insurance Company is wholly owned by the Ministry of Finance of the People’s Republic of China. Established in June 2010 and headquartered in Beijing, Dajia Life has a registered capital of RMB30.79 billion and mainly engages in various personal insurance businesses such as life insurance, health insurance, accident insurance, reinsurance business of the above-mentioned businesses, and other businesses approved by the National Financial Regulatory Administration. Currently, Dajia Life has a total of 19 provincial-level branches in operation.

Yield Royal Investment

Yield Royal Investment Holding (Singapore) PTE. LTD. (“**Yield Royal Investment**”) is a company incorporated in Singapore. The company is primarily engaged in international commodity trading and conducts global capital market investments. It boasts a team of experienced industry and regional experts who leverage their specialized expertise and focused approach to identify leading targets for long-term investment. Currently, its investments span various industries, including TMT, advanced manufacturing, new economy, and bio-pharmaceuticals, among others. Yield Royal Investment possesses strong resilience against market cycle fluctuations and aims to achieve long-term and stable value returns. Leveraging on Southeast Asia’s unique geographical advantages, the company will continue to pursue a twin-engine strategy combining capital support and resource integration, empowering high-quality enterprises from the Asia-Pacific region and mainland China to accelerate their global expansion.

Yield Royal Investment Holding (Singapore) PTE. LTD. is wholly owned by Gallantlion Resources PTE. LTD., which is in turn wholly owned by Chang Hongna (常紅娜), an Independent Third Party.

CLOSING CONDITIONS

The obligation of each Cornerstone Investor (as applicable) to subscribe for the Offer Shares under the respective Cornerstone Investment Agreement is subject to, among other things and as applicable, the following closing conditions:

- (a) the Underwriting Agreements for the Hong Kong Public Offering and the International Offering being entered into and having become effective and unconditional (in accordance with their respective original terms or as subsequently waived or varied by agreement of the parties thereto) by no later than the time and date as specified in the Underwriting Agreements, and neither of the aforesaid Underwriting Agreements having been terminated;
- (b) the Offer Price having been agreed upon between our Company and Overall Coordinators (for themselves and on behalf of the underwriters of the Global Offering);
- (c) the Listing Committee of the Stock Exchange having granted the approval for the listing of, and permission to deal in, the H Shares (including the H Shares subscribed for by the Cornerstone Investors) as well as other applicable waivers and approvals, and such approval, permission or waiver having not been revoked prior to the commencement of dealings in the H Shares on the Stock Exchange;
- (d) no laws shall have been enacted or promulgated by any governmental authority which prohibits the consummation of the transactions contemplated in the Global Offering or in the respective Cornerstone Investment Agreements and there shall be no orders or injunctions from a court of competent jurisdiction in effect precluding or prohibiting consummation of such transactions; and
- (e) the respective acknowledgements, representations, warranties, undertakings and confirmations of relevant Cornerstone Investor or our Company (as the case may be) under the respective Cornerstone Investment Agreement are accurate and true in all material respects and not misleading and that there is no material breach of the Cornerstone Investment Agreement on the part of the relevant Cornerstone Investor or our Company (as the case may be).

RESTRICTIONS ON THE CORNERSTONE INVESTORS

Each Cornerstone Investor has agreed that it will not, whether directly or indirectly, at any time during the period of six months from (and inclusive of) the Listing Date (the “**Lock-up Period**”), dispose of, in any way, any of the Offer Shares or any interest in any company or entity holding such Offer Shares that they have purchased pursuant to the relevant Cornerstone Investment Agreement, save for certain limited circumstances, such as transfers to any of its wholly-owned subsidiaries who will be bound by the same obligations of such Cornerstone Investor, including the Lock-up Period restriction.

FUTURE PLANS AND USE OF PROCEEDS

FUTURE PLANS

See “Business — Our Strategies” for a detailed discussion of our future plans.

USE OF PROCEEDS

Based on an Offer Price of HK\$77.77 per Offer Share, we estimate that we will receive net proceeds of approximately HK\$997.1 million from the Global Offering after deducting the underwriting commission and other estimated expenses paid and payable by us in connection with the Global Offering and assuming that the Over-allotment Option is not exercised. In line with our strategies, we intend to use our proceeds from the Global Offering for the purposes and in the amounts set forth below:

	Year ended December 31,			Total (HK\$ million)	Approximate % of the total
	2026	2027	2028		
Branding activities	74.3	64.8	60.3	199.4	20.0%
Enhancing our online and offline sales network	72.8	62.8	63.8	199.4	20.0%
Strengthening our production and supply chain capabilities	74.8	59.8	15.0	149.6	15.0%
Enhancing R&D capabilities and expanding product portfolio	48.9	49.9	50.9	149.6	15.0%
Incubation and acquisition of new brands to build a multi-brand matrix	19.9	49.9	79.8	149.6	15.0%
Enhancing our digitalization and information infrastructure	24.9	15.9	9.0	49.8	5.0%
Working capital and general corporate purposes	29.9	34.9	34.9	99.7	10.0%
Total	345.5	338.0	313.6	997.1	100.0%

- Approximately 20.0%, or HK\$199.4 million, of the net proceeds will be used for our branding activities. In particular:
 - o Approximately 10.0%, or HK\$99.7 million, of the net proceeds will be used for building brand value and enhancing brand image recognition, including: (i) organizing immersive offline events, such as the Camellia Provenance Tours and the Camellia Art Festival, (ii) collaborating with renowned artists to create cross-border art experiential spaces, and (iii) producing brand promotional videos; and

FUTURE PLANS AND USE OF PROCEEDS

- o Approximately 10.0%, or HK\$99.7 million, of the net proceeds will be used for customer-facing brand promotion activities, such as advertising campaigns and celebrity endorsements, including: (i) collaborating with reputable brand ambassadors or KOLs to amplify brand visibility across all channels, and (ii) refining brand image design such as product packaging and store aesthetics.
- Approximately 20.0%, or HK\$199.4 million, of the net proceeds will be used for enhancing our online and offline sales network. In particular:
 - o Approximately 10.0%, or HK\$99.7 million, of the net proceeds will be used for enhancing our online sales channels, including: (i) establishing an in-house livestreaming team of more than 300 personnel (approximately 40% serving as livestreaming hosts and the remaining 60% responsible for on-site coordination, content plan, operations and data analysis) with core members having over three years of livestreaming experience and possessing in-depth knowledge of skincare products and consumer preferences, to develop livestreaming studios featuring differentiated product categories and personalized personas with distinctive traits, thereby deepening emotional resonance with target audiences and strengthening brand affinity, (ii) strengthening collaborations with emerging media platforms popular among young consumers such as Douyin, Kuaishou and Xiaohongshu by leveraging these platforms to invite KOLs and users to promote the brand and share product experiences, creating targeted scenario-based content, and (iii) deepening partnerships with major e-commerce and social commerce platforms such as Tmall, Douyin and WeChat through enhancing collaborations with KOLs/KOCs on these platforms to boost livestreaming promotion efforts, expand our reach to a broader base of potential and existing customers, and launch interactive marketing campaigns; and
 - o Approximately 8.0%, or HK\$79.8 million, of the net proceeds will be used for enhancing our offline sales channels, including: (i) opening new offline stores in alignment with our expansion strategy, with strategic plans to open approximately 50-70 stores at shopping malls and one flagship store annually on a net basis across strategic cities in China to reach a broader consumer base and strengthen brand awareness, complemented by multiple pop-up store events; in particular, we plan to open more than 50% of these new stores in first-tier and new first-tier cities, over 30% to second- and third-tier cities and around 20% to other lower-tier cities, (ii) renovating and upgrading existing stores, with a target of approximately 100-150 stores per year, and (iii) strengthening cooperation with offline retailers, enterprise customers and distributors by expanding our engagement with beauty retailers and multi-brand cosmetics stores, while also enhancing collaborations with corporate clients and duty-free channels; and

FUTURE PLANS AND USE OF PROCEEDS

- o Approximately 2.0%, or HK\$19.9 million, of the net proceeds will be used for establishing overseas sales channels to drive market penetration. We plan to begin with Southeast Asia and establish global presence through partnerships with local collaborators. For example, we plan to combine our domestic experience in developing and managing distributors with the specific characteristics of the local market to engage local distributors who have experience in cosmetics sales, collaborating with them to devise market development and sales strategies tailored to local conditions. In addition, we will carefully select products that align with local consumer preferences for sale. By leveraging China's abundant and unique botanical resources, we aspire to bring the concept of "Chinese Beauty" to the global stage. See "Business — Our Strategies — Scaling Business through Both Organic Incubation and Strategic Acquisitions to Drive Global Expansion of Chinese Botanical Skincare." As of the Latest Practicable Date, we had initiated preliminary sales activities in overseas markets through cross-border e-commerce platforms, such as Amazon. The scale of these activities currently remains limited, with revenue from overseas e-commerce accounting for less than 0.1% of our total revenue during the Track Record Period. These cross-border initiatives are at an early stage and are mainly exploratory, focusing on leveraging established third-party e-commerce platforms to assess market response and build brand awareness in selected international markets. While strategic partnerships with local collaborators are still under planning, we intend to leverage these platforms to test market response and refine our international expansion strategy.

According to CIC, the cosmetics market in Southeast Asia expanded from RMB166.9 billion in 2019 to RMB211.9 billion in 2024, representing a CAGR of 4.9%. Looking ahead, the market size is expected to reach approximately RMB318.0 billion by 2029, with a CAGR of 8.5% from 2024 to 2029. Within the overall cosmetics industry, demand for products featuring plant-based ingredients has continued to rise. As household income levels increase and health awareness strengthens, consumers are placing greater emphasis on product safety and sustainability. They are showing a clear preference for skincare solutions derived from botanical, herbal, or organic sources to address the needs of skin in hot and humid climates. At the same time, the widespread influence of social media has accelerated the adoption of the "Clean Beauty" concept across Southeast Asia, driving heightened consumer attention toward ingredient transparency, environmental consciousness, and corporate social responsibility. This trend is not only reshaping the regional skincare consumption structure but also creating long-term growth opportunities for brands that emphasize sustainable product philosophies.

FUTURE PLANS AND USE OF PROCEEDS

- Approximately 15.0%, or HK\$149.6 million, of the net proceeds will be used for strengthening our production and supply chain capabilities. In particular:
 - o Approximately 8.5%, or HK\$84.8 million, of the net proceeds will be used for upgrading both of our two skincare products production plants, including purchasing smart equipment and automated production lines to improve production efficiency. Upon completion of the upgrades, we expect the production capacity of our skincare product to double from its current level; and

The following table sets forth the breakdown of our expected procurement amount of smart equipment:

Smart Equipment	Amount <i>(HKD in million)</i>
Automated guided vehicles and management systems	4.8
Bottle-washing machines	4.5
Automatic cartoning machines	2.6
Packaging material conveying equipment and systems	2.4
Inkjet coding systems and equipment	2.2
Automatic data acquisition devices	1.2
	17.7
Total	17.7

- o Approximately 5.0%, or HK\$49.8 million, of the net proceeds will be used for upgrading core ingredients production infrastructure and equipment in the newly established Shanghai Main Production Base to enhance our production capabilities. Upon completion of the upgrades, we expect the production capacity of our core ingredient to double from its current level; and

FUTURE PLANS AND USE OF PROCEEDS

The following table sets forth the breakdown of our expected procurement amount of core ingredients production equipment:

Core Ingredients Production Equipment	Amount <i>(HKD in million)</i>
200L fermentation equipment	4.0
1,000L integrated oil processing system	2.6
100L integrated oil processing system	0.6
Others	0.1
Total	7.3

- o Approximately 1.5%, or HK\$15.0 million, of the net proceeds will be used for establishing smart warehousing facilities and systems to enhance our inventory management capabilities.

We plan to continue upgrading the existing production plants and infrastructure using the net proceeds despite the completion of our new production facility in 2024 because (i) in light of our continued sales growth, expanding and upgrading the existing production lines is essential to ensure sufficient production capacity and supply chain stability, enabling us to better respond to fluctuations in market demand and reduce reliance on external ODM/OEM providers, (ii) the planned upgrades will involve upgrading these with advanced smart equipment and fully automated production lines, as well as implementing intelligent production and logistics systems, which will significantly enhance production efficiency, product quality and operational flexibility, (iii) such upgrades will support our strategy to expand into new consumer segments, including consumers with needs for beauty and personal care services and younger demographics because expanding into these segments often requires greater product variety, flexible production capabilities and the ability to quickly respond to evolving consumer preferences, and (iv) given our market position as a premium domestic skincare brand in China, these initiatives will enable us to capture future growth opportunities driven by rising demand for premium, effective and plant-based skincare products. Such plan is fully aligned with our long-term strategy to optimize manufacturing capabilities, support scalable growth, and reinforce our competitive position in the market.

- Approximately 15.0%, or HK\$149.6 million, of the net proceeds will be used for enhancing R&D capabilities and expanding product portfolio. In particular:
 - o Approximately 7.5%, or HK\$74.8 million, of the net proceeds will be used for technological improvements and product iteration, including: (i) advancing camellia-related product research to continuously upgrade existing products, (ii) performing fundamental research on product formula, (iii) developing R&D platform for skincare products to shorten R&D cycle and improve R&D efficiency, and (iv) exploring applications of other botanical ingredients; and

FUTURE PLANS AND USE OF PROCEEDS

- o Approximately 7.5%, or HK\$74.8 million, of the net proceeds will be used for improving our R&D capabilities and enhancing R&D collaborations with leading research institutions, universities, and medical organizations. In particular, we plan to undertake the following initiatives to strengthen our R&D capabilities:

- (i) recruit more personnel with exceptional educational backgrounds and extensive research experience, forming interdisciplinary R&D teams with master's or higher degrees in botany, dermatology, biology, applied chemistry and other relevant fields. Over the next three years, we aim to achieve an approximately 30% annual growth in R&D headcount, with 80% of new hires holding master's degrees or above, ultimately expanding the team to a total of 160 to 230 R&D personnel by the end of 2028;

The table below sets forth the number of R&D staff expected to be employed by the end of 2028 with details of their roles and functions:

Roles and Functions	Expected Headcount as of December 31, 2028
Fundamental research	50-60
Product development	40-50
Analytical evaluation and microbiology research	30-40
R&D strategy and operations	10-20
Human safety, efficacy, sensory evaluation and skin research	10-20
Plant resource utilization research	10-20
In vitro safety, efficacy and mechanism research	10-20
Total	160-230

- (ii) purchase advanced experimental analysis and testing equipment. In particular, approximately (i) HK\$5.1 million, of the net proceeds will be used for purchasing efficacy evaluation instruments, such as high-content cell imaging system and wrinkle analyzer, (ii) HK\$3.8 million, of the net proceeds will be used for purchasing R&D equipment for raw materials, products and technology, such as microfluidic high-pressure homogenizer and high-temperature high-pressure rheometer, and (iii) HK\$12.0 million, of the net proceeds will be used for purchasing analytical instruments, such as liquid chromatograph as well as gas chromatograph; and

FUTURE PLANS AND USE OF PROCEEDS

- (iii) invest in joint research laboratories with domestic and foreign scientific research institutions.
- Approximately 15.0%, or HK\$149.6 million, of the net proceeds will be used for incubation and acquisition of new brands to build a multi-brand matrix. In particular:
 - o Approximately 7.5%, or HK\$74.8 million, of the net proceeds will be used for the incubation of new brands including investment in R&D, the launch of new products, a range of promotional activities and the expansion of sales channels such as the opening of offline stores and live-streaming studios. For example, we plan to nurture a light repair skincare brand, Xiao Xin Xuan (小馨軒), which mainly targets young consumers. We plan to launch skincare products under this brand in the near future to support its business growth and enhance brand penetration. As of June 30, 2025, Xiao Xin Xuan primarily sold personal care series products through an omni-channel strategy and offered more than ten SKUs. It has also launched a dedicated livestreaming studio to support its online marketing and sales efforts. In addition, we are also committed to supporting the development of a community-based beauty salon chain brand, Hua Rong Zhuang (華蓉莊), which provides beauty and personal care services and had opened two offline stores as of the Latest Practicable Date. This represents our initiative to expand into the provision of offline beauty and personal care services, thereby creating greater synergy between our product offerings and offline service experiences. See “Business — Our Strategies — Expanding from Camellia to Other Botanicals, Advancing a Multi-Brand Strategy to Build Culturally Distinctive Premium Skincare Brands;” and
 - o Approximately 7.5%, or HK\$74.8 million, of the net proceeds will be used for strategic acquisitions of brands demonstrating strong synergies with and complementary value to our existing brand portfolio. Specifically, we plan to target companies that: (i) possess complementary capabilities in customer segments, product categories, channels, or R&D technologies; (ii) operate at a moderate scale compatible with our development stage to ensure manageable integration; and (iii) demonstrate stable profitability or clear growth potential with identifiable profit trajectories. Following acquisition, we plan to integrate the new brand by clearly defining its strategic positioning within our portfolio, followed by organizational and personnel alignment. We will also pursue multi-dimensional operational integration across supply chain, R&D, sales channels, marketing, and backend functions to fully realize synergies and enhance efficiency. This integration approach is expected to optimize our cost structure through bulk purchasing, improved manufacturing capacity utilization, logistics efficiencies, shared technology platforms, joint channel marketing, and streamlined backend functions. See “Risk Factors — Risks Relating to Our Business and Industry — Our acquisition activities and other strategic

FUTURE PLANS AND USE OF PROCEEDS

transactions may present managerial, integration, operational and financial risks, which may prevent us from realizing the full intended benefit of the acquisitions we undertake” for risks involved in acquisition activities. We will consider acquisition targets with annual revenue exceeding RMB50 million. In addition, potential targets are expected to have a solid track record in operations, compliance and internal controls, as well as more than three years of operational history. According to CIC, as of the Latest Practicable Date, there were more than 1,200 such potential targets domestically. As of the Latest Practicable Date, we had not identified any potential investment or acquisition target or entered into any agreements in respect thereof. See “Business — Our Strategies — Scaling Business through Both Organic Incubation and Strategic Acquisitions to Drive Global Expansion of Chinese Botanical Skincare.”

- Approximately 5.0%, or HK\$49.8 million, of the net proceeds will be used for enhancing our digitalization and information infrastructure, including (i) upgrading ERP systems and management systems for R&D, and integrating business platforms across different business units to refine our digital management systems, (ii) enhancing the data-driven operational capabilities of offline stores, and (iii) establishing high-performance cloud service platforms equipped with smart data storage and analytical tools to strengthen IT infrastructure.
- Approximately 10.0%, or HK\$99.7 million, of the net proceeds will be used for working capital and general corporate purposes.

To the extent our net proceeds from the Global Offering (including the net proceeds from the exercise of the Over-allotment Option) are either more or less than expected, we will adjust our allocation of the net proceeds for the above purposes on a pro rata basis.

If the Over-allotment Option is fully exercised, our Company will receive additional net proceeds of approximately HK\$157.2 million for 2,094,900 Shares to be allotted and issued upon the full exercise of the Over-allotment Option based on the Offer Price of HK\$77.77 per Offer Share, and after deducting the underwriting fees and commissions payable by our Company. The additional amount raised will be applied to the above areas of use of proceeds on a pro-rata basis.

If any part of our development plan does not proceed as planned for reasons such as changes in government policies that would render the development of any of our projects not viable, or the occurrence of *force majeure* events, we will carefully evaluate the situation and may reallocate the net proceeds from the Global Offering.

To the extent that the net proceeds of the Global Offering are not immediately used for the purposes described above and to the extent permitted by the relevant laws and regulations, we will only deposit the unused net proceeds into short-term interest-bearing accounts at licensed commercial banks and/or other authorized financial institutions (as defined under the Securities and Futures Ordinance or applicable laws and regulations in other jurisdictions).

UNDERWRITING

HONG KONG UNDERWRITERS

CLSA Limited
Huatai Financial Holdings (Hong Kong) Limited
Futu Securities International (Hong Kong) Limited
Tiger Brokers (HK) Global Limited

HONG KONG UNDERWRITING ARRANGEMENTS

Hong Kong Public Offering

Hong Kong Underwriting Agreement

Pursuant to the Hong Kong Underwriting Agreement, our Company is offering initially 1,396,650 Hong Kong Offer Shares (subject to adjustment) for subscription by the public in Hong Kong at the Offer Price on and subject to the terms and conditions of this prospectus.

Subject to (a) the Stock Exchange granting approval for the listing of, and permission to deal in, the H Shares in issue and to be issued pursuant to the Global Offering (including any additional H Shares which may be issued pursuant to the exercise of the Over-allotment Option) as mentioned in this prospectus and (b) certain other conditions set out in the Hong Kong Underwriting Agreement, the Hong Kong Underwriters have severally agreed to subscribe or procure subscriptions for their respective applicable proportions of the Hong Kong Offer Shares now being offered but which are not taken up under the Hong Kong Public Offering on the terms and conditions set out in this prospectus and the Hong Kong Underwriting Agreement.

The Hong Kong Underwriting Agreement is conditional on and subject to the International Underwriting Agreement having been signed and becoming unconditional and not having been terminated in accordance with its terms.

Grounds for Termination

The Joint Sponsors and the Overall Coordinators (for themselves and on behalf of the Hong Kong Underwriters) shall be entitled by notice (in writing) to our Company to terminate the Hong Kong Underwriting Agreement with immediate effect if prior to 8:00 a.m. on the Listing Date:

- (a) there develops, occurs, exists or comes into force:
 - (i) any new law or regulation or any change or development involving a prospective change or any event or series of events or circumstances likely to result in a change or a development involving a prospective change in existing laws or regulations, or the interpretation or application thereof by any court or any competent Authority (as defined under the Hong Kong Underwriting Agreement) in or affecting Hong Kong, the PRC, the United States, the United Kingdom, the European Union (or any member thereof), Japan, Singapore, or other jurisdictions relevant to the Group or the Global Offering (each a “**Relevant Jurisdiction**” and collectively, the “**Relevant Jurisdictions**”); or

UNDERWRITING

- (ii) any change or development involving a prospective change, or any event or series of events or circumstances likely to result in a change or prospective change, in any local, national, regional or international financial, political, military, industrial, economic, fiscal, legal, regulatory, currency, credit or market conditions or sentiments, Taxation, equity securities or currency exchange rate or controls or any monetary or trading settlement system, or foreign investment regulations (including, without limitation, a devaluation of the Hong Kong dollar, United States dollar or Renminbi against any foreign currencies, a change in the system under which the value of the Hong Kong dollar is linked to that of the United States dollar or the Renminbi is linked to any foreign currency or currencies) or other financial markets (including, without limitation, conditions and sentiments in stock and bond markets, money and foreign exchange markets, the inter-bank markets and credit markets) in or affecting any Relevant Jurisdictions, or affecting an investment in the Offer Shares; or
- (iii) any event or series of events, or circumstances in the nature of force majeure (including, without limitation, any acts of government, declaration of a regional, national or international emergency or war, calamity, crisis, economic sanctions, strikes, labor disputes, other industrial actions, lock-outs, fire, explosion, flooding, tsunami, earthquake, volcanic eruption, civil commotion, riots, rebellion, public disorder, paralysis in government operations, acts of war, epidemic, pandemic, outbreak or escalation, mutation or aggravation of diseases, accident or interruption or delay in transportation, local, national, regional or international outbreak or escalation of hostilities (whether or not war is or has been declared), act of God or act of terrorism (whether or not responsibility has been claimed)) in or affecting any of the Relevant Jurisdictions; or
- (iv) the imposition or declaration of any moratorium, suspension or limitation (including without limitation, any imposition of or requirement for any minimum or maximum price limit or price range) on (i) the trading in shares or securities generally on the Stock Exchange, the Shanghai Stock Exchange, the Shenzhen Stock Exchange, the Tokyo Stock Exchange, the Singapore Stock Exchange, the New York Stock Exchange, the NASDAQ Global Market or the London Stock Exchange; or (ii) the trading in any securities of the Company listed or quoted on a stock exchange or an over-the-counter market; or

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- (v) the imposition or declaration of any general moratorium on banking activities in or affecting any of the Relevant Jurisdictions or any disruption in commercial banking or foreign exchange trading or securities settlement or clearing services, procedures or matters in or affecting any of the Relevant Jurisdictions; or
- (vi) any change or prospective change, or a materialization of, any of the risks set out in the section headed “Risk Factors” in this prospectus; or
- (vii) the commencement by any Authority or other regulatory or political body or organization of any public action or investigation against a Group Company (as defined under the Hong Kong Underwriting Agreement) or a director or a supervisor or a senior management member of any Group Company or announcing an intention to take any such action;
- (viii) the issue or requirement to issue by the Company of a supplement or amendment to the prospectus, the Offering Circular (as defined in the Hong Kong Underwriting Agreement), the CSRC Filings or other documents in connection with the offer and sale of the Offer Shares pursuant to the Companies (Winding up and Miscellaneous Provisions) Ordinance or the Listing Rules or upon any requirement or request of the Stock Exchange and/or the SFC; or
- (ix) any litigation, dispute, legal action or claim or regulatory or administrative investigation or action being threatened, instigated or announced against any member of the Group or any of the Controlling Shareholders or any Director or senior management members as named in the prospectus; or
- (x) any non-compliance of the prospectus (or any other documents used in connection with the contemplated offering, allotment, issue, subscription or sale of any of the Offer Shares), the CSRC Filings (as defined under the Hong Kong Underwriting Agreement) or any aspect of the Global Offering with the Listing Rules or any other applicable Laws; or
- (xi) the imposition of sanctions or export controls in whatever form, directly or indirectly, on any Group Company or any of the Controlling Shareholders or by or on any Relevant Jurisdiction, or the withdrawal of trading privileges which existed on the date of this Agreement, in whatever form, directly or indirectly, by, or for, any Relevant Jurisdiction; or
- (xii) any Director or any member of senior management of the Company named in the prospectus is being charged with an indictable offence or prohibited by operation of law or otherwise disqualified from taking part in the management or taking directorship of a company; or

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- (xiii) any valid demand by creditors for payment or repayment of indebtedness of any member of the Group or in respect of which any member of the Group is liable prior to its stated maturity; or
- (xiv) the Chairman of the Board, any Director or any member of senior management of the Company named in the prospectus seeks to retire, or is removed from office or vacating his/her office; or an order or petition is presented for the winding-up or liquidation of any member of the Group, or any member of the Group makes any composition or arrangement with its creditors or enters into a scheme of arrangement or any resolution is passed for the winding-up of any member of the Group or a provisional liquidator, receiver or manager is appointed over all or part of the assets or undertaking of any member of the Group or anything analogous thereto occurs in respect of any member of the Group; or
- (xv) (A) the notice of acceptance of the CSRC Filings issued by the CSRC and/or the results of the CSRC Filings published on the website of the CSRC is rejected, withdrawn, revoked or invalidated; or (B) other than with the prior written consent of the Sponsor-Overall Coordinators, the issue or requirement to issue by the Company of a supplement or amendment to the CSRC Filings pursuant to the CSRC Rules or upon any requirement or request of the CSRC; or (C) any non-compliance of the CSRC Filings with the CSRC Rules or any other applicable Laws; or
- (xvi) any contravention by any Group Company or any Director or any member of the senior management of the Company of any applicable Laws; or

which, in any such case individually or in the aggregate, in the sole and absolute opinion of the Joint Sponsors and the Sponsor-Overall Coordinators (for themselves and on behalf of the Hong Kong Underwriters):

- (1) has or will or may have a Material Adverse Effect (as defined under the Hong Kong Underwriting Agreement);
- (2) has or will or may have a material adverse effect on the success of the Global Offering or the level of applications under the Hong Kong Public Offering or the level of indications of interest under the International Offering; or
- (3) makes or will make or may make it impracticable, inadvisable, inexpedient or incapable for any material part of the Hong Kong Underwriting Agreement, the Hong Kong Public Offering or the Global Offering to be performed or implemented as envisaged, or for the Hong Kong Public Offering and/or the Global Offering to proceed, or to market the Global Offering or the delivery or distribution of the Offer Shares on the terms and in the manner contemplated by the Offering Documents (as defined under the Hong Kong Underwriting Agreement); or

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- (4) has or will or may have the effect of making any part of Hong Kong Underwriting Agreement (including underwriting) incapable of performance in accordance with its terms or preventing the processing of applications and/or payments pursuant to the Global Offering or pursuant to the underwriting thereof; or
- (b) there has come to the notice of the Joint Sponsors and the Sponsor-Overall Coordinators (for itself and on behalf of the Hong Kong Underwriters) that:
 - (i) any statement contained in any of the Offering Documents (as defined under the Hong Kong Underwriting Agreement), the CSRC Filings and/or any notices, announcements, advertisements, communications or other documents issued or used by, for or on behalf of the Company in connection with the Hong Kong Public Offering (including any supplement or amendment thereto) (the “**Global Offering Documents**”) was, when it was issued, or has become untrue, incorrect, inaccurate in any material respect or misleading; or that any estimate, forecast, expression of opinion, intention or expectation contained in any such documents, was, when it was issued, or has become unfair or misleading in any respect or based on untrue, dishonest or unreasonable assumptions or given in bad faith; or
 - (ii) any matter has arisen or has been discovered which would, had it arisen or been discovered immediately before the date of the prospectus, constitute a material omission or misstatement in any Global Offering Document; or
 - (iii) any breach of, or any event or circumstance rendering untrue or incorrect or misleading in any respect, any of the representations or warranties given by the Company or any of the Controlling Shareholders in Hong Kong Underwriting Agreement or the International Underwriting Agreement; or
 - (iv) any event, act or omission which gives rise or is likely to give rise to any liability of any of the Indemnifying Parties (as defined under the Hong Kong Underwriting Agreement) pursuant to the indemnities given by the Indemnifying Parties in Hong Kong Underwriting Agreement; or
 - (v) any material breach of any of the obligations or undertakings imposed upon the Company or any of the Controlling Shareholders to Hong Kong Underwriting Agreement or, the International Underwriting Agreement; or
 - (vi) there is any change or development involving a prospective change, constituting or having a Material Adverse Effect (as defined under the Hong Kong Underwriting Agreement) ; or

UNDERWRITING

- (vii) the Company withdraws the prospectus (and/or any other documents used in connection with the subscription or sale of any of the Offer Shares pursuant to the Global Offering) or the Global Offering; or
- (viii) the approval by the Listing Committee of the listing of, and permission to deal in, the H Shares in issue and to be issued pursuant to the Global Offering (including any additional H Shares that may be issued pursuant to the exercise of the Over-allotment Option) is refused or not granted, other than subject to customary conditions, on or before the Listing Date, or if granted, the approval is subsequently withdrawn, cancelled, qualified (other than by customary conditions), revoked or withheld; or
- (ix) any person (other than the Joint Sponsors and the Overall Coordinators) has withdrawn its consent to the issue of the prospectus with the inclusion of its reports, letters and/or legal opinions (as the case may be) and references to its name included in the form and context in which it respectively appears; or
- (x) any prohibition on the Company for whatever reason from offering, allotting, issuing or selling any of the Offer Shares pursuant to the terms of the Global Offering; or
- (xi) (i) a material portion of the orders placed or confirmed in the bookbuilding process or (ii) any investment commitment made by any cornerstone investors under the cornerstone investment agreements signed with such cornerstone investors, have been withdrawn, terminated or cancelled, as a result of the payment of the relevant investment amount not being received or settled in the stipulated time and manner or otherwise.

UNDERTAKINGS TO THE STOCK EXCHANGE PURSUANT TO THE LISTING RULES

Undertakings by Controlling Shareholders

Pursuant to Rule 10.07 of the Listing Rules, each of our Controlling Shareholders has undertaken to the Stock Exchange and to us that, except pursuant to the Global Offering, he/it shall not and shall procure that the registered holders of the Shares controlled by him/it (if applicable) shall not:

- (i) in the period commencing on the date of this prospectus and ending on the date which is six months from the Listing Date, dispose of, nor enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of, any of the Shares or securities of the Company in respect of which our Controlling Shareholders are shown in the prospectus to be the beneficial owners; or
- (ii) in the period of six months commencing on the date on which the period referred to in paragraph (i) above expires, dispose of, nor enter into any agreement to dispose of, or otherwise create any options, rights, interests or encumbrances in respect of, any of the Shares or securities referred to in paragraph (i) above if, immediately following such disposal or upon the exercise or enforcement of such options, rights, interests or encumbrances, he/it would then cease to be a group of Controlling Shareholders.

Pursuant to Note 3 to Rule 10.07(2) of the Listing Rules, each of the Controlling Shareholders has undertaken to the Stock Exchange and to us that, within the period commencing on the date of this prospectus and ending on the date which is 12 months from the Listing Date, he/it will:

- (i) when he/it pledges or charges any Shares or securities of the Company beneficially owned by him/it in favour of an authorized institution (as defined in the Banking Ordinance, Chapter 155 of the Laws of Hong Kong) pursuant to Note 2 to Rule 10.07(2) of the Listing Rules, immediately inform the Company of such pledge or charge together with the number of Shares or securities of the Company so pledged or charged; and
- (ii) when he/it receives indications, either verbal or written, from the pledgee or chargee that any of the pledged or charged Shares or securities of the Company will be disposed of, immediately inform the Company in writing of such indications.

We will inform the Stock Exchange as soon as we have been informed of the matters referred to in paragraph (i) and (ii) above (if any) by any of our Controlling Shareholders and subject to the then requirements of the Listing Rules disclose such matters by way of an announcement which is published in accordance with Rule 2.07C of the Listing Rules as soon as possible.

UNDERTAKINGS PURSUANT TO THE HONG KONG UNDERWRITING AGREEMENT

Undertaking by our Company

Our Company undertakes to each of the Joint Sponsors, the Sponsor-Overall Coordinators, the Overall Coordinators, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Hong Kong Underwriters and the Capital Market Intermediaries that, except pursuant to the Global Offering (including pursuant to the Over-allotment Option), at any time from the date of the Hong Kong Underwriting Agreement up to and including the date falling six months after the Listing Date (the “**First Six Month Period**”), it will not, without the prior written consent of the Joint Sponsors and the Sponsor-Overall Coordinators (for themselves and on behalf of the Hong Kong Underwriters) and unless in compliance with the requirements of the Listing Rules:

- (a) allot, issue, sell, accept subscription for, offer to allot, issue or sell, contract or agree to allot, issue or sell, assign, mortgage, charge, pledge, hypothecate, lend, grant or sell any option, warrant, contract or right to subscribe for or purchase, grant or purchase any option, warrant, contract or right to allot, issue or sell, or otherwise transfer or dispose of or create an Encumbrance (as defined under the Hong Kong Underwriting Agreement) over, or agree to transfer or dispose of or create an Encumbrance over, either directly or indirectly, conditionally or unconditionally, or repurchase, any legal or beneficial interest in the share capital or any other equity securities of the Company or any interest in any of the foregoing (including, without limitation, any equity securities convertible into or exchangeable or exercisable for or that represent the right to receive, or any warrants or other rights to purchase any share capital or other equity securities of the Company, as applicable), or deposit any share capital or other equity securities of the Company, as applicable, with a depositary in connection with the issue of depositary receipts; or
- (b) enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership (legal or beneficial) of the Shares or any other equity securities of the Company, or any interest in any of the foregoing (including, without limitation, any equity securities convertible into or exchangeable or exercisable for or that represent the right to receive, or any warrants or other rights to purchase, any Shares); or
- (c) enter into any transaction with the same economic effect as any transaction described in (a) or (b) above; or
- (d) offer to or agree to do any of the foregoing specified in (a), (b) or (c) or announce any intention to do so,

in each case, whether any of the foregoing transactions is to be settled by delivery of share capital or such other equity securities, in cash or otherwise (whether or not the issue of such share capital or other equity securities will be completed within the First Six Month Period). Our Company further agrees that, in the event our Company is allowed to enter into any of the transactions described in (a), (b) or (c) above or offers to or agrees to or announces any intention to effect any such transaction during the period of six months commencing on

UNDERWRITING

the date on which the First Six Month Period expires (the “**Second Six Month Period**”), it will take all reasonable steps to ensure that such an issue or disposal will not create a disorderly or false market for any Shares or other equity securities of our Company.

Our Company has agreed and undertaken to each of the Joint Sponsors, the Sponsor-Overall Coordinators, the Overall Coordinators, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Hong Kong Underwriters and the Capital Market Intermediaries that it will, and our Controlling Shareholders undertake to use best endeavors to procure that our Company will, comply with the minimum public float requirements (the “**Minimum Public Float Requirement**”) and the minimum free float requirements (the “**Minimum Free Float Requirement**”) specified in the Listing Rules, and it will not prior to the expiration of the First Six Month Period without first having obtained the prior written consent of the Joint Sponsors and the Overall Coordinators (for themselves and on behalf of the Hong Kong Underwriters) (such approval shall not be unreasonably withheld or delayed), (i) effect any purchase of the Shares, or agree to do so, which may reduce the holdings of the H Shares held by the public (as defined in Rule 8.24 of the Listing Rules) to below the Minimum Public Float Requirement, or (ii) enter into any agreement, arrangement or transaction which shall cause or have the effect of causing the portion of the H Shares that are held by the public and that are available for trading and not subject to any disposal restrictions (whether under contract, the Listing Rules, applicable Laws or otherwise) on the Listing Date to fall below the Minimum Free Float Requirement under Rule 19A.13C of the Listing Rules.

The Controlling Shareholders have undertaken to each of the Joint Sponsors, the Sponsor-Overall Coordinators, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Hong Kong Underwriters and the Capital Market Intermediaries that they shall procure our Company to comply with the above undertakings.

Undertakings by Controlling Shareholders

Each of the Controlling Shareholders has undertaken to each of our Company, the Joint Sponsors, the Sponsor-Overall Coordinators, the Overall Coordinators, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Hong Kong Underwriters and the Capital Market Intermediaries that, without the prior written consent of the Joint Sponsors and the Sponsor-Overall Coordinators (for themselves and on behalf of the Hong Kong Underwriters) and unless in compliance with the requirements of the Listing Rules:

- (a) he/it will not, and will procure that the relevant registered holder(s), any nominee or trustee holding on trust for it/him/her and the companies controlled by it/him/her will not, at any time during the First Six Month Period, (i) sell, offer to sell, accept subscription for, contract or agree to allot, issue or sell, mortgage, charge, pledge, hypothecate, lend, grant or sell any option, warrant, contract or right to purchase, grant or purchase any option, warrant, contract or right to sell, or otherwise transfer or dispose of or create an Encumbrance over, or agree to transfer or dispose of or create an Encumbrance over, either directly or indirectly, conditionally or unconditionally, any Shares or other securities of the Company or any interest therein (including, without limitation, any securities convertible into or exchangeable or exercisable for or that represent the right to receive, or any warrants or other rights to purchase, any Shares or any such other securities,

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as applicable or any interest in any of the foregoing), or deposit any Shares or other securities of the Company with a depositary in connection with the issue of depositary receipts, or (ii) enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership (legal or beneficial) of any Shares or other securities of the Company or any interest therein (including, without limitation, any securities convertible into or exchangeable or exercisable for or that represent the right to receive, or any warrants or other rights to purchase, any Shares or any such other securities, as applicable or any interest in any of the foregoing), or (iii) enter into any transaction with the same economic effect as any transaction specified in (i) or (ii) above, or (iv) offer to or agree to or announce any intention to effect any transaction specified in (i), (ii) or (iii) above, in each case, whether any of the transactions specified in (i), (ii) or (iii) above is to be settled by delivery of Shares or other securities of our Company or in cash or otherwise, and whether or not the transactions will be completed within the First Six Month Period; and

- (b) he/it will not, during the Second Six Month Period, enter into any of the transactions specified in (i), (ii) or (iii) above or offer to or agree to contract to or publicly announce any intention to effect any such transaction if, immediately following any sale, transfer or disposal or upon the exercise or enforcement of any option, right, interest or Encumbrance pursuant to such transaction, it will cease to be a Controlling Shareholder of the Company or a member of a group of the Controlling Shareholders of the Company or would together with the other Controlling Shareholders cease to be “Controlling Shareholders” of the Company; and
- (c) until the expiry of the Second Six Month Period, in the event that it/he enters into any of the transactions specified in (i), (ii) or (iii) or offer to or agrees to or contract to or publicly announce any intention to effect any such transaction, it/he will take all reasonable steps to ensure that such a disposal will not create a disorderly or false market in the securities of the Company.

The restrictions above shall not prevent the Controlling Shareholders from (i) purchasing additional Shares or other securities of our Company and disposing of such additional Shares or securities of our Company in accordance with the Listing Rules, provided that any such purchase or disposal does not contravene the lock-up arrangements with the Controlling Shareholders referred to above or the compliance by our Company with the Minimum Public Float Requirement, and (ii) using the Shares or other securities of our Company or any interest therein beneficially owned by them as security (including a charge or a pledge) in favor of an authorized institution (as defined in the Banking Ordinance (Chapter 155 of the Laws of Hong Kong)) for a bona fide commercial loan, provided that (a) the relevant Controlling Shareholder will immediately inform our Company and the Sponsor-Overall Coordinators in writing of such pledge or charge together with the number of Shares or other securities of our Company so pledged or charged if and when it/he or the relevant registered holder(s) pledges or charges any Shares or other securities of the Company beneficially owned by it/him, and (b) when the relevant Controlling Shareholder receives indications, either verbal or written, from the pledgee or chargee of any Shares that any of the pledged or charged Shares or other securities of our Company will be disposed of, it/he will immediately inform our Company and the Sponsor-Overall Coordinators of such indications.

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The Company has undertaken to the Joint Sponsors, the Sponsor-Overall Coordinators, the Overall Coordinators, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Hong Kong Underwriters and the Capital Market Intermediaries that upon receiving such information in writing from the Controlling Shareholders, it will, as soon as practicable and if required pursuant to the Listing Rules, the SFO and/or any other applicable Law, notify the Stock Exchange and/or other relevant Authorities, and make a public disclosure in relation to such information by way of an announcement.

INTERNATIONAL OFFERING

International Underwriting Agreement

In connection with the International Offering, it is expected that we will enter into the International Underwriting Agreement with, among others, the Overall Coordinators and the International Underwriters. Under the International Underwriting Agreement, the International Underwriters, subject to certain conditions set out therein, will agree severally to purchase, or procure subscribers or purchasers for, the International Offer Shares being offered pursuant to the International Offering. Please see the paragraph headed “Structure of the Global Offering — The International Offering” in this prospectus.

We expect to grant the Over-allotment Option to the International Underwriters, exercisable by the Overall Coordinators (on behalf of the International Underwriters), on or before Thursday, January 22, 2026, being the 30th day from the last day for lodging applications under the Hong Kong Public Offering, to require us to allot and issue up to an aggregate of 2,094,950 additional Shares (representing not more than 15% of the Offer Shares initially available under the Global Offering), at the Offer Price to cover over-allocations, if any, in the International Offering. Please see the paragraph headed “Structure of the Global Offering — Over-allotment Option” in this prospectus.

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COMMISSIONS AND EXPENSES

Our Company will pay an underwriting commission of 2.5% of the aggregate Offer Price of all the Offer Shares, including Offer Shares to be issued pursuant to the Over-allotment Option (the “**Fixed Fees**”). Our Company may, at our sole and absolute discretion, pay an additional incentive fee of up to 1.0% of the Offer Price in respect of all the Offer Shares (including Offer Shares to be issued pursuant to the Over-allotment Option) (the “**Discretionary Fees**”). Assuming full payment of the Discretionary Fees, the Fixed Fees and the Discretionary Fees payable to the Underwriters represent approximately 42.86% and 57.14%, respectively, of the aggregate fees payable to the Capital Market Intermediaries in total in connection with the Global Offering. For unsubscribed Hong Kong Offer Shares reallocated to the International Offering, we will pay an underwriting commission at the rate applicable to the International Offering and such commission will be paid to the relevant International Underwriters and not the Hong Kong Underwriters.

The Joint Sponsors is entitled to a sponsor fee in the total amount of US\$900,000. The aggregate commissions and fees, together with the listing fees, SFC transaction levy, the Stock Exchange trading fee, AFRC transaction levy, legal and other professional fees, printing and other expenses payable by us relating to the Global Offering are estimated to amount to approximately RMB81.0 million (approximately HK\$89.1 million) in total (based on the Offer Price of HK\$77.77 per Offer Share and assuming the Over-allotment Option are not exercised).

HONG KONG UNDERWRITERS’ INTERESTS IN OUR COMPANY

Save for their respective obligations under the Hong Kong Underwriting Agreement and the International Underwriting Agreement, as of the Latest Practicable Date, none of the Hong Kong Underwriters has any shareholding interest in any member of our Group or any right or option (whether legally enforceable or not) to purchase or subscribe for or to nominate persons to purchase or subscribe for securities in any member of our Group.

Following the completion of the Global Offering, the Hong Kong Underwriters and their affiliated companies may hold a certain portion of the Shares as a result of fulfilling their obligations under the Hong Kong Underwriting Agreement and/or the International Underwriting Agreement.

JOINT SPONSORS’ INDEPENDENCE

Each of the Joint Sponsors satisfies the independence criteria set out in Rule 3A.07 of the Listing Rules.

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ACTIVITIES BY SYNDICATE MEMBERS

The Hong Kong Underwriters and the International Underwriters (together, the “Syndicate Members”) and their affiliates may each individually undertake a variety of activities (as further described below) which do not form part of the underwriting or stabilizing process.

The Syndicate Members and their affiliates are diversified financial institutions with relationships in countries around the world. These entities engage in a wide range of commercial and investment banking, brokerage, funds management, trading, hedging, investing and other activities for their own account and for the account of others. In the ordinary course of their various business activities, the Syndicate Members and their respective affiliates may purchase, sell or hold a broad array of investments and actively trade securities, derivatives, loans, commodities, currencies, credit default swaps and other financial instruments for their own account and for the accounts of their customers. Such investment and trading activities may involve or relate to assets, securities and/or instruments of our Company and/or persons and entities with relationships with our Company and may also include swaps and other financial instruments entered into for hedging purposes in connection with our Group’s loans and other debt.

In relation to the H Shares, the activities of the Syndicate Members and their affiliates could include acting as agent for buyers and sellers of the H Shares, entering into transactions with those buyers and sellers in a principal capacity, including as a lender to initial purchasers of the H Shares (which financing may be secured by the Shares) in the Global Offering, proprietary trading in the H Shares, and entering into over the counter or listed derivative transactions or listed or unlisted securities transactions (including issuing securities such as derivative warrants listed on a stock exchange) which have as their underlying assets, assets including the H Shares. Such transactions may be carried out as bilateral agreements or trades with selected counterparties. Those activities may require hedging activity by those entities involving, directly or indirectly, the buying and selling of the H Shares, which may have a negative impact on the trading price of the H Shares. Activities could occur in Hong Kong and elsewhere in the world and may result in the Syndicate Members and their affiliates holding long and/or short positions in the H Shares, in baskets of securities or indices including the Shares, in units of funds that may purchase the Shares, or in derivatives related to any of the foregoing.

In relation to issues by Syndicate Members or their affiliates of any listed securities having the H Shares as their underlying securities, whether on the Stock Exchange or on any other stock exchange, the relevant rules of the exchange may require the issuer of those securities (or one of its affiliates or agents) to act as a market maker or liquidity provider in the security, and this will also result in hedging activity in the Shares in most cases.

All such activities may occur both during and after the end of the stabilizing period described in the section headed “Structure of the Global Offering” in this prospectus. Such activities may affect the market price or value of the Shares, the liquidity or trading volume in the Shares and the volatility of the price of the Shares, and the extent to which this occurs from day to day cannot be estimated.

UNDERWRITING

It should be noted that when engaging in any of these activities, the Syndicate Members will be subject to certain restrictions, including the following:

- (a) the Syndicate Members (other than the Stabilizing Manager or any person acting for it) must not, in connection with the distribution of the Offer Shares, effect any transactions (including issuing or entering into any option or other derivative transactions relating to the Offer Shares) whether in the open market or otherwise, with a view to stabilizing or maintaining the market price of any of the Offer Shares at levels other than those which might otherwise prevail in the open market; and
- (b) the Syndicate Members must comply with all applicable laws and regulations, including the market misconduct provisions of the SFO, including the provisions prohibiting insider dealing, false trading, price rigging and stock market manipulation.

Certain of the Syndicate Members or their respective affiliates have provided from time to time, and expect to provide in the future, investment banking, derivative and other services to our Company and its affiliates for which such Syndicate Members or their respective affiliates have received or will receive customary fees and commissions.

STRUCTURE OF THE GLOBAL OFFERING

THE GLOBAL OFFERING

This prospectus is published in connection with the Hong Kong Public Offering as part of the Global Offering. The listing of the H Shares on the Stock Exchange is sponsored by the Joint Sponsors and the Global Offering is managed by the Overall Coordinators. The Joint Sponsors have made an application on behalf of our Company to the Stock Exchange for the listing of, and permission to deal in, the H Shares in issue and to be issued as mentioned in this prospectus.

The Global Offering consists of (subject to reallocation and the Over-allotment Option):

- (i) The Hong Kong Public Offering of initially 1,396,650 Offer Shares (subject to reallocation) in Hong Kong as described in the paragraph headed “The Hong Kong Public Offering” in this section; and
- (ii) the International Offering of initially 12,569,800 Offer Shares (subject to reallocation and Over-allotment Option as mentioned below) in offshore transactions in reliance on Regulation S.

The Offer Shares will represent approximately 10.0% of the total issued share capital of our Company immediately after completion of the Global Offering without taking into account the exercise of the Over-allotment Option. If the Over-allotment Option are exercised in full, the Offer Shares will represent approximately 11.33% of the total issued share capital immediately after completion of the Global Offering and the exercise of the Over-allotment Option as set out in the paragraphs headed “The International Offering — Over-allotment Option” in this section.

Investors may either:

- (i) apply for the Hong Kong Offer Shares under the Hong Kong Public Offering; or
- (ii) apply for or indicate an interest, if qualified to do so, for the International Offer Shares under the International Offering,

but may not do both.

The Hong Kong Public Offering is open to members of the public in Hong Kong as well as to institutional and professional investors in Hong Kong. The International Offering will involve selective marketing of the International Offer Shares to institutional and professional investors and other investors expected to have a sizable demand for the International Offer Shares in Hong Kong and other jurisdictions outside the U.S. in offshore transactions in reliance on Regulation S. The International Underwriters are soliciting from prospective investors’ indications of interest in acquiring the International Offer Shares. Prospective investors will be required to specify the number of International Offer Shares under the International Offering they would be prepared to acquire either at different prices or at a particular price.

STRUCTURE OF THE GLOBAL OFFERING

The number of Hong Kong Offer Shares and International Offer Shares to be offered under the Hong Kong Public Offering and the International Offering respectively may be subject to reallocation as described in the paragraph headed “The Hong Kong Public Offering — Reallocation and Clawback” in this section.

THE HONG KONG PUBLIC OFFERING

Number of Shares Initially Offered

Subject to reallocation as mentioned below, our Company is initially offering 1,396,650 H Shares at the Offer Price under the Hong Kong Public Offering for subscription by the public in Hong Kong, representing approximately 10.0% of the 13,966,450 H Shares initially available under the Global Offering. Subject to reallocation as mentioned below, the number of H Shares initially offered under the Hong Kong Public Offering will represent approximately 1.0% of our total issued share capital immediately after completion of the Global Offering, assuming that the Over-allotment Option are not exercised.

In Hong Kong, individual retail investors are expected to apply for the Hong Kong Offer Shares through the Hong Kong Public Offering and individual retail investors, including individual investors in Hong Kong applying through banks and other institutions, seeking International Offer Shares will not be allotted International Offer Shares in the International Offering.

The Overall Coordinators (for themselves and on behalf of the Underwriters) and the Joint Sponsors may require any investor who has been offered H Shares under the International Offering, and who has made an application under the Hong Kong Public Offering to provide sufficient information to the Overall Coordinators and the Joint Sponsors so as to allow them to identify the relevant applications under the Hong Kong Public Offering and to ensure that it is excluded from any application for the International Offering.

Completion of the Hong Kong Public Offering is subject to the conditions set out in the paragraph headed “Conditions of the Global Offering” in this section.

Allocation

For allocation purposes only, the 1,396,650 H Shares initially being offered for subscription under the Hong Kong Public Offering (after taking into account any reallocation in the number of Offer Shares allocated between the Hong Kong Public Offering and the International Offering) will be divided equally (with any odd lots being allocated to pool A) into two pools: Pool A and Pool B, both of which are available on an equitable basis to successful applicants. All valid applications that have been received for the Hong Kong Offer Shares with an aggregate subscription price (excluding brokerage, SFC transaction levy, the Stock Exchange trading fee and AFRC transaction levy) of HK\$5 million or below will fall into Pool A and all valid applications that have been received for the Hong Kong Offer Shares with an aggregate subscription price (excluding brokerage, SFC transaction levy, Stock Exchange trading fee and AFRC transaction levy) of over HK\$5 million and up to the total value of Pool B, will fall into Pool B.

STRUCTURE OF THE GLOBAL OFFERING

Applicants should be aware that applications in Pool A and Pool B are likely to receive different allocation ratios. If the Hong Kong Offer Shares in one pool (but not both pools) are under-subscribed, the surplus Hong Kong Offer Shares will be transferred to the other pool to satisfy demand in that other pool and be allocated accordingly. Applicants can only receive an allocation of Hong Kong Offer Shares from either Pool A or Pool B but not from both pools and only apply for Hong Kong Offer Shares in either Pool A or Pool B. When there is over-subscription, allocation of Hong Kong Offer Shares to investors under the Hong Kong Public Offering, both in relation to Pool A and Pool B, will be based on the level of valid applications received under the Hong Kong Public Offering. The basis of allocation in each pool may vary, depending on the number of Hong Kong Offer Shares validly applied for by each applicant. The allocation of Hong Kong Offer Shares could, where appropriate, consist of balloting, which would mean that some applicants may receive a higher allocation than others who have applied for the same number of Hong Kong Offer Shares and those applicants who are not successful in the ballot may not receive any Hong Kong Offer Shares.

Reallocation

The Offer Shares to be offered in the Hong Kong Public Offering and the International Offering may, in certain circumstances, be reallocated as between these offerings at the discretion of the Overall Coordinators. Subject to the allocation cap described in the subsequent paragraph, the Overall Coordinators may in their sole discretion reallocate Offer Shares from the International Offering to the Hong Kong Public Offering to satisfy valid applications under the Hong Kong Public Offering. In the event of reallocation of Offer Shares between the International Offering and the Hong Kong Public Offering in the circumstances where (a) the International Offer Shares are fully subscribed or oversubscribed and the Hong Kong Offer Shares are fully subscribed or oversubscribed irrespective of the number of times; or (b) the International Offer Shares are undersubscribed and the Hong Kong Offer Shares are fully subscribed or oversubscribed irrespective of the number of times, then up to 698,300 Offer Shares may be reallocated from the International Offering to the Hong Kong Public Offering, so that the total number of Offer Shares available for subscription under the Hong Kong Public Offering will increase up to 2,094,950 Offer Shares, representing approximately 15% of the number of Offer Shares initially available under the Global Offering (before exercise of the Over-allotment Option) in accordance with Chapter 4.14 of the Guide for New Listing Applicants. In the circumstance where the International Offer Shares are fully subscribed or oversubscribed and the Hong Kong Offer Shares are undersubscribed, there will be no reallocation from the International Offering to the Hong Kong Public Offering, and no over-allocation of H Shares to the Hong Kong Public Offering.

In each case, the additional Offer Shares reallocated to the Hong Kong Public Offering will be allocated between pool A and pool B and the number of Offer Shares allocated to the International Offering will be correspondingly reduced in such manner as the Overall Coordinators deems appropriate.

STRUCTURE OF THE GLOBAL OFFERING

Given the initial allocation of the Offer Shares to the Hong Kong Public Offering and the International Offering follows Mechanism B set out under paragraph 2 of Chapter 4.14 of the Guide and the provision of Paragraph 4.2(b) of Practice Note 18 of the Listing Rules, no mandatory clawback or reallocation mechanism is required to increase the number of Offer Shares under the Hong Kong Public Offering to a certain percentage of the total number of Offer Shares offered under the Global Offering.

If the Hong Kong Public Offering is not fully subscribed, the Overall Coordinators have the authority to reallocate all or any unsubscribed Hong Kong Offer Shares to the International Offering, in such proportions as the Overall Coordinators deem appropriate.

However, if neither the Hong Kong Public Offering nor the International Offering is fully subscribed, the Global Offering will not proceed unless the Underwriters would subscribe for or procure subscribers to subscribe for respective applicable proportions of the Offer Shares being offered which are not taken up under the Global Offering on the terms and conditions of this prospectus and the Underwriting Agreements.

Applications

Each applicant under the Hong Kong Public Offering will also be required to give an undertaking and confirmation in the application submitted by him or her that he or she and any person(s) for whose benefit he or she is making the application have not applied for or taken up, or indicated an interest for, and will not apply for or take up, or indicate an interest for, any Offer Shares under the International Offering, and such applicant's application under the International Offering will be rejected if the said undertaking and/or confirmation is breached and/or untrue (as the case may be).

Multiple or suspected multiple applications and any application for more than approximately 50% of the 1,396,650 H Shares initially comprised in the Hong Kong Public Offering (that is 698,300 Hong Kong Offer Shares) will be rejected.

The listing of the Offer Shares on the Stock Exchange is sponsored by the Joint Sponsors. Applicants under the Hong Kong Public Offering may be required to pay, on application (subject to application channels), the Offer Price of HK\$77.77 per H Share in addition to any brokerage, SFC transaction levy, Stock Exchange trading fee and AFRC transaction levy payable on each Offer Share.

References in this prospectus to applications, application monies or the procedure for application relate solely to the Hong Kong Public Offering.

STRUCTURE OF THE GLOBAL OFFERING

THE INTERNATIONAL OFFERING

Number of International Offer Shares Offered

The number of International Offer Shares to be initially offered by us for subscription under the International Offering will consist of an initial offering of 12,569,800 Offer Shares, representing approximately 90% of the Offer Shares under the Global Offering. Subject to any reallocation of Offer Shares between the International Offering and the Hong Kong Public Offering, the International Offer Shares will represent approximately 9.0% of our total issued share capital immediately after completion of the Global Offering, assuming that the Over-allotment Option are not exercised.

Allocation

Pursuant to the International Offering, the International Underwriters will conditionally place the International Offer Shares to institutional and professional investors and other investors expected to have a sizable demand for the H Shares in Hong Kong and other jurisdictions outside the U.S. in offshore transactions in reliance on Regulation S. The International Offering is subject to the Hong Kong Public Offering being unconditional.

Allocation of the International Offer Shares pursuant to the International Offering will be determined by the Overall Coordinators and will be based on a number of factors including the level and timing of demand, total size of the relevant investor's invested assets or equity assets in the relevant sector and whether or not it is expected that the relevant investor is likely to buy further, and/or hold or sell Offer Shares after the Listing. Such allocation may be made to professional, institutional and corporate investors and is intended to result in a distribution of our Offer Shares on a basis which would lead to the establishment of a solid shareholder base to the benefit of our Company and our Shareholders as a whole.

The Overall Coordinators (on behalf of the Underwriters) may require any investor who has been offered Offer Shares under the International Offering and who has made an application under the Hong Kong Public Offering to provide sufficient information to the Overall Coordinators so as to allow it to identify the relevant applications under the Hong Kong Public Offering and to ensure that they are excluded from any allocation of Offer Shares under the International Offering.

Reallocation

The total number of International Offer Shares to be issued and sold pursuant to the International Offering may change as a result of the clawback arrangement described in the paragraph headed “— The Hong Kong Public Offering — Reallocation” in this section, exercise of the Over-allotment Option in whole or in part and/or reallocation of all or any unsubscribed Hong Kong Offer Shares to the International Offering.

STRUCTURE OF THE GLOBAL OFFERING

Over-allotment Option

In connection with the Global Offering, our Company is expected to grant the Over-allotment Option to the International Underwriters, exercisable by the Overall Coordinators at their sole and absolute discretion on behalf of the International Underwriters for up to 30 days after the last day for lodging applications under the Hong Kong Public Offering. Pursuant to the Over-allotment Option, the Overall Coordinators will have the right to require our Company to allot and issue up to an aggregate of additional 2,094,950 H Shares (representing not more than approximately 15% of the Offer Shares initially available under the Global Offering), at the Offer Price to cover over-allocations in the International Offering, if any. An announcement will be made in the event that the Over-allotment Option is exercised.

If the Over-allotment Option is exercised in full, the additional International Offer Shares to be issued pursuant thereto will represent approximately 1.48% of the issued share capital of our Company immediately after the completion of the Global Offering.

Stabilization

Stabilization is a practice used by underwriters in some markets to facilitate the distribution of securities. To stabilize, the underwriters may bid for, or purchase, the new securities in the secondary market, during a specified period of time, to curb and, if possible, prevent any decline in the market price of the securities below the Offer Price. In Hong Kong and certain other jurisdictions, an activity aimed at reducing the market price is prohibited and the price at which stabilization is effected is not permitted to exceed the Offer Price.

In connection with the Global Offering, the Stabilizing Manager, its affiliates or any person acting for it, on behalf of the Underwriters, may, to the extent permitted by applicable laws of Hong Kong or elsewhere, over-allocate or effect short sales or any other stabilizing transactions with a view to stabilizing or maintaining the market price of the H Shares at a level higher than that which might otherwise prevail in the open market for a limited period after the last day for the lodging of applications under the Hong Kong Public Offering. Any market purchases of H Shares will be effected in compliance with all applicable laws and regulatory requirements. However, there is no obligation on the Stabilizing Manager or any person acting for it to conduct any such stabilizing activity, which if commenced, will be done at the absolute discretion of the Stabilizing Manager and may be discontinued at any time. Any such stabilizing activity is required to be brought to an end within 30 days of the last day for the lodging of applications under the Hong Kong Public Offering. The number of H Shares that may be over-allocated will not exceed the number of H Shares that may be issued and/or sold under the Over-allotment Option, namely 2,094,950 H Shares (representing not more than approximately 15% of the Offer Shares being offered under the Global Offering).

Stabilizing action will be entered into in accordance with the laws, rules and regulations in place in Hong Kong on stabilization and stabilization action permitted in Hong Kong pursuant to the Securities and Futures (Price Stabilizing) Rules (Chapter 571W of the Laws of Hong Kong) under SFO includes: (i) over-allocation for the purpose of preventing or minimizing any reduction in the market price of the H Shares; (ii) selling or agreeing to sell the H Shares so as to establish a short position in them for the purpose of preventing or minimizing any reduction in the market price of the Shares; (iii) purchasing or subscribing for,

STRUCTURE OF THE GLOBAL OFFERING

or agreeing to purchase or subscribe for, the H Shares pursuant to the Over-allotment Option in order to close out any position established under (i) or (ii) above; (iv) purchasing, or agreeing to purchase, any of the H Shares for the sole purpose of preventing or minimizing any reduction in the market price of the H Shares; (v) selling or agreeing to sell any H Shares in order to liquidate any position held as a result of those purchases; and (vi) offering or attempting to do anything described in (ii), (iii), (iv) or (v).

Specifically, prospective applicants for and investors in the Offer Shares should note that:

- the Stabilizing Manager, or any person acting for it, may, in connection with the stabilizing action, maintain a long position in the H Shares;
- there is no certainty regarding the extent to which and the time period for which the Stabilizing Manager, or any person acting for it, will maintain such a position;
- liquidation of any such long position by the Stabilizing Manager may have an adverse impact on the market price of the H Shares;
- no stabilizing action can be taken to support the price of the H Shares for longer than the stabilizing period which will begin on the Listing Date, and is expected to expire on the 30th day after the last date for lodging applications under the Hong Kong Public Offering. After this date, when no further stabilizing action may be taken, demand for the H Shares, and therefore the price of the H Shares, could fall;
- the price of the H Shares cannot be assured to stay at or above the Offer Price either during or after the stabilizing period by the taking of any stabilizing action; and
- stabilizing bids may be made or transactions effected in the course of the stabilizing action at any price at or below the Offer Price, which means that stabilizing bids may be made or transactions effected at a price below the price paid by applicants for, or investors in, the H Shares.

Our Company will procure that a public announcement in compliance with the Securities and Futures (Price Stabilizing) Rules will be made within seven days of the expiration of the stabilizing period.

Over-Allocation

Following any over-allocation of Shares in connection with the Global Offering, the Stabilizing Manager or any person acting for it may cover such over-allocations by exercising the Over-allotment Option in full or in part, making purchases in the secondary market at prices that do not exceed the Offer Price or by any combination of these means.

STRUCTURE OF THE GLOBAL OFFERING

PRICING OF THE GLOBAL OFFERING

The International Underwriters will be soliciting from prospective investors indications of interest in acquiring Offer Shares in the International Offering. Prospective professional and institutional investors will be required to specify the number of H Shares under the International Offering they would be prepared to acquire either at different prices or at a particular price. This process, known as “book-building”, is expected to continue up to, and to cease on or about, the last day for lodging applications under the Hong Kong Public Offering.

The Offer Price will be HK\$77.77 per Offer Share unless otherwise announced.

The Overall Coordinators (for themselves and on behalf of the Underwriter) may, where they deem appropriate, based on the level of interest expressed by prospective investors during the book-building process in respect of the International Offering, and with the consent of the Company, reduce the number of Offer Shares offered under the Global Offering and/or the Offer Price as stated in this prospectus at any time on or prior to the morning of the last day for lodging applications under the Hong Kong Public Offering. In such a case, we will, as soon as practicable following the decision to make such reduction, and in any event not later than the morning of the last day for lodging applications under the Hong Kong Public Offering, cause to be published on the websites of the Company and the Stock Exchange at www.forest-cabin.com and www.hkexnews.hk, respectively, an announcement to cancel and relaunch the Global Offering at the revised number of Offer Shares and/or the revised Offer Price and the requirements under Rule 11.13 of the Listing Rules (which include the issue of a supplemental prospectus or a new prospectus (as appropriate)). Upon issue of such announcement or supplemental prospectus (as appropriate), the number of Offer Shares offered in the Global Offering and/or the revised Offer Price will be final and conclusive, and the Offer Price, if agreed upon by the Overall Coordinators (for themselves and on behalf of the Underwriters) and the Company, will be fixed. The Global Offering must first be canceled and subsequently relaunched on FINI pursuant to the supplemental prospectus.

Before submitting applications for the Hong Kong Offer Shares, applicants should have regard to the possibility that any announcement or supplemental prospectus or new prospectus (as appropriate) of a reduction in the number of Offer Shares and/or the Offer Price may not be made until the day which is the last day for lodging applications under the Hong Kong Public Offering. In the absence of any such announcement or cancellation and relaunch of offer, the number of Offer Shares and/or the Offer Price will not be reduced.

STRUCTURE OF THE GLOBAL OFFERING

The Hong Kong Offer Shares and the International Offer Shares may, in certain circumstances, be reallocated as between the Hong Kong Public Offering and International Offering at the discretion of the Overall Coordinators and the Joint Sponsors.

The level of applications in the Hong Kong Public Offering, the level of indications of interest in the International Offering, the basis of allocations of the Hong Kong Offer Shares and the results of applications in the Hong Kong Public Offering are expected to be announced on Monday, December 29, 2025 through a variety of channels described in the paragraph headed “How to Apply for Hong Kong Offer Shares — B. Publication of Results” in this prospectus.

UNDERWRITING ARRANGEMENTS

The Hong Kong Public Offering is fully underwritten by the Hong Kong Underwriters under the terms of the Hong Kong Underwriting Agreement, and is conditional upon the International Underwriting Agreement being signed and becoming unconditional.

We expect that our Company will, on or about Wednesday, December 24, 2025, enter into the International Underwriting Agreement relating to the International Offering. Underwriting arrangements, the Hong Kong Underwriting Agreement and the International Underwriting Agreement are summarized in the section headed “Underwriting” in this prospectus.

CONDITIONS OF THE GLOBAL OFFERING

Acceptance of all applications for the Offer Shares will be conditional on, *inter alia*:

- the Stock Exchange granting approval for the listing of, and permission to deal in, the Shares in issue and to be issued pursuant to the Global Offering (including pursuant to the exercise of the Over-allotment Option) as mentioned in this prospectus on the Main Board of the Stock Exchange and such listing and permission not subsequently having been revoked prior to the commencement of dealings in the Shares on the Stock Exchange;
- the execution and delivery of the International Underwriting Agreement on or around the Price Determination Date;
- our Company having submitted to HKSCC all requisite documents to enable the Offer Shares to be admitted to trade on the Stock Exchange; and
- the obligations of the Underwriters under the respective Underwriting Agreements becoming and remaining unconditional (unless and to the extent such conditions are validly waived on or before such dates and times) and not having been terminated in accordance with the terms of the respective agreements,

in each case on or before the dates and times specified in the respective Underwriting Agreements (unless and to the extent such conditions are validly waived on or before such dates and times) and in any event not later than the date which is 30 days after the date of this prospectus.

STRUCTURE OF THE GLOBAL OFFERING

If the above conditions are not fulfilled or waived prior to the times and dates specified, the Global Offering will lapse and the Stock Exchange will be notified immediately. We will cause a notice of the lapse of the Hong Kong Public Offering to be published by us on the websites of our Company at www.forest-cabin.com, and the Stock Exchange at www.hkexnews.hk, respectively on the next day following such lapse. In such event, all application monies will be returned, without interest, on the terms set out in the section headed “How to Apply for Hong Kong Offer Shares” in this prospectus. In the meantime, the application monies will be held in separate bank account(s) with our Company’s receiving banker(s) or other bank(s) in Hong Kong licensed under the Banking Ordinance (Chapter 155 of the Laws of Hong Kong) (as amended).

The consummation of each of the Hong Kong Public Offering and the International Offering is conditional upon, amongst other things, the other becoming unconditional and not having been terminated in accordance with its terms.

H Share certificates for the Offer Shares are expected to be issued on Monday, December 29, 2025 but will only become valid evidence of title at 8:00 a.m. on the date of commencement of the dealings in our H Shares, which is expected to be on Tuesday, December 30, 2025, provided that (i) the Global Offering has become unconditional in all respects at or before that time and (ii) neither of the Underwriting Agreements has been terminated in accordance with its terms. Investors who trade H Shares prior to the receipt of Share certificates or prior to the Share certificates bearing valid evidence of title do so entirely at their own risk.

DEALING ARRANGEMENTS

Assuming that the Hong Kong Public Offering becomes unconditional at or before 8:00 a.m. in Hong Kong on Tuesday, December 30, 2025, it is expected that dealings in the H Shares on the Stock Exchange will commence on Tuesday, December 30, 2025. The H Shares will be traded in board lots of 50 each and the stock code will be 2657.

HOW TO APPLY FOR HONG KONG OFFER SHARES

IMPORTANT NOTICE TO INVESTORS OF HONG KONG OFFER SHARE

FULLY ELECTRONIC APPLICATION PROCESS

We have adopted a fully electronic application process for the Hong Kong Public Offering and below are the procedures for application. We will not provide any printed copies of this prospectus for use by the public.

This prospectus is available at the website of the Stock Exchange at www.hkexnews.hk under the “HKEXnews> New Listings> New Listing Information” section, and our website at www.forest-cabin.com.

The contents of this prospectus are identical to the prospectus as registered with the Registrar of Companies in Hong Kong pursuant to Section 342C of the Companies (Winding Up and Miscellaneous Provisions) Ordinance.

A. APPLICATION FOR HONG KONG OFFER SHARES

1. Who Can Apply

You can apply for Hong Kong Offer Shares if you or the person(s) for whose benefit you are applying for:

- are 18 years of age or older;
- are outside the U.S.; and
- have a Hong Kong address (*for the **HK eIPO White Form** service only*).

Unless permitted by the Listing Rules and the Guide for New Listing Applicants issued by the Stock Exchange, or any relevant waivers that have been granted by the Stock Exchange, you cannot apply for any Hong Kong Offer Shares if you or the person(s) for whose benefit you are applying for:

- are an existing Shareholder or close associates; or
- are a Director, Supervisor or any of his/her close associates.

HOW TO APPLY FOR HONG KONG OFFER SHARES

2. Application Channels

The Hong Kong Public Offering period will begin at 9:00 a.m. on Thursday, December 18, 2025 and end at 12:00 noon on Tuesday, December 23, 2025 (Hong Kong time).

To apply for Hong Kong Offer Shares, you may use one of the following application channels:

Application Channel	Platform	Target Investors	Application Time
HK eIPO White Form service	www.hkeipo.hk	Applicant who would like to receive a physical H Share certificate. Hong Kong Offer Shares successfully applied for will be allotted and issued in your own name.	From 9:00 a.m. on Thursday, December 18, 2025 to 11:30 a.m. on Tuesday, December 23, 2025. The latest time for completing full payment of application monies will be 12:00 noon on Tuesday, December 23, 2025.
HKSCC EIPO channel	Your broker or custodian who is a HKSCC Participant will submit electronic application instructions on your behalf through HKSCC's FINI system in accordance with your instruction	Applicant who would <u>not</u> like to receive a physical H Share certificate. Hong Kong Offer Shares successfully applied for will be allotted and issued in the name of HKSCC Nominees, deposited directly into CCASS and credited to your designated HKSCC Participant's stock account.	Contact your broker or custodian for the earliest and latest time for giving such instructions, as this may vary by broker or custodian .

The **HK eIPO White Form** service and the **HKSCC EIPO** channel are facilities subject to capacity limitations and potential service interruptions and you are advised not to wait until the last day of the application period to apply for Hong Kong Offer Shares.

HOW TO APPLY FOR HONG KONG OFFER SHARES

For those applying through the **HK eIPO White Form** service, once you complete payment in respect of any application instructions given by you or for your benefit through the **HK eIPO White Form** service to make an application for Hong Kong Offer Shares, an actual application shall be deemed to have been made. If you are a person for whose benefit the **electronic application instructions** are given, you shall be deemed to have declared that only one set of **electronic application instructions** has been given for your benefit. If you are an agent for another person, you shall be deemed to have declared that you have only given one set of **electronic application instructions** for the benefit of the person for whom you are an agent and that you are duly authorized to give those instructions as an agent.

For the avoidance of doubt, giving an application instruction under the **HK eIPO White Form** service more than once and obtaining different application reference numbers without effecting full payment in respect of a particular reference number will not constitute an actual application.

If you apply through the **HK eIPO White Form** service, you are deemed to have authorized the **HK eIPO White Form** Service Provider to apply on the terms and conditions in this prospectus, as supplemented and amended by the terms and conditions of the **HK eIPO White Form** service.

By instructing your **broker** or **custodian** to apply for the Hong Kong Offer Shares on your behalf through the **HKSCC EIPO** channel, you (and, if you are joint applicants, each of you jointly and severally) are deemed to have instructed and authorized HKSCC to cause HKSCC Nominees (acting as nominee for the relevant HKSCC Participants) to apply for Hong Kong Offer Shares on your behalf and to do on your behalf all the things stated in this prospectus and any supplement to it.

For those applying through **HKSCC EIPO** channel, an actual application will be deemed to have been made for any application instructions given by you or for your benefit to HKSCC (in which case an application will be made by HKSCC Nominees on your behalf) provided such application instruction has not been withdrawn or otherwise invalidated before the closing time of the Hong Kong Public Offering.

HKSCC Nominees will only be acting as a nominee for you and neither HKSCC nor HKSCC Nominees shall be liable to you or any other person in respect of any actions taken by HKSCC or HKSCC Nominees on your behalf to apply for Hong Kong Offer Shares or for any breach of the terms and conditions of this prospectus.

HOW TO APPLY FOR HONG KONG OFFER SHARES

3. Information Required to Apply

You must provide the following information with your application:

For Individual or Joint Applicants

- Full name(s)² as shown on your identity document
- Identity document's issuing country or jurisdiction
- Identity document type, with order of priority:
 - i. HKID card; or
 - ii. National identification document; or
 - iii. Passport; and
- Identity document number

For Corporate Applicants

- Full name(s)² as shown on your identity document
- Identity document's issuing country or jurisdiction
- Identity document type, with order of priority:
 - i. LEI registration document; or
 - ii. Certificate of incorporation; or
 - iii. Business registration certificate; or
 - iv. Other equivalent document; and
- Identity document number

Notes:

1. If you are applying through the **HK eIPO White Form** service, you are required to provide a valid e-mail address, a contact telephone number and a Hong Kong address. You are also required to declare that the identity information provided by you follows the requirements as described in Note 2 below. In particular, where you cannot provide a HKID number, you must confirm that you do not hold a HKID card. The number of joint applicants may not exceed four. If you are a firm, the applicant must be in the individual members' names.
2. The applicant's full name as shown on their identity document must be used and the surname, given name, middle and other names (if any) must be input in the same order as shown on the identity document. If an applicant's identity document contains both an English and Chinese name, both English and Chinese names must be used. Otherwise, either English or Chinese names will be accepted. The order of priority of the applicant's identity document type must be strictly followed and where an individual applicant has a valid HKID card (including both Hong Kong Residents and Hong Kong Permanent Residents), the HKID number must be used when making an application to subscribe for Hong Kong Offer Shares. Similarly for corporate applicants, a LEI number must be used if an entity has a LEI certificate.

HOW TO APPLY FOR HONG KONG OFFER SHARES

3. If the applicant is a trustee, the client identification data (“**CID**”) of the trustee, as set out above, will be required. If the applicant is an investment fund (i.e. a collective investment scheme, or CIS), the CID of the asset management company or the individual fund, as appropriate, which has opened a trading account with the broker will be required, as above.
4. The maximum number of joint applicants on FINI is capped at 4 in accordance with market practice. Such is subject to change, if the Company’s Articles of Association and applicable company law prescribe for a lower cap.
5. If you are applying as a nominee, you must provide: (i) the full name (as shown on the identity document), the identity document’s issuing country or jurisdiction, the identity document type; and (ii), the identity document number, for each of the beneficial owners or, in the case(s) of joint beneficial owners, for each joint beneficial owner. If you do not include this information, the application will be treated as being made for your benefit.
6. If you are applying as an unlisted company and (i) the principal business of that company is dealing in securities; and (ii) you exercise statutory control over that company, then the application will be treated as being for your benefit and you should provide the required information in your application as stated above.

“Unlisted company” means a company with no equity securities listed on the Stock Exchange or any other stock exchange.

“Statutory control” means you:

- control the composition of the board of directors of the company;
- control more than half of the voting power of the company; or
- hold more than half of the issued share capital of the company (not counting any part of it which carries no right to participate beyond a specified amount in a distribution of either profits or capital).

For those applying through **HKSCC EIPO** channel, and making an application under a power of attorney, we and the Overall Coordinators, as our agent, have discretion to consider whether to accept it on any conditions we think fit, including evidence of the attorney’s authority.

Failing to provide any required information may result in your application being rejected.

HOW TO APPLY FOR HONG KONG OFFER SHARES

4. Permitted Number of Hong Kong Offer Shares for Application

Board lot size : 50 Offer Shares

Permitted number of Hong Kong Offer Shares for application and amount payable on application/successful allotment : Hong Kong Offer Shares are available for application in specified board lot sizes only. Please refer to the amount payable associated with each specified board lot size in the table below.

The Offer Price is HK\$77.77 per Offer Share.

If you are applying through the **HKSCC EIPO** channel, your **broker** or **custodian** may require you to pre-fund your application, in such amount as determined by the **broker** or **custodian**, based on the applicable laws and regulations in Hong Kong. You are responsible for complying with any such pre-funding requirement imposed by your **broker** or **custodian** with respect to the Hong Kong Offer Shares you applied for.

By instructing your **broker** or **custodian** to apply for the Hong Kong Offer Shares on your behalf through the **HKSCC EIPO** channel, you (and, if you are joint applicants, each of you jointly and severally) are deemed to have instructed and authorized HKSCC to cause HKSCC Nominees (acting as nominee for the relevant HKSCC Participants) to arrange payment of the Offer Price, brokerage, SFC transaction levy, the Stock Exchange trading fee and the AFRC transaction levy by debiting the relevant nominee bank account at the Designated Bank for your **broker** or **custodian**.

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

HOW TO APPLY FOR HONG KONG OFFER SHARES

No. of Hong Kong Offer Shares applied for	Amount payable ⁽²⁾ on application/ successful allotment HK\$	No. of Hong Kong Offer Shares applied for	Amount payable ⁽²⁾ on application/ successful allotment HK\$	No. of Hong Kong Offer Shares applied for	Amount payable ⁽²⁾ on application/ successful allotment HK\$	No. of Hong Kong Offer Shares applied for	Amount payable ⁽²⁾ on application/ successful allotment HK\$
50	3,927.72	800	62,843.45	7,000	549,880.18	100,000	7,855,431.05
100	7,855.43	900	70,698.87	8,000	628,434.48	200,000	15,710,862.09
150	11,783.15	1,000	78,554.31	9,000	706,988.80	300,000	23,566,293.14
200	15,710.86	1,500	117,831.46	10,000	785,543.11	400,000	31,421,724.18
250	19,638.58	2,000	157,108.62	20,000	1,571,086.21	500,000	39,277,155.23
300	23,566.29	2,500	196,385.78	30,000	2,356,629.31	600,000	47,132,586.26
350	27,494.01	3,000	235,662.93	40,000	3,142,172.42	698,300 ⁽¹⁾	54,854,474.98
400	31,421.73	3,500	274,940.09	50,000	3,927,715.52		
450	35,349.44	4,000	314,217.25	60,000	4,713,258.63		
500	39,277.16	4,500	353,494.39	70,000	5,498,801.74		
600	47,132.59	5,000	392,771.55	80,000	6,284,344.83		
700	54,988.02	6,000	471,325.86	90,000	7,069,887.94		

- (1) Maximum number of Hong Kong Offer Shares you may apply for and this is approximately 50% of the Hong Kong Offer Shares initially offered.
- (2) The amount payable is inclusive of brokerage, SFC transaction levy, the Stock Exchange trading fee and AFRC transaction levy. If your application is successful, brokerage will be paid to the Exchange Participants (as defined in the Listing Rules) or to the **HK eIPO White Form** Service Provider (for applications made through the application channel of the **HK eIPO White Form** service) while the SFC transaction levy, the Stock Exchange trading fee and the AFRC transaction levy will be paid to the SFC, the Stock Exchange and the AFRC, respectively.

5. Multiple Applications Prohibited

You or your joint applicant(s) shall not make more than one application for your own benefit, except where you are a nominee and provide the information of the underlying investor in your application as required under the paragraph headed “— A. Application for Hong Kong Offer Shares — 3. Information Required to Apply” in this section. If you are suspected of submitting or cause to submit more than one application, all of your applications will be rejected.

Multiple applications made either through (i) the **HK eIPO White Form** service, (ii) **HKSCC EIPO** channel, or (iii) both channels concurrently are prohibited and will be rejected. If you have made an application through the **HK eIPO White Form** service or **HKSCC EIPO** channel, you or the person(s) for whose benefit you have made the application shall not apply further for any Offer Shares in the Global Offering.

The H Share Registrar would record all applications into its system and identify suspected multiple applications with identical names and identification document numbers according to the Best Practice Note on Treatment of Multiple/Suspected Multiple Applications (“**Best Practice Note**”) issued by the Federation of Share Registrars Limited.

HOW TO APPLY FOR HONG KONG OFFER SHARES

Since applications are subject to personal information collection statements, identification document numbers displayed are redacted.

6. Terms and Conditions of An Application

By applying for Hong Kong Offer Shares through the **HK eIPO White Form** service or **HKSCC EIPO** channel, you (or as the case may be, HKSCC Nominees will do the following things on your behalf):

- (i) **undertake** to execute all relevant documents and instruct and authorize us and/or the Overall Coordinators, as our agents, to execute any documents for you and to do on your behalf all things necessary to register any Hong Kong Offer Shares allocated to you in your name or in the name of HKSCC Nominees as required by the Articles of Association, and (if you are applying through the **HKSCC EIPO** channel) to deposit the allotted Hong Kong Offer Shares directly into CCASS for the credit of your designated HKSCC Participant's stock account on your behalf;
- (ii) **confirm** that you have read and understand the terms and conditions and application procedures set out in this prospectus and the designated website of the **HK eIPO White Form** service (or as the case may be, the agreement you entered into with your **broker** or **custodian**), and agree to be bound by them;
- (iii) (if you are applying through the **HKSCC EIPO** channel) **agree** to the arrangements, undertakings and warranties under the participant agreement between your **broker** or **custodian** and HKSCC and observe the General Rules of HKSCC and the HKSCC Operational Procedures for giving application instructions to apply for Hong Kong Offer Shares;
- (iv) **confirm** that you are aware of the restrictions on offers and sales of shares set out in this prospectus and they do not apply to you, or the person(s) for whose benefit you have made the application;
- (v) **confirm** that you have read this prospectus and any supplement to it and have relied only on the information and representations contained therein in making your application (or as the case may be, causing your application to be made) and will not rely on any other information or representations;
- (vi) **agree** that the Company, the Joint Sponsors, the Overall Coordinators, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Underwriters, the Capital Market Intermediaries, any of their or the Company's respective directors, officers, employees, partners, agents, advisors and any other parties involved in the Global Offering (the "**Relevant Persons**"), the H Share Registrar and HKSCC will not be liable for any information and representations not in this prospectus and any supplement to it;

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- (vii) **agree** to disclose the details of your application and your personal data and any other personal data which may be required about you and the person(s) for whose benefit you have made the application to us, the Relevant Persons, the H Share Registrar, HKSCC, HKSCC Nominees, the Stock Exchange, the SFC and any other statutory regulatory or governmental bodies or otherwise as required by laws, rules or regulations, for the purposes under the paragraph headed “— G. Personal Data — 3. Purposes and 4. Transfer of personal data” in this section;
- (viii) **agree** (without prejudice to any other rights which you may have once your application (or as the case may be, HKSCC Nominees’ application) has been accepted) that you will not rescind it because of an innocent misrepresentation;
- (ix) **agree** that subject to Section 44A(6) of the Companies (Winding Up and Miscellaneous Provisions) Ordinance, any application made by you or HKSCC Nominees on your behalf cannot be revoked once it is accepted, which will be evidenced by the notification of the result of the ballot by the H Share Registrar by way of publication of the results at the time and in the manner as specified in the paragraph headed “— B. Publication of Results” in this section;
- (x) **confirm** that you are aware of the situations specified in the paragraph headed “— C. Circumstances In Which You Will Not Be Allocated Hong Kong Offer Shares” in this section;
- (xi) **agree** that your application or HKSCC Nominees’ application, any acceptance of it and the resulting contract will be governed by and construed in accordance with the laws of Hong Kong;
- (xii) **agree** to comply with the Companies Ordinance, the Companies (Winding Up and Miscellaneous Provisions) Ordinance, the Articles of Association and laws of any place outside Hong Kong that apply to your application and that neither we nor the Relevant Persons will breach any law inside and/or outside Hong Kong as a result of the acceptance of your offer to purchase, or any action arising from your rights and obligations under the terms and conditions contained in this prospectus;

HOW TO APPLY FOR HONG KONG OFFER SHARES

- (xiii) **confirm** that (a) your application or HKSCC Nominees' application on your behalf is not financed directly or indirectly by the Company, any of the directors, supervisors, chief executives, substantial Shareholder(s) or existing shareholder(s) of the Company or any of its subsidiaries or any of their respective close associates; and (b) you are not accustomed or will not be accustomed to taking instructions from the Company, any of the directors, supervisors, chief executives, substantial shareholder(s) or existing shareholder(s) of the Company or any of its subsidiaries or any of their respective close associates in relation to the acquisition, disposal, voting or other disposition of the H Shares registered in your name or otherwise held by you;
- (xiv) **warrant** that the information you have provided is true and accurate;
- (xv) **confirm** that you understand that we and the Overall Coordinators will rely on your declarations and representations in deciding whether or not to allocate any Hong Kong Offer Shares to you and that you may be prosecuted for making a false declaration;
- (xvi) **agree** to accept Hong Kong Offer Shares applied for or any lesser number allocated to you under the application;
- (xvii) **declare** and **represent** that this is the only application made and the only application intended by you to be made to benefit you or the person for whose benefit you are applying;
- (xviii) (if the application is made for your own benefit) **warrant** that no other application has been or will be made for your benefit by giving **electronic application instructions** to HKSCC directly or indirectly or through the application channel of the **HK eIPO White Form** service or by any one as your agent or by any other person; and
- (xix) (if you are making the application as an agent for the benefit of another person) warrant that (1) no other application has been or will be made by you as agent for or for the benefit of that person or by that person or by any other person as agent for that person by giving **electronic application instructions** to HKSCC or to the **HK eIPO White Form** Service Provider and (2) you have due authority to give **electronic application instructions** on behalf of that other person as its agent.

HOW TO APPLY FOR HONG KONG OFFER SHARES

B. PUBLICATION OF RESULTS

Results of Allocation

You can check whether you are successfully allocated any Hong Kong Offer Shares through:

Platform	Date/Time	
Applying through the HK eIPO White Form service or HKSCC EIPO channel:		
Website	<p>From the “Allotment Results” page at www.hkeipo.hk/IPOResult (or www.tricor.com.hk/ipo/result) with a “search by ID” function.</p> <p>The full list of (i) wholly or partially successful applicants using the HK eIPO White Form service and HKSCC EIPO channel, and (ii) the number of Hong Kong Offer Shares conditionally allotted to them, among other things, will be displayed at www.hkeipo.hk/IPOResult or www.tricor.com.hk/ipo/result</p> <p>The Stock Exchange’s website at www.hkexnews.hk and our website at www.forest-cabin.com which will provide links to the above mentioned websites of the H Share Registrar</p>	<p>24 hours, from 11:00 p.m. on Monday, December 29, 2025 to 12:00 midnight on Sunday, January 4, 2026 (Hong Kong time)</p> <p>No later than 11:00 p.m. on Monday, December 29, 2025 (Hong Kong time)</p>
Telephone	+852 3691 8488 — the allocation results telephone enquiry line provided by the H Share Registrar	between 9:00 a.m. and 6:00 p.m., from Tuesday, December 30, 2025 to Monday, January 5, 2026 on a Business Day (Hong Kong time)

For those applying through **HKSCC EIPO** channel, you may also check with your **broker** or **custodian** from 6:00 p.m. on Wednesday, December 24, 2025 (Hong Kong time).

HKSCC Participants can log into FINI and review the allotment result from 6:00 p.m. on Wednesday, December 24, 2025 (Hong Kong time) on a 24-hour basis and should report any discrepancies on allotments to HKSCC as soon as practicable.

HOW TO APPLY FOR HONG KONG OFFER SHARES

Allocation Announcement

We expect to announce the results of the level of indications of interest in the International Offering, the level of applications in the Hong Kong Public Offering and the basis of allocations of Hong Kong Offer Shares on the Stock Exchange's website at www.hkexnews.hk and our website at www.forest-cabin.com by no later than 11:00 p.m. on Monday, December 29, 2025 (Hong Kong time).

C. CIRCUMSTANCES IN WHICH YOU WILL NOT BE ALLOCATED HONG KONG OFFER SHARES

You should note the following situations in which Hong Kong Offer Shares will not be allocated to you or the person(s) for whose benefit you are applying for:

1. If your application is revoked:

Your application or the application made by HKSCC Nominees on your behalf may be revoked pursuant to Section 44A(6) of the Companies (Winding Up and Miscellaneous Provisions) Ordinance.

2. If we or our agents exercise our discretion to reject your application:

We, the Overall Coordinators, the H Share Registrar and their respective agents and nominees have full discretion to reject or accept any application, or to accept only part of any application, without giving any reasons.

3. If the allocation of Hong Kong Offer Shares is void:

The allocation of Hong Kong Offer Shares will be void if the Stock Exchange does not grant permission to list the Shares either:

- within three weeks from the closing date of the application lists; or
- within a longer period of up to six weeks if the Stock Exchange notifies us of that longer period within three weeks of the closing date of the application lists.

4. If:

- you make multiple applications or suspected multiple applications. You may refer to the paragraph headed “— A. Application for Hong Kong Offer Shares — 5. Multiple Applications Prohibited” in this section on what constitutes multiple applications;
- your **application instruction** is incomplete;
- your payment (or confirmation of funds, as the case may be) is not made correctly;
- the Underwriting Agreements do not become unconditional or are terminated;

HOW TO APPLY FOR HONG KONG OFFER SHARES

- we or the Overall Coordinators believe that by accepting your application, it or we would violate applicable securities or other laws, rules or regulations.

5. If there is money settlement failure for allotted H Shares:

Based on the arrangements between HKSCC Participants and HKSCC, HKSCC Participants will be required to hold sufficient application funds on deposit with their Designated Bank before balloting. After balloting of Hong Kong Offer Shares, the Receiving Bank will collect the portion of these funds required to settle each HKSCC Participant's actual Hong Kong Offer Share allotment from their Designated Bank.

There is a risk of money settlement failure. In the extreme event of money settlement failure by a HKSCC Participant (or its Designated Bank), who is acting on your behalf in settling payment for your allotted H shares, HKSCC will contact the defaulting HKSCC Participant and its Designated Bank to determine the cause of failure and request such defaulting HKSCC Participant to rectify or procure to rectify the failure.

However, if it is determined that such settlement obligation cannot be met, the affected Hong Kong Offer Shares will be reallocated to the International Offering. Hong Kong Offer Shares applied for by you through the **broker** or **custodian** may be affected to the extent of the settlement failure. In the extreme case, you will not be allocated any Hong Kong Offer Shares due to the money settlement failure by such HKSCC Participant. None of us, the Relevant Persons, the H Share Registrar and HKSCC is or will be liable if Hong Kong Offer Shares are not allocated to you due to the money settlement failure.

D. DESPATCH/COLLECTION OF H SHARE CERTIFICATES AND REFUND OF APPLICATION MONIES

You will receive one H Share certificate for all Hong Kong Offer Shares allotted to you under the Hong Kong Public Offering (except pursuant to applications made through the **HKSCC EIPO** channel where the H Share certificates will be deposited into CCASS as described below).

No temporary document of title will be issued in respect of the H Shares. No receipt will be issued for sums paid on application.

H Share certificates will only become valid evidence of title at 8:00 a.m. on Tuesday, December 30, 2025 (Hong Kong time), provided that the Global Offering has become unconditional and the right of termination described in the section headed "Underwriting" has not been exercised. Investors who trade H Shares prior to the receipt of H Share certificates or the H Share certificates becoming valid do so entirely at their own risk.

The right is reserved to retain any H Share certificate(s) and (if applicable) any surplus application monies pending clearance of application monies.

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The following sets out the relevant procedures and time:

	HK eIPO White Form service	HKSCC EIPO channel
Despatch/collection of H Share certificate¹		
For application of 500,000 or more Hong Kong Offer Shares	Collection in person from the H Share Registrar, Tricor Investor Services Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong	H Share certificate(s) will be issued in the name of HKSCC Nominees, deposited into CCASS and credited to your designated HKSCC Participant's stock account
	Time: from 9:00 a.m. to 1:00 p.m. on Tuesday, December 30, 2025 (Hong Kong time)	No action by you is required
	If you are an individual, you must not authorize any other person to collect for you. If you are a corporate applicant, your authorized representative must bear a letter of authorization from your corporation stamped with your corporation's chop.	
	Both individuals and authorized representatives must produce, at the time of collection, evidence of identity acceptable to the H Share Registrar.	
	Note: If you do not collect your H Share certificate(s) personally within the time above, it/they will be sent to the address specified in your application instructions by ordinary post at your own risk.	

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	HK eIPO White Form service	HKSCC EIPO channel
For application of less than 500,000 Hong Kong Offer Shares	Your H Share certificate(s) will be sent to the address specified in your application instructions by ordinary post on Monday, December 29, 2025 at your own risk.	
Refund mechanism for surplus application monies paid by you		
Date	Tuesday, December 30, 2025	Subject to the arrangement between you and your broker or custodian .
Responsible party	H Share Registrar	Your broker or custodian
Application monies paid through single bank account	HK eIPO White Form e-Auto Refund payment instructions to your designated bank account.	Your broker or custodian will arrange refund to your designated bank account subject to the arrangement between you and it.
Application monies paid through multiple bank accounts	Refund cheque(s) will be despatched to the address as specified in your application instructions by ordinary post at your own risk.	

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- Except in the event of any Severe Weather Signals (defined below) in force in Hong Kong in the morning on Monday, December 29, 2025 rendering it impossible for the relevant H Share certificates to be dispatched to HKSCC in a timely manner, the Company shall procure the H Share Registrar to arrange for delivery of the supporting documents and H Share certificates in accordance with the contingency arrangements as agreed between them. You may see “— E. Severe Weather Arrangements” in this section.

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E. SEVERE WEATHER ARRANGEMENTS

The Opening and Closing of the Application Lists

The application lists will not open or close on Tuesday, December 23, 2025 if, there is/are:

- a tropical cyclone warning signal number 8 or above;
- a “black” rainstorm warning; and/or
- Extreme Conditions,

(collectively, “**Severe Weather Signals**”),

in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon on Tuesday, December 23, 2025.

Instead they will open between 11:45 a.m. and 12:00 noon and/or close at 12:00 noon on the next Business Day which does not have **Severe Weather Signals** in force at any time between 9:00 a.m. and 12:00 noon.

Prospective investors should be aware that a postponement of the opening/closing of the application lists may result in a delay in the listing date. Should there be any changes to the dates mentioned in the section headed “Expected Timetable” in this prospectus, an announcement will be made and published on the Stock Exchange’s website at www.hkexnews.hk and our website at www.forest-cabin.com of the revised timetable.

If a **Severe Weather Signal** is hoisted on Monday, December 29, 2025, the H Share Registrar will make appropriate arrangements for the delivery of the H Share certificates to the CCASS Depository’s service counter so that they would be available for trading on Tuesday, December 30, 2025.

If a **Severe Weather Signal** is hoisted on Monday, December 29, 2025, for application of less than 500,000 Hong Kong Offer Shares, the despatch of physical H Share certificate(s) will be made by ordinary post when the post office re-opens after the Severe Weather Signal is lowered or canceled (e.g. in the afternoon of Monday, December 29, 2025 or on Tuesday, December 30, 2025).

If a **Severe Weather Signal** is hoisted on Tuesday, December 30, 2025, for application of 500,000 Hong Kong Offer Shares or more, physical H Share certificate(s) will be available for collection in person at the H Share Registrar’s office after the Severe Weather Signal is lowered or canceled (e.g. in the afternoon of Tuesday, December 30, 2025 or on Wednesday, December 31, 2025).

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Prospective investors should be aware that if they choose to receive physical H Share certificates issued in their own name, there may be a delay in receiving the H Share certificates.

F. ADMISSION OF THE H SHARES INTO CCASS

If the Stock Exchange grants the listing of, and permission to deal in, the H Shares on the Stock Exchange and we comply with the stock admission requirements of HKSCC, the H Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the date of commencement of dealings in the H Shares or any other date HKSCC chooses. Settlement of transactions between Exchange Participants is required to take place in CCASS on the second settlement day after any trading day.

All activities under CCASS are subject to the General Rules of HKSCC and HKSCC Operational Procedures in effect from time to time.

All necessary arrangements have been made enabling the H Shares to be admitted into CCASS.

You should seek the advice of your broker or other professional advisor for details of the settlement arrangement as such arrangements may affect your rights and interests.

G. PERSONAL DATA

The following Personal Information Collection Statement applies to any personal data collected and held by the Company, the H Share Registrar, the receiving bank and the Relevant Persons about you in the same way as it applies to personal data about applicants other than HKSCC Nominees. This personal data may include client identifier(s) and your identification information. By giving application instructions to HKSCC, you acknowledge that you have read, understood and agree to all of the terms of the Personal Information Collection Statement below.

1. Personal Information Collection Statement

This Personal Information Collection Statement informs the applicant for, and holder of, Hong Kong Offer Shares, of the policies and practices of the Company and the H Share Registrar in relation to personal data and the Personal Data (Privacy) Ordinance (Chapter 486 of the Laws of Hong Kong).

2. Reasons for the collection of your personal data

It is necessary for applicants and registered holders of Hong Kong Offer Shares to ensure that personal data supplied to the Company or its agents and the H Share Registrar is accurate and up-to-date when applying for Hong Kong Offer Shares or transferring Hong Kong Offer Shares into or out of their names or in procuring the services of the H Share Registrar.

HOW TO APPLY FOR HONG KONG OFFER SHARES

Failure to supply the requested data or supplying inaccurate data may result in your application for Hong Kong Offer Shares being rejected, or in the delay or the inability of the Company or the H Share Registrar to effect transfers or otherwise render their services. It may also prevent or delay registration or transfers of Hong Kong Offer Shares which you have successfully applied for and/or the despatch of H Share certificate(s) to which you are entitled.

It is important that applicants for and holders of Hong Kong Offer Shares inform the Company and the H Share Registrar immediately of any inaccuracies in the personal data supplied.

3. Purposes

Your personal data may be used, held, processed, and/or stored (by whatever means) for the following purposes:

- processing your application and refund cheque and **HK eIPO White Form** e-Auto Refund payment instruction(s), where applicable, verification of compliance with the terms and application procedures set out in this prospectus and announcing results of allocation of Hong Kong Offer Shares;
- compliance with applicable laws and regulations in Hong Kong and elsewhere;
- registering new issues or transfers into or out of the names of the holders of the H Shares including, where applicable, HKSCC Nominees;
- maintaining or updating the register of members of the Company;
- verifying identities of applicants for and holders of the H Shares and identifying any duplicate applications for the H Shares;
- facilitating Hong Kong Offer Shares balloting;
- establishing benefit entitlements of holders of the H Shares, such as dividends, rights issues, bonus issues, etc.;
- distributing communications from the Company and its subsidiaries;
- compiling statistical information and profiles of the holder of the H Shares;
- disclosing relevant information to facilitate claims on entitlements; and
- any other incidental or associated purposes relating to the above and/or to enable the Company and the H Share Registrar to discharge their obligations to applicants and holders of the H Shares and/or regulators and/or any other purposes to which applicants and holders of the H Shares may from time to time agree.

HOW TO APPLY FOR HONG KONG OFFER SHARES

4. Transfer of personal data

Personal data held by the Company and the H Share Registrar relating to the applicants for and holders of Hong Kong Offer Shares will be kept confidential but the Company and the H Share Registrar may, to the extent necessary for achieving any of the above purposes, disclose, obtain or transfer (whether within or outside Hong Kong) the personal data to, from or with any of the following:

- the Company's appointed agents such as financial advisors, receiving bank and overseas principal share registrar;
- HKSCC or HKSCC Nominees, who will use the personal data and may transfer the personal data to the H Share Registrar, in each case for the purposes of providing its services or facilities or performing its functions in accordance with its rules or procedures and operating FINI and CCASS (including where applicants for the Hong Kong Offer Shares request a deposit into CCASS);
- any agents, contractors or third-party service providers who offer administrative, telecommunications, computer, payment or other services to the Company or the H Share Registrar in connection with their respective business operation;
- the Stock Exchange, the SFC and any other statutory regulatory or governmental bodies or otherwise as required by laws, rules or regulations, including for the purpose of the Stock Exchange's administration of the Listing Rules and the SFC's performance of its statutory functions; and
- any persons or institutions with which the holders of Hong Kong Offer Shares have or propose to have dealings, such as their bankers, solicitors, accountants or brokers etc.

5. Retention of personal data

The Company and the H Share Registrar will keep the personal data of the applicants and holders of Hong Kong Offer Shares for as long as necessary to fulfill the purposes for which the personal data were collected. Personal data which is no longer required will be destroyed or dealt with in accordance with the Personal Data (Privacy) Ordinance (Chapter 486 of the Laws of Hong Kong).

HOW TO APPLY FOR HONG KONG OFFER SHARES

6. Access to and correction of personal data

Applicants for and holders of Hong Kong Offer Shares have the right to ascertain whether the Company or the H Share Registrar hold their personal data, to obtain a copy of that data, and to correct any data that is inaccurate. The Company and the H Share Registrar have the right to charge a reasonable fee for the processing of such requests. All requests for access to data or correction of data should be addressed to the Company and the H Share Registrar, at their registered address disclosed in the section headed “Corporate Information” in this prospectus or as notified from time to time, for the attention of the company secretary, or the H Share Registrar for the attention of the privacy compliance officer.

The following is the text of a report, prepared for inclusion in this prospectus, received from the independent reporting accountants of the Company, Ernst & Young, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this document.



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ACCOUNTANTS' REPORT ON HISTORICAL FINANCIAL INFORMATION TO THE DIRECTORS OF SHANGHAI FOREST CABIN COSMETICS GROUP CO., LTD., CITIC SECURITIES (HONG KONG) LIMITED AND HUATAI FINANCIAL HOLDINGS (HONG KONG) LIMITED

Introduction

We report on the historical financial information of Shanghai Forest Cabin Cosmetics Group Co., Ltd. (the “**Company**”) and its subsidiaries (together, the “**Group**”) set out on pages I-4 to I-90, which comprises the consolidated statements of profit or loss and other comprehensive income, statements of changes in equity and statements of cash flows of the Group for each of the years ended 31 December 2022, 2023 and 2024 and the six months ended 30 June 2025 (the “**Relevant Periods**”), and the consolidated statements of financial position of the Group and the statements of financial position of the Company as at 31 December 2022, 2023 and 2024 and 30 June 2025 and material accounting policy information and other explanatory information (together, the “**Historical Financial Information**”). The Historical Financial Information set out on pages I-4 to I-90 forms an integral part of this report, which has been prepared for inclusion in the prospectus of the Company dated 18 December 2025 (the “**Prospectus**”) in connection with the initial listing of the shares of the Company on the Main Board of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”).

Directors' responsibility for the Historical Financial Information

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

Reporting accountants' responsibility

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

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

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

Opinion

In our opinion, the Historical Financial Information gives, for the purposes of the accountants' report, a true and fair view of the financial position of the Group and the Company as at 31 December 2022, 2023 and 2024 and 30 June 2025 and of the financial performance and cash flows of the Group for each of the Relevant Periods in accordance with the basis of preparation set out in note 2.1 to the Historical Financial Information.

Review of interim comparative financial information

We have reviewed the interim comparative financial information of the Group which comprises the consolidated statement of profit or loss, statement of comprehensive income, statement of changes in equity and statement of cash flows for the six months ended 30 June 2024 and other explanatory information (the "**Interim Comparative Financial Information**"). The directors of the Company are responsible for the preparation of the Interim Comparative Financial Information in accordance with the basis of preparation set out in note 2.1 to the Historical Financial Information. Our responsibility is to express a conclusion on the Interim Comparative Financial Information based on our review. We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410 *Review of Interim Financial Information Performed by the Independent Auditor of the Entity* issued by the HKICPA. A review consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion. Based on our review, nothing has come to our attention that causes us to believe that the Interim Comparative Financial Information, for the purposes of the accountants' report, is not prepared, in all material respects, in accordance with the basis of preparation set out in note 2.1 to the Historical Financial Information.

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

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

Dividends

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

Ernst&Young*Certified Public Accountants*

Hong Kong

18 December 2025

I. HISTORICAL FINANCIAL INFORMATION**Preparation of Historical Financial Information**

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

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

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

**CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER
COMPREHENSIVE INCOME**

	<i>Notes</i>	Year ended 31 December			Six months ended 30 June	
		2022	2023	2024	2024	2025
		<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
					<i>(Unaudited)</i>	
REVENUE	5	691,150	805,004	1,209,641	530,448	1,051,768
Cost of sales		<u>(152,073)</u>	<u>(151,141)</u>	<u>(211,985)</u>	<u>(96,115)</u>	<u>(185,562)</u>
Gross profit		539,077	653,863	997,656	434,333	866,206
Other income and gains	6	14,433	18,402	20,500	4,957	9,704
Selling and distribution expenses		(509,042)	(485,521)	(688,476)	(290,079)	(580,607)
Administrative expenses		(56,408)	(62,431)	(77,761)	(31,730)	(61,093)
Research and development costs		(21,120)	(19,745)	(30,404)	(13,114)	(18,032)
Other expenses		(1,504)	(1,020)	(1,295)	(656)	(992)
Finance costs	8	(2,011)	(1,421)	(2,479)	(756)	(2,616)
Reversal of impairment losses/(impairment losses) on financial assets		<u>189</u>	<u>(2,465)</u>	<u>552</u>	<u>856</u>	<u>135</u>
(LOSS)/PROFIT BEFORE TAX	7	(36,386)	99,662	218,293	103,811	212,705
Income tax credit/(expense)	11	<u>30,455</u>	<u>(15,144)</u>	<u>(31,460)</u>	<u>(17,158)</u>	<u>(30,856)</u>
(LOSS)/PROFIT AND TOTAL COMPREHENSIVE (LOSS)/INCOME FOR THE YEAR/PERIOD		<u><u>(5,931)</u></u>	<u><u>84,518</u></u>	<u><u>186,833</u></u>	<u><u>86,653</u></u>	<u><u>181,849</u></u>
Attributable to:						
Owners of the parent		(5,871)	84,518	186,833	86,653	181,849
Non-controlling interests		<u>(60)</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
		<u><u>(5,931)</u></u>	<u><u>84,518</u></u>	<u><u>186,833</u></u>	<u><u>86,653</u></u>	<u><u>181,849</u></u>
(LOSSES)/EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT						
Basic and diluted (<i>RMB</i>)	13	<u><u>(0.23)</u></u>	<u><u>3.36</u></u>	<u><u>7.43</u></u>	<u><u>3.45</u></u>	<u><u>7.23</u></u>

For the details of Pre-IPO Investments, please refer to Note 29 to this report.

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

		As at 31 December			As at
	Notes	2022	2023	2024	30 June
		RMB'000	RMB'000	RMB'000	2025
					RMB'000
NON-CURRENT ASSETS					
Property, plant and equipment	14	47,929	174,542	229,077	240,164
Right-of-use assets	16(a)	62,366	64,223	70,065	89,982
Other intangible assets	17	8,837	7,832	7,652	7,590
Deferred tax assets	28	55,637	53,907	72,166	96,872
Other non-current assets	18	30,220	8,859	897	1,229
Total non-current assets		<u>204,989</u>	<u>309,363</u>	<u>379,857</u>	<u>435,837</u>
CURRENT ASSETS					
Inventories	19	70,468	55,083	141,239	245,744
Trade receivables	20	21,228	34,449	45,903	48,790
Prepayments, other receivables and other assets	21	40,032	42,993	64,602	95,986
Financial assets at fair value through profit or loss	22	4,506	–	–	–
Restricted cash	23	83	11,135	2,031	11,441
Cash and cash equivalents	23	<u>203,121</u>	<u>285,729</u>	<u>440,322</u>	<u>401,461</u>
Total current assets		<u>339,438</u>	<u>429,389</u>	<u>694,097</u>	<u>803,422</u>
CURRENT LIABILITIES					
Trade and bills payables	24	26,367	43,946	106,014	81,188
Other payables and accruals	25	72,912	120,064	168,737	151,432
Contract liabilities	26	15,562	22,441	26,254	23,782
Interest-bearing bank borrowings	27	–	–	–	15,657
Lease liabilities	16(b)	36,504	32,276	37,765	41,403
Tax payable		<u>6,734</u>	<u>12,083</u>	<u>32,050</u>	<u>32,266</u>
Total current liabilities		<u>158,079</u>	<u>230,810</u>	<u>370,820</u>	<u>345,728</u>
NET CURRENT ASSETS		<u>181,359</u>	<u>198,579</u>	<u>323,277</u>	<u>457,694</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>386,348</u>	<u>507,942</u>	<u>703,134</u>	<u>893,531</u>

		As at 31 December			As at 30 June
	Notes	2022	2023	2024	2025
		RMB'000	RMB'000	RMB'000	RMB'000
NON-CURRENT LIABILITIES					
Interest-bearing bank borrowings	27	–	26,969	77,955	62,226
Lease liabilities	16(b)	4,690	10,857	13,105	29,617
Deferred tax liabilities	28	–	–	–	2,045
Total non-current liabilities		<u>4,690</u>	<u>37,826</u>	<u>91,060</u>	<u>93,888</u>
NET ASSETS					
		<u>381,658</u>	<u>470,116</u>	<u>612,074</u>	<u>799,643</u>
EQUITY					
Equity attributable to owners of the parent					
Paid-in capital/share capital	29	25,140	25,140	25,140	25,140
Reserves	31	<u>356,518</u>	<u>444,976</u>	<u>586,934</u>	<u>774,503</u>
Total equity		<u>381,658</u>	<u>470,116</u>	<u>612,074</u>	<u>799,643</u>

For the details of Pre-IPO Investments, please refer to Note 29 to this report.

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

Year ended 31 December 2022

	Attributable to owners of the parent						Non-controlling interests	Total equity
	Paid-in capital	Capital reserve*	Statutory reserve*	Equity-settled share-based payment reserve*	Retained profits*	Total		
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
	<i>(Note 29)</i>	<i>(Note 31)</i>	<i>(Note 31)</i>	<i>(Note 31)</i>				
As at 1 January 2022	25,140	326,183	12,570	5,443	15,946	385,282	172	385,454
Loss for the year	—	—	—	—	(5,871)	(5,871)	(60)	(5,931)
Total comprehensive loss for the year	—	—	—	—	(5,871)	(5,871)	(60)	(5,931)
Acquisition of non-controlling interests	—	(29)	—	—	—	(29)	(112)	(141)
Equity-settled share-based payment arrangements <i>(Note 30)</i>	—	—	—	2,276	—	2,276	—	2,276
As at 31 December 2022	<u>25,140</u>	<u>326,154</u>	<u>12,570</u>	<u>7,719</u>	<u>10,075</u>	<u>381,658</u>	<u>—</u>	<u>381,658</u>

Year ended 31 December 2023

	Paid-in capital <i>RMB'000</i> <i>(Note 29)</i>	Capital reserve* <i>RMB'000</i> <i>(Note 31)</i>	Statutory reserve* <i>RMB'000</i> <i>(Note 31)</i>	Equity-settled share-based payment reserve* <i>RMB'000</i> <i>(Note 31)</i>	Retained profits* <i>RMB'000</i>	Total equity <i>RMB'000</i>
As at 1 January 2023	25,140	326,154	12,570	7,719	10,075	381,658
Profit for the year	—	—	—	—	84,518	84,518
Total comprehensive income for the year	—	—	—	—	84,518	84,518
Equity-settled share-based payment arrangements <i>(Note 30)</i>	—	—	—	3,940	—	3,940
As at 31 December 2023	<u>25,140</u>	<u>326,154</u>	<u>12,570</u>	<u>11,659</u>	<u>94,593</u>	<u>470,116</u>

Year ended 31 December 2024

	Paid-in capital/Share capital <i>RMB'000</i> <i>(Note 29)</i>	Capital reserve* <i>RMB'000</i> <i>(Note 31)</i>	Statutory reserve* <i>RMB'000</i> <i>(Note 31)</i>	Equity-settled share-based payment reserve* <i>RMB'000</i> <i>(Note 31)</i>	Retained profits* <i>RMB'000</i>	Total equity <i>RMB'000</i>
As at 1 January 2024	25,140	326,154	12,570	11,659	94,593	470,116
Profit for the year	—	—	—	—	186,833	186,833
Total comprehensive income for the year	—	—	—	—	186,833	186,833
Equity-settled share-based payment arrangements <i>(Note 30)</i>	—	—	—	5,125	—	5,125
Dividends paid to shareholders <i>(Note 12)</i>	—	—	—	—	(50,000)	(50,000)
Conversion into a joint stock company <i>(Note 29)</i>	—	372,671	(12,570)	(13,770)	(346,331)	—
Transfer from retained profits	—	—	11,129	—	(11,129)	—
As at 31 December 2024	<u>25,140</u>	<u>698,825</u>	<u>11,129</u>	<u>3,014</u>	<u>(126,034)</u>	<u>612,074</u>

Six months ended 30 June 2024

	Paid-in capital/Share capital <i>RMB'000</i>	Capital reserve <i>RMB'000</i> (<i>Note 31</i>)	Statutory reserve <i>RMB'000</i> (<i>Note 31</i>)	Equity-settled share-based payment reserve <i>RMB'000</i> (<i>Note 31</i>)	Retained profits <i>RMB'000</i>	Total equity <i>RMB'000</i>
As at 1 January 2024	25,140	326,154	12,570	11,659	94,593	470,116
Profit for the period (Unaudited)	—	—	—	—	86,653	86,653
Total comprehensive income for the period (Unaudited)	—	—	—	—	86,653	86,653
Equity-settled share-based payment arrangements (Unaudited) (<i>Note 30</i>)	—	—	—	3,021	—	3,021
Dividends paid to shareholders (Unaudited) (<i>Note 12</i>)	—	—	—	—	(50,000)	(50,000)
As at 30 June 2024 (Unaudited)	<u>25,140</u>	<u>326,154</u>	<u>12,570</u>	<u>14,680</u>	<u>131,246</u>	<u>509,790</u>

Six months ended 30 June 2025

	Share capital <i>RMB'000</i> (<i>Note 29</i>)	Capital reserve* <i>RMB'000</i> (<i>Note 31</i>)	Statutory reserve* <i>RMB'000</i> (<i>Note 31</i>)	Equity-settled share-based payment reserve* <i>RMB'000</i> (<i>Note 31</i>)	Retained profits* <i>RMB'000</i>	Total equity <i>RMB'000</i>
As at 1 January 2025	25,140	698,825	11,129	3,014	(126,034)	612,074
Profit for the period	—	—	—	—	181,849	181,849
Total comprehensive income for the period	—	—	—	—	181,849	181,849
Equity-settled share-based payment arrangements (<i>Note 30</i>)	—	—	—	5,720	—	5,720
As at 30 June 2025	<u>25,140</u>	<u>698,825</u>	<u>11,129</u>	<u>8,734</u>	<u>55,815</u>	<u>799,643</u>

* These reserve accounts comprise the consolidated reserves of RMB356,518,000, RMB444,976,000, RMB586,934,000 and RMB774,503,000 in the consolidated statements of financial position as at 31 December 2022, 2023, 2024 and 30 June 2025, respectively.

CONSOLIDATED STATEMENTS OF CASH FLOWS

		Year ended 31 December			Six months ended 30 June	
	Notes	2022	2023	2024	2024	2025
		RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
					(Unaudited)	
CASH FLOWS FROM OPERATING ACTIVITIES						
(Loss)/profit before tax:		(36,386)	99,662	218,293	103,811	212,705
Adjustments for:						
Finance costs	8	2,011	1,421	2,479	756	2,616
(Gain)/loss on disposal of items of property, plant and equipment	7	(120)	(485)	157	157	(7)
Loss/(gain) on early termination of leases	7	227	36	(27)	(88)	(403)
Investment income from financial assets at fair value through profit or loss	6	(3,224)	(393)	(826)	(346)	(640)
Depreciation of property, plant and equipment	7	20,282	17,068	14,322	6,618	15,910
Depreciation of right-of-use assets	7	66,382	61,126	60,510	28,345	33,070
Amortisation of other intangible assets	7	1,688	1,674	1,666	812	885
Write-down/(reversal of write-down) of inventories	7	141	358	715	(35)	(900)
(Reversal of impairment losses)/impairment losses on financial assets	7	(189)	2,465	(552)	(856)	(135)
Equity-settled share-based payment expenses	7	2,276	3,940	5,125	3,021	5,720
Foreign exchange differences, net	7	(908)	(182)	(163)	(294)	47
		52,180	186,690	301,699	141,901	268,868

	Year ended 31 December			Six months ended 30 June	
	2022	2023	2024	2024	2025
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				(Unaudited)	
(Increase)/decrease in inventories	(19,055)	15,027	(86,871)	(45,556)	(103,605)
Decrease/(increase) in trade receivables	12,714	(15,368)	(10,914)	(3,000)	(2,761)
(Increase)/decrease in restricted cash	(83)	(11,052)	9,104	10,925	(9,410)
Decrease/(increase) in prepayments, other receivables and other assets	4,208	(1,242)	(18,913)	(6,042)	(31,375)
Increase/(decrease) in trade and bills payables	760	17,579	62,068	17,860	(24,826)
Increase/(decrease) in other payables and accruals	19,856	17,405	78,955	14,692	(3,247)
(Decrease)/increase in contract liabilities	(4,659)	6,879	3,813	(3,452)	(2,472)
Cash generated from operations	65,921	215,918	338,941	127,328	91,172
Income tax paid	(647)	(10,102)	(32,436)	(20,470)	(53,301)
Net cash flows from operating activities	65,274	205,816	306,505	106,858	37,871
CASH FLOWS FROM INVESTING ACTIVITIES					
Purchases of items of property, plant and equipment	(83,901)	(91,587)	(89,569)	(57,643)	(39,911)
Proceeds from disposal of items of property, plant and equipment	306	571	899	881	11
Purchases of other intangible assets	(588)	(638)	(741)	(574)	(823)
Purchases of financial assets at fair value through profit or loss	(614,000)	(70,000)	(160,000)	(140,000)	(200,000)
Proceeds from disposal of financial assets at fair value through profit or loss	856,740	74,899	160,826	70,346	200,640
Net cash flows from/(used in) investing activities	158,557	(86,755)	(88,585)	(126,990)	(40,083)

	<i>Notes</i>	Year ended 31 December			Six months ended 30 June	
		2022	2023	2024	2024	2025
		<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
					<i>(Unaudited)</i>	
CASH FLOWS FROM FINANCING ACTIVITIES						
Proceeds from interest-bearing bank borrowings		–	26,944	50,961	48,026	–
Interest paid for interest-bearing bank borrowings		–	(191)	(2,315)	(974)	(1,335)
Acquisition of non-controlling interests		(141)	–	–	–	–
Principal portion of lease payments		(65,509)	(61,967)	(59,253)	(30,401)	(32,434)
Interest portion of lease payments		(2,011)	(1,421)	(1,797)	(756)	(1,353)
Dividends paid		–	–	(50,000)	(50,000)	–
Payment of issue expense		–	–	(1,086)	(356)	(1,480)
Net cash flows used in financing activities		<u>(67,661)</u>	<u>(36,635)</u>	<u>(63,490)</u>	<u>(34,461)</u>	<u>(36,602)</u>
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		<u>156,170</u>	<u>82,426</u>	<u>154,430</u>	<u>(54,593)</u>	<u>(38,814)</u>
Cash and cash equivalents at beginning of year/period		46,043	203,121	285,729	285,729	440,322
Effect of foreign exchange differences, net		<u>908</u>	<u>182</u>	<u>163</u>	<u>294</u>	<u>(47)</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR/PERIOD	23	<u>203,121</u>	<u>285,729</u>	<u>440,322</u>	<u>231,430</u>	<u>401,461</u>
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS						
Cash and bank balances	23	203,204	296,864	442,353	231,640	412,902
Less: Restricted cash	23	<u>83</u>	<u>11,135</u>	<u>2,031</u>	<u>210</u>	<u>11,441</u>
Cash and cash equivalents as stated in the consolidated statements of financial position and the consolidated statements of cash flows		<u>203,121</u>	<u>285,729</u>	<u>440,322</u>	<u>231,430</u>	<u>401,461</u>

STATEMENTS OF FINANCIAL POSITION OF THE COMPANY

		As at 31 December			As at
	Notes	2022	2023	2024	30 June
		RMB'000	RMB'000	RMB'000	2025
					RMB'000
NON-CURRENT ASSETS					
Property, plant and equipment	14	33,558	160,372	198,406	203,859
Investment property	15	–	–	18,915	18,463
Right-of-use assets	16(a)	21,449	22,257	18,149	37,941
Other intangible assets	17	8,376	7,477	7,289	7,282
Investments in subsidiaries		2,428	2,836	3,887	15,733
Deferred tax assets	28	2,619	1,584	604	–
Other non-current assets	18	29,771	8,859	897	1,229
Total non-current assets		<u>98,201</u>	<u>203,385</u>	<u>248,147</u>	<u>284,507</u>
CURRENT ASSETS					
Inventories	19	33,733	31,122	79,670	127,975
Due from related parties		467,790	408,965	409,259	562,214
Trade receivables	20	16	28	3	2
Prepayments, other receivables and other assets	21	6,190	9,464	19,125	18,027
Restricted cash	23	–	10,926	10	11,297
Cash and cash equivalents	23	102,487	200,802	351,088	279,676
Total current assets		<u>610,216</u>	<u>661,307</u>	<u>859,155</u>	<u>999,191</u>
CURRENT LIABILITIES					
Due to related parties		6,613	20,255	2,948	22,206
Trade and bills payables	24	26,227	42,813	103,595	78,341
Other payables and accruals	25	28,674	61,201	56,781	48,209
Contract liabilities	26	13,218	12,398	13,094	15,536
Interest-bearing bank borrowings	27	–	–	–	15,657
Lease liabilities	16(b)	4,589	2,750	2,771	7,167
Tax payable		1,195	–	15,190	7,529
Total current liabilities		<u>80,516</u>	<u>139,417</u>	<u>194,379</u>	<u>194,645</u>
NET CURRENT ASSETS		<u>529,700</u>	<u>521,890</u>	<u>664,776</u>	<u>804,546</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>627,901</u>	<u>725,275</u>	<u>912,923</u>	<u>1,089,053</u>

		As at 31 December			As at 30 June
	Notes	2022	2023	2024	2025
		RMB'000	RMB'000	RMB'000	RMB'000
NON-CURRENT LIABILITIES					
Interest-bearing bank borrowings	27	–	26,969	77,955	62,226
Lease liabilities	16(b)	429	3,717	1,191	16,838
Deferred tax liabilities	28	–	–	–	2,045
Total non-current liabilities		<u>429</u>	<u>30,686</u>	<u>79,146</u>	<u>81,109</u>
NET ASSETS		<u>627,472</u>	<u>694,589</u>	<u>833,777</u>	<u>1,007,944</u>
EQUITY					
Equity attributable to owners of the parent					
Paid-in capital/share capital	29	25,140	25,140	25,140	25,140
Reserves	31	<u>602,332</u>	<u>669,449</u>	<u>808,637</u>	<u>982,804</u>
Total equity		<u>627,472</u>	<u>694,589</u>	<u>833,777</u>	<u>1,007,944</u>

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION

1. CORPORATE AND GROUP INFORMATION

Shanghai Forest Cabin Cosmetics Group Co., Ltd. is a limited liability company established in the People's Republic of China (the "PRC") on 22 December 2011. The registered office of the Company is located at Building 1, No. 1177 Xinmiao Road Number Three, Xinqiao Town, Songjiang District, Shanghai, PRC.

During the Relevant Periods, the Company and its subsidiaries (together as the "Group") were involved in research and development, manufacture and sale of skincare products.

As at the date of this report, the Company had direct and indirect interests in its subsidiaries, all of which are private limited liability companies. The particulars of which are set out below:

Name*	Place of establishment/ registration and business	Registered share capital	Percentage of equity attributable to the Company		Principal activities
			Direct	Indirect	
Shanghai Senqingxuan Industrial Co., Ltd. (上海森清軒實業有限公司) (i)	PRC/Mainland China 17 November 2016	RMB1,000,000	100	–	Sale of skincare products
Shanghai Chun Chun Cosmetics Sales Co., Ltd.(上海春椿化妝品銷售有限公司) (i)	PRC/Mainland China 5 December 2016	RMB10,000,000	–	100	Sale of skincare products
Shanghai Qiyuan E-commerce Co., Ltd. (上海柒淵電子商務有限公司) (i)	PRC/Mainland China 15 December 2016	RMB10,000,000	–	100	Sale of skincare products
Shanghai Qitan Biotechnology Co., Ltd (上海柒潭生物科技股份有限公司) (i)	PRC/Mainland China 26 May 2017	RMB5,000,000	–	100	Production of core raw materials
Nantong Qilingqi Electronic Commerce Co., Ltd. (南通柒零柒電子商務有限公司) (i)	PRC/Mainland China 11 June 2021	RMB5,000,000	–	100	Sale of skincare products

* The English names of these entities registered in the PRC represent the management's best efforts in translating the Chinese names as no official English names have been registered.

Note:

- (i) No audited financial statements have been prepared for these companies for the years ended 31 December 2022, 2023 and 2024 and 30 June 2025.

The above table lists the subsidiaries of the Company which, in the opinion of the directors, principally affected the results for the Relevant Periods or formed a substantial portion of the net assets of the Group. To give details of other subsidiaries would, in the opinion of the directors, result in particulars of excessive length.

2.1 BASIS OF PREPARATION

For ordinary shares issued to the Pre-IPO Investors and the New Pre-IPO Investors, pursuant to the supplemental agreements entered into between the Company, the Pre-IPO Investors and the New Pre-IPO Investors in relation to the termination of redemption rights granted by the Company, which are void ab initio as described in note 29 to this report, having taking into account the legal and regulatory framework of the Company's jurisdiction and the governing law of the supplemental agreements, the directors considered that it is appropriate to present the Pre-IPO Investments as equity throughout the Relevant Periods. For the details of financial impacts, see note 29 of this report.

The Historical Financial Information has been prepared in accordance with IFRS Accounting Standards, which comprise all standards and interpretations approved by the International Accounting Standards Board (the "IASB").

All IFRS Accounting Standards effective for the accounting period commencing from 1 January 2025, together with the relevant transitional provisions, have been early adopted by the Group in the preparation of the Historical Financial Information throughout the Relevant Periods and in the period covered by the Interim Comparative Financial Information.

The Historical Financial Information has been prepared under the historical cost convention, except for financial assets at fair value through profit or loss which have been measured at fair value.

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

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

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

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

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

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

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

2.2 ISSUED BUT NOT YET EFFECTIVE INTERNATIONAL FINANCIAL REPORTING STANDARDS

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

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

¹ Effective for annual periods beginning on or after 1 January 2026

² Effective for annual/reporting periods beginning on or after 1 January 2027

³ No mandatory effective date yet determined but available for adoption

The Group is in the process of making an assessment of the impact of these new and amended standards upon initial application. IFRS 18 introduces new requirements for presentation within the statement of profit or loss, including specified totals and subtotals. Entities are required to classify all income and expenses within the statement of profit or loss into one of the five categories: operating, investing, financing, income taxes and discontinued operations and to present two new defined subtotals. It also requires disclosure of management-defined performance measures in a note and introduces new requirements for aggregation and disaggregation of financial information. The new requirements are expected to impact the Group's presentation of the statement of profit or loss and disclosures of the Group's financial performance. So far, the Group considers that the new and revised standards are unlikely to have a significant impact on the Group's results of operations and financial position.

2.3 MATERIAL ACCOUNTING POLICIES

Fair value measurement

The Group measures its financial assets at fair value through profit or loss at the end of each of the Relevant Periods. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability, or in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible by the Group. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

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

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

All assets and liabilities for which fair value is measured or disclosed in the 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 of the Relevant Periods.

Impairment of non-financial assets

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

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 the statement of profit or loss in the period in which it arises in those expense categories consistent with the function of the impaired asset.

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

Related parties

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

- (a) the party is a person or a close member of that person's family and that person
 - (i) has control or joint control over the Group;
 - (ii) has significant influence over the Group; or
 - (iii) is a member of the key management personnel of the Group or of a parent of the Group;
- or
- (b) the party is an entity where any of the following conditions applies:
 - (i) the entity and the Group are members of the same group;
 - (ii) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);
 - (iii) the entity and the Group are joint ventures of the same third party;

- (iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;
- (v) the entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group;
- (vi) the entity is controlled or jointly controlled by a person identified in (a);
- (vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity); and
- (viii) the entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the parent of the Group.

Property, plant and equipment and depreciation

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

Expenditure incurred after items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to the statement of 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 used for this purpose are as follows:

Category	Estimated useful life
Leasehold improvements	2 to 3 years
Electronic equipment	3 to 5 years
Machinery	3 to 10 years
Motor vehicles	4 years
Buildings	20 years

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

An item of property, plant and equipment including any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal or retirement recognised in the statement of 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 mainly represents buildings and machinery under construction is stated at cost less any impairment losses, and is not depreciated. Cost comprises the direct costs of construction and capitalised borrowing costs on related bank borrowings during the period of construction. Construction in progress is reclassified to the appropriate category of property, plant and equipment when completed and ready for use.

Investment property

Investment property is interest in land and buildings (including right-of-use assets) held to earn rental income and/or for capital appreciation. Such property is initially measured at cost, including transaction costs and subsequently carried at cost less accumulated depreciation and accumulated impairment losses (if any).

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

Software is stated at cost less any impairment losses and is amortised on the straight-line basis over its estimated useful lives of 3 to 10 years based on the Group's past experiences and different purposes on usages of the software and the authorised period for such uses.

Research and development costs

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

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

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:

Land use right	20 years
Self-operated stores	1 to 3 years
Warehouses and office premises	1 to 6 years

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

(b) Lease liabilities

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

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

The Group's lease liabilities are presented separately in the consolidated statement of financial position.

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

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

Lease payments on short-term leases and leases of low-value assets are recognised as an expense on a straight-line basis over the lease term.

Investments and other financial assets*Initial recognition and measurement*

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

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

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

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

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

Subsequent measurement

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

Financial assets at amortised cost (debt instruments)

Financial assets at amortised cost are subsequently measured using the effective interest method and are subject to impairment. Gains and losses are recognised in the statement of 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 the statement of profit or loss.

Derecognition of financial assets

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

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

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

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

Impairment of financial assets

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

General approach

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

At each reporting date, the Group assesses whether the credit risk on a financial instrument has increased significantly since initial recognition. When making the assessment, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition and considers reasonable and supportable information that is available without undue cost or effort, including historical and forward-looking information. The Group considers that there has been a significant increase in credit risk when contractual payments are more than 30 days past due.

The Group considers a financial asset in default when contractual payments are 90 days past due. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group.

A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

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

- Stage 1 – Financial instruments for which credit risk has not increased significantly since initial recognition and for which the loss allowance is measured at an amount equal to 12-month ECLs
- Stage 2 – Financial instruments for which credit risk has 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.

Classification as equity and financial liabilities

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of financial liability and equity instrument.

A financial liability is any liability that is (a) a contractual obligation (i) to deliver cash or another financial asset to another entity; or (ii) to exchange financial assets or financial liabilities with another entity under conditions that are potentially unfavourable to the entity; or (b) a contract that will or may be settled in the entity's own equity instruments and is: (i) a non derivative for which the entity is or may be obliged to deliver a variable number of the entity's own equity instruments; or (ii) a derivative that will or may be settled other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of the entity's own equity instruments.

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities.

Financial liabilities***Initial recognition and measurement***

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

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

The Group's financial liabilities include trade and bills payables, other payables and accruals, lease liabilities and interest-bearing bank borrowings.

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 bills payables, other payables and accruals, lease liabilities and interest-bearing bank borrowings are subsequently measured at amortised cost, using the effective interest rate method unless the effect of discounting would be immaterial, in which case they are stated at cost. Gains and losses are recognised in the statement of 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 the statement of 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 the statement of profit or loss.

Inventories

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

Cash and cash equivalents

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

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

Provisions

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

When the Group expects some or all of a provision to be reimbursed, the reimbursement is recognised as a separate asset, but only when the reimbursement is virtually certain. The expense relating to a provision is presented in the statement of profit or loss net of any reimbursement.

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

Income tax

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

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 each of the Relevant Periods between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

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

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

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

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

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

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

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

Government grants

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

Revenue recognition

Revenue from contracts with customers

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

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

When the contract contains a financing component which provides the customer with a significant benefit of financing the transfer of goods or services to the customer for more than one year, revenue is measured at the present value of the amount receivable, discounted using the discount rate that would be reflected in a separate financing transaction between the Group and the customer at contract inception. When the contract contains a financing component which provides the Group with a significant financial benefit for more than one year, revenue recognised under the contract includes the interest expense accreted on the contract liability under the effective interest method. For a contract where the period between the payment by the customer and the transfer of the promised goods or services is one year or less, the transaction price is not adjusted for the effects of a significant financing component, using the practical expedient in IFRS 15.

(a) Sale of products

The Group primarily sells its products to customers through offline channels such as direct sales via directly-operated stores, joint operation stores, franchised stores, offline retailers, enterprise customers and distributors and online channels such as direct online sales and online retailers. Revenue from the sale of products is recognised at the point in time when control of the asset is transferred to the customers, generally on delivery of the goods or upon the confirmation by the customers. Specifically, revenue from direct sales is recognised when the goods are delivered to customers directly in the stores or when the goods are sent by express delivery to and accepted by customers. Revenue from franchised stores, offline retailers, enterprise customers, online retailers and distributors is recognised when the goods are delivered to designated locations or transferred to designated carriers. Revenue from joint operation stores is recognised at the point when they obtain the legal title of the products and become obliged to pay for the products, which is when the joint operation stores sell the products to their customers in their stores.

Some contracts for the sale of products provide customers with rights of return, 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 IFRS 15 on constraining estimates of variable consideration are applied in order to determine the amount of variable consideration that can be included in the transaction price. For goods that are expected to be returned, instead of revenue, a refund liability is recognised. A right-of-return asset (and the corresponding adjustment to cost of sales) is also recognised for the right to recover products from a customer.

(ii) Membership loyalty programme

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

(b) Others

Others mainly represent the revenue from brand licensing fees paid by joint operators and franchisees, which is recognised over the scheduled period on a straight-line basis because the customer simultaneously receives and consumes the benefits provided by the Group.

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).

Share-based payments

The Company operates a share award arrangement. Employees (including directors) of the Group receive remuneration in the form of share-based payments, whereby employees render services in exchange for equity instruments ("**equity-settled transactions**"). The cost of equity-settled transactions with employees is measured by reference to the fair value at the date at which they are granted. The fair value is determined by an external valuer using a binomial model, further details of which are given in note 30 to the Historical Financial Information.

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

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

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

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

Other employee benefits

Pension scheme

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

Borrowing costs

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

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 Relevant Periods, 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 Relevant Periods 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 note 12 to the financial statements.

Foreign currencies

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

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

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

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

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

Judgements

In the process of applying the Group's accounting policies, management has made the following judgements, apart from those involving estimations, which have the most significant effect on the amounts recognised in the Historical Financial Information:

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. 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.

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.

Deferred tax assets

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

Estimation uncertainty

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

Provision for expected credit losses on trade receivables

The Group uses a provision matrix to calculate ECLs for trade receivables. The provision rates are based on days past due for groupings of various customer segments that have similar loss patterns (i.e., by geography, product type, customer type and rating, and coverage by letters of credit and other forms of credit insurance).

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 manufacturing 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 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 20 to the Historical Financial Information.

Leases – Estimating the incremental borrowing rate

The Group cannot readily determine the interest rate implicit in a lease, and therefore, it uses an incremental borrowing rate ("IBR") to measure lease liabilities. The IBR is the rate of interest that the Group would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The IBR therefore reflects what the Group "would have to pay", which requires estimation when no observable rates are available (such as for subsidiaries that do not enter into financing transactions) or when it needs to be adjusted to reflect the terms and conditions of the lease (for example, when leases are not in the subsidiary's functional currency). The Group estimates the IBR using observable inputs (such as market interest rates) when available and is required to make certain entity-specific estimates (such as the subsidiary's stand-alone credit rating).

Impairment of non-financial assets (other than goodwill)

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

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 or expired. 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 the goods sold is recorded in gross sale of products in profit or loss and the deferred revenue is recorded in “Contract liabilities” in the consolidated statement of financial position.

4. OPERATING SEGMENT INFORMATION

For management purposes, the Group is not organised into business units based on their service and products and only has one reportable operating segment. Management monitors the operating results of the Group's operating segment as a whole for the purpose of making decisions about resource allocation and performance assessment.

Geographical information

During the reporting period, the Group's operations were within one geographical segment because all of the Group's revenue was generated from customers located in Mainland China. 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 the Relevant Periods and the six months ended 30 June 2024.

5. REVENUE

An analysis of revenue is as follows:

	Year ended 31 December			Six months ended 30 June	
	2022	2023	2024	2024	2025
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				(Unaudited)	
Revenue from contracts with customers	691,150	805,004	1,209,641	530,448	1,051,768

Revenue from contracts with customers

(a) Disaggregated revenue information

	Year ended 31 December			Six months ended 30 June	
	2022	2023	2024	2024	2025
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				(Unaudited)	
Types of goods or services					
Sale of products	690,543	804,206	1,208,718	529,936	1,051,386
Others	607	798	923	512	382
Total	691,150	805,004	1,209,641	530,448	1,051,768
Timing of revenue recognition					
Goods transferred at a point in time	690,543	804,206	1,208,718	529,936	1,051,386
Services transferred over time	607	798	923	512	382
Total	691,150	805,004	1,209,641	530,448	1,051,768

The following table shows the amounts of revenue recognised that were included in the contract liabilities at the beginning of each of the Relevant Periods and the six months ended 30 June 2024:

	Year ended 31 December			Six months ended 30 June	
	2022	2023	2024	2024	2025
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				(Unaudited)	
Revenue recognised that was included in contract liabilities at the beginning of each of the Relevant Periods:					
Sale of products	20,221	15,218	21,669	21,669	25,565
Others	—	215	650	348	284
Total	20,221	15,433	22,319	22,017	25,849

(b) 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 directly-operated stores, joint operation stores, franchised stores, offline retailers, enterprise customers and distributors and online channels such as direct online sales and online retailers.

Others

Others mainly represent the revenue from brand licensing fees paid by joint operators and franchisees. The performance obligation is satisfied over time when services are rendered. Generally, brand licensing contracts are for periods ranging from one to two years.

The amounts of transaction prices allocated to the remaining performance obligations (unsatisfied or partially unsatisfied) as at the end of each of the Relevant Periods are as follows:

	As at 31 December			As at
	2022	2023	2024	30 June
	RMB'000	RMB'000	RMB'000	2025
				RMB'000
Amounts expected to be recognised as revenue:				
Within 1 year	15,433	22,319	26,099	23,631
After 1 year	129	122	155	151
Total	<u>15,562</u>	<u>22,441</u>	<u>26,254</u>	<u>23,782</u>

6. OTHER INCOME AND GAINS

	Note	Year ended 31 December			Six months ended 30 June	
		2022	2023	2024	2024	2025
		RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
					(Unaudited)	
Government grants	(i)	8,951	12,487	13,669	2,061	3,840
Investment income from financial assets at fair value through profit or loss		3,224	393	826	346	640
Foreign exchange gains		908	182	163	294	–
Bank interest income		346	2,787	2,583	1,345	1,627
Gain on disposal of items of property, plant and equipment		120	485	–	–	7
Others		884	2,068	3,259	911	3,590
Total		<u>14,433</u>	<u>18,402</u>	<u>20,500</u>	<u>4,957</u>	<u>9,704</u>

- (i) The government grants related to income have been received to encourage the development of the Group. These grants related to income are recognised in the statement of profit or loss upon receipt of these rewards. There are no unfulfilled conditions or contingencies relating to these grants.

7. (LOSS)/PROFIT BEFORE TAX

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

	<i>Notes</i>	Year ended 31 December			Six months ended 30 June	
		2022 <i>RMB'000</i>	2023 <i>RMB'000</i>	2024 <i>RMB'000</i>	2024 <i>RMB'000</i> (Unaudited)	2025 <i>RMB'000</i>
Cost of inventories sold*		115,081	111,452	149,702	68,865	132,781
Depreciation of property, plant and equipment	14	20,282	17,068	14,322	6,618	15,910
Depreciation of right-of-use assets	16(a)	67,269	62,013	61,175	28,789	33,070
Less: Capitalised in construction in progress		(887)	(887)	(665)	(444)	–
Depreciation charged to profit or loss		66,382	61,126	60,510	28,345	33,070
(Gain)/loss on disposal of items of property, plant and equipment		(120)	(485)	157	157	(7)
Loss/(gain) on early termination of leases	16(c)	227	36	(27)	(88)	(403)
Amortisation of other intangible assets	17	1,688	1,674	1,666	812	885
Research and development costs		21,120	19,745	30,404	13,114	18,032
Auditor's remuneration		800	800	800	400	400
Listing expenses		–	–	8,284	2,328	13,232
Employee benefit expense (including directors', chief executive's and supervisors' remuneration as set out in note 9):						
Wages and salaries		205,973	198,771	229,171	105,919	157,500
Equity-settled share-based payment expenses		2,276	3,940	5,125	3,021	5,720
Pension scheme contributions, social welfare and other welfare**		29,401	34,202	39,350	18,488	25,688
Total		237,650	236,913	273,646	127,428	188,908
Write-down/(reversal of write-down) of inventories		141	358	715	(35)	(900)
(Reversal of impairment losses)/impairment losses on financial assets		(189)	2,465	(552)	(856)	(135)
Variable lease payments not included in the measurement of lease liabilities	16(c)	859	1,276	1,767	889	1,285
Expenses relating to short-term leases and low-value leases	16(c)	197	541	594	255	912
Foreign exchange differences, net	6	(908)	(182)	(163)	(294)	47

* The amount of cost of inventories sold as stated herein excludes those included in the depreciation of property, plant and equipment, depreciation of right-of-use assets, impairment of inventories and employee benefit expense.

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

8. FINANCE COSTS

An analysis of finance costs is as follows:

	Year ended 31 December			Six months ended 30 June	
	2022 RMB'000	2023 RMB'000	2024 RMB'000	2024 RMB'000 (Unaudited)	2025 RMB'000
Interest expenses on lease liabilities	2,011	1,421	1,797	756	1,353
Interest expenses on interest-bearing bank borrowings	—	216	2,340	985	1,263
Total interest expenses	2,011	1,637	4,137	1,741	2,616
Less: interest capitalised	—	216	1,658	985	—
Total	2,011	1,421	2,479	756	2,616

The borrowing costs have been capitalised at a rate of 3.50%, 3.44% and 3.43% per annum in 2023, 2024 and the six months ended 30 June 2024.

For the details of Pre-IPO Investments, please refer to Note 29 to this report.

9. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION

Directors' and chief executive's remuneration for the Relevant Periods and the six months ended 30 June 2024, 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:

	Year ended 31 December			Six months ended 30 June	
	2022 RMB'000	2023 RMB'000	2024 RMB'000	2024 RMB'000 (Unaudited)	2025 RMB'000
Fees	—	—	—	—	—
Other emoluments:					
Salaries, allowances and benefits in kind	1,447	1,422	1,422	711	1,200
Performance related bonuses*	451	1,973	3,000	—	285
Pension scheme and social welfare	268	286	290	144	144
Equity-settled share-based payment expenses	1,997	163	1,653	1,520	184
Subtotal	4,163	3,844	6,365	2,375	1,813
Total	4,163	3,844	6,365	2,375	1,813

* Certain directors and chief executive of the Company are entitled to bonus payments which are determined as a percentage of the profit after tax of the Group.

Executive directors, non-executive directors and the chief executive:

	Year ended 31 December 2022					Total RMB'000
	Fees RMB'000	Salaries, allowances and benefits in kind RMB'000	Performance related bonuses RMB'000	Equity- settled share-based payment expense RMB'000	Pension scheme and social welfare RMB'000	
Chief executive and executive directors:						
Mr. Sun Laichun	–	624	–	1,959	134	2,717
Mr. Gao Hongqi	–	823	451	38	134	1,446
Non-executive director:						
Ms. Ren Jianqiong	–	–	–	–	–	–
Total	–	1,447	451	1,997	268	4,163

	Year ended 31 December 2023					Total RMB'000
	Fees RMB'000	Salaries, allowances and benefits in kind RMB'000	Performance related bonuses RMB'000	Equity- settled share-based payment expense RMB'000	Pension scheme and social welfare RMB'000	
Chief executive and executive directors:						
Mr. Sun Laichun	–	624	1,065	–	143	1,832
Mr. Gao Hongqi	–	798	908	163	143	2,012
Non-executive director:						
Ms. Ren Jianqiong	–	–	–	–	–	–
Total	–	1,422	1,973	163	286	3,844

Year ended 31 December 2024

	Fees	Salaries, allowances and benefits in kind	Performance related bonuses	Equity-settled share-based payment expense	Pension scheme and social welfare	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Chief executive and executive directors:						
Mr. Sun Laichun	–	624	1,871	1,520	145	4,160
Mr. Gao Hongqi	–	798	1,129	133	145	2,205
Non-executive directors:						
Ms. Ren Jianqiong*	–	–	–	–	–	–
Ms. Jing Aimei*	–	–	–	–	–	–
Total	–	1,422	3,000	1,653	290	6,365

Six months ended 30 June 2024 (Unaudited)

	Fees	Salaries, allowances and benefits in kind	Performance related bonuses	Equity-settled share-based payment expense	Pension scheme and social welfare	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Chief executive and executive directors:						
Mr. Sun Laichun	–	312	–	1,520	72	1,904
Mr. Gao Hongqi	–	399	–	–	72	471
Non-executive directors:						
Ms. Ren Jianqiong*	–	–	–	–	–	–
Ms. Jing Aimei*	–	–	–	–	–	–
Total	–	711	–	1,520	144	2,375

Six months ended 30 June 2025						
	Fees	Salaries, allowances and benefits in kind	Performance related bonuses	Equity-settled share-based payment expense	Pension scheme and social welfare	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Chief executive and executive directors:						
Mr. Sun Laichun	–	600	283	–	72	955
Mr. Gao Hongqi	–	600	2	184	72	858
Non-executive director:						
Ms. Jing Aimei*	–	–	–	–	–	–
Total	–	1,200	285	184	144	1,813

* Ms. Ren Jianqiong resigned as an independent non-executive director in June 2024. Ms. Jing Aimei was appointed as an independent non-executive director in June 2024.

The fair value of the share award arrangement, which has been recognised in the consolidated statements of profit or loss over the vesting period, was determined as at the date of grant and the amounts included in the consolidated statement of profit or loss for each of the Relevant Periods are included in the above chief executive's and executive directors' remuneration disclosures.

There was no arrangement under which a director or the chief executive waived or agreed to waive any remuneration during the Relevant Periods and the six months ended 30 June 2024.

10. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees during the Relevant Periods and the six months ended 30 June 2024 included 2, 2, 2, 2 and 2 directors, respectively, details of whose remuneration are set out in note 9 above. Details of the remuneration for the remaining 3, 3, 3, 3 and 3 highest paid employees who are neither a director nor chief executive of the Company during the Relevant Periods and the six months ended 30 June 2024, are as follows:

	Year ended 31 December			Six months ended 30 June	
	2022	2023	2024	2024	2025
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
	(Unaudited)				
Salaries, allowances and benefits in kind	2,660	2,982	2,289	1,085	1,379
Performance related bonuses	796	1,336	2,369	461	250
Equity-settled share-based payment expenses	152	855	438	365	1,122
Pension scheme and social welfare	307	440	435	158	217
Total	3,915	5,613	5,531	2,069	2,968

The number of non-director and non-chief executive highest paid employees whose remuneration fell within the following bands is as follows:

	Year ended 31 December			Six months ended	
	2022	2023	2024	2024	2025
				(Unaudited)	
Nil to RMB1,000,000	–	–	–	3	1
RMB1,000,001 to RMB1,500,000	2	–	–	–	2
RMB1,500,001 to RMB2,000,000	1	2	2	–	–
RMB2,000,001 to RMB2,500,000	–	1	1	–	–
Total	3	3	3	3	3

The fair value of the share award arrangement, which has been recognised in the consolidated statements of profit or loss over the vesting period, was determined as at the date of grant and the amounts included in the consolidated statement of profit or loss for each of the Relevant Periods and the six months ended 30 June 2024 are included in the above five highest paid employees' remuneration disclosures.

11. INCOME TAX

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

PRC enterprise income tax

Under the Law of the PRC on Enterprise Income Tax (the “EIT Law”) and Implementation Regulation of the EIT Law, the EIT rate of the Group's PRC subsidiaries is 25% unless subject to tax exemption set out below.

The Company is accredited as a “High and New Technology Enterprise” and was therefore entitled to a preferential income tax rate of 15% for each of the Relevant Periods and the six months ended 30 June 2024. Such qualification is subject to review by the relevant tax authority in the PRC for every three years.

	Year ended 31 December			Six months ended	
	2022	2023	2024	2024	2025
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				(Unaudited)	
Current income tax					
Charge for the year/period	7,741	13,132	49,719	16,130	53,517
Under provision in prior years	5	282	–	–	–
Deferred income tax (note 28)	(38,201)	1,730	(18,259)	1,028	(22,661)
Total	(30,455)	15,144	31,460	17,158	30,856

A reconciliation of the tax (credit)/expense applicable to (loss)/profit before tax at the statutory tax rate for the jurisdiction in which the Company and the majority of its subsidiaries are domiciled and/or operate to the tax expense at the effective tax rates, are as follows:

	Year ended 31 December			Six months ended	
	2022	2023	2024	2024	2025
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
	(Unaudited)				
(Loss)/profit before tax	(36,386)	99,662	218,293	103,811	212,705
Tax at the statutory income tax rate of 25%	(9,097)	24,916	54,573	25,953	53,176
Effect of different tax rates	(6,497)	(7,771)	(21,772)	(7,801)	(21,293)
Adjustments in respect of current tax of previous periods	5	282	—	—	—
Expenses not deductible for tax	1,000	1,606	2,182	537	1,678
Deductible temporary differences utilised from previous periods	—	(2,559)	—	—	—
Deductible temporary differences not recognised	8,086	1,399	3,757	465	—
Recognition of tax losses brought forward from previous years	(20,959)	—	—	—	—
Recognition of deductible temporary differences brought forward from previous years	—	—	(3,051)	—	—
Additional deductible allowance for research and development costs	(2,993)	(2,729)	(4,229)	(1,996)	(2,705)
Tax (credit)/charge at the Group's effective rate	<u>(30,455)</u>	<u>15,144</u>	<u>31,460</u>	<u>17,158</u>	<u>30,856</u>

12. DIVIDENDS

	Year ended 31 December			Six months ended	
	2022	2023	2024	2024	2025
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
	(Unaudited)				
Dividends	<u>—</u>	<u>—</u>	<u>50,000</u>	<u>50,000</u>	<u>—</u>

On 26 January 2024, the Company declared dividends of RMB50,000,000 to its shareholders and were paid in April 2024.

13. (LOSSES)/EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT

The calculation of the basic earnings per share amounts is based on the profit for the year attributable to owners of the parent, and the weighted average numbers of ordinary shares of 25,139,567, 25,139,567, 25,139,567, 25,139,567 and 25,139,567 during the Relevant Periods and the six months ended 30 June 2024, respectively. The weighted average number of ordinary shares in issue before the conversion into a joint stock company was determined by assuming that the paid-in capital had been fully converted into share capital at the same conversion ratio as upon transformation into a joint stock company in December 2024.

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

	Year ended 31 December			Six months ended	
	2022	2023	2024	30 June 2024	2025
	(Unaudited)				
(Losses)/earnings					
(Loss)/profit attributable to owners of the parent (RMB'000)	<u>(5,871)</u>	<u>84,518</u>	<u>186,833</u>	<u>86,653</u>	<u>181,849</u>
Shares					
Weighted average number of ordinary shares outstanding during the year or period used in the basic earnings per share calculation	<u>25,139,567</u>	<u>25,139,567</u>	<u>25,139,567</u>	<u>25,139,567</u>	<u>25,139,567</u>

The Group has no dilutive potential ordinary shares and accordingly, the diluted earnings per share for the Relevant Periods and the six months ended 30 June 2024 were the same as the basic earnings per share, respectively.

For the details of Pre-IPO Investments, please refer to Note 29 to this report.

14. PROPERTY, PLANT AND EQUIPMENT

The Group

	Leasehold improvements RMB'000	Machinery RMB'000	Electronic equipment RMB'000	Motor vehicles RMB'000	Construction in progress RMB'000	Total RMB'000
31 December 2022						
At 1 January 2022:						
Cost	113,918	12,503	11,859	1,928	1,436	141,644
Accumulated depreciation	(95,485)	(10,527)	(11,216)	(1,732)	–	(118,960)
Net carrying amount	18,433	1,976	643	196	1,436	22,684
At 1 January 2022, net of accumulated depreciation	18,433	1,976	643	196	1,436	22,684
Additions	14,448	1,655	932	–	28,678	45,713
Depreciation provided during the year	(18,722)	(700)	(794)	(66)	–	(20,282)
Disposals	–	(35)	(151)	–	–	(186)
At 31 December 2022, net of accumulated depreciation	14,159	2,896	630	130	30,114	47,929
At 31 December 2022:						
Cost	128,366	13,548	12,395	1,928	30,114	186,351
Accumulated depreciation	(114,207)	(10,652)	(11,765)	(1,798)	–	(138,422)
Net carrying amount	14,159	2,896	630	130	30,114	47,929
31 December 2023						
At 1 January 2023:						
Cost	128,366	13,548	12,395	1,928	30,114	186,351
Accumulated depreciation	(114,207)	(10,652)	(11,765)	(1,798)	–	(138,422)
Net carrying amount	14,159	2,896	630	130	30,114	47,929
At 1 January 2023, net of accumulated depreciation	14,159	2,896	630	130	30,114	47,929
Additions	15,567	1,743	713	563	125,181	143,767
Depreciation provided during the year	(15,373)	(848)	(728)	(119)	–	(17,068)
Disposals	(56)	(9)	(2)	(19)	–	(86)
At 31 December 2023, net of accumulated depreciation	14,297	3,782	613	555	155,295	174,542
At 31 December 2023:						
Cost	54,014	15,104	12,247	2,391	155,295	239,051
Accumulated depreciation	(39,717)	(11,322)	(11,634)	(1,836)	–	(64,509)
Net carrying amount	14,297	3,782	613	555	155,295	174,542

	Buildings* RMB'000	Leasehold improvements RMB'000	Machinery RMB'000	Electronic equipment RMB'000	Motor vehicles RMB'000	Construction in progress* RMB'000	Total RMB'000
31 December 2024							
At 1 January 2024:							
Cost	–	54,014	15,104	12,247	2,391	155,295	239,051
Accumulated depreciation	–	(39,717)	(11,322)	(11,634)	(1,836)	–	(64,509)
Net carrying amount	–	14,297	3,782	613	555	155,295	174,542
At 1 January 2024, net of accumulated depreciation	–	14,297	3,782	613	555	155,295	174,542
Additions	–	11,704	16,679	2,704	637	38,189	69,913
Depreciation provided during the year	(572)	(11,761)	(1,094)	(738)	(157)	–	(14,322)
Disposals	–	(1,028)	(16)	(11)	(1)	–	(1,056)
Transfers	173,383	–	5,576	–	–	(178,959)	–
At 31 December 2024, net of accumulated depreciation	172,811	13,212	24,927	2,568	1,034	14,525	229,077
At 31 December 2024:							
Cost	173,383	64,680	37,020	14,817	3,028	14,525	307,453
Accumulated depreciation	(572)	(51,468)	(12,093)	(12,249)	(1,994)	–	(78,376)
Net carrying amount	172,811	13,212	24,927	2,568	1,034	14,525	229,077

	Buildings* RMB'000	Leasehold improvements RMB'000	Machinery RMB'000	Electronic equipment RMB'000	Motor vehicles RMB'000	Construction in progress* RMB'000	Total RMB'000
30 June 2025							
At 1 January 2025:							
Cost	173,383	64,680	37,020	14,817	3,028	14,525	307,453
Accumulated depreciation	(572)	(51,468)	(12,093)	(12,249)	(1,994)	–	(78,376)
Net carrying amount	<u>172,811</u>	<u>13,212</u>	<u>24,927</u>	<u>2,568</u>	<u>1,034</u>	<u>14,525</u>	<u>229,077</u>
At 1 January 2025, net of accumulated depreciation	172,811	13,212	24,927	2,568	1,034	14,525	229,077
Additions	81	13,477	6,484	5,273	1,009	677	27,001
Depreciation provided during the period	(4,120)	(8,115)	(2,598)	(875)	(202)	–	(15,910)
Disposals	–	–	(4)	–	–	–	(4)
Transfers	–	1,534	8,817	–	–	(10,351)	–
At 30 June 2025, net of accumulated depreciation	<u>168,772</u>	<u>20,108</u>	<u>37,626</u>	<u>6,966</u>	<u>1,841</u>	<u>4,851</u>	<u>240,164</u>
At 30 June 2025:							
Cost	173,464	79,691	52,241	19,030	4,036	4,851	333,313
Accumulated depreciation	(4,692)	(59,583)	(14,615)	(12,064)	(2,195)	–	(93,149)
Net carrying amount	<u>168,772</u>	<u>20,108</u>	<u>37,626</u>	<u>6,966</u>	<u>1,841</u>	<u>4,851</u>	<u>240,164</u>

* At 31 December 2023 and 2024 and 30 June 2025, certain of the Group's property, plant and equipment situated in Shanghai with net carrying amounts of RMB155,295,000 and RMB172,811,000 and RMB168,772,000 were pledged to secure bank loans granted to the Group, respectively. (note 27)

The Company

	Leasehold improvements RMB'000	Machinery RMB'000	Electronic equipment RMB'000	Motor vehicles RMB'000	Construction in progress RMB'000	Total RMB'000
31 December 2022						
At 1 January 2022:						
Cost	90,234	12,477	9,979	1,928	1,436	116,054
Accumulated depreciation	(87,908)	(10,522)	(9,553)	(1,732)	–	(109,715)
Net carrying amount	<u>2,326</u>	<u>1,955</u>	<u>426</u>	<u>196</u>	<u>1,436</u>	<u>6,339</u>
At 1 January 2022, net of accumulated depreciation	2,326	1,955	426	196	1,436	6,339
Additions	271	1,649	488	–	28,678	31,086
Depreciation provided during the year	(2,480)	(693)	(581)	(66)	–	(3,820)
Disposals	–	(30)	(17)	–	–	(47)
At 31 December 2022, net of accumulated depreciation	<u>117</u>	<u>2,881</u>	<u>316</u>	<u>130</u>	<u>30,114</u>	<u>33,558</u>
At 31 December 2022:						
Cost	90,505	13,522	10,115	1,928	30,114	146,184
Accumulated depreciation	(90,388)	(10,641)	(9,799)	(1,798)	–	(112,626)
Net carrying amount	<u>117</u>	<u>2,881</u>	<u>316</u>	<u>130</u>	<u>30,114</u>	<u>33,558</u>
31 December 2023						
At 1 January 2023:						
Cost	90,505	13,522	10,115	1,928	30,114	146,184
Accumulated depreciation	(90,388)	(10,641)	(9,799)	(1,798)	–	(112,626)
Net carrying amount	<u>117</u>	<u>2,881</u>	<u>316</u>	<u>130</u>	<u>30,114</u>	<u>33,558</u>
At 1 January 2023, net of accumulated depreciation	117	2,881	316	130	30,114	33,558
Additions	818	1,743	428	165	125,181	128,335
Depreciation provided during the year	(247)	(844)	(353)	(48)	–	(1,492)
Disposals	–	(9)	(2)	(18)	–	(29)
At 31 December 2023, net of accumulated depreciation	<u>688</u>	<u>3,771</u>	<u>389</u>	<u>229</u>	<u>155,295</u>	<u>160,372</u>
At 31 December 2023:						
Cost	1,459	15,077	9,786	1,993	155,295	183,610
Accumulated depreciation	(771)	(11,306)	(9,397)	(1,764)	–	(23,238)
Net carrying amount	<u>688</u>	<u>3,771</u>	<u>389</u>	<u>229</u>	<u>155,295</u>	<u>160,372</u>

	Buildings <i>RMB'000</i>	Leasehold improvements <i>RMB'000</i>	Machinery <i>RMB'000</i>	Electronic equipment <i>RMB'000</i>	Motor vehicles <i>RMB'000</i>	Construction in progress <i>RMB'000</i>	Total <i>RMB'000</i>
31 December 2024							
At 1 January 2024:							
Cost	–	1,459	15,077	9,786	1,993	155,295	183,610
Accumulated depreciation	–	(771)	(11,306)	(9,397)	(1,764)	–	(23,238)
Net carrying amount	–	688	3,771	389	229	155,295	160,372
At 1 January 2024, net of accumulated depreciation	–	688	3,771	389	229	155,295	160,372
Additions	–	1,684	16,679	2,374	637	38,189	59,563
Depreciation provided during the year	(487)	(342)	(1,089)	(527)	(63)	–	(2,508)
Disposals	–	–	(17)	(4)	–	–	(21)
Transfers	154,383	–	5,576	–	–	(178,959)	(19,000)
At 31 December 2024, net of accumulated depreciation	153,896	2,030	24,920	2,232	803	14,525	198,406
At 31 December 2024:							
Cost	154,383	3,143	36,993	12,043	2,630	14,525	223,717
Accumulated depreciation	(487)	(1,113)	(12,073)	(9,811)	(1,827)	–	(25,311)
Net carrying amount	153,896	2,030	24,920	2,232	803	14,525	198,406

APPENDIX I
ACCOUNTANTS' REPORT

	Buildings	Leasehold improvements	Machinery	Electronic equipment	Motor vehicles	Construction in progress	Total
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
30 June 2025							
At 1 January 2025:							
Cost	154,383	3,143	36,993	12,043	2,630	14,525	223,717
Accumulated depreciation	(487)	(1,113)	(12,073)	(9,811)	(1,827)	–	(25,311)
Net carrying amount	<u>153,896</u>	<u>2,030</u>	<u>24,920</u>	<u>2,232</u>	<u>803</u>	<u>14,525</u>	<u>198,406</u>
At 1 January 2025, net of accumulated depreciation	153,896	2,030	24,920	2,232	803	14,525	198,406
Additions	81	801	6,484	4,395	651	677	13,089
Depreciation provided during the period	(3,668)	(554)	(2,595)	(689)	(126)	–	(7,632)
Disposals	–	–	(4)	–	–	–	(4)
Transfers	–	1,534	8,817	–	–	(10,351)	–
At 30 June 2025, net of accumulated depreciation	<u>150,309</u>	<u>3,811</u>	<u>37,622</u>	<u>5,938</u>	<u>1,328</u>	<u>4,851</u>	<u>203,859</u>
At 30 June 2025:							
Cost	154,464	5,478	52,214	15,384	3,282	4,851	235,673
Accumulated depreciation	(4,155)	(1,667)	(14,592)	(9,446)	(1,954)	–	(31,814)
Net carrying amount	<u>150,309</u>	<u>3,811</u>	<u>37,622</u>	<u>5,938</u>	<u>1,328</u>	<u>4,851</u>	<u>203,859</u>

15. INVESTMENT PROPERTY

The Company

Buildings
RMB'000

31 December 2024

Cost at 1 January 2024, net of accumulated depreciation	—
Transfers	19,000
Depreciation provided during the year	(85)

At 31 December 2024	18,915
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At 31 December 2024:

Cost	19,000
Accumulated depreciation	(85)

Net carrying amount	18,915
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30 June 2025

Cost at 1 January 2025, net of accumulated depreciation	18,915
Depreciation provided during the period	(452)

At 30 June 2025	18,463
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At 30 June 2025:

Cost	19,000
Accumulated depreciation	(537)

Net carrying amount	18,463
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16. LEASES

The Group as a lessee

The Group has lease contracts for various items of directly-operated stores, warehouses and office premises used in its operations. Lump sum payments were made upfront to acquire the leased land from the owners with lease periods of 20 years, and no ongoing payments will be made under the terms of these land leases. Leases of directly-operated stores, warehouses and office premises generally have lease terms between 1 and 3 years.

(a) Right-of-use assets

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

	Self-operated stores RMB'000	Warehouses and office premises RMB'000	Land use right* RMB'000	Total RMB'000
As at 1 January 2022	61,896	11,739	17,371	91,006
Additions	41,733	1,414	–	43,147
Depreciation charge	(59,619)	(6,763)	(887)	(67,269)
Termination	(3,813)	(705)	–	(4,518)
As at 31 December 2022 and 1 January 2023	40,197	5,685	16,484	62,366
Additions	58,002	8,645	–	66,647
Depreciation charge	(54,969)	(6,157)	(887)	(62,013)
Termination	(2,016)	(761)	–	(2,777)
As at 31 December 2023 and 1 January 2024	41,214	7,412	15,597	64,223
Additions	65,960	3,615	–	69,575
Depreciation charge	(53,681)	(6,607)	(887)	(61,175)
Termination	(2,379)	(179)	–	(2,558)
As at 31 December 2024 and 1 January 2025	51,114	4,241	14,710	70,065
Additions	24,295	29,983	–	54,278
Depreciation charge	(27,491)	(5,135)	(444)	(33,070)
Termination	(828)	(463)	–	(1,291)
As at 30 June 2025	47,090	28,626	14,266	89,982

* At 31 December 2023 and 2024 and 30 June 2025, certain of the Group's land use right situated in Shanghai with net carrying amounts of RMB15,597,000 and RMB14,710,000 and RMB14,266,000 were pledged to secure bank loans granted to the Group, respectively. (note 27)

(b) Lease liabilities

The carrying amount of Group's lease liabilities and the movements during the Relevant Periods are as follows:

	As at 31 December			As at
	2022	2023	2024	30 June
	RMB'000	RMB'000	RMB'000	2025
				RMB'000
Carrying amount at the beginning of the year/period	67,847	41,194	43,133	50,870
New leases	43,147	66,647	69,575	54,278
Accretion of interest recognised during the year/period	2,011	1,421	1,797	1,353
Payments	(67,520)	(63,388)	(61,050)	(33,787)
Termination	(4,291)	(2,741)	(2,585)	(1,694)
Carrying amount at the end of the year/period	<u>41,194</u>	<u>43,133</u>	<u>50,870</u>	<u>71,020</u>
Analysed into:				
Current portion	36,504	32,276	37,765	41,403
Non-current portion	<u>4,690</u>	<u>10,857</u>	<u>13,105</u>	<u>29,617</u>

The maturity analysis of lease liabilities is disclosed in note 39 to the Historical Financial Information.

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

	Year ended 31 December			Six months ended	
	2022	2023	2024	30 June	2025
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				(Unaudited)	
Interest on lease liabilities	2,011	1,421	1,797	756	1,353
Depreciation charge of right-of-use assets	66,382	61,126	60,510	28,345	33,070
Loss/(gain) on termination of leases	227	36	(27)	(88)	(403)
Variable lease payments not included in the measurement of lease liabilities	859	1,276	1,767	889	1,285
Expenses relating to short-term leases and low-value leases	<u>197</u>	<u>541</u>	<u>594</u>	<u>255</u>	<u>912</u>
Total	<u>69,676</u>	<u>64,400</u>	<u>64,641</u>	<u>30,157</u>	<u>36,217</u>

(d) The total cash outflow for leases is disclosed in note 32 to the Historical Financial Information.

The Company as a lessee**(a) Right-of-use assets**

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

	Warehouses and office premises RMB'000	Land use right RMB'000	Total RMB'000
As at 1 January 2022	9,014	17,371	26,385
Additions	1,414	–	1,414
Depreciation charge	(5,463)	(887)	(6,350)
As at 31 December 2022 and 1 January 2023	4,965	16,484	21,449
Additions	7,345	–	7,345
Depreciation charge	(5,650)	(887)	(6,537)
As at 31 December 2023 and 1 January 2024	6,660	15,597	22,257
Additions	2,722	–	2,722
Depreciation charge	(5,943)	(887)	(6,830)
As at 31 December 2024 and 1 January 2025	3,439	14,710	18,149
Additions	24,576	–	24,576
Depreciation charge	(4,291)	(444)	(4,735)
Termination	(49)	–	(49)
As at 30 June 2025	<u>23,675</u>	<u>14,266</u>	<u>37,941</u>

(b) Lease liabilities

The carrying amount of Company's lease liabilities and the movements during the Relevant Periods are as follows:

	As at 31 December			As at
	2022	2023	2024	30 June
	RMB'000	RMB'000	RMB'000	2025
Carrying amount at the beginning of the year/period	8,642	5,018	6,467	3,962
New leases	1,414	7,345	2,722	24,576
Accretion of interest recognised during the year/period	272	216	223	431
Payments	(5,310)	(6,112)	(5,450)	(4,915)
Termination	–	–	–	(49)
Carrying amount at the end of the year/period	<u>5,018</u>	<u>6,467</u>	<u>3,962</u>	<u>24,005</u>
Analysed into:				
Current portion	4,589	2,750	2,771	7,167
Non-current portion	<u>429</u>	<u>3,717</u>	<u>1,191</u>	<u>16,838</u>

The Company as a lessor

The Company leases its investment property (note 15) in Shanghai under operating lease arrangements. The terms of the lease generally provide for periodic rent adjustments according to the then prevailing market conditions. The Company recognised rental income of RMB52,000 and RMB340,000 for 2024 and the six months ended 30 June 2025.

At 31 December 2024 and 30 June 2025, the undiscounted lease payments receivable by the Company in future periods under operating leases with its tenants are as follows:

	31 December 2024 RMB'000
Within one year	741
After one year but within two years	741
After two years	689
	<hr/>
Total	2,171
	<hr/> <hr/>
	30 June 2025 RMB'000
Within one year	741
After one year but within two years	741
	<hr/>
Total	1,482
	<hr/> <hr/>

17. OTHER INTANGIBLE ASSETS**The Group**

	Software RMB'000
31 December 2022	
At 1 January 2022:	
Cost	5,247
Accumulated amortisation	(3,061)
	<hr/>
Net carrying amount	2,186
	<hr/> <hr/>
Cost at 1 January 2022, net of accumulated amortisation	2,186
Additions	8,339
Amortisation provided during the year	(1,688)
	<hr/>
At 31 December 2022	8,837
	<hr/> <hr/>

	Software <i>RMB'000</i>
At 31 December 2022 and at 1 January 2023:	
Cost	13,046
Accumulated amortisation	<u>(4,209)</u>
Net carrying amount	<u><u>8,837</u></u>
31 December 2023	
At 1 January 2023:	
Cost	13,046
Accumulated amortisation	<u>(4,209)</u>
Net carrying amount	<u><u>8,837</u></u>
Cost at 1 January 2023, net of accumulated amortisation	8,837
Additions	669
Amortisation provided during the year	<u>(1,674)</u>
At 31 December 2023	<u><u>7,832</u></u>
At 31 December 2023 and at 1 January 2024:	
Cost	12,743
Accumulated amortisation	<u>(4,911)</u>
Net carrying amount	<u><u>7,832</u></u>
31 December 2024	
At 1 January 2024:	
Cost	12,743
Accumulated amortisation	<u>(4,911)</u>
Net carrying amount	<u><u>7,832</u></u>
Cost at 1 January 2024, net of accumulated amortisation	7,832
Additions	1,486
Amortisation provided during the year	<u>(1,666)</u>
At 31 December 2024	<u><u>7,652</u></u>
At 31 December 2024:	
Cost	14,229
Accumulated amortisation	<u>(6,577)</u>
Net carrying amount	<u><u>7,652</u></u>

Software
RMB'000

30 June 2025

At 1 January 2025:

Cost	14,229
Accumulated amortisation	(6,577)

Net carrying amount	7,652
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Cost at 1 January 2025, net of accumulated amortisation	7,652
Additions	823
Amortisation provided during the period	(885)

At 30 June 2025	7,590
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At 30 June 2025:

Cost	15,052
Accumulated amortisation	(7,462)

Net carrying amount	7,590
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The Company

Software
RMB'000

31 December 2022

At 1 January 2022:

Cost	13,826
Accumulated amortisation	(11,878)

Net carrying amount	1,948
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Cost at 1 January 2022, net of accumulated amortisation	1,948
Additions	8,339
Amortisation provided during the year	(1,911)

At 31 December 2022	8,376
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At 31 December 2022 and at 1 January 2023:

Cost	21,626
Accumulated amortisation	(13,250)

Net carrying amount	8,376
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Software
RMB'000

31 December 2023

At 1 January 2023:

Cost	21,626
Accumulated amortisation	<u>(13,250)</u>

Net carrying amount	<u><u>8,376</u></u>
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Cost at 1 January 2023, net of accumulated amortisation	8,376
Additions	669
Amortisation provided during the year	<u>(1,568)</u>

At 31 December 2023	<u><u>7,477</u></u>
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At 31 December 2023 and at 1 January 2024:

Cost	10,429
Accumulated amortisation	<u>(2,952)</u>

Net carrying amount	<u><u>7,477</u></u>
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31 December 2024

At 1 January 2024:

Cost	10,429
Accumulated amortisation	<u>(2,952)</u>

Net carrying amount	<u><u>7,477</u></u>
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Cost at 1 January 2024, net of accumulated amortisation	7,477
Additions	1,320
Amortisation provided during the year	<u>(1,508)</u>

At 31 December 2024	<u><u>7,289</u></u>
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At 31 December 2024:

Cost	11,749
Accumulated amortisation	<u>(4,460)</u>

Net carrying amount	<u><u>7,289</u></u>
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Software
RMB'000

30 June 2025

At 1 January 2025:

Cost	11,749
Accumulated amortisation	(4,460)

Net carrying amount	7,289
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Cost at 1 January 2025, net of accumulated amortisation	7,289
Additions	793
Amortisation provided during the period	(800)

At 30 June 2025	7,282
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At 30 June 2025:

Cost	12,541
Accumulated amortisation	(5,259)

Net carrying amount	7,282
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18. OTHER NON-CURRENT ASSETS**The Group**

	As at 31 December			As at
	2022	2023	2024	30 June
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Prepayments for property, plant and equipment and intangible assets	27,465	7,137	897	1,229
Long-term receivables	2,755	1,722	–	–
Total	30,220	8,859	897	1,229

The Company

	As at 31 December			As at
	2022	2023	2024	30 June
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Prepayments for property, plant and equipment and intangible assets	27,016	7,137	897	1,229
Long-term receivables	2,755	1,722	–	–
Total	29,771	8,859	897	1,229

19. INVENTORIES

The Group

	As at 31 December			As at
	2022	2023	2024	30 June
	RMB'000	RMB'000	RMB'000	2025
				RMB'000
Raw materials	16,048	15,700	57,778	75,289
Finished goods	54,102	38,885	70,205	159,569
Work in progress	1,909	2,447	15,920	11,623
	<u>72,059</u>	<u>57,032</u>	<u>143,903</u>	<u>246,481</u>
Write-down of inventories	(1,591)	(1,949)	(2,664)	(737)
Total	<u>70,468</u>	<u>55,083</u>	<u>141,239</u>	<u>245,744</u>

The Company

	As at 31 December			As at
	2022	2023	2024	30 June
	RMB'000	RMB'000	RMB'000	2025
				RMB'000
Raw materials	16,020	13,736	54,684	69,747
Finished goods	17,395	16,724	11,939	48,784
Work in progress	1,909	2,237	15,636	10,165
	<u>35,324</u>	<u>32,697</u>	<u>82,259</u>	<u>128,696</u>
Write-down of inventories	(1,591)	(1,575)	(2,589)	(721)
Total	<u>33,733</u>	<u>31,122</u>	<u>79,670</u>	<u>127,975</u>

20. TRADE RECEIVABLES

The Group

	As at 31 December			As at
	2022	2023	2024	30 June
	RMB'000	RMB'000	RMB'000	2025
				RMB'000
Trade receivables	22,371	37,735	48,642	51,397
Impairment	<u>(1,143)</u>	<u>(3,286)</u>	<u>(2,739)</u>	<u>(2,607)</u>
Net carrying amount	21,228	34,449	45,903	48,790

The Group's trade receivables are usually generated from sales through offline stores and online platforms which help collect sales proceeds. The Group usually grants a credit period of about 30 days to the stores and online platforms, extending up to 60 days for major customers. Overdue balances are reviewed regularly by senior management. Trade receivables are non-interest-bearing. As at the end of each of the Relevant Periods, there were no receivables from related parties.

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

	As at 31 December			As at 30 June
	2022	2023	2024	2025
	RMB'000	RMB'000	RMB'000	RMB'000
Within 1 month	12,647	25,639	33,186	40,807
1 to 3 months	6,867	7,614	11,889	6,818
3 to 6 months	702	205	519	95
6 to 12 months	952	472	133	984
1 to 2 years	60	497	128	81
2 to 3 years	–	22	48	5
Total	<u>21,228</u>	<u>34,449</u>	<u>45,903</u>	<u>48,790</u>

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

	As at 31 December			As at 30 June
	2022	2023	2024	2025
	RMB'000	RMB'000	RMB'000	RMB'000
At beginning of year/period	1,807	1,143	3,286	2,739
Impairment losses, net	(627)	2,147	(540)	(126)
Amount written off as uncollectible	<u>(37)</u>	<u>(4)</u>	<u>(7)</u>	<u>(6)</u>
At end of year/period	<u>1,143</u>	<u>3,286</u>	<u>2,739</u>	<u>2,607</u>

The Group applies the simplified approach to provide for expected credit losses prescribed by IFRS 9, which permits the use of the lifetime expected credit loss provision for all trade receivables. The Group considers the characteristics of the shared credit risk and the ageing of the trade receivables to measure the expected credit losses. Majority of the receivables were neither past due nor impaired and relate to diversified customers.

To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the days past due. Forward-looking information was also incorporated. The expected credit loss rates were 5.11%, 8.71%, 5.63% and 5.07% as at 31 December 2022, 2023 and 2024 and 30 June 2025, respectively.

The Company

	As at 31 December			As at 30 June
	2022	2023	2024	2025
	RMB'000	RMB'000	RMB'000	RMB'000
Trade receivables	20	32	4	4
Impairment	<u>(4)</u>	<u>(4)</u>	<u>(1)</u>	<u>(2)</u>
Net carrying amount	<u>16</u>	<u>28</u>	<u>3</u>	<u>2</u>

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

	As at 31 December			As at 30 June
	2022	2023	2024	2025
	RMB'000	RMB'000	RMB'000	RMB'000
Within 1 month	4	12	–	–
1 to 2 years	12	4	3	–
2 to 3 years	–	12	–	2
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total	<u>16</u>	<u>28</u>	<u>3</u>	<u>2</u>

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

	As at 31 December			As at 30 June
	2022	2023	2024	2025
	RMB'000	RMB'000	RMB'000	RMB'000
At beginning of year/period	1	4	4	1
Impairment losses, net	<u>3</u>	<u>–</u>	<u>(3)</u>	<u>1</u>
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
At end of year/period	<u>4</u>	<u>4</u>	<u>1</u>	<u>2</u>

21. PREPAYMENTS, OTHER RECEIVABLES AND OTHER ASSETS

The Group

	As at 31 December			As at 30 June
	2022	2023	2024	2025
	RMB'000	RMB'000	RMB'000	RMB'000
Prepayments	14,361	15,873	38,584	41,248
Deposits and other receivables	24,088	22,797	23,452	28,058
Recoverable VAT	1,597	1,862	2,763	26,863
Corporate income tax recoverable	<u>–</u>	<u>2,684</u>	<u>–</u>	<u>–</u>
	<u>40,046</u>	<u>43,216</u>	<u>64,799</u>	<u>96,169</u>
Impairment allowance	<u>(14)</u>	<u>(223)</u>	<u>(197)</u>	<u>(183)</u>
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total	<u>40,032</u>	<u>42,993</u>	<u>64,602</u>	<u>95,986</u>

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

	As at 31 December			As at 30 June
	2022	2023	2024	2025
	RMB'000	RMB'000	RMB'000	RMB'000
At beginning of year/period	14	14	223	197
Impairment losses, net	438	318	(12)	(9)
Amount written off as uncollectible	(438)	(109)	(14)	(5)
	<u>14</u>	<u>223</u>	<u>197</u>	<u>183</u>
At end of year/period	<u>14</u>	<u>223</u>	<u>197</u>	<u>183</u>

The information about the credit risk exposure on the Group's financial assets included in prepayments, other receivables and other assets is disclosed in note 39 to the Historical Financial Information.

The Company

	As at 31 December			As at 30 June
	2022	2023	2024	2025
	RMB'000	RMB'000	RMB'000	RMB'000
Prepayments	3,663	3,349	13,930	15,867
Deposits and other receivables	1,470	2,671	3,074	2,182
Recoverable VAT	1,071	774	2,143	–
Corporate income tax recoverable	–	2,684	–	–
	<u>6,204</u>	<u>9,478</u>	<u>19,147</u>	<u>18,049</u>
Impairment allowance	(14)	(14)	(22)	(22)
	<u>6,190</u>	<u>9,464</u>	<u>19,125</u>	<u>18,027</u>
Total	<u>6,190</u>	<u>9,464</u>	<u>19,125</u>	<u>18,027</u>

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

	As at 31 December			As at 30 June
	2022	2023	2024	2025
	RMB'000	RMB'000	RMB'000	RMB'000
At beginning of year/period	14	14	14	22
Impairment losses, net	–	46	22	–
Amount written off as uncollectible	–	(46)	(14)	–
	<u>14</u>	<u>14</u>	<u>22</u>	<u>22</u>
At end of year/period	<u>14</u>	<u>14</u>	<u>22</u>	<u>22</u>

22. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

The Group

	As at 31 December			As at
	2022	2023	2024	30 June
	RMB'000	RMB'000	RMB'000	2025
				RMB'000
Treasury investments	4,506	—	—	—

The above treasury investments were wealth management products issued by banks in Mainland China. They were mandatorily classified as financial assets at fair value through profit or loss as their contractual cash flows are not solely payments of principal and interest.

23. CASH AND CASH EQUIVALENTS, RESTRICTED CASH

The Group

	As at 31 December			As at
	2022	2023	2024	30 June
	RMB'000	RMB'000	RMB'000	2025
				RMB'000
Cash and bank balances	203,204	296,864	442,353	412,902
Less: restricted cash	83	11,135	2,031	11,441
Cash and cash equivalents	203,121	285,729	440,322	401,461
Denominated in:				
RMB	192,381	285,729	429,172	390,164
USD	10,740	—	11,150	11,297

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

The Company

	As at 31 December			As at 30 June
	2022	2023	2024	2025
	RMB'000	RMB'000	RMB'000	RMB'000
Cash and bank balances	102,487	211,728	351,098	290,973
Less: restricted cash	—	10,926	10	11,297
	<u>102,487</u>	<u>200,802</u>	<u>351,088</u>	<u>279,676</u>
Cash and cash equivalents	<u>102,487</u>	<u>200,802</u>	<u>351,088</u>	<u>279,676</u>
Denominated in:				
RMB	91,747	200,802	339,939	279,676
USD	10,740	—	11,149	—
	<u>102,487</u>	<u>200,802</u>	<u>351,088</u>	<u>279,676</u>

24. TRADE AND BILLS PAYABLES**The Group**

An ageing analysis of the Group's trade and bills payables as at the end of each of the Relevant Periods, based on the invoice date, is as follows:

	As at 31 December			As at 30 June
	2022	2023	2024	2025
	RMB'000	RMB'000	RMB'000	RMB'000
Within 1 month	7,439	18,033	54,120	30,308
1 to 3 months	11,931	22,014	47,470	35,105
3 to 6 months	6,117	3,463	3,457	5,757
6 months to 1 year	650	20	697	9,603
Over 1 year	230	416	270	415
	<u>26,367</u>	<u>43,946</u>	<u>106,014</u>	<u>81,188</u>
Total	<u>26,367</u>	<u>43,946</u>	<u>106,014</u>	<u>81,188</u>

The trade and bills payables are non-interest-bearing and are normally settled on 90-day terms after issuance of the invoices.

The Company

An ageing analysis of the Company's trade and bills payables as at the end of each of the Relevant Periods, based on the invoice date, is as follows:

	As at 31 December			As at
	2022	2023	2024	30 June
	RMB'000	RMB'000	RMB'000	2025
Within 1 month	7,433	17,508	52,284	27,631
1 to 3 months	11,860	21,406	47,002	35,011
3 to 6 months	6,060	3,463	3,349	5,687
6 months to 1 year	644	20	697	9,603
Over 1 year	230	416	263	409
Total	26,227	42,813	103,595	78,341

The trade and bills payables are non-interest-bearing and are normally settled on 90-day terms after issuance of the invoices.

25. OTHER PAYABLES AND ACCRUALS**The Group**

	As at 31 December			As at
	2022	2023	2024	30 June
	RMB'000	RMB'000	RMB'000	2025
Payroll and welfare payable	27,744	30,958	38,214	35,567
Payables for purchase of long-term assets	3,203	41,356	18,354	9,286
Deposit payable	9,547	12,413	20,012	23,428
Accruals	13,802	29,945	70,275	64,334
Other payables	3,161	807	4,545	3,997
Other tax payable	15,455	4,585	17,337	14,820
Total	72,912	120,064	168,737	151,432

Other payables and accruals are non-interest-bearing and repayable on demand.

The Company

	As at 31 December			As at 30 June
	2022	2023	2024	2025
	RMB'000	RMB'000	RMB'000	RMB'000
Payroll and welfare payable	14,278	16,982	22,941	19,118
Payables for purchase of long-term assets	483	36,792	16,556	6,283
Deposit payable	732	522	296	308
Accruals	1,754	6,084	13,808	12,592
Other payables	385	25	2,399	2,362
Other tax payable	11,042	796	781	7,546
	<u>11,042</u>	<u>796</u>	<u>781</u>	<u>7,546</u>
Total	<u>28,674</u>	<u>61,201</u>	<u>56,781</u>	<u>48,209</u>

Included in the Group's other payables and accruals are amounts due to Mr. Sun Laichun of RMB1,128,000, RMB1,128,000, nil and nil as at the end of each of the Relevant Periods in relation to the acquisition of a subsidiary named Shanghai Sangezhuang Information Technology Co., Ltd. in 2016.

26. CONTRACT LIABILITIES

Details of contract liabilities are as follows:

The Group

	As at 31 December			As at 30 June
	2022	2023	2024	2025
	RMB'000	RMB'000	RMB'000	RMB'000
Sale of products	3,145	10,118	13,319	8,396
Loyalty points	12,073	11,551	12,246	14,688
Others	344	772	689	698
	<u>344</u>	<u>772</u>	<u>689</u>	<u>698</u>
Total	<u>15,562</u>	<u>22,441</u>	<u>26,254</u>	<u>23,782</u>

The Company

	As at 31 December			As at 30 June
	2022	2023	2024	2025
	RMB'000	RMB'000	RMB'000	RMB'000
Sale of products	1,145	847	848	848
Loyalty points	12,073	11,551	12,246	14,688
	<u>12,073</u>	<u>11,551</u>	<u>12,246</u>	<u>14,688</u>
Total	<u>13,218</u>	<u>12,398</u>	<u>13,094</u>	<u>15,536</u>

27. INTEREST-BEARING BANK BORROWINGS

The Group and the Company

As at 31 December 2023		
	Effective interest rate (%)	Maturity
		RMB'000
Non-current		
Bank loans – secured	3.50	2028
		26,969

As at 31 December 2024		
	Effective interest rate (%)	Maturity
		RMB'000
Non-current		
Bank loans – secured	3.46	2028
		77,955

As at 30 June 2025		
	Effective interest rate (%)	Maturity
		RMB'000
Current		
Current portion of long term bank loans – secured	3.25	2025-2026
		15,657
Non-current		
Bank loans – secured	3.25	2026-2028
		62,226

The Group's bank loans are secured by:

- (i) Mortgages of certain of the Group's property, plant and equipment, which had an aggregate carrying amount of RMB155,295,000 at 31 December 2023 and RMB172,811,000 at 31 December 2024 and RMB168,772,000 at 30 June 2025;
- (ii) Mortgages of certain of the Group's right of use assets, which had an aggregate carrying amount of RMB15,597,000 at 31 December 2023 and RMB14,710,000 at 31 December 2024 and RMB14,266,000 at 30 June 2025.

28. DEFERRED TAX

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

The Group*Deferred tax assets*

	Lease liabilities <i>RMB'000</i>	Impairment of assets <i>RMB'000</i>	Losses available for offsetting against future taxable profits <i>RMB'000</i>	Unrealised gains arising from intra-group transactions <i>RMB'000</i>	Accruals and others <i>RMB'000</i>	Total <i>RMB'000</i>
At 1 January 2022	15,438	557	3,886	11,253	3,193	34,327
Deferred tax (charged)/credited to the statement of profit or loss during the year (<i>note 11</i>)	(5,830)	(55)	35,125	3,641	(626)	32,255
Gross deferred tax assets at 31 December 2022	9,608	502	39,011	14,894	2,567	66,582
At 1 January 2023	9,608	502	39,011	14,894	2,567	66,582
Deferred tax credited/(charged) to the statement of profit or loss during the year (<i>note 11</i>)	465	608	(2,903)	903	24	(903)
Gross deferred tax assets at 31 December 2023	10,073	1,110	36,108	15,797	2,591	65,679
At 1 January 2024	10,073	1,110	36,108	15,797	2,591	65,679
Deferred tax credited/(charged) to the statement of profit or loss during the year (<i>note 11</i>)	2,370	12	(14,505)	23,313	10,720	21,910
Gross deferred tax assets at 31 December 2024	12,443	1,122	21,603	39,110	13,311	87,589
At 1 January 2025	12,443	1,122	21,603	39,110	13,311	87,589
Deferred tax credited/(charged) to the statement of profit or loss during the period (<i>note 11</i>)	2,822	(326)	(9,782)	13,679	21,755	28,148
Gross deferred tax assets at 30 June 2025	15,265	796	11,821	52,789	35,066	115,737

Deferred tax liabilities

	Depreciation allowance in excess of related depreciation <i>RMB'000</i>	Right-of-use assets <i>RMB'000</i>	Others <i>RMB'000</i>	Total <i>RMB'000</i>
At 1 January 2022	–	16,826	65	16,891
Deferred tax charged/(credited) to the statement of profit or loss during the year (<i>note 11</i>)	151	(6,032)	(65)	(5,946)
Gross deferred tax liabilities at 31 December 2022	151	10,794	–	10,945
At 1 January 2023	151	10,794	–	10,945
Deferred tax charged to the statement of profit or loss during the year (<i>note 11</i>)	207	620	–	827
Gross deferred tax liabilities at 31 December 2023	358	11,414	–	11,772
At 1 January 2024	358	11,414	–	11,772
Deferred tax charged to the statement of profit or loss during the year (<i>note 11</i>)	1,396	2,255	–	3,651
Gross deferred tax liabilities at 31 December 2024	1,754	13,669	–	15,423
At 1 January 2025	1,754	13,669	–	15,423
Deferred tax charged to the statement of profit or loss during the period (<i>note 11</i>)	2,706	2,781	–	5,487
Gross deferred tax liabilities at 30 June 2025	4,460	16,450	–	20,910

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

	As at 31 December			As at 30 June
	2022	2023	2024	2025
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Net deferred tax assets recognised in the consolidated statements of financial position	55,637	53,907	72,166	96,872
Net deferred tax liabilities recognised in the consolidated statements of financial position	–	–	–	2,045

There are no income tax consequences attaching to the payment of dividends by the Company to its shareholders.

The Company

Deferred tax assets

	Lease liabilities <i>RMB'000</i>	Impairment of assets <i>RMB'000</i>	Losses available for offsetting against future taxable profits <i>RMB'000</i>	Others <i>RMB'000</i>	Total <i>RMB'000</i>
At 1 January 2022	1,296	218	2,671	3,181	7,366
Deferred tax (charged)/credited to the statement of profit or loss during the year	<u>(544)</u>	<u>23</u>	<u>(2,671)</u>	<u>(659)</u>	<u>(3,851)</u>
Gross deferred tax assets at 31 December 2022	<u>752</u>	<u>241</u>	<u>–</u>	<u>2,522</u>	<u>3,515</u>
At 1 January 2023	752	241	–	2,522	3,515
Deferred tax credited/(charged) to the statement of profit or loss during the year	<u>217</u>	<u>(2)</u>	<u>–</u>	<u>(789)</u>	<u>(574)</u>
Gross deferred tax assets at 31 December 2023	<u>969</u>	<u>239</u>	<u>–</u>	<u>1,733</u>	<u>2,941</u>
At 1 January 2024	969	239	–	1,733	2,941
Deferred tax (charged)/credited to the statement of profit or loss during the year	<u>(375)</u>	<u>153</u>	<u>–</u>	<u>155</u>	<u>(67)</u>
Gross deferred tax assets at 31 December 2024	<u>594</u>	<u>392</u>	<u>–</u>	<u>1,888</u>	<u>2,874</u>
At 1 January 2025	594	392	–	1,888	2,874
Deferred tax credited/(charged) to the statement of profit or loss during the period	<u>3,006</u>	<u>(280)</u>	<u>–</u>	<u>366</u>	<u>3,092</u>
Gross deferred tax assets at 30 June 2025	<u>3,600</u>	<u>112</u>	<u>–</u>	<u>2,254</u>	<u>5,966</u>

Deferred tax liabilities

	Depreciation allowance in excess of related depreciation <i>RMB'000</i>	Right-of-use assets <i>RMB'000</i>	Others <i>RMB'000</i>	Total <i>RMB'000</i>
At 1 January 2022	–	1,352	63	1,415
Deferred tax charged/(credited) to the statement of profit or loss during the year	151	(607)	(63)	(519)
Gross deferred tax liabilities at 31 December 2022	<u>151</u>	<u>745</u>	<u>–</u>	<u>896</u>
At 1 January 2023	151	745	–	896
Deferred tax charged to the statement of profit or loss during the year	207	254	–	461
Gross deferred tax liabilities at 31 December 2023	<u>358</u>	<u>999</u>	<u>–</u>	<u>1,357</u>
At 1 January 2024	358	999	–	1,357
Deferred tax charged/(credited) to the statement of profit or loss during the year	1,396	(483)	–	913
Gross deferred tax liabilities at 31 December 2024	<u>1,754</u>	<u>516</u>	<u>–</u>	<u>2,270</u>
At 1 January 2025	1,754	516	–	2,270
Deferred tax charged to the statement of profit or loss during the period	2,706	3,035	–	5,741
Gross deferred tax liabilities at 30 June 2025	<u>4,460</u>	<u>3,551</u>	<u>–</u>	<u>8,011</u>

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

	As at 31 December			As at
	2022	2023	2024	30 June
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Net deferred tax assets recognised in the statements of financial position	2,619	1,584	604	–
Net deferred tax liabilities recognised in the statements of financial position	<u>–</u>	<u>–</u>	<u>–</u>	<u>2,045</u>

29. PAID-IN CAPITAL/SHARE CAPITAL

A summary of movements in the Company's paid-in capital during the Relevant Periods is as follows:

Paid-in capital

	Total <i>RMB'000</i>
At 1 January 2022	25,140
At 31 December 2022 and at 1 January 2023	25,140
At 31 December 2023	25,140

Share capital

	Total <i>RMB'000</i>
At 1 January 2022, 31 December 2022, 31 December 2023	–
Issue of ordinary shares upon conversion into a joint stock company	25,140
At 31 December 2024 and 30 June 2025	25,140

On 24 December 2024, the Company convened the inaugural meeting, and passed related resolutions approving the conversion of the Company into a joint stock limited company, the articles of association of the Company and the relevant procedures. The net assets of the Company as of the conversion base date, including paid-in capital and reserves, amounting to approximately RMB723,992,000 were converted into 25,140,000 ordinary shares of RMB1.00 each. The excess of the net assets converted over the nominal value of the ordinary shares was credited to the Company's capital reserve.

Pursuant to the respective shareholders agreements entered into on 2 November 2020, 18 August 2021, 12 June 2024 (collectively, the “**Agreements**”), the Company issued ordinary shares to various pre-IPO investors (collectively the “**Pre-IPO Investors**”) for a total net cash proceed of approximately RMB331,000,000. Pursuant to the Agreements, the Pre-IPO Investors were granted by the Company with redemption rights. There was no exercise of redemption rights granted by the Company throughout the Relevant Periods. On 2 December 2024, the Company and the Pre-IPO Investors subsequently entered into supplemental agreement, agreeing that the redemption rights granted by the Company to the Pre-IPO Investors, have been irrecoverably terminated and shall be void ab initio.

Pursuant to the equity transfer agreement and shareholders agreement entered into on 22 May 2025, certain Pre-IPO Investors transferred their Pre-IPO investments to new investors and Mr. Sun Laichun also transferred some of his shares in the Company to new investors (collectively “**New Pre-IPO Investors**”) and the New Pre-IPO Investors also enjoyed redemption rights. Subsequently, on 27 May 2025, the Company and all the existing pre-IPO investors entered into a supplemental agreement, agreeing that the redemption rights granted by the Company to all the existing pre-IPO investors have been irrecoverably terminated and shall be void ab initio.

The above capital increases and share transfers are also collectively referred to as “**Pre-IPO Investments**”. Taking into account the legal and regulatory framework of the Company's jurisdiction and the governing law of the supplemental agreements, the directors considered that it is appropriate to present the Pre-IPO Investments as equity throughout the Relevant Periods.

Had the redemption rights granted by the Company to the Pre-IPO Investors and the New Pre-IPO Investors been accounted for as financial liabilities measured at present value of the redemption amount prior to entering into the supplemental agreements, (i) the redemption financial liabilities, total non-current liabilities and net assets would have been:

	As at 31 December 2022 <i>RMB'000</i>	As at 31 December 2023 <i>RMB'000</i>
Redemption financial liabilities	370,272	396,333
Total non-current liabilities	374,962	434,159
Net assets	11,386	73,783

; and (ii) the finance costs associated with the redemption financial liabilities, the net (loss)/profit for the year, basic and dilutive (loss)/earnings per share would have been:

	For the year ended 31 December			For the six months ended 30 June	
	2022	2023	2024	2024	2025
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
				<i>(Unaudited)</i>	
Finance costs associated with the redemption financial liabilities	24,347	26,061	25,924	13,889	289
Total net (loss)/profit	(30,278)	58,457	160,909	72,764	181,560
Basic and diluted (loss)/earnings per share (expressed in RMB)	(1.20)	2.33	6.40	2.89	7.22

30. SHARE-BASED PAYMENT

The Company operates a share award arrangement (the “**Arrangement**”) through an employee incentive platform for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group’s operations. Eligible participants of the Arrangement include the Company’s directors and other employees of the Group.

Shanghai Yuanhui Business Consulting Partnership, the employee incentive platform (the “**Platform**”) under the Arrangement, was established by Mr. Sun Laichun and Mr. Sun Fuchun in November 2016, and became one of the shareholders of the Company through capital injection in July 2019. In December 2020, March 2023, June 2024 and January 2025, 25, 40, 14, 15 employees were granted certain shares of the Company through the Platform, respectively, with a vesting period from the date of grant until three years after successful listing of the Company.

In June 2025, the group modified the vesting period. 30%, 30% and 40% of the granted shares will vest over a period from the date of grant until 1 year, 2 years and 3 years after the successful listing date.

The fair values of the granted shares in December 2020, March 2023, June 2024 and January 2025 were determined at RMB15,546,000, RMB56,939,000, RMB7,043,000 and RMB8,117,000, respectively. The Group recognised the equity-settled share-based payment expenses of RMB2,276,000, RMB3,940,000, RMB5,125,000, RMB5,720,000 and RMB3,021,000 in profit or loss during the Relevant Periods and the six months ended 30 June 2024.

The following equity-settled share-based payment was outstanding under the share award arrangement during the Relevant Periods:

	Weighted average subscription price <i>RMB per share</i>	Number of shares <i>'000</i>
At 1 January 2022	12.65	695
Granted	12.65	–
Forfeited	12.65	(79)
	<u>12.65</u>	<u>616</u>
At 31 December 2022	<u>12.65</u>	<u>616</u>
At 1 January 2023	12.65	616
Granted	21.06	665
Forfeited	39.78	(45)
	<u>16.18</u>	<u>1,236</u>
At 31 December 2023	<u>16.18</u>	<u>1,236</u>
At 1 January 2024	16.18	1,236
Granted	39.78	103
Forfeited	20.40	(78)
	<u>17.85</u>	<u>1,261</u>
At 31 December 2024	<u>17.85</u>	<u>1,261</u>
At 1 January 2025	17.85	1,261
Granted	39.78	119
Forfeited	39.78	(79)
	<u>18.53</u>	<u>1,301</u>
At 30 June 2025	<u>18.53</u>	<u>1,301</u>

The fair value of equity-settled share-based payment granted was estimated as at the date of grant using an Option Pricing Model, taking into account the terms and conditions upon which the share awards were granted. The following table lists the key inputs to the model used:

	As at 31 December 2023	2024	As at 30 June 2025
Expected volatility (%)	46.66%	37.55%	37.55%
Historical volatility (%)	46.66%	37.55%	37.55%
Risk-free interest rate (%)	2.48%	1.59%	1.59%
Expected life of options (year)	2.75	1.50	1.00
Weighted average share price (RMB per share)	86.61	107.75	107.75

31. RESERVES

The amounts of the Group's reserves and the movements therein for the Relevant Periods are presented in the consolidated statement of changes in equity of the Historical Financial Information.

(a) Statutory reserve

In accordance with the Company Law of the PRC, companies registered in the PRC are required to allocate 10% of the statutory after tax profits to the statutory reserve until the cumulative total of the reserve reaches 50% of the companies' registered capital. Subject to approval from the relevant PRC authorities, the statutory reserve may be used to offset any accumulated losses or increase the registered capital of the companies. The statutory reserve is not available for dividend distribution to equity holders of the PRC subsidiaries.

(b) Capital reserve

The capital reserve represents (i) the capital contributions from the then equity holders of the Group's subsidiaries, after elimination of investments in subsidiaries; and (ii) the acquisition of minority interests of the Group's subsidiaries. Details of the movements in capital reserve are set out in the consolidated statements of changes in equity of the Historical Financial Information.

(c) Equity-settled share-based payment reserve

The equity-settled share-based payment reserve comprises the fair value of equity-settled share-based payment granted, as further explained in note 30.

(d) Reserve movements of the Company

Year ended 31 December 2022

	Capital reserve <i>RMB'000</i>	Statutory reserve <i>RMB'000</i>	Equity-settled share-based payment reserve <i>RMB'000</i>	Retained profits <i>RMB'000</i>	Total <i>RMB'000</i>
At 1 January 2022	326,182	12,570	5,443	178,503	522,698
Profit for the year	—	—	—	77,359	77,359
Total comprehensive income for the year	—	—	—	77,359	77,359
Others	(1)	—	—	—	(1)
Equity-settled share-based payment arrangements	—	—	2,276	—	2,276
At 31 December 2022	<u>326,181</u>	<u>12,570</u>	<u>7,719</u>	<u>255,862</u>	<u>602,332</u>

Year ended 31 December 2023

	Capital reserve	Statutory reserve	Equity-settled share-based payment reserve	Retained profits	Total
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
At 1 January 2023	326,181	12,570	7,719	255,862	602,332
Profit for the year	—	—	—	63,177	63,177
Total comprehensive income for the year	—	—	—	63,177	63,177
Equity-settled share-based payment arrangements	—	—	3,940	—	3,940
At 31 December 2023	<u>326,181</u>	<u>12,570</u>	<u>11,659</u>	<u>319,039</u>	<u>669,449</u>

Year ended 31 December 2024

	Capital reserve	Statutory reserve	Equity-settled share-based payment reserve	Retained profits	Total
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
At 1 January 2024	326,181	12,570	11,659	319,039	669,449
Profit for the year	—	—	—	184,063	184,063
Total comprehensive income for the year	—	—	—	184,063	184,063
Equity-settled share-based payment arrangements	—	—	5,125	—	5,125
Dividends paid to shareholders	—	—	—	(50,000)	(50,000)
Conversion into a joint stock company	372,671	(12,570)	(13,770)	(346,331)	—
Transfer from retained profits	—	11,129	—	(11,129)	—
At 31 December 2024	<u>698,852</u>	<u>11,129</u>	<u>3,014</u>	<u>95,642</u>	<u>808,637</u>

Six months ended 30 June 2024

	Capital reserve	Statutory reserve	Equity-settled share-based payment reserve	Retained profits	Total
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
At 1 January 2024	326,181	12,570	11,659	319,039	669,449
Profit for the period (Unaudited)	<u>—</u>	<u>—</u>	<u>—</u>	<u>71,223</u>	<u>71,223</u>
Total comprehensive income for the period (Unaudited)	<u>—</u>	<u>—</u>	<u>—</u>	<u>71,223</u>	<u>71,223</u>
Dividends paid to shareholders (Unaudited)	—	—	—	(50,000)	(50,000)
Equity-settled share-based payment arrangements (Unaudited)	<u>—</u>	<u>—</u>	<u>3,021</u>	<u>—</u>	<u>3,021</u>
At 30 June 2024 (Unaudited)	<u><u>326,181</u></u>	<u><u>12,570</u></u>	<u><u>14,680</u></u>	<u><u>340,262</u></u>	<u><u>693,693</u></u>

Six months ended 30 June 2025

	Capital reserve	Statutory reserve	Equity-settled share-based payment reserve	Retained profits	Total
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
At 1 January 2025	698,852	11,129	3,014	95,642	808,637
Profit for the period	<u>—</u>	<u>—</u>	<u>—</u>	<u>168,447</u>	<u>168,447</u>
Total comprehensive income for the period	<u>—</u>	<u>—</u>	<u>—</u>	<u>168,447</u>	<u>168,447</u>
Equity-settled share-based payment arrangements	<u>—</u>	<u>—</u>	<u>5,720</u>	<u>—</u>	<u>5,720</u>
At 30 June 2025	<u><u>698,852</u></u>	<u><u>11,129</u></u>	<u><u>8,734</u></u>	<u><u>264,089</u></u>	<u><u>982,804</u></u>

32. NOTES TO THE CONSOLIDATED STATEMENTS OF CASH FLOWS

(a) Major non-cash transactions

The Group had non-cash additions to right-of-use assets and lease liabilities of RMB43,147,000, RMB66,647,000, RMB69,575,000, RMB22,674,000 and RMB54,278,000 for the years ended 31 December 2022, 2023, 2024 and six months ended 30 June 2024 and 2025, respectively, in respect of lease arrangements for self-operated stores, warehouses and office premises.

(b) Changes in liabilities arising from financing activities

As at 31 December 2022

	Lease liabilities <i>RMB'000</i>
At 1 January 2022	67,847
Changes from financing cash flows	(67,520)
New leases	43,147
Interest expenses	2,011
Termination of lease contracts	(4,291)
	<u>41,194</u>
At 31 December 2022	<u>41,194</u>

As at 31 December 2023

	Interest-bearing bank borrowings <i>RMB'000</i>	Lease liabilities <i>RMB'000</i>
At 1 January 2023	–	41,194
Changes from financing cash flows	26,753	(63,388)
New leases	–	66,647
Interest expenses	216	1,421
Termination of lease contracts	–	(2,741)
	<u>26,969</u>	<u>43,133</u>
At 31 December 2023	<u>26,969</u>	<u>43,133</u>

As at 31 December 2024

	Interest-bearing bank borrowings <i>RMB'000</i>	Lease liabilities <i>RMB'000</i>
At 1 January 2024	26,969	43,133
Changes from financing cash flows	48,646	(61,050)
New leases	–	69,575
Interest expenses	2,340	1,797
Termination of lease contracts	–	(2,585)
	<u>77,955</u>	<u>50,870</u>
At 31 December 2024	<u>77,955</u>	<u>50,870</u>

As at 30 June 2024

	Interest-bearing bank borrowings <i>RMB'000</i>	Lease liabilities <i>RMB'000</i>
At 1 January 2024	26,969	43,133
Changes from financing cash flows (Unaudited)	47,052	(31,157)
New leases (Unaudited)	–	22,674
Interest expenses (Unaudited)	985	756
Termination of lease contracts (Unaudited)	–	(1,119)
	<u>75,006</u>	<u>34,287</u>
At 30 June 2024 (Unaudited)	<u>75,006</u>	<u>34,287</u>

As at 30 June 2025

	Interest-bearing bank borrowings <i>RMB'000</i>	Lease liabilities <i>RMB'000</i>
At 1 January 2025	77,955	50,870
Changes from financing cash flows	(1,335)	(33,787)
New leases	–	54,278
Interest expenses	1,263	1,353
Termination of lease contracts	–	(1,694)
	<u>77,883</u>	<u>71,020</u>
At 30 June 2025	<u>77,883</u>	<u>71,020</u>

(c) **Total cash outflow for leases**

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

	Year ended 31 December			Six months ended 30 June	
	2022	2023	2024	2024	2025
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
				<i>(Unaudited)</i>	
Within operating activities	1,056	1,817	2,361	1,144	2,197
Within financing activities	67,520	63,388	61,050	31,157	33,787
	<u>68,576</u>	<u>65,205</u>	<u>63,411</u>	<u>32,301</u>	<u>35,984</u>
Total	<u>68,576</u>	<u>65,205</u>	<u>63,411</u>	<u>32,301</u>	<u>35,984</u>

33. CONTINGENT LIABILITIES

As at the end of each of the Relevant Periods, neither the Group nor the Company had any significant contingent liabilities.

34. PLEDGE OF ASSETS

Details of the Group's assets pledged for the Group's interest-bearing bank borrowings are included in notes 14, 16 and 27, respectively, to the financial statements.

35. COMMITMENTS

The Group had the following contractual commitments at the end of each of the Relevant Periods:

	As at 31 December			As at 30 June
	2022	2023	2024	2025
	RMB'000	RMB'000	RMB'000	RMB'000
Contracted, but not provided for				
Property, plant and equipment	120,607	15,051	10,152	4,035
Other intangible assets	623	790	1,002	1,630
	<u>121,230</u>	<u>15,841</u>	<u>11,154</u>	<u>5,665</u>
Total	<u>121,230</u>	<u>15,841</u>	<u>11,154</u>	<u>5,665</u>

36. RELATED PARTY TRANSACTIONS

The Group had the following material transactions with related parties during the Relevant Periods and the six months ended 30 June 2024:

(a) Transactions with related parties:

	Year ended 31 December			Six months ended 30 June	
	2022	2023	2024	2024	2025
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				(Unaudited)	
Sale of products to related parties					
Company controlled by Ms. Jing Aimei*	N/A	N/A	196	N/A	105
Lease from related parties					
Lease from Mr. Sun Laichun	51	22	22	11	11
Company controlled by Ms. Jing Aimei*	N/A	N/A	3	N/A	17

* Ms. Jing Aimei was appointed as an independent non-executive director since June 2024, so the company controlled by Ms. Jing Aimei became a related party of the Group since June 2024.

(b) Outstanding balances with related parties:

	As at 31 December			As at
	2022	2023	2024	30 June
	RMB'000	RMB'000	RMB'000	2025 RMB'000
Due from Mr. Sun Laichun*	10	10	10	10
Due from company controlled by Ms. Jing Aimei**	N/A	N/A	47	1
Due to Mr. Sun Laichun	1,128	1,128	–	–

* The amounts of loans to directors are not significant during the Relevant Periods, so there are no maximum amount outstanding loan balances during the Relevant Periods that require additional disclosure.

** Ms. Jing Aimei was appointed as an independent non-executive director since June 2024, so the company controlled by Ms. Jing Aimei became a related party of the Group since June 2024.

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

	Year ended 31 December			Six months ended	
	2022	2023	2024	2024	2025
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				<i>(Unaudited)</i>	
Salaries, allowances and benefits in kind	2,800	2,669	2,538	1,269	2,878
Performance related bonuses	885	2,547	4,324	–	535
Pension scheme and social welfare	517	551	570	281	435
Equity-settled share-based payment expenses	2,054	376	1,848	1,590	1,469
Total	<u>6,256</u>	<u>6,143</u>	<u>9,280</u>	<u>3,140</u>	<u>5,317</u>

Further details of directors' and the chief executive's emoluments are included in note 9 to the Historical Financial Information.

(d) Due from related parties:

As at the end of each of the Relevant Periods, the amounts due from related parties are all trade in nature, unsecured, interest free and repayable on demand. The carrying amounts of the balances with related parties approximate to their fair values and are denominated in RMB.

(e) Due to related parties:

As at the end of each of the Relevant Periods, except for the amounts due to Mr. Sun Laichun of RMB1,128,000, RMB1,128,000, nil and nil, respectively, the remaining amounts due to related parties are trade in nature, unsecured, interest free and repayable on demand. The carrying amounts of the balances with related parties approximate to their fair values and are denominated in RMB.

- (f) Redemption rights of the Pre-IPO Investors and the New Pre-IPO Investors granted by Mr. Sun Laichun as defined in Prospectus:

Prior to the Relevant Periods, the Pre-IPO Investors and the New Pre-IPO Investors had been granted the redemption rights by Mr. Sun Laichun. No side arrangements between the Company, the Pre-IPO Investors and the New Pre-IPO Investors or between the Company and Mr. Sun Laichun regarding redemption rights. Pursuant to supplemental agreements entered into by the Company, the Pre-IPO Investors, the New Pre-IPO Investors and Mr. Sun Laichun in December 2024 and May 2025, the redemption rights granted by Mr. Sun Laichun was terminated prior to the submission of the listing application to the Stock Exchange.

The Company has not provided any form of guarantee in connection with any potential default or failure of Mr. Sun Laichun to fulfill his obligations relating to the redemption rights. Accordingly, no financial liability regarding redemption rights granted by Mr. Sun Laichun was recorded by the Company during the Relevant Periods.

37. FINANCIAL INSTRUMENTS BY CATEGORY

The carrying amounts of each of the categories of financial instruments as at 31 December 2022, 2023 and 2024 and 30 June 2025 are as follows:

As at 31 December 2022

Financial assets

	Financial assets at fair value through profit or loss Mandatorily designated as such RMB'000	Financial assets at amortised cost RMB'000	Total RMB'000
Trade receivables	–	21,228	21,228
Financial assets included in prepayments, other receivables and other assets	–	24,074	24,074
Financial assets at fair value through profit or loss	4,506	–	4,506
Restricted cash	–	83	83
Cash and cash equivalents	–	203,121	203,121
Total	<u>4,506</u>	<u>248,506</u>	<u>253,012</u>

Financial liabilities

	Financial liabilities at amortised cost RMB'000
Trade and bills payables	26,367
Financial liabilities included in other payables and accruals	15,911
Lease liabilities	<u>41,194</u>
Total	<u>83,472</u>

For the details of Pre-IPO Investments, please refer to Note 29 to this report.

As at 31 December 2023

Financial assets

	Financial assets at amortised cost RMB'000
Trade receivables	34,449
Financial assets included in prepayments, other receivables and other assets	22,574
Restricted cash	11,135
Cash and cash equivalents	285,729
	<hr/>
Total	353,887
	<hr/> <hr/>

Financial liabilities

	Financial liabilities at amortised cost RMB'000
Trade and bills payables	43,946
Financial liabilities included in other payables and accruals	54,576
Interest-bearing bank borrowings	26,969
Lease liabilities	43,133
	<hr/>
Total	168,624
	<hr/> <hr/>

For the details of Pre-IPO Investments, please refer to Note 29 to this report.

As at 31 December 2024

Financial assets

	Financial assets at amortised cost RMB'000
Trade receivables	45,903
Financial assets included in prepayments, other receivables and other assets	23,255
Restricted cash	2,031
Cash and cash equivalents	440,322
	<hr/>
Total	511,511
	<hr/> <hr/>

Financial liabilities

	Financial liabilities at amortised cost <i>RMB'000</i>
Trade and bills payables	106,014
Financial liabilities included in other payables and accruals	42,911
Interest-bearing bank borrowings	77,955
Lease liabilities	50,870
	<hr/>
Total	277,750
	<hr/> <hr/>

For the details of Pre-IPO Investments, please refer to Note 29 to this report.

As at 30 June 2025

Financial assets

	Financial assets at amortised cost <i>RMB'000</i>
Trade receivables	48,790
Financial assets included in prepayments, other receivables and other assets	27,875
Restricted cash	11,441
Cash and cash equivalents	401,461
	<hr/>
Total	489,567
	<hr/> <hr/>

Financial liabilities

	Financial liabilities at amortised cost <i>RMB'000</i>
Trade and bills payables	81,188
Financial liabilities included in other payables and accruals	36,711
Interest-bearing bank borrowings	77,883
Lease liabilities	71,020
	<hr/>
Total	266,802
	<hr/> <hr/>

38. 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 and bills payables, financial assets included in prepayments, other receivables and other assets, financial liabilities included in other payables and accruals approximate to their carrying amounts largely due to the short-term maturities of these instruments.

The Group's finance department headed by the finance manager is responsible for determining the policies and procedures for the fair value measurement of financial instruments. The finance manager reports directly to the chief financial officer and the audit committee. At each reporting date, the finance department analyses the movements in the values of financial instruments and determines the major inputs applied in the valuation. The valuation is reviewed and approved by the chief financial officer.

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

Financial assets at fair value through profit or loss of the Group were wealth management products with banks in Mainland China and their fair value was estimated by using a discounted cash flow valuation model based on the market interest rates of instruments with similar terms and risks.

Fair value hierarchy

The following table illustrates the fair value measurement hierarchy of the Group's financial instruments:

Assets measured at fair value:

As at 31 December 2022

	Fair value measurement using			Total RMB'000
	Quoted prices in active markets (Level 1) RMB'000	Significant observable inputs (Level 2) RMB'000	Significant unobservable inputs (Level 3) RMB'000	
Financial assets at fair value through profit or loss	–	4,506	–	4,506

The Group and the Company did not have any financial assets measured at fair value as at 31 December 2023 and 2024 and 30 June 2025.

The Group did not have any financial liabilities measured at fair value as at 31 December 2022, 2023 and 2024 and 30 June 2025.

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

39. 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 and bills payables, which arise directly from its operations.

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

Credit risk

The Group trades mainly with recognised and creditworthy third parties. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis.

Maximum exposure and staging as at 31 December 2022, 2023 and 2024 and 30 June 2025

The tables below show 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 2022, 2023 and 2024 and 30 June 2025.

The amounts presented are gross carrying amounts for financial assets.

As at 31 December 2022

	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*	–	–	–	22,371	22,371
Financial assets included in prepayments, other receivables and other assets					
– Normal**	24,088	–	–	–	24,088
Restricted cash					
– Not yet past due	83	–	–	–	83
Cash and cash equivalents					
– Not yet past due	203,121	–	–	–	203,121
Total	227,292	–	–	22,371	249,663

As at 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*	–	–	–	37,735	37,735
Financial assets included in prepayments, other receivables and other assets					
– Normal**	22,797	–	–	–	22,797
Restricted cash					
– Not yet past due	11,135	–	–	–	11,135
Cash and cash equivalents					
– Not yet past due	285,729	–	–	–	285,729
Total	319,661	–	–	37,735	357,396

As at 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*	–	–	–	48,642	48,642
Financial assets included in prepayments, other receivables and other assets					
– Normal**	23,452	–	–	–	23,452
Restricted cash					
– Not yet past due	2,031	–	–	–	2,031
Cash and cash equivalents					
– Not yet past due	440,322	–	–	–	440,322
Total	465,805	–	–	48,642	514,447

As at 30 June 2025

	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*	–	–	–	51,397	51,397
Financial assets included in prepayments, other receivables and other assets					
– Normal**	28,058	–	–	–	28,058
Restricted cash					
– Not yet past due	11,441	–	–	–	11,441
Cash and cash equivalents					
– Not yet past due	401,461	–	–	–	401,461
Total	440,960	–	–	51,397	492,357

* For trade receivables to which the Group applies the simplified approach for impairment, information based on the provision matrix is disclosed in note 20 to the Historical Financial Information.

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

Further quantitative data in respect of the Group's exposure to credit risk arising from trade receivables are disclosed in note 20 to the Historical Financial Information.

Liquidity risk

The Group monitors its risk to a shortage of funds using a recurring liquidity planning tool. This tool considers the maturity of both its financial instruments and financial assets (e.g., trade receivables) and projected cash flows from operations.

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

At 31 December 2022

	Within 1 year RMB'000	1 to 5 years RMB'000	Total RMB'000
Lease liabilities	36,504	4,690	41,194
Trade and bills payables	26,367	–	26,367
Financial liabilities included in other payables and accruals	15,911	–	15,911
Total	78,782	4,690	83,472

At 31 December 2023

	Within 1 year <i>RMB'000</i>	1 to 5 years <i>RMB'000</i>	Total <i>RMB'000</i>
Lease liabilities	32,276	10,857	43,133
Interest-bearing bank borrowings	948	30,310	31,258
Trade and bills payables	43,946	–	43,946
Financial liabilities included in other payables and accruals	54,576	–	54,576
Total	131,746	41,167	172,913

At 31 December 2024

	Within 1 year <i>RMB'000</i>	1 to 5 years <i>RMB'000</i>	Total <i>RMB'000</i>
Lease liabilities	37,765	13,105	50,870
Interest-bearing bank borrowings	2,902	85,334	88,236
Trade and bills payables	106,014	–	106,014
Financial liabilities included in other payables and accruals	42,911	–	42,911
Total	189,592	98,439	288,031

At 30 June 2025

	Within 1 year <i>RMB'000</i>	1 to 5 years <i>RMB'000</i>	Total <i>RMB'000</i>
Lease liabilities	41,403	29,617	71,020
Interest-bearing bank borrowings	18,022	67,388	85,410
Trade payables	81,188	–	81,188
Financial liabilities included in other payables and accruals	36,711	–	36,711
Total	177,324	97,005	274,329

Capital management

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

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. The Group is not subject to any externally imposed capital requirements. No changes were made in the objectives, policies or processes for managing capital during the Relevant Periods.

The Group monitors capital using gearing ratio, which is total liabilities divided by total assets. The gearing ratios as at the end of each of the Relevant Periods were as follows:

	As at 31 December			As at
	2022	2023	2024	30 June
	RMB'000	RMB'000	RMB'000	2025
				RMB'000
Total assets	544,427	738,752	1,073,954	1,239,259
Total liabilities	<u>162,769</u>	<u>268,636</u>	<u>461,880</u>	<u>439,616</u>
Gearing ratio	<u>30%</u>	<u>36%</u>	<u>43%</u>	<u>35%</u>

40. EVENTS AFTER THE REPORTING PERIODS

On 5 August 2025, the Company declared 2024 final dividends of approximately RMB95,028,000 to its shareholders, of which approximately RMB94,174,000 was paid in August 2025 and the remaining RMB854,000 was paid in December 2025.

41. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared by the Company, the Group or any of the companies now comprising the Group in respect of any period subsequent to 30 June 2025.

The following information does not form part of the Accountants' Report from Ernst & Young, Certified Public Accountants, Hong Kong, the Company's reporting accountants, as set out in Appendix I to this Document, and is included herein for information purpose only. The unaudited pro forma financial information should be read in conjunction with the section headed "Financial Information" in this document and the Accountants' Report set out in Appendix I to this document.

A. UNAUDITED PRO FORMA STATEMENT OF ADJUSTED CONSOLIDATED NET TANGIBLE ASSETS

The following unaudited pro forma adjusted consolidated net tangible assets of the Group prepared in accordance with Rule 4.29 of the Listing Rules and with reference to Accounting Guideline 7 *Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars* issued by the Hong Kong Institute of Certified Public Accountants is set out here to illustrate the effect of the Global Offering on the consolidated net tangible assets of the Group attributable to owners of the parent as of 30 June 2025 as if the Global Offering had taken place on 30 June 2025.

The unaudited pro forma statement of adjusted consolidated net tangible assets of the Group has been prepared for illustrative purpose only and, because of its hypothetical nature, it may not give a true picture of the consolidated net tangible assets of the Group to owners of the parent had the Global Offering been completed as at 30 June 2025 or at any future dates.

	Consolidated net tangible assets of the Group attributable to owners of the Company as at 30 June 2025 RMB'000	Estimated net proceeds from the Global Offering RMB'000	Unaudited pro forma adjusted consolidated net tangible assets as at 30 June 2025 RMB'000	Unaudited pro forma adjusted consolidated net tangible assets per Share as at 30 June 2025 RMB	HK\$
Based on an Offer Price of HK\$77.77 per Share	792,053	928,031	1,720,084	12.32	13.55

Notes:

1. The consolidated net tangible assets of the Group attributable to owners of the Company as at 30 June 2025 was equal to the consolidated net assets attributable to owners of the Company as at 30 June 2025 of RMB799,643,000, after deducting of other intangible assets of RMB7,590,000 as at 30 June 2025 set out in the Accountants' Report in Appendix I to this prospectus.
2. The estimated net proceeds from the Global Offering are based on 13,966,450 Offer Shares at indicative Offer Prices of HK\$77.77 per Offer Share, after deduction of the estimated underwriting commissions and fees and other related expenses (excluding listing expenses of RMB21,516,000 which have been recorded in the consolidated statements of profit or loss and other comprehensive income). It does not take into account of any Shares which may be issued upon the exercise of the Over-allotment Option or any Shares which may be issued or repurchased by the Company pursuant to the Company's general mandates.
3. The unaudited pro forma adjusted consolidated net tangible assets per Share is calculated after making the adjustments referred to in the preceding paragraphs and on the basis that 139,664,285 Shares are in issue assuming that the Global Offering had been completed on 30 June 2025, without taking into account of any shares which may be allotted and issued upon the exercise of the Over-allotment Option.
4. For the purpose of this unaudited pro forma adjusted consolidated net tangible assets, the balances stated in RMB are converted into HK\$ at the rate of RMB1 to HK\$1.0999. No representation is made that the Hong Kong dollar amounts have been, could have been or may be converted to Renminbi, or vice versa, at that rate or any other rates or at all.
5. In August 2025, the Company declared 2024 final dividends of approximately RMB95,028,000 to the existing shareholders prior to the Listing, which has not been taken into account in the above adjusted consolidated net tangible assets of the Group. Had the payment of the declared dividend been made on 30 June 2025, the unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to owners of the Company would be decreased from RMB1,720,084,000 to RMB1,625,056,000 based on an Offer Price of HK\$77.77 per Share, and the unaudited pro forma adjusted consolidated net tangible assets per Share would be RMB11.64 (equivalent to HK\$12.80) based on an Offer Price of HK\$77.77 per Share.
6. No other adjustment has been made to the unaudited pro forma adjusted consolidated net tangible assets to reflect any trading results or other transactions of the Group entered into subsequent to 30 June 2025.



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B. INDEPENDENT REPORTING ACCOUNTANTS' ASSURANCE REPORT ON THE COMPILATION OF UNAUDITED PRO FORMA FINANCIAL INFORMATION

To the Directors of Shanghai Forest Cabin Cosmetics Group Co., Ltd.

We have completed our assurance engagement to report on the compilation of unaudited pro forma financial information of Shanghai Forest Cabin Cosmetics Group Co., Ltd. (the “**Company**”) and its subsidiaries (hereinafter collectively referred to as the “**Group**”) by the directors of the Company (the “**Directors**”) for illustrative purposes only. The unaudited pro forma financial information consists of the unaudited pro forma consolidated net tangible assets as at 30 June 2025, and related notes as set out on pages II-1 to II-2 of the prospectus dated 18 December 2025 issued by the Company (the “**Unaudited Pro Forma Financial Information**”). The applicable criteria on the basis of which the Directors have compiled the Unaudited Pro Forma Financial Information are described in notes in Part A of Appendix II to the Prospectus.

The Unaudited Pro Forma Financial Information has been compiled by the Directors to illustrate the impact of the global offering of shares of the Company on the Group's financial position as at 30 June 2025 as if the transaction had taken place at 30 June 2025. As part of this process, information about the Group's financial position has been extracted by the Directors from the Group's financial statements for the year ended 30 June 2025, on which an accountants' report has been published.

Directors' responsibility for the Unaudited Pro Forma Financial Information

The Directors are responsible for compiling the Unaudited Pro Forma Financial Information in accordance with paragraph 4.29 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”) and with reference to Accounting Guideline (“**AG**”) 7 *Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars* issued by the Hong Kong Institute of Certified Public Accountants (the “**HKICPA**”).

Our independence and quality management

We have complied with the independence and other ethical requirements of the *Code of Ethics for Professional Accountants* issued by the HKICPA, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior.

We apply Hong Kong Standard on Quality Management 1 *Quality Management for Firms that Perform Audits or Reviews of Financial Statements, or Other Assurance or Related Services Engagements* which requires the firm to design, implement and operate a system of quality management including policies or procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Reporting accountants' responsibilities

Our responsibility is to express an opinion, as required by paragraph 4.29(7) of the Listing Rules, on the Unaudited Pro Forma Financial Information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the Unaudited Pro Forma Financial Information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

We conducted our engagement in accordance with Hong Kong Standard on Assurance Engagements 3420 *Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus* issued by the HKICPA. This standard requires that the reporting accountants plan and perform procedures to obtain reasonable assurance about whether the Directors have compiled the Unaudited Pro Forma Financial Information in accordance with paragraph 4.29 of the Listing Rules and with reference to AG 7 issued by the HKICPA.

For purposes of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the Unaudited Pro Forma Financial Information, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the Unaudited Pro Forma Financial Information.

The purpose of the Unaudited Pro Forma Financial Information included in the Prospectus is solely to illustrate the impact of the global offering of shares of the Company on unadjusted financial information of the Group as if the transaction had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the transaction would have been as presented.

A reasonable assurance engagement to report on whether the Unaudited Pro Forma Financial Information has been properly compiled on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by the Directors in the compilation of the Unaudited Pro Forma Financial Information provide a reasonable basis for presenting the significant effects directly attributable to the transaction, and to obtain sufficient appropriate evidence about whether:

- the related pro forma adjustments give appropriate effect to those criteria; and
- the Unaudited Pro Forma Financial Information reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on the reporting accountants' judgment, having regard to the reporting accountants' understanding of the nature of the Group, the transaction in respect of which the Unaudited Pro Forma Financial Information has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the Unaudited Pro Forma Financial Information.

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

Opinion

In our opinion:

- (a) the Unaudited Pro Forma Financial Information has been properly compiled on the basis stated;
- (b) such basis is consistent with the accounting policies of the Group; and
- (c) the adjustments are appropriate for the purpose of the Unaudited Pro Forma Financial Information as disclosed pursuant to paragraph 4.29(1) of the Listing Rules.

Ernst&Young

Certified Public Accountants

Hong Kong

18 December 2025

TAXATION OF SECURITY HOLDERS

The taxation of income and capital gains of holders of H Shares is subject to the laws and practices of the PRC and of jurisdictions in which holders of H Shares are residents or otherwise subject to tax. The following summary of certain relevant taxation provisions is based on current effective laws and practices, and no predictions are made about changes or adjustments to relevant laws or policies, and no legal or tax comments or suggestions will be made accordingly. The discussion has no intention to deal with all possible tax consequences resulting from the investment in H Shares, nor does it take into account the specific circumstances of any particular investor, some of which may be subject to special regulations. Accordingly, you should consult your own tax advisor regarding the tax consequences of an investment in H Shares. The discussion is based upon laws and relevant interpretations in effect as of the date of this prospectus, which is fully subject to change or adjustment and may have retrospective effect.

No issues on PRC or Hong Kong taxation other than income tax, capital appreciation and profit tax, business tax/appreciation tax, stamp duty and estate duty were referred in the discussion. Prospective investors are urged to consult their financial advisors regarding the PRC, Hong Kong and other tax consequences of owning and disposing of H Shares.

The PRC Taxation***Taxes on Dividends******Individual Investor***

Pursuant to the Individual Income Tax Law of the PRC, which was promulgated on September 10, 1980 and most recently amended on August 31, 2018 by the Standing Committee of the National People's Congress (the "NPC"), and came into effect on January 1, 2019, and the Implementation Provisions of the Individual Income Tax Law of the PRC which was most recently amended by the State Council on December 18, 2018 and came into effect on January 1, 2019 (collectively the "IIT Law"), dividends distributed by PRC enterprises are generally subject to a withholding individual income tax levied at a flat rate of 20%. Moreover, pursuant to the Notice of the Ministry of Finance, the State Administration of Taxation and the China Securities Regulatory Commission on Issues Concerning Differentiated Individual Income Tax Policies for Dividends and Bonuses of Listed Companies issued by the Ministry of Finance (the "MOF"), the State Taxation Administration (the "STA") and CSRC on September 7, 2015, where an individual acquires stocks of a listed enterprise from public offering of the enterprise or from the stock transfer market and holds the stocks for more than one year, the income from dividends distributed by the enterprise shall be exempt from individual income tax for the time being; if the individual holds the stocks for one month or less, the income from dividends distributed by the enterprise shall be fully taxable; if the individual holds the stocks for one month to one year (one year inclusive), 50% of the income from dividends distributed by the enterprise shall be taxable; the aforesaid income is subject to an individual income tax at a flat rate of 20%.

For a foreign individual who is not a resident of the PRC, the receipt of dividends from an enterprise in the PRC is normally subject to a withholding individual income tax of 20% unless specifically exempted by the tax authority of the State Council or reduced by relevant tax treaty. Indeed, the withholding tax rate for dividends of non-resident individuals may be lower than 20% under certain circumstances. However, pursuant to the Circular of the MOF and the STA on Issues Concerning Individual Income Tax Policies, the income received by individual foreigners from dividends and bonuses of a foreign-invested enterprise is exempt from individual income tax for the time being. On February 3, 2013, the State Council approved and promulgated the Notice of the State Council on Approving and Relaying the Several Opinions of the National Development and Reform Commission and Other Departments on Deepening Reform of the Income Distribution System. On February 8, 2013, the General Office of the State Council promulgated the Notice of the General Office of the State Council on Deepening the Division of Key Work for Income Distribution System Reform. Pursuant to these two documents, the PRC government is planning to cancel foreign individuals' tax exemption for dividends obtained from foreign-invested enterprises, and the MOF and the STA should be responsible for making and implementing details of such plan. However, relevant implementation rules or regulations have not been promulgated by the MOF and the STA.

Pursuant to the Notice of the STA on Issues Concerning Taxation and Administration of Individual Income Tax After the Repeal of the Document (Guo Shui Fa [1993] No. 045) issued by the STA on June 28, 2011, domestic non-foreign-invested enterprises issuing shares in Hong Kong may, when distributing dividends to overseas resident individuals in the jurisdiction of the tax treaty, normally withhold individual income tax at the rate of 10%. For the individual holders of H Shares receiving dividends who are citizens of countries that have entered into a tax treaty with the PRC with tax rates lower than 10%, the non-foreign-invested enterprise whose shares are listed in Hong Kong may apply on behalf of such holders for enjoying the lower preferential tax treatments, and, upon approval by the tax authorities, the excessive withholding amount will be refunded. For the individual holders of H Shares receiving dividends who are citizens of countries that have entered into a tax treaty with the PRC with tax rates higher than 10% but lower than 20%, the non-foreign-invested enterprise is required to withhold the tax at the agreed rate under the treaties, and no application procedures will be necessary. For the individual holders of H Shares receiving dividends who are citizens of countries without taxation treaties with the PRC or are under other situations, the non-foreign-invested enterprise is required to withhold the tax at a rate of 20%.

Pursuant to the Arrangement between the Mainland of China and the Hong Kong Special Administrative Region for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with respect to Taxes on Income signed by the Central People's Government of Mainland of China and the Government of the Hong Kong Special Administrative Region on August 21, 2006, the PRC government may impose tax on dividends paid by a PRC company to a Hong Kong resident (including natural person and legal entity), but such tax shall not exceed 10% of the total amount of dividends payable. If a Hong Kong resident directly holds 25% or more of the equity interests in a PRC company and the Hong Kong resident is the beneficial owner of the dividends and meets other conditions, such tax shall not exceed 5% of the total amount of dividends payable by the PRC company. The Fifth Protocol to the Arrangement between the Mainland of China and the Hong Kong Special Administrative Region for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with

Respect to Taxes on Income issued by the STA and effective on December 6, 2019 provides that such provisions shall not apply to arrangements or transactions made for one of the primary purposes of obtaining such tax benefits.

Enterprise Investors

In accordance with the Enterprise Income Tax Law of the PRC issued by NPC on March 16, 2007 and came into effect on December 29, 2018 and the Implementation Provisions of the Enterprise Income Tax Law of the PRC issued by the State Council on December 6, 2007, came into effect on January 1, 2008 and latest amended on December 6, 2024 (collectively the “**EIT Law**”), a non-resident enterprise is generally subject to a 10% enterprise income tax (the “**EIT**”) on PRC-sourced income (including dividends received from a PRC resident enterprise), if it does not have an establishment or premise in the PRC or has an establishment or premise in the PRC but its PRC-sourced income has no real connection with such establishment or premise. The aforesaid income tax payable for non-resident enterprises is deducted at source, where the payer of the income is required to withhold the income tax from the amount to be paid to the non-resident enterprise. The withholding tax may be reduced or eliminated under an applicable treaty for the avoidance of double taxation. Notice of the STA on the Issues concerning Withholding the Enterprise Income Tax on the Dividends Paid by Chinese Resident Enterprises to H-share Holders Which Are Overseas Non-resident Enterprises, which was promulgated by the STA and came into effect on November 6, 2008, further clarified that a PRC-resident enterprise must withhold corporate income tax at a rate of 10% on the dividends of 2008 and onwards that it distributes to overseas non-resident enterprise shareholders of H Shares. The Reply of the Imposition of Enterprise Income Tax on B-share and Other Dividends of Non-resident Enterprises that was promulgated by the STA on July 24, 2009, further provides that any Chinese resident enterprise listed on any overseas stock exchange must withhold EIT at a rate of 10% on dividends distributed to non-PRC resident enterprise shareholders. Such tax rates may be further changed pursuant to the tax treaty or agreement that China has concluded with a relevant jurisdiction, where applicable.

Pursuant to the Arrangement between the Mainland of China and the Hong Kong Special Administrative Region for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with respect to Taxes on Income signed by the Central People’s Government of Mainland of China and the Government of the Hong Kong Special Administrative Region on August 21, 2006, the PRC government may impose tax on dividends paid by a PRC company to a Hong Kong resident (including natural person and legal entity), but such tax shall not exceed 10% of the total amount of dividends payable.

If a Hong Kong resident directly holds 25% or more of the equity interests in a PRC company and the Hong Kong resident is the beneficial owner of the dividends and meets other conditions, such tax shall not exceed 5% of the total amount of dividends payable by the PRC company. The Fifth Protocol to the Arrangement between the Mainland of China and the Hong Kong Special Administrative Region for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with Respect to Taxes on Income issued by the STA and effective on December 6, 2019 provides that such provisions shall not apply to arrangements or transactions made for one of the primary purposes of obtaining such tax benefits.

Tax Treaties

Non-resident investors residing in jurisdictions which have entered into treaties or adjustments for the avoidance of double taxation with the PRC might be entitled to a reduction of the Chinese corporate income tax imposed on the dividends received from PRC companies. The PRC currently has entered into Avoidance of Double Taxation Treaties or Arrangements with a number of countries and regions including Hong Kong Special Administrative Region, Macau Special Administrative Region, Australia, Canada, France, Germany, Japan, Malaysia, the Netherlands, Singapore, the United Kingdom and the United States. Non-PRC resident enterprises entitled to preferential tax rates in accordance with the relevant taxation treaties or arrangements are required to apply to the Chinese tax authorities for a refund of the corporate income tax in excess of the agreed tax rate, and the refund application is subject to approval by the Chinese tax authorities.

Pursuant to the Administrative Measures on Entitlement of Non-resident Taxpayers to Preferential Treatment under Tax Treaties, which was promulgated by the STA on October 14, 2019 and became effective on January 1, 2020, non-resident taxpayers are entitled to preferential treatment under the tax treaties through self-determination, self-declaration and keeping and documenting relevant information for inspection. Where a non-resident taxpayer self-assesses and concludes that it satisfies the criteria for claiming treaty benefits, it may enjoy treaty benefits at the time of tax declaration or at the time of withholding declaration through a withholding agent, simultaneously gather and retain the relevant materials pursuant to the regulations for future inspection, and be subject to subsequent administration by tax authorities.

*Taxation on Share Transfer**Value-added Tax and Local Additional Tax*

Pursuant to the Provisional Regulations of the People's Republic of China on Value-Added Tax, which was issued by NPC on December 13, 1993, and amended and came into effect on November 19, 2017, all enterprises and individuals that engage in the sale of goods, the provision of processing, repair and replacement services, sales of service, intangible assets and real estate and the importation of goods within the territory of the PRC shall pay value-added tax at rates of 0%, 6%, 11% and 17% on the different commodities they sell and different services they provide, unless otherwise specified.

Pursuant to the Notice on Adjusting Value-added Tax Rates, which was issued by the Ministry of Finance and the State Administration of Taxation on April 4, 2018, and came into effect on May 1, 2018, the tax rates of 17% and 11% applicable to any taxpayer's VAT taxable sale or import of goods shall be adjusted to 16% and 10%, respectively.

Pursuant to the Announcement on Relevant Policies on Deepening the Value-added Tax Reform, which was issued by the Ministry of Finance, the State Administration of Taxation and the General Administration of Customs on March 20, 2019, and came into effect on April 1, 2019, the tax rate of 16% and 10% applicable to any taxpayer's VAT taxable sale or import of goods shall be adjusted to 13% and 9% respectively.

Pursuant to the Notice on Fully Implementing the Pilot Reform for the Transition from Business Tax to Value-added Tax (the “**Circular 36**”), which was implemented on May 1, 2016, entities and individuals engaged in the services sale in the PRC are subject to value-added Tax (“**VAT**”) and “engaged in the services sale in the PRC” means that the seller or buyer of the taxable services is located in the PRC. Circular 36 also provides that transfer of financial products, including transfer of the ownership of marketable securities, shall be subject to VAT at 6% on the taxable revenue (which is the balance of sales price upon deduction of purchase price), for a general or a foreign VAT taxpayer.

At the same time, VAT payers are also required to pay urban maintenance and construction tax, education surtax and local education surcharge.

Income Tax

Individual Investors

According to the IIT Law, gains on the transfer of equity interests in the PRC resident enterprises are subject to individual income tax at a rate of 20%. Pursuant to the Circular on Declaring that Individual Income Tax Continues to be Exempted over Income of Individuals from the Transfer of Shares issued by the MOF and STA on March 30, 1998, from January 1, 1997, income of individuals from transfer of the shares of listed enterprises continues to be exempted from individual income tax. The STA has not expressly stated whether it will continue to exempt tax on income of individuals from transfer of the shares of listed enterprises in the latest amended Individual Income Tax Law.

Pursuant to the Announcement of the Ministry of Finance and the State Administration of Taxation on the List of Preferential Individual Income Tax Policies That Remain Effective, which was issued and implemented by the Ministry of Finance and the State Administration of Taxation on December 29, 2018, the Notice on the Temporary Exemption of Individual Income Tax on Individuals’ Income from the Transfer of Stocks will continue to be effective.

Enterprise Investors

In accordance with the EIT Law, a non-resident enterprise is generally subject to corporate income tax at the rate of a 10% on PRC-sourced income, including gains derived from the disposal of equity interests in a PRC resident enterprise, if it does not have an establishment or premise in the PRC or has an establishment or premise in the PRC but its PRC-sourced income has no real connection with such establishment or premise. Such income tax payable for non-resident enterprises are deducted at source, where the payer of the income is required to withhold the income tax from the amount to be paid to the non-resident enterprise. Such tax may be reduced or exempted pursuant to relevant tax treaties or agreements on avoidance of double taxation.

Tax policies for Shanghai-Hong Kong Stock Connect

On October 31, 2014, the MOF, the STA and the CSRC jointly promulgated the Circular on the Relevant Taxation Policy for the Pilot Programme of an Interconnection Mechanism for Transactions in the Shanghai and Hong Kong Stock Markets (the “**Shanghai-Hong Kong Stock Connect Taxation Policy**”). Pursuant to the Shanghai-Hong Kong Stock Connect Taxation Policy, the income from the transfer price difference obtained by corporate investors of the mainland of China investing in stocks listed on the Hong Kong Stock Exchange through Shanghai-Hong Kong Stock Connect is included in their total income and EIT is levied on such income in accordance with the law. The income from dividends and bonus obtained by corporate investors of the mainland of China investing in stocks listed on the Hong Kong Stock Exchange through Shanghai-Hong Kong Stock Connect is included in their total income. The EIT is levied on such income in accordance with the law. Among them, EIT will be exempt according to law for income from dividends and bonus obtained by resident enterprises of the Mainland of China that hold H-shares for at least 12 consecutive months. The H-share companies do not need to withhold tax on the income from dividends and bonus obtained by corporate investors of the Mainland of China. The tax payable shall be declared and paid by the enterprises themselves.

Pursuant to the Notice of the Ministry of Finance, the State Administration of Taxation, and the China Securities Regulatory Commission on Taxation Policies concerning the Pilot Program of an Interconnection Mechanism for Transactions in the Shanghai and Hong Kong Stock Markets, issued by the MOF, the STA and the CSRC, for dividends and bonus obtained by individual investors of the Mainland of China investing in H-shares listed on the Hong Kong Stock Exchange through Shanghai-Hong Kong Stock Connect, the H-share companies shall apply to China Securities Depository and Clearing Corporation Limited (the “**CSDCC**”) for provision by the CSDCC to the H-share companies the register of individual investors of the Mainland of China. The H-share companies shall withhold individual income tax at a rate of 20%.

Tax policies for Shenzhen-Hong Kong Stock Connect

On November 5, 2016, the MOF, the STA and the CSRC jointly issued the Notice on the Relevant Taxation Policy for the Pilot Programme of an Interconnection Mechanism for Transactions in the Shenzhen and Hong Kong Stock Markets (the “**Shenzhen-Hong Kong Stock Connect Taxation Policy**”). Pursuant to the Shenzhen-Hong Kong Stock Connect Taxation Policy, the income from the transfer price difference obtained by corporate investors of the mainland of China investing in stocks listed on the Hong Kong Stock Exchange through Shenzhen-Hong Kong Stock Connect is included in their total income. The EIT is levied on such income in accordance with the law. The income from dividends and bonus obtained by corporate investors of the Mainland of China investing in stocks listed on the Hong Kong Stock Exchange through Shenzhen-Hong Kong Stock Connect is included in their total income. The EIT is levied on such income in accordance with the law. EIT is exempt according to law for income from dividends and bonus obtained by resident enterprises of the Mainland of China that hold H-shares for at least 12 consecutive months. The H-share companies do not need to withhold tax on the income from dividends and bonus obtained by corporate investors of the Mainland of China. The tax payable shall be declared and paid by the enterprises themselves.

Pursuant to the Notice on the Relevant Taxation Policy for the Pilot Programme of an Interconnection Mechanism for Transactions in the Shenzhen and Hong Kong Stock Markets, which was issued by the MOF, the STA and the CSRC on November 5, 2016 and came into effect on December 5, 2016, for dividends and bonus obtained by individual investors of the Mainland of China investing in the H Shares listed on the Hong Kong Stock Exchange through Shenzhen-Hong Kong Stock Connect, the H-share companies shall apply to the CSDCC for provision by the CSDCC to the H-share companies the register of individual investors of the Mainland of China, and the H-share companies shall withhold individual income tax at a rate of 20%.

Stamp Duty

Pursuant to the Stamp Duty Law of the PRC, which took effect on July 1, 2022, the entities and individuals that conclude taxable certificates, or conduct securities transactions within the territory of the PRC shall be taxpayers of stamp tax, and shall pay stamp tax in accordance with the provisions of this law; where entities or individuals, outside the territory of the PRC, conclude taxable certificates that are used within the territory of the PRC, they shall pay stamp tax in accordance with the provisions of this law. Thus the requirements of the stamp duty imposed on the transfer of shares of PRC listed companies shall not apply to the acquisition and disposal of H Shares by non-PRC investors outside of the PRC.

Estate Duty

As of the date of this prospectus, no estate duty has been levied in the PRC under the PRC laws.

Foreign Exchange

The lawful currency of the PRC is Renminbi, which is currently subject to foreign exchange control and cannot be freely converted into foreign currency. The State Administration of Foreign Exchange (the “SAFE”), with the authorization of the People’s Bank of China (the “PBOC”), is empowered with the functions of administering all matters relating to foreign exchange, including the enforcement of foreign exchange control regulations.

The Regulations on Foreign Exchange Control of the PRC which came into effect on August 5, 2008, classifies all international payments and transfers into current items and capital items. Current items are subject to the reasonable examination of the veracity of transaction documents and the consistency of the transaction documents and the foreign exchange receipts and payments by financial institutions engaging in conversion and sale of foreign currencies and supervision and inspection by the foreign exchange control authorities. For capital items, overseas organizations and overseas individuals making direct investments in China shall, upon approval by the relevant authorities in charge, process registration formalities with the foreign exchange control authorities. Foreign exchange income received overseas can be repatriated or deposited overseas, and foreign exchange and foreign exchange settlement funds under the capital account are required to be used only for purposes as approved by the competent authorities and foreign exchange administrative authorities. In the event that international revenues and expenditure occur or may occur a material misbalance,

or the national economy encounters or may encounter a severe crisis, the State may adopt necessary safeguard and control measures on international revenues and expenditure.

The Regulations for the Administration of Settlement, Sale and Payment of Foreign Exchange, which was promulgated by the PBOC on June 20, 1996 and implemented on July 1, 1996, removes other restrictions on convertibility of foreign exchange under current items, while imposing existing restrictions on foreign exchange transactions under capital account items. Consequently, Renminbi is generally freely convertible for payments of current account items, such as trade and service-related foreign exchange transactions and dividend payments, but remains to be not freely convertible for capital account items, such as direct investment, loan or investment in securities outside China unless prior approval of the SAFE or its local counterparts is obtained.

According to the Announcement on Improving the Reform of the Renminbi Exchange Rate Formation Mechanism, which was issued by the PBOC and implemented on July 21, 2005, the PRC has started to implement a managed floating exchange rate system in which the exchange rate would be determined based on market supply and demand and adjusted with reference to a basket of currencies since July 21, 2005. Therefore, the Renminbi exchange rate was no longer pegged to the U.S. dollar. PBOC would publish the closing price of the exchange rate of the Renminbi against trading currencies such as the U.S. dollar in the interbank foreign exchange market after the closing of the market on each working day, as the central parity of the currency against Renminbi transactions on the following working day.

According to the relevant laws and regulations in the PRC, PRC enterprises (including foreign investment enterprises) which need foreign exchange for current item transactions may, without the approval of the foreign exchange administrative authorities, effect payment through foreign exchange accounts opened at the designated foreign exchange bank, on the strength of valid transaction receipts and proof. Foreign investment enterprises which need foreign exchange for the distribution of profits to their shareholders and PRC enterprises which, in accordance with regulations, are required to pay dividends to their shareholders in foreign exchange (such as our Company) may, on the strength of resolutions of the board of directors or the shareholders' meeting on the distribution of profits, effect payment from foreign exchange accounts at the designated foreign exchange bank, or effect exchange and payment at the designated foreign exchange bank.

According to the Decision of the State Council on Cancelling and Adjusting a Group of Administrative Approval Items and Other Matters, which was promulgated by the State Council on October 23, 2014, it decided to cancel the approval requirement of the SAFE and its branches for the remittance and settlement of the proceeds raised from the overseas listing of the foreign shares into RMB domestic accounts.

According to the Notice of the State Administration of Foreign Exchange on Issues Concerning the Foreign Exchange Administration of Overseas Listing issued by the SAFE and implemented on December 26, 2014, a domestic company shall, within 15 business days from the date of the end of its overseas listing issuance, register the overseas listing with the local branch office of the SAFE at the place of its establishment; the proceeds from an overseas listing of a domestic company may be remitted to the domestic account or deposited in an overseas account, but the use of the proceeds shall be consistent with the content of the prospectus and other disclosure documents.

According to the Notice of the State Administration of Foreign Exchange of the PRC on Revolutionizing and Regulating Capital Account Settlement Management Policies which was promulgated by the SAFE, implemented on June 9, 2016 and was amended on December 4, 2023, foreign currency earnings in capital account that relevant policies of willingness exchange settlement have been clearly implemented on (including the recalling of raised capital by overseas listing) may undertake foreign exchange settlement in the banks according to actual business needs of the domestic institutions.

The tentative percentage of foreign exchange settlement for foreign currency earnings in capital account of domestic institutions is 100%, subject to adjust of the SAFE in due time in accordance with international revenue and expenditure situations. The Circular on Issues Concerning the Administration of Foreign Exchange in Offshore Investments and Financing and Return Investments by Domestic Residents through Special Purpose Vehicles (the “**Circular 37**”) was promulgated and implemented by the SAFE on July 4, 2014. According to Circular 37, domestic residents, individuals and entities shall apply to the SAFE for registration of foreign exchange for offshore investment before making contributions to special purpose vehicles with domestic and overseas legal assets or equities. In addition, any domestic resident who is a shareholder of an overseas special purpose vehicle shall complete the registration formality of foreign exchange alteration for offshore investment with the SAFE in a timely manner in the event of any change of significant matters of such overseas special purpose vehicle such as capital increase/decrease, equity transfer or swap, merge and spin-off.

The subsequent foreign exchange business (including remittance of profits and dividend) of a domestic resident who fails to comply with the registration requirements as set out in Circular 37 may be restricted. Domestic residents that have made contributions to special purpose vehicles with domestic and overseas legal assets or equities without the required registration of foreign exchange for offshore investment prior to the implementation of Circular 37 shall issue a letter of explanation to the SAFE containing specific reasons. The SAFE shall make a post-registration following the principles of legality and rationality and impose administrative penalties in case of suspected violation of the Regulations on Foreign Exchange Control of the PRC.

According to the Circular on Further Simplifying and Improving Policies for the Foreign Exchange Administration Applicable to Direct Investment, which was issued by the SAFE on February 13, 2015, came into effect on June 1, 2015 and partially repealed on December 30, 2019, the confirmation of foreign exchange registration under domestic direct investment and the confirmation of foreign exchange registration under overseas direct investment shall be directly examined and handled by banks and the foreign exchange authorities shall indirectly regulate the foreign exchange registration of direct investment through banks. The banks that have obtained financial institution identification codes from foreign exchange authorities and have connected to the Capital Account Information System with the local foreign exchange authorities may directly handle the registration under Circular 37.

SUMMARY OF PRINCIPAL PRC AND HONG KONG LEGAL AND REGULATORY PROVISIONS

This Appendix sets forth summaries of certain aspects of PRC laws and regulations which are relevant to our Company's operations and business. Laws and regulations relating to taxation in the PRC are discussed separately in "Taxation and Foreign Exchange" in Appendix IV to this prospectus. This Appendix also contains a summary of certain Hong Kong legal and regulatory provisions, including summaries of certain material differences between the PRC and Hong Kong company law, certain requirements of the Listing Rules and additional provisions required by the Hong Kong Stock Exchange for inclusion in the articles of association of the PRC issuers.

PRC LEGAL SYSTEM

The PRC legal system is based on the Constitution of the PRC (2018 Revision) (《中華人民共和國憲法(2018修正)》) (hereinafter referred to as the "**Constitution**") and is made up of written laws, administrative regulations, local regulations, autonomous regulations, separate regulations, rules and regulations of ministries of the State Council, rules and regulations of local governments, laws of special administrative regions and international treaties of which the PRC government is a signatory, and other regulatory documents. Court verdicts do not constitute binding precedents. However, they may be used as judicial reference and guidance.

According to the Constitution and the Legislation Law of the PRC (2023 Revision) (《中華人民共和國立法法(2023修正)》) (hereinafter referred to as the "**Legislation Law**"), the National People's Congress (hereinafter referred to as the "**NPC**") and the Standing Committee of The National People's Congress are empowered to exercise the legislative power of the State. The NPC has the power to formulate and amend the basic laws governing civil and criminal matters, state organs and other matters. The Standing Committee of the NPC is empowered to formulate and amend other laws other than those required to be enacted by the NPC. During the adjournment of the NPC, partial supplement and amendment shall be made to the laws as formulated by the NPC, provided that such supplements and amendments are not in conflict with the basic principles of such laws. The NPC may authorize the Standing Committee of the NPC to enact relevant laws.

The State Council is the highest organ of the PRC administration and has the power to formulate administrative regulations based on the Constitution and laws.

The People's Congresses of the provinces, autonomous regions and municipalities and their respective standing committees may formulate local regulations based on the specific circumstances and actual needs of their respective administrative areas, provided that such local regulations do not contravene any provisions of the Constitution, laws, and administrative regulations.

The people's congresses of cities divided into districts and their respective standing committees may formulate local regulations on aspects such as urban and rural construction and management, ecological civilization development, historical and cultural protection, and grassroots governance based on the specific circumstances and actual needs of such cities, provided that such local regulations do not contravene any provisions of the Constitution, laws, administrative regulations and local regulations of their respective provinces or autonomous regions. Where the laws provide otherwise on the matters concerning the formulation of local regulations by cities divided into districts, those provisions shall prevail. Such local regulations by cities divided into districts shall become enforceable after being reported to and approved by the standing committees of the people's congresses of the relevant provinces or autonomous regions. The standing committees of the people's congresses of the provinces or autonomous regions shall examine the legality of the local regulations submitted for approval. Such approval shall be granted within four months if they are not in conflict with the Constitution, laws, administrative regulations and local regulations of such provinces or autonomous regions. Where, during the examination for approval of local regulations of cities divided into districts by the standing committees of the people's congresses of the provinces or autonomous regions, conflicts are identified with the rules and regulations of the people's governments of the provinces or autonomous regions concerned, a decision shall be made by the standing committees of the people's congresses of provinces or autonomous regions for resolution. The people's congresses of national autonomous areas shall have the power to formulate autonomous regulations and separate regulations in light of the political, economic and cultural characteristics of the ethnic groups in the areas concerned.

The ministries and commissions of the State Council, the People's Bank of China, the National Audit Office of the PRC and the subordinate institutions with administrative functions directly under the State Council may formulate departmental rules within the jurisdiction of their respective departments based on the laws and administrative regulations, as well as the decisions and orders of the State Council. Provisions of departmental rules should be the matters related to the enforcement of the laws and administrative regulations, and the decisions and orders of the State Council. The people's governments of the provinces, autonomous regions, municipalities and cities divided into districts or autonomous prefectures may formulate their rules and regulations based on the laws, administrative regulations and local regulations of relevant provinces, autonomous regions and municipalities.

The Constitution has supreme legal authority and no laws, administrative regulations, local regulations, autonomous regulations or separate regulations and rules may contravene the Constitution. The authority of laws is greater than that of administrative regulations, local regulations and rules. The authority of administrative regulations is greater than that of local regulations and rules. The authority of local regulations is greater than that of the rules of the local governments at or below the corresponding level. The authority of the rules enacted by the people's governments of the provinces or autonomous regions is greater than that of the rules enacted by the people's governments of the cities with districts and autonomous prefectures within the administrative areas of the provinces and the autonomous regions.

The NPC has the power to alter or abrogate any inappropriate laws enacted by its standing committee, and to abrogate any autonomous regulations and separate regulations as approved by the Standing Committee of the NPC which contravene the Constitution or the Legislation Law. The Standing Committee of the NPC has the power to abrogate any administrative regulations that contravene the Constitution or laws, to abrogate any local regulations that contravene the Constitution, laws or administrative regulations, and to abrogate any autonomous regulations and local regulations which have been approved by the Standing Committee of the NPC of the relevant provinces, autonomous regions or municipalities, but contravene the Constitution or the Legislation Law. The State Council has the power to alter or abrogate any inappropriate ministerial rules and rules of local governments. The people's congresses of provinces, autonomous regions or municipalities have the power to alter or abrogate any inappropriate local regulations enacted or approved by their respective standing committees. The people's governments of provinces and autonomous regions have the power to alter or abrogate any inappropriate rules enacted by the people's governments at a lower level.

According to the Constitution or the Legislation Law, the power to interpret the laws is vested in the Standing Committee of the NPC. According to the Resolution of the Standing Committee of the National People's Congress Regarding the Strengthening of Interpretation of Laws (《全國人民代表大會常務委員會關於加強法律解釋工作的決議》) passed on June 10, 1981, if the scope prescribed by laws needs to be further defined or supplementary provisions need to be made, the Standing Committee of the NPC shall interpret them or make provisions. Issues involving the specific application of laws in the trial work of the court shall be interpreted by the Supreme People's Court. Issues involving the specific application of laws in the procuratorial work of the procuratorate shall be interpreted by the Supreme People's Procuratorate. If there are principled differences in the interpretation of the Supreme People's Court and the Supreme People's Procuratorate, they shall be submitted to the Standing Committee of The National People's Congress for interpretation or decision. Issues that do not involve the specific application of laws in judicial and procuratorial work shall be interpreted by the State Council and the competent departments. The State Council and its ministries and commissions are also vested with the power to give interpretation of the administrative regulations and ministerial rules which they have promulgated. At the regional level, the power to give interpretation of the local laws is vested in the regional legislative and administrative organs which promulgate such law.

PRC JUDICIAL SYSTEM

Under the Constitution and the PRC Law on the Organization of the People's Courts (2018 Revision) (《中華人民共和國人民法院組織法(2018年修訂)》), the PRC judicial system is made up of the Supreme People's Court, the local people's courts at all levels, and the special people's courts.

Local people's courts are divided into primary people's court, intermediate people's court and high people's court. High people's courts supervise the primary and intermediate people's courts. The people's procuratorates also have the right to exercise legal supervision over the civil proceedings of people's courts of the same level and lower levels. The Supreme People's Court is the highest judicial organ in the PRC. It supervises the judicial work of the people's courts at all levels.

A people's court adopts the system in which the rule of the second instance as the final rule, that is, the judgments or rulings of the second instance at a people's court are final. A party may appeal against the judgment or ruling of the first instance of a local people's court. The people's procuratorate may present a protest to the people's court at the next higher level in accordance with the procedures stipulated by the laws. In the absence of any appeal by the parties and any protest by the people's procuratorate within the stipulated period, the judgments or rulings of the people's court are final. Judgments or rulings of the second instance of the intermediate people's courts, the higher people's courts and the Supreme People's Court, and judgments or rulings of the first instance of the Supreme People's Court are final. However, if any errors are identified in a legally effective judgment, ruling or mediation statement of the people's court at any level by the Supreme People's Court, or if such errors are identified in a legally effective judgment, ruling or mediation statement of the people's court at a lower level by the people's court at a higher level, it has the authority to review the case itself or to refer to the people's court at a lower level to conduct a retrial. If such errors are identified in a legally effective judgment, ruling or mediation statement by the chief judges of the people's courts at all levels, and they consider a retrial is preferred, such case shall be submitted to the judicial committee of the people's court at the same level for discussion and decision.

In according to the Civil Procedure Law of the PRC (2023 Revision) (《中華人民共和國民事訴訟法(2023修正)》) (hereinafter referred to as the “**Civil Procedure Law**”), all parties to a civil action conducted within the PRC must comply with the Civil Procedure Law. The Civil Procedure Law prescribes the conditions for instituting a civil action, the jurisdiction of a people's court, the procedures for conducting a civil action, and the procedures for enforcement of a civil judgment or ruling. A civil case is generally heard at the court located in the defendant's place of domicile. The court of jurisdiction in respect of a civil action may also be chosen by explicit agreement among the parties to a contract, provided that the people's court having jurisdiction should be located at the place directly associated with the disputes, such as the plaintiff's or the defendant's place of domicile, the place where the contract is performed or signed or the place where the subject matter of the action is located. However, such choice shall not in any circumstances contravene the regulations of differential jurisdiction and exclusive jurisdiction.

A foreign individual, a person without a nationality, a foreign enterprise or organization is given the same litigation rights and obligations as a citizen and legal person of the PRC. Should a foreign court limit the litigation rights of a PRC citizen and enterprise, the PRC court may apply the same limitations to the citizens and enterprises of such foreign country. A foreign individual, a person without nationality, a foreign enterprise or organization must engage a PRC lawyer if they need to engage a lawyer for the purpose of initiating an action or defending against litigation at a PRC court. In accordance with the international treaties to which the PRC is a signatory or participant or according to the principle of reciprocity, a PRC people's court and a foreign court may request each other to serve documents, conduct investigation and collect evidence, and conduct other actions on its behalf. A PRC people's court shall not accommodate any request made by a foreign court which will result in the violation of sovereignty, security or social and public interests of the PRC.

A party shall comply with a law-binding civil judgment or ruling, if any party to a civil action refuses to comply with a judgment or ruling made by a people's court or an award made by an arbitration panel in the PRC, the other party may apply to the people's court for the enforcement of the same within two years. However, they may apply for an extension for the enforcement or revocation. If such party fails to satisfy a judgment as enforced and permitted by the court within the stipulated time, the court may, upon application by either party, enforce the judgment in accordance with the law.

A party seeking to enforce a judgment or ruling of a people's court against another party who is not personally or whose property is not within the PRC may apply to a foreign court with the jurisdiction over the case for recognition and enforcement of such judgment or ruling. A foreign judgment or ruling may also be recognized and enforced by a PRC people's court according to PRC enforcement procedures if the PRC has entered into or acceded to an international treaty with the relevant foreign country, which provides for such recognition and enforcement, or if the judgment or ruling satisfies the court's examination according to the principle of reciprocity, unless the people's court believes that the recognition or enforcement of such judgment or ruling will result in a violation of the basic legal principles of the PRC, its sovereignty or national security or against its social and public interests.

**COMPANY LAW, TRIAL MEASURES OF OVERSEAS LISTING, AND GUIDELINES
FOR ARTICLES OF ASSOCIATION OF LISTED COMPANIES**

A joint stock limited company which is incorporated in the PRC and listed on the Hong Kong Stock Exchange is mainly subject to the following laws and regulations in the PRC:

According to the Company Law of the People's Republic of China (2023 Amendment) (hereafter referred to as the “**Company Law**”), which was last amended on December 29, 2023 and came into force on July 1, 2024, limited liability companies and joint stock limited companies established within the territory of the PRC in accordance with the Company Law shall abide by the Company Law. The company is a corporate legal person with independent legal person properties and entitlements to such legal person properties. The company shall be liable for its debts with all its assets. Shareholders of limited liability companies shall be liable to the company to the extent of their subscribed capital contributions; shareholders of joint stock limited companies shall be liable to the company to the extent of their subscribed shares.

On February 17, 2023, with the approval of the State Council, the CSRC promulgated the Trial Administrative Measures of Overseas Securities Offering and Listing by Domestic Companies (《境內企業境外發行證券和上市管理試行辦法》) (the “**Trial Measures of Overseas Listing**”) and relevant five guidelines, which came into force on March 31, 2023. The Trial Measures of Overseas Listing are designated in accordance with the Securities Law and other laws and are applicable to domestic enterprises that issue securities overseas or list their securities for trading. According to the Guidelines for the Applications of Regulatory Rules Overseas Issuance and Listing Category No. 1 (《監管規則適用指引—境外發行上市類第1號》) promulgated by the CSRC on February 17, 2023, direct overseas issuance and listing by domestic companies shall abide by the relevant provisions of the Trial Measures of Overseas Listing and refer to the Guidelines for Articles of Association of Listed Companies (2025 Revision) (《上市公司章程指引(2025修正)》) (the “**Guidelines for Articles of Association of Listed Companies**”) and other relevant provisions of CSRC on corporate governance to formulate its articles of association and standardize corporate governance.

The Official Reply of the State Council on Adjusting the Application of Provisions to Matters Including the Notification Period for Convening Shareholders' Meetings by Overseas Listed Companies (《國務院關於調整適用在境外上市公司召開股東大會通知期限等事項規定的批覆》) was promulgated by the State Council on October 17, 2019 and was implemented on the same date, pursuant to which, it was agreed that, for the companies registered in the PRC but listed overseas, the requirements on the notification period for convening a shareholders' meeting, shareholders' rights to proposal, and the convening procedures shall be collectively governed by the relevant provisions of the Company Law, and no longer be governed by Article 20 to 22 of the Special Regulations.

Below sets out a summary of the major provisions of the Company Law, the Trial Measures of Overseas Listing and the Guidelines for Articles of Association of Listed Companies:

General Provisions

A joint stock limited company refers to a corporate legal person incorporated in China under the Company Law with independent legal person properties and entitlements to such legal person properties. The company shall bear the responsibility for its debts with all its assets, and the shareholders of a joint stock limited company shall bear responsibilities to the company within the scope of the number of shares they subscribe for.

Incorporation

A company may be established by promotion or subscription. A company shall have a minimum of two but no more than 200 people as its promoters, and over half of the promoters must have residence within the PRC. Companies established by promotion are companies of which the registered capital is the total share capital subscribed for by all the promoters registered with the company registration authorities. No share offering shall be made before the shares subscribed for by the promoters are fully paid up.

If laws, administrative regulations and State Council decisions provide otherwise on paid-up registered capital and minimum registered capital, the company shall comply with such provisions. For companies established by way of promotion, the promoter shall fully recognize the shares to be issued at the time of the establishment of the company as stipulated in the articles of association.

Where companies are established by subscription, the shares subscribed for by the promoters shall not be less than 35% of the total number of shares of the company, unless otherwise provided by laws or administrative regulations. A promoter who offers shares to the public must announce a share offering prospectus and prepare a share subscription form. Such offer shall be underwritten by security companies established according to law, with underwriting agreements to be entered into and agreements to be entered into with banks in relation to the receipt of subscription monies. After the shares for public offering of shares are paid in full, they shall be verified by a capital verification agency established in accordance with the law and issue a certificate. The promoters of a joint stock limited company to be established by subscription shall convene the inaugural meeting of the company within 30 days from the date of full payment of the shares to be issued at the time of the establishment of the company. If the shares to be issued at the time of the establishment of the company are not fully raised, or if the promoter does not convene the inaugural meeting within 30 days after the shares for the shares issued are fully paid, the subscriber may request the promoter to refund their subscriptions, plus the interest calculated based on the bank interest rate for the corresponding period. The board of directors shall authorize the representative to apply to the company registration authority for establishment and registration within 30 days after the conclusion of the company's inaugural meeting.

Share Capital

Shareholders may make capital contributions in cash, or non-monetary assets such as in kind, intellectual property rights, land use rights, equity, right of credit which can be appraised with monetary value and transferred lawfully, except for assets prohibited from capital contribution by laws and administrative regulations. For capital contributions made in non-monetary assets, a valuation of the assets contributed must be carried out for verification without any overvaluation or under-valuation.

The issuance of shares shall be conducted in a fair and equitable manner. The same class of shares must carry equal rights. For shares issued at the same time and within the same class, the conditions and price per share must be the same. For shares subscribed by subscriber, the same price shall be paid for each share. The share offering price may be equal to or greater than the nominal value of the share, but not less than the nominal value.

A company that seeks to offer and list securities in overseas markets, is required to fulfill the filing procedure with the CSRC and report relevant information. Where an issuer submits an application for initial public offering to competent overseas regulators, filing application with the CSRC shall be submitted within three business days thereafter. Subsequent securities offering of an issuer in the same overseas market where it has previously offered and listed securities shall be filed with the CSRC within three business days after the offering is completed. Subsequent securities offering and listing of an issuer in other overseas markets shall be filed as initial public offering.

Under the Company Law, a joint stock limited company shall make register of Shareholders and maintain a shareholder register which sets forth the following matters: (1) the name and domicile of each shareholder; (2) the number of shares held by each shareholder; (3) for stocks issued in paper form, the serial numbers of stocks; (4) the date on which each shareholder acquired the shares.

Increase in Share Capital

Where a company issues new shares, resolutions shall be made at the shareholders' meeting in respect of, among others, the class and amount of the new shares, the issue price of the new shares, the commencement and end dates for the issue of the new shares, the class and amount of the new shares proposed to be issued to existing shareholders and if no-par shares are offered, the amount of proceeds from the issuance of new shares included in the registered capital.

To offer shares overseas, the domestic company shall file with the CSRC within three business days after submission of the application documents for offering and listing overseas.

Reduction of Share Capital

A company may reduce its registered capital in accordance with the following procedures prescribed by the Company Law: (1) the company shall prepare a balance sheet and an inventory list of assets; (2) the reduction of registered capital must be approved by shareholders at the shareholders' meeting; (3) the company shall notify its creditors of the reduction in share capital within 10 days and publish the relevant announcement in newspapers or the National Enterprise Credit Information Publicity System within 30 days after the resolution approving the reduction being passed; (4) the creditors of the company may require the company to repay its debts or provide guarantees for the debts within 30 days of receipt of the notification or within 45 days of the date of the announcement if they fail to receive any notification; and (5) the company must apply to the company registration authorities for registration of such change.

Repurchase of Shares

In accordance with the Company Law, a company shall not purchase its own shares except under any of the following circumstances: (1) reducing the registered capital of the company; (2) merging with another company that holds its shares; (3) using shares for the employee stock ownership plan or as equity incentives; (4) a shareholder requesting the company to purchase its shares held by him/her since he/she objects to a resolution of the shareholders' meeting on the combination or division of the company; (5) using shares for converting convertible corporate bonds issued by the company; (6) it is necessary for a listed company to protect its corporate value and the rights and interests of shareholders. A company purchasing its own shares under any of the circumstances set forth in items (1) and (2) above shall be subject to a resolution of the shareholders' meeting; and a company purchasing its own shares under any of the circumstances set forth in items (3), (5) and (6) above may, pursuant to the provisions of the articles of association or the authorization of the shareholders' meeting, be subject to a resolution of a meeting of the board of directors at which more than two-thirds of directors are present.

After purchasing the Company's shares pursuant to the above provisions, the company shall, under the circumstance set forth in item (1), cancel them within 10 days after the purchase; under the circumstance set forth in item (2) or (4), transfer or cancel them within six months; or under the circumstance set forth in item (3), (5) or (6), hold an aggregate of no more than 10% of all the shares issued by the company and transfer or cancel them within three years.

Where a listed company acquires the shares of the Company, it shall perform the obligation of information disclosure in accordance with the Securities Law of the PRC (the "Securities Law"). A listed company purchasing the Company's shares under any of the circumstances set forth in items (3), (5) and (6) of this article shall carry out trading in a public and centralized manner.

The Company shall not accept its own shares as the subject of a pledge.

Transfer of Shares

Shares held by shareholders may be transferred according to law. Under the Company Law, Shares issued prior to the public offering of the company's shares cannot be transferred within one year from the listing date of such shares on a stock exchange. The directors, supervisors and senior management of the company shall notify the company of their holding of shares therein and changes of their shareholdings. The shares transferable by them in each year of their tenures shall not exceed 25% of all their shares in the company. The shares in the company held by them are not transferable within one year from the date on which the company's shares are listed. The shares in the company held by them shall not be transferred within six months after their departure from the company. The articles of association may set other restrictive requirements on the transfer of the company's shares held by its directors, supervisors and senior management.

Shareholders

Under the Company Law, the rights of shareholders include: (1) to transfer their shares according to law; (2) to attend or appoint a proxy to attend and vote at shareholders' meetings; (3) to inspect the articles of association, share register, minutes of shareholders' meetings, board resolutions, resolutions of the supervisory committee and financial and accounting reports, and to make suggestions or inquiries in respect of the company's operations; (4) to receive dividends in respect of the number of shares held; (5) to participate in the allocation of residual properties of the company in proportion to their shareholdings upon the liquidation of the company; (6) any other shareholders' rights provided for in laws, administrative regulations, other regulatory documents and the articles of association.

The obligations of shareholders include the obligation to abide by the articles of association, to pay the subscription monies in respect of the shares subscribed for, to be liable for the company's debts and liabilities to the extent of his or her share subscriptions, not to abuse their shareholders' rights to harm the interests of the company or other shareholders, not to abuse the independent status of the legal person of the company and the limited liability of shareholders to harm the interest of any creditor and any other shareholder obligation specified in the articles of association.

Shareholders' Meetings

The shareholders' meeting is the organ of authority of the company that exercises its powers: (1) to elect and replace directors and supervisors, and to decide on the matters relating to the remuneration of directors and supervisors; (2) to consider and approve the reports of the board of directors; (3) to consider and approve the reports of the supervisory committee; (4) to consider and approve the company's profit distribution and loss recovery proposals; (5) to decide on any increase or reduction of the company's registered capital; (6) to decide on the issue of corporate bonds; (7) to decide on merger, division, dissolution and liquidation of the company or change of its corporate form; (8) to amend the company's articles of association; (9) to exercise any other authority stipulated in the articles of association.

A shareholders' meeting is required to be convened once every year within six months after the end of the preceding financial year. An extraordinary shareholders' meeting is required to be convened within two months of the occurrence of any of the following: (1) the number of directors is less than the number stipulated by the law or less than two-thirds of the number specified in the articles of association; (2) the total outstanding losses of the company amounts to one-third of the company's total share capital; (3) shareholders individually or in aggregate holding 10% or more of the company's shares request the convening of an extraordinary shareholders' meeting; (4) the board of directors deems necessary; (5) the supervisory committee proposes to convene a meeting; (6) any other circumstances as provided for in the articles of association.

A shareholders' meeting shall be convened by the board of directors, and presided over by the chairman of the board of directors. In the event that the chairman cannot or does not perform his/her duties, the meeting shall be presided over by the vice chairman. In the event that the vice chairman cannot or does not perform his/her duties, a director nominated by half or more of the directors shall preside over the meeting. Where the board of directors cannot or does not perform its duties to convene the shareholders' meeting, the supervisory committee shall convene and preside over such meeting in a timely manner. If the supervisory committee fails to convene and preside over such meeting, shareholders individually or in aggregate holding 10% or more of the company's shares for 90 consecutive days or more may unilaterally convene and preside over a general meeting. Where a shareholder holding alone or shareholders holding in aggregate 10% or more of the shares of the corporation requests the holding of a special shareholders' meeting, the board of directors and the board of supervisors shall decide whether to hold a special shareholders' meeting within ten days of receipt of the request, and provide a written reply to the shareholder or shareholders.

In accordance with the Company Law, a notice of shareholders' meeting stating the date and venue thereof and the matters to be considered thereat shall be given to all shareholders 20 days before the meeting. A notice of extraordinary shareholders' meeting shall be given to all shareholders 15 days prior to the meeting. Shareholders who individually or in aggregate hold over 1% of the shares of the company may propose an interim proposal and submit it in writing to the board of directors 10 days before the shareholders' meeting is held. Any other matters to be approved through special resolutions must be adopted by shareholders (including proxies thereof) present at the meeting holding more than two-thirds of the voting rights.

Board of Directors

The company shall have a board of directors. Board members may include employee representatives, who shall be democratically elected by the company's employees at an employee representative assembly, general employee meeting or otherwise. The term of a director shall be stipulated in the articles of association, provided that no term of office shall exceed three years. A director may serve consecutive terms if re-elected. A director shall continue to perform his/her duties as a director in accordance with laws, administrative regulations and the articles of association until a re-elected director takes office, if re-election is not conducted in a timely manner upon the expiry of his/her term of office or if the resignation of directors results in the number of directors being less than the quorum.

Under the Company Law, the board of directors is accountable to the shareholders' meeting and may exercise the following functions and powers: (1) to convene the shareholders' meeting and report to the shareholders' meeting; (2) to implement resolutions of the shareholders' meeting; (3) to decide on the company's business plans and investment plans; (4) to formulate the company's profit distribution plans and plans on making up losses; (5) to formulate proposals for the increase or reduction of the company's registered capital and the issuance of corporate bonds; (6) to formulate plans for merger, division or dissolution or change of corporate form of the company; (7) to decide on establishment of internal management organs of the company; (8) to decide on the appointment or dismissal of the company's manager and his/her remuneration and, based on the manager's nomination, to decide on the appointment or dismissal of any deputy manager and chief financial officer of the company and their remuneration; (9) to formulate the basic management system of the company; (10) to exercise any other functions and powers provided for the articles of association.

Meetings of the board of directors shall be convened at least twice a year. Notices of such meetings shall be given to all directors and supervisors 10 days before the meetings convened. Interim board meetings may be proposed to be convened by shareholders representing more than 10% of the voting rights, more than one-third of the directors or the supervisory committee. The chairman shall convene the meeting within 10 days of receiving such proposal, and preside over the meeting. The board may otherwise determine the means and the period of notice for convening an interim board meeting.

Meetings of the board of directors shall be held only if more than half of the directors are present. Resolutions of the board of directors shall be passed by more than half of all directors. Each director shall have one vote for a resolution to be approved by the board of directors. Directors shall attend board meetings in person. If a director is unable to attend for any reason, he/she may appoint another director to attend the meeting on his/her behalf by a written power of attorney specifying the scope of authorization.

The board of directors shall prepare minutes of the meetings of the board of directors and such minutes shall be signed by the directors present at the meeting. The directors shall be responsible for resolutions adopted by the board of directors. The directors adopting a resolution that contravenes laws, administrative regulations, the articles of association or resolutions of the shareholders' meeting and results in severe losses to the company shall be liable to the company for compensation. However, a director may be exempt from such liability with the proof that he/she has expressed a disagreement which has been recorded in the minutes of the meeting.

Under the Company Law, none of the following persons may serve as directors of the company: (1) persons without capacity or with limited capacity for civil acts; (2) persons who were sentenced for corruption, bribery, encroachment or embezzlement of properties or disruption of social or economic order, or persons who were deprived of political rights for committing a crime, and in each case, where five years have not lapsed following the serving of the sentence; (3) directors, factory heads or managers who bear individual responsibility for the bankruptcy or liquidation of their companies or enterprises where three years have not lapsed following the date of completion of such bankruptcy or liquidation; (4) the legal representatives of companies or enterprises that had their business licenses revoked and ordered to be closed for violation of the law, where such representatives bear individual responsibility and three years have not lapsed following the date of revocation of such business licenses; (5) persons with relatively significant individual debts that have not been settled upon maturity. Where a company elects or appoints a director to which any of the above circumstances applies, such election or appointment shall be null and void. A director to which any of the above circumstances applies during his/her term of office shall be released of his/her duties by the company.

In addition, the Guidelines for Articles of Association of Listed Companies further stipulates other circumstances under which a person is disqualified from acting as a director of a company, including: (1) a person who has been banned from the securities market by the CSRC where the relevant period remains unexpired; (2) the stock exchange has publicly determined that it is not suitable to serve as a director or senior manager of a listed company, and the time limit has not expired; or (3) a person who is banned from doing so in accordance with other laws, administrative regulations or departmental rules.

Under the Company Law, the board of directors shall appoint a chairman and may appoint a vice chairman. The chairman and the vice chairman shall be elected with approval of more than half of all the directors. The chairman shall convene and preside over board meetings and review the implementation of board resolutions. The vice chairman shall assist the chairman to perform his/her duties.

Supervisory Committee

The company shall have a supervisory committee composed of more than three members. The supervisory committee shall consist of shareholder representatives and an appropriate proportion of employee representatives of the company, with the proportion of such employee representatives no less than one-third subject to the articles of association. Employee representatives of the company at the supervisory committee shall be democratically elected by the company's employees at the employee representative assembly, general employee meeting or otherwise.

The supervisory committee shall appoint a chairman and may appoint a vice chairman. The chairman and the vice chairman of the supervisory committee shall be elected by more than half of the supervisors. The directors and senior management may not act concurrently as supervisors.

The chairman of the supervisory committee shall convene and preside over the meetings of the supervisory committee. Where the chairman of the supervisory committee cannot or does not perform his/her duties, the vice chairman of the supervisory committee shall convene and preside over the meetings of the supervisory committee. Where the vice chairman of the supervisory committee cannot or does not perform his/her duties, a supervisor recommended by more than half of the supervisors shall convene and preside over the meetings of the supervisory committee.

Each term of office of a supervisor is three years and he/she may serve consecutive terms if re-elected. A supervisor shall continue to perform his/her duties as a supervisor in accordance with laws, administrative regulations and the articles of association until a re-elected supervisor takes office, if the re-election is not conducted in a timely manner upon the expiry of his/her term of office or if the resignation of supervisors results in the number of supervisors being less than the quorum.

The supervisory committee exercises the following functions and powers: (1) to review the company's financial position; (2) to supervise the performance by the directors and senior management of their duties to the company and propose the dismissal of the directors and senior management who violates laws, administrative regulations, the articles of association or the resolutions of shareholders' meetings; (3) demand rectification from the directors and senior management when such persons are harmful to the company's interests; (4) to propose the convening of extraordinary general meetings; to convene and preside the shareholders' meeting in the event that the board of directors fails to perform its duties to convene and preside the shareholders' meeting in accordance with the Law; (5) to submit proposals to the shareholders' meeting; (6) to file lawsuits against directors and senior management in accordance with the relevant provisions of the Company Law; (7) to exercise any other functions and powers provided for in the articles of association.

Supervisors may be present at the meetings of the board of directors and make inquiries or proposals in respect of the resolutions of the board of directors. The supervisory committee may investigate any irregularities identified in the operation of the company and, when necessary, engage an accounting firm to assist its work at the expense of the company.

Manager and Senior Management

Under the relevant provisions of the Company Law, a company shall have a manager who shall be appointed or removed by the board of directors. Meanwhile, under the Guidelines for Articles of Association of Listed Companies, the manager shall be accountable to the board of directors and may exercise the following functions and powers: (1) to be in charge of the production, operation and management of the company and to organize the implementation of the resolutions of the board of directors; (2) to organize the implementation of the company's annual business plans and investment plans; (3) to formulate draft plans for the establishment of the company's internal management organization; (4) to draft the company's basic management system; (5) to formulate the basic rules and regulations of the company; (6) to propose on the appointment or dismissal of any deputy manager and chief financial officer of the company; (7) to appoint or dismiss management personnel (other than those required to be appointed or dismissed by the board of directors); (8) to exercise any other functions and powers conferred by the articles of association and the board of directors.

The manager shall be present at meetings of the board of directors. However, the manager shall have no voting rights at meetings of the board of directors unless he/she concurrently serves as a director.

According to the Company Law, senior management refers to the manager, deputy manager, financial officer, secretary to the board of a listed company and other personnel as stipulated in the articles of association.

Duties of Directors, Supervisors and Senior Management

Under the Company Law, directors, supervisors and senior management shall comply with relevant laws, administrative regulations and the articles of association, and carry out their duties of loyalty and diligence. Directors, supervisors and senior management are prohibited from abusing their authority in accepting bribes or other unlawful income and from embezzling the company's property.

In addition, directors, supervisors and senior management shall not: (1) embezzle any property or misappropriate any funds of the company; (2) deposit any funds of the company in an account opened in his or her own name or in the name of any other individual; (3) commit bribery or accept any other illegal revenue by taking advantage of his or her powers; (4) accept and pocket commissions on transactions between others and the company; (5) illegally disclose any confidential information of the company; and (6) otherwise violate the duty of loyalty to the company. Income generated by directors, supervisors or senior management in violation of the aforementioned shall be returned to the company.

A director, supervisor or senior management member who contravenes laws, administrative regulations or the articles of association in the performance of his/her duties resulting in any loss to the company shall be liable to the company for compensation.

Where a director, supervisor or senior management member is required to attend a shareholders' meeting, such director, supervisor or senior management member shall attend the meeting and answer inquiries from shareholders. Directors and senior management shall furnish relevant situations and information to the supervisory committee in a truthful manner, without impeding the discharge of duties by the supervisory committee.

Where a director or senior management member contravenes laws, administrative regulations or the articles of association in the performance of his/her duties resulting in any loss to the company, shareholder(s) holding individually or in aggregate more than 1% of the company's shares for at least 180 consecutive days may request in writing that the supervisory committee institute litigation at a people's court on its behalf. Where the supervisor violates laws or administrative regulations or the articles of association in the discharge of his/her duties resulting in any loss to the company, such shareholder(s) may request in writing that the board of directors institute litigation at a people's court on its behalf. If the supervisory committee or the board of directors refuses to institute litigation after receiving the written request from the shareholder(s), or fails to institute litigation within 30 days of the date of receiving the request, or in the event of an emergency where failure to institute litigation immediately will result in irrecoverable damage to the company's interests, such shareholder(s) shall have the power to institute litigation directly at a people's court in his/her/their own name for the company's benefit. For other parties who infringe on the legitimate interests of the company resulting in loss to the company, such shareholder(s) may institute litigation at a people's court in accordance with the above provisions. Where a director or senior management member contravenes any laws, administrative regulations or the articles of association in infringement on shareholders' interests, a shareholder may also institute litigation at a people's court.

The Guidelines for Articles of Association of Listed Companies provide that a company's directors, supervisors, managers and other senior management shall have the duty of loyalty and due diligence to the company. They shall faithfully perform their duties and protect the interests of the company without using their positions in the company for their own benefits.

Finance and Accounting

Under the Company Law, the company shall establish its financial and accounting systems according to laws, administrative regulations and the regulations of competent financial authorities of the State Council. At the end of each accounting year, the company shall prepare a financial report audited by an accounting firm in accordance with laws. The company's financial and accounting reports shall be made available for shareholders' inspection at the company 20 days before the convening of an annual shareholders' meeting. A joint stock limited company that makes public stock offerings shall publish its financial and accounting reports.

When distributing profits after taxation of the year, the company shall set aside 10% of its profits for the company's statutory reserve until the fund has reached 50% or more of the company's registered capital. When the company's statutory reserve is not sufficient to make up for the company's losses for the previous years, the profits of the current year shall first be used to cover the losses before any allocation is set aside for the statutory reserve pursuant to the preceding provision. After making allocations to the statutory reserve from its profits after taxation, the Company may, upon passing a resolution at a shareholders' meeting or general meeting, make further allocations from its profits after taxation to the discretionary reserve. After the company covers its losses and makes allocations to its discretionary reserve, the remaining profits after taxation shall be distributed in proportion to the number of shares held by the shareholders, except for those which are not distributed in a proportionate manner as provided by the articles of association.

Profits distributed to shareholders by the company in violation of the preceding requirements must be returned to the company. The company shall not distribute any profits in respect of the shares held by it.

The premium received through issuance of shares of the company at prices above par value and other incomes required by the financial authorities of the State Council to be allocated to capital reserve shall be allocated to the company's capital reserve. The company's capital reserve fund are used to make up for the company's losses, to expand the company's production and operations, or to increase the company's registered capital. The capital reserve fund, however, shall not be used to make up the company's losses. Upon the conversion of statutory reserve into capital, the balance of the statutory reserve shall not be less than 25% of the registered capital of the company before such conversion.

The company shall have no other accounting books except the statutory accounting books. Its assets shall not be deposited in any accounts opened in the name of any individual.

Appointment and Dismissal of Accounting Firms

Pursuant to the Company Law, the appointment or dismissal of accounting firms responsible for the auditing of the company shall be determined by the shareholders' meeting, board of directors or supervisory committee in accordance with the provisions of the articles of association. The accounting firm should be allowed to make representations when the shareholders' meeting, board of directors or supervisory committee of the company conducts a vote on the dismissal of the accounting firm. The company should provide true and complete accounting evidences, books, financial and accounting reports and other accounting data to the accounting firm it engages, without any refusal, withholding or misrepresentation.

Distribution of Profits

According to the Company Law, a company shall not distribute profits before losses are covered and the statutory common reserve is drawn.

Amendments to the Articles of Association

According to the Company Law, a resolution at a shareholders' meeting to amend a company's articles of association shall be passed by more than two-thirds of the shareholders with voting rights who attend the meeting. According to the Guidelines for the Articles of Association of Listed Companies, if the amendments to the articles of association approved by the resolution of the shareholders' meeting are subject to the approval by the competent authority, they must be reported to the competent authority for approval; if they involve company registration matters, the modification registration shall be handled according to law. Where the amendments to the articles of association belong to information required to be disclosed by laws and regulations, such amendments shall be announced in accordance with the regulations.

Dissolution and Liquidation

According to the Company Law, a company may dissolve as a result of the following reasons: (1) the expiry of term of its operations set out in the articles of association, or the occurrence of other events of dissolution specified in the articles of association; (2) it is resolved in a shareholders' meeting that the company shall dissolve; (3) the company is dissolved by reason of a merger or division; (4) the business license is suspended or the company is ordered to close down or to be dissolved in accordance with the laws; or (5) the company is dissolved by a people's court in response to the request of shareholders holding shares that represent more than 10% of the voting rights, on the grounds that the company suffers from significant hardship in its operation and the management that cannot be resolved through other means, and the ongoing existence of the company will bring significant losses to the shareholders.

In the event of the circumstance described in (1) and (2) above, provided that the company has not yet distributed its assets to shareholders, the company may carry on its existence by amending its articles of association or passing the resolution of shareholder's meeting. Amendments to the articles of association in accordance with the provisions set out above shall be passed by more than two-thirds of the shareholders with voting rights who attend the shareholders' meeting. Where the company is dissolved in the circumstances described in (1), (2), (4), or (5) above, a liquidation committee shall be established and the liquidation process shall commence within 15 days upon the occurrence of an event of dissolution. The liquidation committee shall be composed of the directors or the personnel appointed at the shareholders' meeting. If a liquidation committee is not established to conduct liquidation within the stipulated period, or doesn't liquidate after the establishment, interested party may apply to a people's court and request the court to appoint relevant personnel to form a liquidation committee. The people's court shall accept such application and form a liquidation committee to conduct liquidation in a timely manner.

A liquidation committee may exercise the following powers during the liquidation period: (1) to dispose of the company's assets and to prepare a balance sheet and an inventory of the assets; (2) to notify the company's creditors through notice or announcement; (3) to handle the company's outstanding businesses related to liquidation; (4) to settle all tax overdue as well as tax amounts arising from the process of liquidation; (5) to settle credits and pay off debts; (6) to distribute the company's remaining assets after settling its debts; and (7) to represent the company in a civil lawsuit.

The liquidation committee shall notify the company's creditors within 10 days upon its establishment and publish an announcement on newspapers or the National Enterprise Credit Information Publicity System within 60 days. A creditor shall file his/her/its claim with the liquidation committee within 30 days upon receipt of the notification, or within 45 days of the date of the announcement if he/she/it has not received any notification. A creditor shall state all matters related to his/her/its creditor rights in making his/her/its claim and furnish evidence. The liquidation committee shall register such creditor's claims. The liquidation committee shall not make any debt settlement with the creditors during the period of the claim.

Upon disposal of the company's assets and preparation of the balance sheet and inventory list of assets, the liquidation committee shall draw up a liquidation plan to be submitted to the shareholders' meeting or the people's court for verification. The company's remaining assets, after payment of liquidation expenses, employees' wages, social insurance expenses and statutory compensation, outstanding taxes and the company's debts, shall be distributed to shareholders according to the proportion of their shareholding. The company shall continue to exist during the liquidation period, it however cannot commence any operating activities that are not related to the liquidation. The company's assets shall not be distributed to shareholders before repayments are made in accordance with the requirements described above.

Upon liquidation of the company's assets, and preparation of the balance sheet and inventory list of assets, if the liquidation committee becomes aware that the company does not have sufficient assets to meet its liabilities, it must apply to the people's court for bankruptcy liquidation in accordance with the laws. After the people's court accepts the bankruptcy application, the liquidation committee shall hand over liquidation affairs to the administrator designated by the people's court.

Upon completion of the liquidation of the company, the liquidation committee shall prepare a liquidation report to be submitted to the shareholders' meeting or the people's court for verification. It shall also file with a company registration authority for deregistration of the company. If losses are caused to the Company or creditors due to intent or gross negligence, such member shall be liable for compensation.

In addition, a company which has declared bankrupt in accordance with the laws shall be subject to liquidation of bankruptcy in accordance with the laws on corporate bankruptcy.

Loss of Share Certificates

If a shareholder's share certificate(s) is stolen, lost, or destroyed, he/she/it may, in accordance with the public notice procedures set out in the Civil Procedure Law, apply to a people's court for declaration that such certificate(s) will no longer be valid. After the people's court declares that such certificate(s) is no longer valid, the shareholder may apply to the company for issue of a replacement certificate(s).

Merger and Division

According to the Company Law, in the case of a merger, a merger agreement shall be signed by all parties, and they shall prepare their balance sheets and inventory list of assets. The company shall notify its creditors within 10 days upon the date of passing of the resolution which approves the merger, and announce the merger on a newspaper within 30 days. A creditor may request the company to settle any outstanding debts or provide guarantees accordingly within 30 days upon receipt of the notification, or within 45 days of the date of the announcement if he/she/it have not received any notification. Where companies merge, the credits and debts of the merging parties shall be assumed by the surviving company or the new company upon merging.

In case of a division, the company's assets shall be divided accordingly. The debts of the company which have accrued prior to the division shall be jointly borne by the divided companies, unless it is otherwise agreed by way of an agreement in writing with the creditors in respect of the settlement of debts before the company's division.

Changes in registration as a result of a merger or division shall be completed with a relevant registration authority in accordance with the laws. Where a company is dissolved or a new company is established, such company deregistration or registration shall be completed respectively in accordance with the laws.

Overseas Listing

Pursuant to the Trial Measures of Overseas Listing, both initial public offerings or listings in overseas markets shall be filed with the CSRC within three business days after the relevant application is submitted overseas. Subsequent securities offering of an issuer in the same overseas market where it has previously offered and listed securities shall be filed with the CSRC within three business days after the offering is completed. Moreover, where the filing documents are complete and in compliance with stipulated requirements, the CSRC will, within twenty business days after receiving the filing documents, conclude the filing procedure and publish the filing results on the CSRC's website. Where the filing documents are incomplete or do not conform to stipulated requirements, the CSRC shall request supplement and amendment thereto within five business days after receiving the filing documents. The issuer shall then complete the supplement and amendment within thirty business days.

SECURITIES LAWS AND REGULATIONS

The PRC has promulgated a series of regulations in relation to issuance and trading of a company's shares and disclosure of information. In October 1992, the State Council established the Securities Committee and the CSRC. The Securities Committee is responsible for coordinating the drafting of securities regulations, formulating securities-related policies, planning the development of securities markets, directing, coordinating and supervising all securities related institutions in the PRC, and administering the CSRC.

Pursuant to the Securities Law of the People's Republic of China (2019 Revision) (《中華人民共和國證券法(2019修訂)》) (the "**Securities Law**"), this law shall apply to the offerings of and trading in stocks, corporate bonds, depositary receipts, and other securities recognized in accordance with the laws by the State Council within the territory of the People's Republic of China; and matters not included in this law shall be governed by the provisions of the Company Law and other relevant laws and administrative regulations. Where any offering of or trading in securities outside the People's Republic of China disrupts the order of the domestic market of the People's Republic of China and impair the legitimate rights and interests of domestic investors, it shall be handled, and the violators shall be legally liable therefor, according to the applicable provisions of the Securities Law.

The Securities Law is the first national securities law in the PRC to fully regulate the activities in securities market in the PRC. It is divided into 14 chapters and 226 articles covering the issuance and trading of securities, the takeovers of listed companies, and the duties and responsibilities of stock exchanges, securities companies, securities registration and clearing institutions, and securities regulatory and administration authorities. Article 224 of the Securities Law provides that where a domestic enterprise directly or indirectly offers securities abroad or has its securities listed and traded abroad, the relevant provisions issued by the State Council shall be complied with. Currently, the issuance and trading of shares (including H Shares) outside the PRC are governed by the regulations and rules promulgated by the State Council and the CSRC.

ARBITRATION AND ENFORCEMENT OF AN ARBITRAL AWARD

Pursuant to the Arbitration Law of the People's Republic of China (2017 Revision) (《中華人民共和國仲裁法(2017修正)》) (the "**Arbitration Law**"), the Arbitration Law is applicable to the disputes relating to contracts and other properties in which the involved parties have entered into a written agreement to resolve the disputes by arbitration of an arbitration committee constituted in accordance with the Arbitration Law. The Arbitration Law provides that an arbitration committee may, before the promulgation of arbitration regulations by the PRC Arbitration Association, formulate interim arbitration provisions in accordance with the Arbitration Law and the Civil Procedure Law. Where the parties have reached an arbitration agreement, a people's court will refuse to handle a legal proceeding initiated by one party made to such people's court, unless the arbitration agreement is invalid.

Under the Arbitration Law and the Civil Procedure Law, an arbitral award shall be final. Once an arbitral award is made, an arbitration committee or a people's court will refuse to accept the application for arbitration or prosecution filed to the people's court by a party regarding the same dispute. If either party fails to comply with the arbitral award, the other party to the award may apply to the people's court to enforce such arbitration award. However, the people's court may refuse to enforce an arbitral award made by the arbitration committee if there is a violation of laws in the arbitration of procedures, including but not limited to the violation in the composition of the arbitration tribunal, or the fact that matter of arbitration does not fall into the scope of the arbitration agreement, or the fact that the arbitration committee is not entitled to carry out the arbitration.

Significant Differences in Certain Aspects of Company Law Between China and Hong Kong

Hong Kong company law is primarily contained in the Companies Ordinance and the Companies (Winding Up and Miscellaneous Provisions) Ordinance, supplemented by the common law and rules of equity applicable in Hong Kong. As a joint stock limited company incorporated in the PRC and seeking to list its shares on the Hong Kong Stock Exchange, we are subject to the Company Law and all other rules and regulations promulgated thereunder. The following is a summary of certain significant differences between the Hong Kong company law and the Company Law (which applies to joint stock limited companies incorporated under the Company Law). However, the comparisons to be made in this summary are not exhaustive.

Company's Survival

Under Hong Kong company law, a company with a share capital is required to be incorporated with the Registrar of Companies in Hong Kong, who will issue a Certificate of Incorporation to the company upon its incorporation and the company will thereafter be able to continue as a separate company. A company can be incorporated as a public company or a private company. Under the Hong Kong Companies Ordinance, the articles of association of a private company incorporated in Hong Kong must contain certain pre-emptive rights provisions. The articles of association of a public company are not required to contain such pre-emptive rights provisions.

Under the Company Law, a joint stock limited company may be incorporated either by way of promotion or by way of fund-raising.

Capital Stock

Under the Hong Kong Companies Ordinance, the concept of nominal value of shares (also known as par value) of a Hong Kong company has been abolished and a company has more flexibility to alter its share capital by (i) increasing its share capital; (ii) capitalization of profits; (iii) allotment and issue of bonus shares with or without an increase in its share capital; (iv) increasing or decreasing the number of shares; and (v) cancellation of shares. The concept of authorized capital is also no longer applicable to Hong Kong companies incorporated on or after March 3, 2014. As a result, the directors of a Hong Kong company may, with the prior approval of the shareholders (if required), arrange for the company to issue new shares. The Company Law is silent on authorized share capital. Any increase in the registered capital of a PRC company must be approved by the shareholders' meeting and by the relevant PRC governmental and regulatory authorities (if applicable).

According to the Company Law, there is no minimum registered capital requirement for a joint stock company, but where laws, administrative regulations and decisions of the State Council provide otherwise in respect of paid-up capital and minimum registered capital for a joint stock company, such provisions shall apply. The Companies Ordinance does not contain any minimum share capital requirement for companies incorporated in Hong Kong.

Under the Company Law, shares may be subscribed in the form of monetary or non-monetary assets (except for assets that are not entitled to be used as capital contributions under relevant laws or administrative regulations). Non-monetary assets used as capital contributions must be appraised to ensure that they are not overvalued or undervalued. Where laws or administrative regulations provide for valuation, they shall apply. Companies incorporated in Hong Kong are not subject to the above restrictions.

Restrictions on Shareholding and Transfer of Shares

Generally speaking, overseas listed shares denominated in RMB but subscribed in currencies other than RMB can only be subscribed for and traded by investors from Hong Kong, Macau Special Administrative Region and Taiwan, or from any country or region outside the PRC, or by qualified domestic institutional investors. If the H Shares are eligible securities under the Hong Kong Stock Connect, they can also be subscribed for and traded by PRC investors in accordance with the rules and limits of the Shanghai-Hong Kong Stock Connect or Shenzhen-Hong Kong Stock Connect.

Subject to the application for full circulation complying with the relevant requirements of the CSRC and the filing of the application with the CSRC, the domestic unlisted shares of the H-share listed company may be listed and circulated on the Hong Kong Stock Exchange upon conversion into H-shares. Pursuant to the Company Law, shares issued before the public offering of the company shall not be transferred within one year from the date of listing and trading of the company's shares on the stock exchange. The shares held by directors, supervisors and senior management of a joint stock limited company and the shares transferred annually during their tenure of office shall not exceed 25% of the total number of shares of the company held by them, and the shares of the company held by them shall not be transferred within one year from the date of listing and trading of the company's shares. The shares of the company held by the above mentioned persons may not be transferred within six months after their departure from office. The articles of association may impose other restrictive provisions on the transfer of the company's shares held by the company's directors, supervisors and senior management.

There are no restrictions under the laws of Hong Kong on shareholdings and transfer of shares other than the restriction on the Company to issue further shares within six months of the full circulation.

Financial Assistance for the Purchase of Shares

According to the Guidelines on the Articles of Association of Listed Companies, a listed company and any of its subsidiaries (including affiliates of the listed company) are not allowed to provide any support in any form, such as donations, advances, guarantees, subsidies or loans, to any purchaser or prospective purchaser of the company's shares.

Notice of Shareholders' Meeting

Pursuant to the Company Law, the notice of the annual shareholders' meeting must be given not less than 20 days prior to the date of the meeting. Pursuant to the State Council's Approval on Adjusting the Provisions Applicable to the Notice Period and Other Matters for Holding Shareholders' Meetings of Companies Listed in Outside the PRC issued by the State Council on October 17, 2019, for a joint stock limited company incorporated in the PRC but listed outside the PRC, the notice period for shareholders' meetings, shareholders' right to make proposals, and the procedures for convening a shareholders' meeting shall be governed by the Company Law.

For limited companies incorporated in Hong Kong, the minimum notice period for a shareholders' meeting is fourteen (14) days. In addition, if the meeting involves the consideration of a resolution that requires special notice, the company is also required to give notice of the resolution to the shareholders at least fourteen (14) days before the meeting. The notice period for the annual shareholders' meeting is twenty one (21) days.

Quorum for Shareholders' Meeting

The Company Law does not have any requirement for a quorum for shareholders' meeting.

Under the laws of Hong Kong, unless otherwise provided in the company's articles of association, the quorum for a shareholders' meeting shall be two shareholders, except where the company has only one shareholder, in which case the quorum shall be one shareholder.

Voting Rights at Shareholders' Meeting

Pursuant to the Company Law, the passing of any resolution shall require the affirmative vote of a majority of the shareholders present in person or by proxy at the shareholders' meeting, except that the proposal to amend the articles of association, increase or decrease the registered capital, merge, demerge, dissolve or change the form of the company shall require the affirmative vote of at least two-thirds of the shareholders present in person or by proxy at the shareholders' meeting.

Under the laws of Hong Kong, ordinary resolutions are passed by a simple majority of the votes cast in favor of such resolutions by shareholders present in person or by proxy at general meetings, and special resolutions are passed by not less than three-quarters of the votes cast in favor of such resolutions by shareholders present in person or by proxy at general meetings.

Changes in Rights of Classes of Shareholders

The Company Law does not make special provisions for changes in the rights of classes of shareholders. However, the Company Law provides that the State Council may promulgate regulations concerning other classes of shares.

Under the Hong Kong Companies Ordinance, the rights attached to any class of shares may not be varied except (i) with the sanction of a special resolution passed by the shareholders of the relevant class at a separately convened meeting; (ii) with the consent in writing of shareholders representing at least three-fourths in number of the total voting rights of the shareholders of the relevant class; or (iii) if the articles of association contain provisions relating to the variation of the said rights.

Derivative Actions by Minority Shareholders

Under Hong Kong company law, a minority shareholder may bring a derivative action against a director for misconduct against the company if the director controls a majority of the voting power at a general meeting of shareholders which effectively prevents the company from suing the director in its own name for misconduct against the company.

According to the Company Law, when the directors and senior management of a joint stock limited company violate the provisions of laws, administrative regulations or the articles of association and cause losses to the company, shareholders who individually or collectively hold more than 1% of the company's shares for a period of more than 180 consecutive days may request the supervisory board in writing to file a lawsuit to the People's Court, and when the supervisory board violates the aforesaid provisions and causes losses to the company, the aforesaid shareholders may request the board of directors in writing to bring a lawsuit to the People's Court. If the supervisory committee or the board of directors refuses to file a lawsuit after receiving the written request from the aforesaid shareholders or fails to file a lawsuit within 30 days from the date of receipt of the request, or if the situation is so urgent that failure to file a lawsuit immediately may cause the company to suffer irreparable damages, the aforesaid shareholders shall have the right to file a lawsuit directly to the court in their own name for the benefit of the company.

In addition, the Guidelines on the Articles of Association of Listed Companies provide for other remedies in the event of a breach by the Directors, Supervisors and senior management of their duties to the Company.

Protection of Minority Shareholder

Under the Hong Kong Companies Ordinance, a shareholder who alleges that the affairs of a company incorporated in Hong Kong have been conducted in a manner unfairly prejudicial to his interests may petition the court for an appropriate order to remedy the unfair prejudice. In addition, on the application of a specified number of shareholders, the Financial Secretary of Hong Kong may appoint inspectors and give them full statutory powers to investigate the affairs of companies incorporated or registered in Hong Kong.

Pursuant to the Company Law, any shareholder holding 10% or more of the voting rights in the company's may request the People's Court to dissolve the company if the company experiences serious difficulties in its business management and its continued existence would result in significant losses to the interests of the shareholders, and if there is not yet any other way to resolve such difficulties.

Pursuant to the Guidelines on the Articles of Association of Listed Companies, which the Company has adopted in its Articles of Association with effect from the date of listing on the Hong Kong Stock Exchange, the controlling shareholders and ultimate controllers of the company are prohibited from abusing their connectedness to the detriment of the company's interests. Any loss caused to the company as a result of the breach of the above provision shall be compensated. In addition, the controlling shareholders and ultimate controllers of the company have a duty of care to the company and the shareholders of the listed company. The controlling shareholders shall exercise their investor rights in strict accordance with the law and shall not damage the legitimate interests of the Company or the shareholders of the listed company by any means such as non-fair connected transactions, profit distribution, asset reorganization, foreign investment or any other means, and shall not abuse their controlling position to the detriment of the interests of the company or the shareholders of the listed company.

Board Member

Unlike the Hong Kong Companies Ordinance, the Company Law does not require directors to disclose their interests in material contracts; it does not restrict the power of directors to make material dispositions; it does not restrict companies from providing certain benefits to directors and guaranteeing directors' liabilities; and it does not prohibit compensation for loss of office without shareholders' approval. However, the Guidelines on the Articles of Association of Listed Companies contains certain provisions and limitations relating to material disposals and sets out the circumstances in which directors are liable.

Supervisory Boards

Under the Company Law, the directors and senior management of a joint stock limited company are subject to the supervision of a supervisory board. The establishment of a supervisory board is not mandatory for companies incorporated in Hong Kong.

Fiduciary Duties

In Hong Kong, directors owe a fiduciary duty to the company, including a duty not to act in conflict with the interests of the company. In addition, the Companies Ordinance has codified the directors' statutory duty of care.

According to the Guidelines on the Articles of Association of Listed Companies, directors, supervisors, managers and other senior management of the company are required to perform their duties for the company honestly and diligently.

Financial Disclosure

Under the Company Law, a joint stock limited company is required to make its financial report available for inspection by its shareholders 20 days prior to the annual shareholders' meeting. In addition, a joint stock limited company with a public float is required to publish its financial report. The Companies Ordinance requires a company incorporated in Hong Kong to send copies of its financial statements, auditor's report and board of directors' report to be laid before the company at its annual general meeting not less than 21 days before the meeting.

Under PRC law, a joint stock limited company is required to prepare a financial accounting report as at the end of each financial year and submit it to an accounting firm for audit in accordance with the law. It is a mandatory requirement that, in addition to preparing financial statements in accordance with PRC accounting standards and regulations, the company must also prepare and audit its financial statements in accordance with International Accounting Standards (IAS) or Hong Kong Accounting Standards (HKAS), and that its financial statements must contain a statement of the financial effect of material differences, if any, from the financial statements prepared in accordance with PRC accounting standards.

Directors' and Shareholders' Information

The Company Law entitle shareholders the right to inspect a company's articles of association, minutes of shareholders' meetings, resolutions of meetings of the board of directors, resolutions of meetings of the supervisory board and financial and accounting reports. Under the Articles of Association, shareholders are entitled to inspect and make copies (subject to the payment of a reasonable fee) of certain information relating to the shareholders and directors, which are similar to the rights granted to shareholders of Hong Kong companies under the Hong Kong Companies Ordinance.

Company Reorganization

A company incorporated in Hong Kong may be reorganized in a number of ways, such as by transferring the whole or part of the company's business or property to another company on voluntary winding up under Section 237 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance or by entering into a compromise or arrangement for repayment of debts between the company and its creditors or between the company and its shareholders, subject to the court's approval, and pursuant to Section 673 and Division 2 of Part 13 of the Hong Kong Companies Ordinance, which requires the sanction of the court. In addition, wholly-owned subsidiaries of the Group may also merge horizontally or vertically under the Hong Kong Companies Ordinance with the approval of the shareholders.

According to the Company Law, the merger, demerger, dissolution or change of corporate form of a joint stock limited company shall be approved by shareholders representing more than two-thirds of the voting rights at the shareholders' meeting.

Special Drawing Rights (SDR)

Under the Company Law, a company is required to set aside a certain prescribed percentage of its profit as a legal reserve after distributing its profit after tax for the year.

There is no corresponding provision in the laws of Hong Kong.

Arbitration of Disputes

In Hong Kong, disputes between shareholders and a company or its directors, managers and other senior management can be resolved through the courts. The Company Law provides that shareholders may sue in the People's Court if directors or senior management violate laws, administrative regulations or the articles of association of the company and infringe upon the interests of the shareholders.

The HKIAC Securities Arbitration Rules provide for the arbitral tribunal to hear cases involving companies incorporated in China but listed on the Hong Kong Stock Exchange in Shenzhen, upon application by any party, to enable Chinese parties and witnesses to attend. The arbitral tribunal may order a hearing in Shenzhen if any party applies for such a hearing and the arbitral tribunal is satisfied that the application is made in good faith and that all parties (including the witnesses and arbitrators) have access to Shenzhen to attend the hearing. If the Chinese Party or any of its witnesses or any person other than the arbitrators is not allowed to enter Shenzhen, the tribunal shall order that the hearing be conducted by any practicable means, including the use of electronic media. For the purposes of the HKIAC Securities Arbitration Rules, a Chinese party means a person who is resident in the PRC (excluding Hong Kong, Macau SAR and Taiwan).

Corporate Remedies

Pursuant to the Company Law, if a director, supervisor or member of senior management violates any law, administrative regulation or the Company's bylaws of the articles of association in the course of performing his or her duties and causes damage to the Company, such director, supervisor or member of senior management shall be liable to the Company for such damage.

The Listing Rules require the articles of association of listed companies to contain corporate remedies similar to those provided for under the laws of Hong Kong (including termination of relevant contracts and recovery of profits from directors, supervisors or senior management).

Dividend

Pursuant to the relevant PRC laws and regulations, the Company is required under certain circumstances to withhold from any dividends or other distributions payable to the Shareholders any tax payable by it to the relevant tax authorities in accordance with the PRC laws.

Under Hong Kong laws, the statute of limitations for the recovery of debts, including the recovery of declared dividends, is six years and under PRC laws, the relevant statute of limitations is three years. The Company may not exercise its right to forfeit any unclaimed dividend before the expiry of the applicable limitation period.

Suspension of the Register of Shareholders

The Companies Ordinance provides that the register of shareholders of a company shall be closed for the registration of transfers of shares for a period not exceeding thirty days in a year (which may be extended to sixty days in certain circumstances).

No transfer of shares may be registered within thirty days prior to the date of the shareholders' meeting at held or within five days prior to the base date for the distribution of dividends in accordance with the provisions of the PRC Company Law.

This appendix contains a summary of the principal provisions of the Articles of Association of the Company which will be effective from the date of Listing of H Shares on the Hong Kong Stock Exchange. This appendix is primarily intended to provide potential investors with an overview of the Company's Articles of Association and therefore may not contain all the information that is material to potential investors.

SHARES

1. Share Issue

The Shares of the Company shall be presented by share certificates.

The overseas-listed shares issued by the Company may be in the form of overseas share deposit receipts or in other derivations, in accordance with the laws of the place where the Company's shares are listed and the practices of the securities registry and depository. If the share capital of the Company includes non-voting shares, the words "non-voting" shall be added to the name of such shares.

Shares of the same class and in the same issue shall be issued on the same conditions and at the same price. Subscribers shall pay the same price for each Share subscribed.

The shares issued by the Company shall have nominal values denominated in RMB, with a par value of RMB0.2 each.

The shares of the Company listed on the Hong Kong Stock Exchange are briefly referred to as H Shares, which shall be the shares listed on Hong Kong Stock Exchange upon approval, denominated in RMB, and subscribed for and traded in RMB or HK dollars. The H-shares issued by the Company are mainly deposited in the trusted companies subordinate to Hong Kong Securities Clearing Company Ltd (the "HKSCC").

Shares issued by the Company but not listed or traded on overseas trading venues are "domestic unlisted shares" (including unlisted shares held by shareholders of the Company prior to the overseas listing, and additional unlisted shares issued in the PRC after the overseas listing). Domestic unlisted shares issued by the Company are centrally deposited with China Securities Depository and Clearing Corporation Limited (the "CSDCC").

With the consent of the Hong Kong Stock Exchange and the filing with the China Securities Regulatory Commission, shareholders of the Company's domestic unlisted shares may apply for the conversion of their domestic unlisted shares into H shares and their listing and circulation on the Hong Kong Stock Exchange.

2. Increase/Decrease and Repurchase of Shares

Based on the needs of operation and development, the Company may increase capital by the following means in accordance with the provisions of laws and regulations upon resolution of the shareholders' meeting:

- (I) Offering of shares to unspecified persons;
- (II) Offering of shares to specific recipients;
- (III) Distributing bonus shares to existing shareholders;
- (IV) Conversion of provident fund into share capital; and
- (V) Other methods permitted by laws, administrative regulations and normative documents, and the securities regulatory and management authorities of the place where the Company's shares are listed and the Hong Kong Stock Exchange.

The Company may reduce its registered capital. The Company shall reduce its registered capital in accordance with the provisions of the Company Law, laws, administrative regulations and normative documents, the securities regulatory and management authorities of the place where the Company's shares are listed, the Hong Kong Stock Exchange and other relevant regulations and the procedures stipulated in the Articles of Association.

The Company shall not repurchase its own shares. However, subject to the laws and regulations, the provisions of the securities regulatory and administrative authorities of the place where the Company's shares are listed and the provisions of the Hong Kong Listing Rules and the Articles of Association, except in the following circumstances:

- (I) To reduce the registered capital of the Company;
- (II) To merge with another company that holds the shares of the Company;
- (III) To use the shares for Employee Stock Ownership Plan (the "ESOP") or as equity incentive;
- (IV) Shareholders who object to a merger or separation resolution made at the shareholders' meeting requesting the Company to buy back their shares;
- (V) To utilize shares to satisfy the conversion of corporate bonds that are convertible into shares issued by the Company;
- (VI) When it is necessary for the Company to protect the company value and the shareholders' equity;

- (VII) Other circumstances permitted by laws, administrative regulations, departmental rules, normative documents, provisions of the securities regulatory and management bodies of the places where the Company's shares are listed and relevant provisions of the Hong Kong Listing Rules.

If laws, administrative regulations, departmental rules, normative documents, relevant provisions of the securities regulatory and administrative authorities of the place where the Company's shares are listed and the Hong Kong Listing Rules provide other provisions in respect of the relevant matters involved in the aforesaid share repurchases, such provisions shall apply.

3. Transfer of Shares

The shares of the Company shall be transferred in accordance with the law.

The Company shall not accept its own shares as the subject of pledge right.

Shares issued by the Company prior to its public offering shall not be transferable within one year from the date on which the shares of the Company are listed and traded in a stock exchange.

The Directors and senior management of the Company shall declare to the Company the shares held by them in the Company and the relevant changes. The number of shares transferred each year during their term of office shall not exceed 25% of the total number of shares of the same class of the Company held by them. The shares of the Company held by them shall not be transferable within one year from the date of listing and trading of the Company's shares. The shares of the Company held by them shall not be transferable within six months after their resignation.

SHAREHOLDERS AND SHAREHOLDERS' MEETINGS

4. Shareholder

The Company shall maintain a register of shareholders based on the vouchers provided by securities registration and clearing authority. The register of shareholders shall be the sufficient evidence proving the shareholders' holding of the Company's shares.

The register of shareholders holding domestic shares is based on the data recorded in the securities book-entry system of CSDCC. The register of shareholders holding H shares is based on the data provided by the trustee-custodian under the custody of HKSCC.

The shareholders of the Company shall have the following rights:

- (I) To receive dividends and other forms of distribution of interests in proportion to their respective shareholdings;

- (II) To request to call, convene, preside over, attend or appoint a proxy to attend the shareholders' meeting and exercise the corresponding voting rights in accordance with the law;
- (III) To supervise, and make recommendations or inquiries on the operation of the Company;
- (IV) To transfer, bestow or pledge the shares they hold in accordance with the laws, administrative regulations, the relevant provisions of the securities regulatory and administrative authorities of the place where the Company's shares are listed and the provisions of the Articles of Association;
- (V) To inspect and copy the Articles of Association, register of shareholders (including the register of H-shareholders), minutes of shareholders' meetings, resolutions of Board meetings, and financial and accounting reports, and shareholders in compliance with the regulations may inspect the Company's accounting books and accounting vouchers;
- (VI) To participate in the distribution of the Company's remaining assets in proportion to their shareholdings upon the termination or liquidation of the Company;
- (VII) To require the Company to acquire its shares by the shareholders who object to a resolution of a shareholders' meeting on the merger or division of the Company;
- (VIII) Other rights as stipulated in laws, administrative regulations and normative documents, the securities regulatory and administrative authorities of the place where the Company's shares are listed, the Hong Kong Listing Rules and the Articles of Association.

Shareholders of the Company shall assume the following obligations:

- (I) Complying with laws, administrative regulations and the Articles of Association;
- (II) Paying subscription moneys for the shares subscribed in accordance with the agreed manner of payment;
- (III) No withdrawal of share capital is allowed after being approved and registered with the Company except for the circumstances set out in the relevant laws and regulations;
- (IV) No abuse of shareholder's rights to damage the interests of the Company or other shareholders; no abuse of the independent legal person status of the Company and the limited liability of shareholders to damage the interests of the creditors of the Company;

- (V) Other obligations that should be assumed under laws, administrative regulations, the Hong Kong Listing Rules and the Articles of Association.

If any shareholder of the Company abuses the shareholder's rights and causes loss to the Company or other shareholders, he/she shall be liable for the compensation in accordance with the laws. If any shareholder of the Company abuses the independent legal person status of the Company and the limited liability of shareholders to evade debts and severely damage the interests of the creditors of the Company, he/she shall bear joint liability for the debts of the Company.

5. General Provisions of Shareholders' Meetings

The shareholders' meeting of the Company consists of all shareholders. The shareholders' meeting is the source of authority of the Company and shall exercise the following functions and powers according to the laws:

- (I) To elect and replace Directors who are not staff representatives, and to decide on matters relating to their remunerations;
- (II) To consider and approve the reports of the Board;
- (III) To consider and approve the annual financial budgetary plans and final accounting plans of the Company;
- (IV) To consider and approve the profit distribution plan and loss recovery plan of the Company;
- (V) To resolve on the increase or reduction of the Company's registered capital;
- (VI) To resolve on the issuance of corporate bonds;
- (VII) To resolve on matters such as the merger, division, dissolution, liquidation, or change of company form of the Company;
- (VIII) To amend the Articles of Association;
- (IX) To resolve on the appointment or dismissal of the accounting firm by the Company that undertakes the Company's auditing business;
- (X) To consider and approve the guarantee matters set out in Article 47 hereof;
- (XI) To consider the purchase or disposal of material assets by the Company within one year exceeding 30% of the Company's latest audited total assets;
- (XII) To consider and approve the change of use of proceeds;

- (XIII) To consider equity incentive plans and ESOP;
- (XIV) To consider matters relating to the acquisition of the Company's shares that should be resolved on by the shareholders' meeting as stipulated by laws and regulations, the regulatory rules of the place where the Company's shares are listed and the Articles of Association;
- (XV) To consider matters relating to the connected transactions that should be resolved on by the shareholders' meeting as stipulated by laws and regulations, the regulatory rules of the place where the Company's shares are listed, and the Articles of Association;
- (XVI) To consider other matters that should be resolved on by the shareholders' meeting as stipulated by laws, administrative regulations, departmental rules, securities regulatory rules of the place where the Company's shares are listed, or the Articles of Association;

The shareholders' meeting may authorize the Board to adopt resolutions on the issuance of corporate bonds.

Shareholders' meetings shall be classified into annual shareholders' meetings and special shareholders' meetings.

The annual shareholders' meeting shall be convened once a year, and shall be held within six months after the prior accounting year ends.

The Company shall convene special shareholders' meetings within two months from the date of occurrence of any of the following circumstances:

- (I) When the number of Directors is less than the number specified in the Company Law or two-thirds of the number required by the Articles of Association;
- (II) The uncovered loss of the Company reaches one-third of the total paid-in share capital;
- (III) Upon written request(s) by shareholders individually or collectively holding more than 10% of the Company's shares;
- (IV) When the Board considers it necessary;
- (V) When the Audit Committee proposes to convene;
- (VI) Other circumstances as stipulated by laws, administrative regulations, departmental rules, regulatory bodies of the place where the Company's shares are listed, the Hong Kong Listing Rules or the Articles of Association.

6. Convening of Shareholders' Meetings

The Board shall convene a shareholders' meeting on time within the prescribed period. Independent non-executive Directors shall have the right to propose the holding of a special shareholders' meeting to the Board with the consent of a majority of all independent non-executive Directors. For such a proposal, the Board shall, in accordance with the provisions of laws, administrative regulations, and the Articles of Association, provide written feedback on whether to agree or disagree with the convening of special shareholders' meeting within ten days upon receipt of the proposal. If the Board agrees to convene a special shareholders' meeting, it shall issue a notice calling for the meeting within five days after the Board resolution is made; Otherwise, the reasons shall be stated and announced.

The audit committee shall have the right to propose to the Board to convene a special shareholders' meeting and shall make such proposal in writing. The Board shall, in accordance with the provisions of laws, administrative regulations, and the Articles of Association, provide a written feedback on whether to agree or disagree with the convening of the meeting within ten days upon receipt of the proposal.

The shareholders individually or collectively holding more than 10% of the Company's shares shall have the right to request the Board to convene a special shareholders' meeting, which shall be submitted in writing to the Board. The Board shall, in accordance with the provisions of laws, administrative regulations, and the Articles of Association, provide a written feedback on whether to agree or disagree with the convening of the meeting within ten days upon receipt of the request.

If the Board agrees to convene the special shareholders' meeting, it shall issue a notice calling for the meeting within five days after the Board resolution is made; changes to the original proposal in the notice shall be subject to the approval of relevant shareholders.

If the Board disagrees to convene the special shareholders' meeting or fails to provide a feedback within ten days after receiving the proposal, shareholders who individually or collectively hold more than 10% of the Company's shares shall have the right to propose to the audit committee to convene a special shareholders' meeting and shall submit their request in writing.

If the audit committee agrees to convene the special shareholders' meeting, it shall issue a notice calling for the meeting within five days upon receipt of the request; changes to the original proposal in the notice shall be subject to the approval of relevant shareholders.

If the audit committee fails to issue a notice of the meeting within the specified time limit, it shall be deemed that the audit committee does not convene or preside over the shareholders' meeting, in which case, the shareholders who individually or collectively hold more than 10% of the Company's shares for more than 90 consecutive days may convene and preside over the meeting by themselves.

7. Proposals and Notices of Shareholders' Meetings

When the Company convenes a shareholders' meeting, the Board, the Audit Committee, and the shareholders who individually or collectively hold more than 1% of the Company's shares (including preferred shares with voting rights restored, etc.) shall have the right to submit proposals to the Company.

The shareholders who individually or collectively hold more than 1% of the shares of the Company may submit a temporary proposal and submit it to the convener in writing ten days before the convening of the shareholders' meeting. The convener shall, within 2 days after the receipt of the proposal, issue a supplementary notice to announce the content of the temporary proposal, and include the matters in the proposal that fall within the scope of duties of the shareholders' meeting in the agenda of that meeting for submission to the shareholders' meeting for consideration, unless the temporary proposal violates the provisions of laws, administrative regulations or the Articles of Association, or does not fall within the scope of powers of the shareholders' meeting. Except for the aforesaid circumstance, after the convener publicizes the notice of the shareholders' meeting, the proposals listed in the notice shall not be modified, nor shall any new proposal be added.

The shareholders' meeting shall not vote or pass resolutions on proposals not listed in the notice of the shareholders' meeting or not in conformity with the Articles of Association.

The convenor of the shareholders' meeting shall notify the shareholders by means of a written notice announcement 20 days prior to the annual shareholders' meeting, and shall notify the shareholders of a special shareholders' meeting by means of a written notice announcement 15 days prior to the meeting.

The Company excludes the date of the meeting from the calculation of the starting period.

8. Convening of Shareholders' Meetings

All shareholders recorded in the register as at the record date or their proxies shall have the right to attend the shareholders' meeting and exercise the voting right in accordance with the relevant laws and regulations, regulatory bodies of the place where the Company's shares are listed, the Hong Kong Listing Rules and the Articles of Association.

Shareholders may either attend and vote at the Shareholders' meeting in person or appoint proxies (who need not be a shareholder of the Company) to attend and vote at such meeting on their behalf within the scope of authorization.

An individual Shareholder who attends the meeting in person shall produce his/her own identification card or other valid documents or proof evidencing his/her identity and stock account card. If a proxy is appointed to attend the meeting, such proxy shall produce his/her own valid proof of identity and the proxy form.

A corporate Shareholder shall attend the meeting by its legal representative or proxy appointed by the legal representative. Where the legal representative attends the meeting, he/she shall produce his/her own identification card, valid certificates evidencing his/her capacity as the legal representative. Where a proxy is appointed to attend the meeting, he/she shall produce his/ her own identification card and the written power of attorney issued by the legal representative of the corporate Shareholder (except for the shareholder who is a recognized clearing houses or its agent as defined in the relevant ordinances in force in Hong Kong from time to time).

The managing partner (including the representative of the managing partner) or proxies appointed thereby shall attend the meeting on behalf of the partnership shareholders. The managing partner attending the meeting shall present his/ her identity card and valid certificate evidencing his/her capacity as a managing partner; if a proxy is appointed to attend the meeting, such proxy shall present his/her identity card and a written power of attorney duly issued by the managing partner of the partnership shareholders.

The power of attorney issued by a shareholder to appoint a proxy to attend a shareholders' meeting shall contain the following information:

- (I) The name or names of the principals and the class and number of shares of the Company held by them;
- (II) The name or names of the proxy(ies);
- (III) Specific instructions from shareholders, including instructions to whether to cast affirmative, negative or abstention votes on each review issue listed on the agenda of the shareholders' meeting;
- (IV) The date of issuance and effective period of the power of attorney;
- (V) Signature (or seal) of the principal. If the principal is a shareholder of a legal entity, the seal of the legal entity shall be affixed. If the principal is a shareholder of a partnership, the seal of the partnership shall be affixed;

The shareholders' meeting shall be convened by the Board in accordance with the law and presided over by the chairman of the Board; if the chairman of the Board is unable or fails to perform his duties, the deputy chairman of the board shall preside over the meeting (in case the Company has two or more deputy chairmen of the Board, the deputy chairman elected by more than half of the Directors shall preside over the meeting); If the Company has not set up a deputy chairman of the Board, or in case the deputy chairman of the Board is unable or fails to perform his duties, a Director jointly elected by more than half of the Directors shall preside over the meeting.

A shareholders' meeting convened by the Audit Committee on its own initiative, the convenor of the Audit Committee shall preside over the meeting. If the convenor of the Audit Committee is unable or fails to perform his or her duties, a member of the Audit Committee jointly elected by more than half of the members of the Audit Committee shall preside over the meeting.

A shareholders' meeting convened by the shareholders themselves shall be presided over by the convenor or his/her elected representative.

During the course of a shareholders' meeting, if the meeting presider violates the procedural rules so that the meeting cannot be continued, the shareholders' meeting may elect one person to act as the meeting presider to continue the meeting so long as the proposed meeting presider has the consent of more than half of the shareholders with voting rights who are present at the meeting.

9. Voting and Resolutions at Shareholders' Meetings

Resolutions of the shareholders' meetings shall be classified into ordinary and special resolutions.

Ordinary resolutions of a shareholder' meeting shall be passed by more than half of the voting rights held by the shareholders (including proxies) present at the meeting.

Special resolutions of a shareholders' meeting shall be passed by more than two-thirds of the voting rights held by the shareholders (including proxies) present at the meeting.

The following matters shall be adopted by way of an ordinary resolution of the shareholders' meeting:

- (I) Work reports of the Board;
- (II) Profit distribution proposals and loss recovery proposals formulated by the Board;
- (III) Appointment and dismissal of members of the Board and their remuneration and the payment methods;
- (IV) Annual financial budgets and final accounting plans of the Company;
- (V) Annual report of the Company;
- (VI) Engagement and dismissal of accounting firms that provide periodic audit services to the Company;
- (VII) Issuance of bonds or other securities;
- (VIII) Consideration and approval of guarantees and connected transactions as provided for in the Articles of Association;
- (IX) Matters other than those required by laws and administrative regulations, the regulatory bodies of the place where the Company's shares are listed, the Hong Kong Listing Rules or the Articles of Association to be adopted by special resolutions.

The following matters shall be adopted by way of a special resolution of the shareholders' meeting:

- (I) The increase or reduction of the Company's registered capital;
- (II) The division, merger, dissolution, liquidation or change of Company form of the Company;
- (III) Amendments to the Articles of Association;
- (IV) The purchase or disposal of material assets or provision of guarantees to other parties by the Company within one year, with amount exceeding 30% of the latest total audited assets of the Company;
- (V) Equity Incentive Plan;
- (VI) Other matters which may have a significant impact on the Company according to an ordinary resolution of the shareholders' meeting, to be adopted by way of a special resolution;
- (VII) Other matters required by the laws, administrative regulations, the regulatory bodies of the place where the Company's shares are listed, the Hong Kong Listing Rules or the Articles of Association to be adopted by way of a special resolution.

Except in special circumstances, such as when the Company is in crisis, the Company shall not enter into a contract with a person other than a Director, general manager and other senior management personnel that places the management of all or an important part of the Company's business in the person's charge without the approval of the shareholders' meeting by a special resolution.

BOARD

10. Director

Directors include executive Directors and non-executive Directors. Executive Directors are Directors who are involved in the day-to-day operation and management affairs of the Company or the Company's controlled subsidiaries; Non-executive Directors are Directors who are not involved in the day-to-day operation and management affairs of the Company or the Company's controlled subsidiaries, and non-executive Directors include independent non-executive Directors.

The Board shall contain a representative of the Company's employees among its members.

The Company shall not appoint any person who does not meet the qualifications for appointment as a Director, and shall not authorize any person who does not meet the qualifications for appointment to actually exercise the duties in violation of the regulations.

Directors representing shareholders shall be elected or replaced by the shareholders' meeting. The shareholders' meeting may, subject to the provisions of the relevant laws and administrative regulations, remove any Director before expiration of their tenure by way of an ordinary resolution (without prejudice to the Directors' claim for compensation available under any contract).

The Directors have a tenure of three years and can be reelected upon the expiry of the tenure, except that if the tenure of an independent non-executive Director exceeds nine years, he/she shall be reappointed after fulfillment of the corresponding deliberation procedures in accordance with the listing rules of the place where the Company's shares are listed.

The tenure of a Director shall be from the date of appointment to the expiry of tenure of the current Board. If a Director's tenure expires without timely re-election, resulting in the number of Directors falling below the quorum, the original Director shall still perform the duties of a Director in accordance with the provisions of laws, administrative regulations, departmental rules and the Articles of Association until the re-elected Director assumes office.

Subject to relevant laws and administrative regulations and the regulatory rules of the place where the Company's shares are listed, the tenure of any Director appointed by the Board to fill a casual vacancy of the Board shall expire at the first annual Shareholders' meeting following his/her appointment, at which time he/she shall be eligible for re-election and re-appointment.

Directors shall comply with the laws, administrative regulations, the regulatory rules of the place where the Company's securities are listed and the provisions of the Articles of Association, and assume the duty of loyalty to the Company, and shall take measures to avoid conflicts between their own interests and the interests of the Company, and shall not utilize their powers to gain undue benefits. The Directors owe the following duties of loyalty to the Company:

- (I) Shall not use his/her position to accept bribes or other illegal income, or misappropriation of the Company's property;
- (II) Shall not misappropriate the funds of the Company;
- (III) Shall not deposit assets or funds of the Company in an account opened in his/her personal name or in the name of another individual;
- (IV) Shall not lend the Company's funds to others or provide guarantees for others with the Company's properties in contravention of the Articles of Association and without the consent of the shareholders' meeting or the Board;

- (V) Shall not conclude any contract or transaction directly or indirectly with the Company without reporting to the Board or the shareholders' meeting and being resolved by the Board or the shareholders' meeting in accordance with the Articles of Association;
- (VI) Shall not take advantage of duty to seek business opportunities for himself/herself or others that would have been directed to the Company, except when such business opportunities are reported to the Board or the shareholders' meeting and approved by a resolution of the shareholders' meeting, or when the Company is unable to take advantage of such business opportunities in accordance with the provisions of laws, administrative regulations or the Articles of Association;
- (VII) Shall not engage in business similar to those of the Company for himself/herself or others, without reporting to the Board or the shareholders' meeting and being approved by a resolution of the shareholders' meeting;
- (VIII) Shall not accept commission for transactions between the Company and others as personal gains;
- (IX) Shall not disclose any confidential information involving the Company without authorization;
- (X) Shall not impair the interests of the Company through connected relationship;
- (XI) Other loyalty obligations in accordance with laws, administrative regulations, departmental rules, the Hong Kong Listing Rules and the Articles of Association.

Any and all proceeds obtained by Directors in violation of the provisions of this Article shall belong to the Company; and in case of any loss caused to the Company thereby, such Directors shall be liable for compensation.

The Directors shall comply with the laws, administrative regulations, the regulatory rules of the place where the Company's shares are listed and the Articles of Association, and assume the duty of diligence to the Company, and shall perform their duties with the reasonable care normally expected of a manager in the best interests of the Company. The Directors owe the following obligations of diligence to the Company:

- (I) Shall exercise the rights granted by the Company prudently, conscientiously and diligently so as to ensure that the Company's business conduct complies with national laws, administrative regulations and the requirements of various national economic policies, and that the business activities are within the scope of business specified in the business license;
- (II) Shall treat all shareholders equally;
- (III) Shall stay informed about the business and operation of the Company timely;
- (IV) Shall sign a written confirmation opinions on the Company's regular reports to ensure that the information disclosed by the Company is true, accurate and complete;
- (V) Shall provide the Audit Committee with relevant information and materials in a truthful manner and shall not hinder the Audit Committee from performing its duty;
- (VI) Other diligence obligations in accordance with laws, administrative regulations, departmental rules, the Hong Kong Listing Rules and the Articles of Association.

11. Board

The Company sets up the Board, which shall be accountable to the shareholders' meetings.

The Board shall consist of six Directors, including three independent non-executive Directors. There should be at least three independent non-executive Directors, the number of which should constitute at least one-third of the total number of board members. The independent non-executive Directors shall include at least one person with appropriate professional qualifications or appropriate accounting or related financial management expertise as required by laws, regulations and relevant regulatory authorities and stock exchanges. At least one independent non-executive Director of the Company is ordinarily resident in Hong Kong.

The Board of Directors exercises the following powers:

- (I) To convene the shareholders' meeting and report to the shareholders' meeting;
- (II) To implement the resolutions of the shareholders' meeting;
- (III) To determine business operation plans and investment plans of the Company;
- (IV) To develop the annual financial budgetary plans and final accounting plans of the Company;
- (V) To formulate the profit distribution plans and loss recovery plans of the Company;
- (VI) To formulate proposals for the increase or reduction of the registered capital, the issuance of bonds or other securities and the listing of the Company;
- (VII) To formulate plans for substantial acquisition, repurchase of shares, or merger, division, dissolution and change of company form of the Company;
- (VIII) To determine the outbound investment, acquisition and sale of assets, asset mortgage, external guarantee, consigned financial management, connected transactions and external donations etc. of the Company in accordance with the Articles of Association or within the authority granted by the shareholders' meeting;
- (IX) To decide on the establishment of internal management structure of the Company;
- (X) To appoint or dismiss the general manager, secretary of the Board and other officers of the Company, and decide on matters of remuneration, rewards, and punishments; to appoint or dismiss senior management such as financial officers according to the nomination of the general manager, and decide on matters of remuneration, rewards, and punishments;
- (XI) To draft the Company's basic management system;
- (XII) To formulate the amendment plan of the Articles of Association;
- (XIII) To manage the information disclosure of the Company;
- (XIV) To request the shareholders' meeting to engage or replace the accounting firm that provides audits for the Company;
- (XV) To debrief the work report of the general manager of the Company and check the work of the general manager;
- (XVI) To develop and implement the equity incentive program of the Company;

(XVII) Other duties and power granted by laws, administrative regulations, departmental rules, the listing rules of the place where the Company's shares are listed, the Articles of Association or the shareholders' meeting.

Matters relating to the exercise of authority by the Board as mentioned above, or any transaction or arrangement incurred by the Company that is required to be considered by the shareholders' meeting under the listing rules of the stock exchange where the Company's shares are listed, shall be submitted to the shareholders' meeting for consideration.

Except for the resolutions of the Board in respect of the matters specified in items (VI), (VII) and (XII) of the preceding paragraph which shall be voted and approved by more than two-thirds of all Directors, resolutions of the Board in respect of all other matters may be voted and approved by more than half of the Directors.

The Company shall have a chairman of the Board and may have a deputy chairman, who shall be elected by the Board by more than half of Directors.

The Chairman of the Board shall exercise the following functions and powers:

- (I) To preside over shareholders' meetings and to convene and preside over meetings of the Board;
- (II) To supervise and inspect the execution of the resolutions of the Board;
- (III) Other functions and power granted by the Board;
- (IV) Other powers and functions granted by laws, administrative regulations, departmental rules, the listing rules of the place where the Company's shares are listed or the Articles of Association.

The Board shall meet on a regular basis, and regular meetings of the Board shall be held at least four times a year, approximately quarterly, and shall be convened by the Chairman of the Board, who shall give written notice to all the Directors and, if necessary, to the general manager and other senior management personnel ten days prior to the meeting.

A Board meeting shall not be held unless more than half of the Directors are present. Unless otherwise provided in the Articles of Association, resolutions made by the Board must be passed by more than half of the Directors.

Each Director shall have one vote for the resolutions of the Board.

The Board of the Company may establish three specialized committees, namely, the Audit Committee, the Nomination Committee and the Remuneration and Evaluation Committee, and may set up specialized committees, such as the Strategy Committee, as required. The special committees shall be accountable to the Board and shall perform their duties in accordance with the Articles of Association and the authorization of the Board. Their proposals shall be submitted to the Board for consideration and decision. The members of the Specialized Committees shall be composed entirely of Directors and the composition of the Specialized Committees shall be in compliance with the laws, regulations, regulatory authorities of the place where the Company's securities are listed and the relevant requirements of the Hong Kong Listing Rules. The Board is responsible for formulating the working rules of the specialized committees and regulating the operation of the specialized committees.

The Audit Committee exercises the powers and functions of the Supervisory Committee as stipulated in the Company Law. The Audit Committee is responsible for reviewing the Company's financial information and its disclosure, supervising and evaluating the internal and external auditing work and internal control, and the following matters shall be submitted to the Board for consideration with the approval of more than half of all members of the Audit Committee:

- (I) Disclosing financial information in financial accounting reports and regular reports, and internal control evaluation reports;
- (II) Engaging or dismissing accounting firms that undertake audits of listed companies;
- (III) Engaging or dismissing financial officers of listed companies;
- (IV) Modifying accounting policies or accounting estimates, or correcting material accounting errors due to reasons other than changes in accounting standards;
- (V) Other matters stipulated by laws, administrative regulations, the securities regulatory authorities of the place where the Company is listed, and the Articles of Association.

The Nomination Committee is responsible for formulating criteria and procedures for the selection of Directors and senior management, selecting and reviewing candidates for Directors and senior management and their qualifications, and making recommendations to the Board on the following matters:

- (I) Nominating or removing Directors;
- (II) Engaging or dismissing senior management;
- (III) Other matters stipulated by laws, administrative regulations, the Hong Kong Listing Rules and the Articles of Association.

If the Board does not adopt or does not fully adopt the recommendations of the Nomination Committee, it shall record the opinion of the Nomination Committee and the specific reasons for non-adoption in the resolution of the Board and disclose the same.

The Remuneration and Evaluation Committee is responsible for formulating the evaluation criteria for Directors and senior management and conducting the evaluation, formulating and reviewing the remuneration policies and programs such as the mechanism for determining the remuneration of Directors and senior management, the decision-making process, and the arrangements for payment and stoppage of recourse, and making recommendations to the Board in respect of the following matters:

- (I) Remuneration of Directors and senior management;
- (II) The establishment or change of the Equity Incentive Plan and the ESOP, and the fulfillment of the conditions for the granting and exercise of rights and interests by the incentive recipients;
- (III) Arrangement of shareholding plans by Directors and senior management in subsidiaries proposed to be spun-off;
- (IV) Other matters stipulated by laws, administrative regulations, CSRC regulations and the Articles of Association.

If the Board does not adopt or does not fully adopt the recommendations of the Remuneration and Evaluation Committee, it shall record the opinions of the Remuneration and Evaluation Committee and the specific reasons for not adopting them in the resolution of the Board of Directors and disclose the same.

GENERAL MANAGER AND OTHER SENIOR MANAGEMENT

12. General manager and other senior management

The Company shall have one general manager, who shall be appointed or dismissed by the Board.

The Company shall have a number of senior management personnel, who shall be appointed or dismissed by the Board.

The general Manager, deputy general manager, secretary of the Board and the financial officer are the senior management of the Company.

The term of office of the general manager shall be three years, and the general manager may be reappointed after successive appointments by the Board. The general manager may resign before expiry of his/her tenure. The specific procedures and methods for resignation by the general manager shall be subject to the employment contract between the general manager and the Company.

The financial officer and other senior management personnel shall be nominated by the general manager and appointed or dismissed by decision of the Board.

The general manager shall be liable to the Board and exercise the following functions and power:

- (I) To preside over the production, operation and management of the Company, to organize the implementation of the resolutions of the Board, and to report on his or her work to the Board;
- (II) To organize the implementation of the annual business plan and investment scheme of the Company;
- (III) To prepare the proposal on the setup of the Company's internal management structure;
- (IV) To draft the Company's basic management system;
- (V) To develop the specific rules for the Company;
- (VI) To request the Board to engage or dismiss senior management such as the chief financial officer;
- (VII) To appoint or dismiss the officers other than those whose appointment or dismissal shall be decided by the Board;
- (VIII) Other functions and power granted by the Articles of Association or the Board.

FINANCIAL ACCOUNTING SYSTEM, PROFITS DISTRIBUTION AND AUDITING

13. Financial Accounting System

The Company shall formulate the financial and accounting system in accordance with the laws, administrative regulations and the provisions of the relevant state departments.

When the Company distributes the after-tax profits of the current year, it shall allocate 10% of the profits into its statutory reserve fund. The Company may not withdraw statutory reserve fund if the cumulative amount has exceeded 50% of the Company's registered capital.

Where the statutory reserve fund of the Company is not sufficient to recover its losses in the previous years, the profits of the current year shall be used to make up the loss before the withdrawing of the statutory reserve fund in accordance with the above provisions.

After the Company withdraws the statutory reserve fund from the after-tax profits, the discretionary reserve may be withdrawn from the after-tax profits with the approval of the shareholders' meeting.

The Company may distribute the profit after tax according to the proportion of shareholdings after making up for losses and withholding the statutory reserve fund, except where the distribution is not proportionate according to laws, regulations, regulatory rules of the place where the securities of the Company are listed, the Hong Kong Listing Rules or the Articles of Association.

Where the general meeting, in violation of the provisions of the preceding paragraph, distributes the profits to the shareholders before the Company makes up the losses and withholds the statutory reserve fund, the shareholders must return the profits distributed in violation of the provisions to the Company. If losses are caused to the Company, the shareholders and the responsible Directors and senior management shall be liable for compensation.

The Company's shares held by the Company shall not participate in profit distribution.

The Company's reserve may be used to make up the Company's losses, expand the Company's production and operations or be converted to increase the Company's registered capital. However, the capital reserve shall not be used to make up the Company's losses.

When making up for the Company's losses with reserves, the discretionary reserves and statutory reserves should be used first; if it is still unable to make up for it, the capital reserves can be used in accordance with relevant provisions.

When the statutory reserve fund is converted to increase registered capital, the remaining reserve shall be not less than 25% of the registered capital of the Company before the conversion.

14. Engagement of Accounting Firm

The Company shall, in accordance with the requirements of laws and regulations and the regulatory rules of the place where the Company's shares are listed, employ an accounting firm that complies with laws and regulations and enjoys a good reputation to conduct accounting statement auditing, net asset verification and other related consulting services. The engagement period is one year and can be renewed.

The engagement, dismissal or removal of an accounting firm shall be decided by the shareholders' meeting.

NOTICES AND ANNOUNCEMENTS

15. Notices and Announcements

Subject to compliance with laws, administrative regulations, departmental rules and the regulatory rules of the place where the Company's shares are listed, the Company's notice shall be delivered in the following forms:

- (I) By personal delivery;
- (II) By e-mail or mail;
- (III) By way of publishing an announcement on the website of the Company and the website designated by the Hong Kong Stock Exchange, subject to the applicable laws, administrative regulations, departmental rules, normative documents, the Hong Kong Listing Rules;

- (IV) By other ways prescribed by the regulatory rules of the place where the Company's shares are listed or the Articles of Association.

In respect of the manner in which the Company may make available or send corporate communications to the shareholders of H shares in accordance with the requirements of the Hong Kong Listing Rules, subject to the laws, administrative regulations, departmental rules and the securities regulatory rules of the place where the Company's shares are listed and the Articles of Association, corporate communications may be provided or sent to H Shareholders through the Company's designated website and/or the website of the Hong Kong Stock Exchange, or by electronic means. Corporate communications mentioned above shall refer to any document issued or to be issued by the Company for the information or action of any H Shareholder of the Company or such other person as may be required under the Hong Kong Listing Rules. Notices convening the shareholders' meetings of the Company shall be made by way of announcements.

MERGER, DIVISION, CAPITAL INCREASE, CAPITAL REDUCTION, DISSOLUTION AND LIQUIDATION

16. Merger, Division, Capital Increase and Capital Reduction

The Company may be merged or divided in accordance with the law.

A merger of the Company may take the form of merger by absorption or merger by new establishment. The Company absorbing other companies is a merger by adsorption, and the absorbed Company is dissolved. The merger of two or more companies to create a new Company is a merger by new establishment, and the merging parties are dissolved.

If the Company is to be divided, its property shall be divided accordingly.

In the case of a division, the balance sheets and a schedule of assets shall be prepared. The Company shall notify its creditors within 10 days since the date on which the resolution to proceed with the division is adopted, and make an announcement within 30 days.

If the Company reduces its registered capital, it shall prepare the balance sheets and a schedule of assets.

The Company shall notify its creditors within 10 days since the date on which the resolution to proceed with the reduction in the registered capital is adopted, and make an announcement within 30 days. Creditors shall, within 30 days since the date of receiving the notice, or creditors who do not receive the notice shall, within 45 days since the date of the announcement, be entitled to require the Company to pay off its debts in full or to provide a corresponding guarantee.

If the Company reduces its registered capital, it shall reduce the amount of capital contribution or shares according to the proportion of shares held by the shareholders, unless otherwise provided by law or the Articles of Association.

The registered capital of the Company after capital reduction shall not be lower than the statutory minimum amount.

Where the merger or division of the Company results in a change in its registered particulars, such change shall be registered with the Company registry according to law. Where the Company is dissolved, it shall cancel its registration according to law. Where a new Company is established, its establishment shall be registered according to law.

17. Dissolution and Liquidation

The Company shall be dissolved if:

- (I) Business term specified in the Articles of Association expires or other dissolution reasons as stipulated in the Articles of Association arise;
- (II) The shareholders' meeting resolves to dissolve the Company;
- (III) Dissolution due to merger or division of the Company;
- (IV) The business license is revoked, or the Company is ordered to close or is canceled in accordance with the law;
- (V) There is a severe difficulty in the operation and management of the Company, and the continued existence of the Company will have a material prejudice to the interests of the shareholders and there is no other way to resolve, shareholders holding more than 10% of the voting rights of all shares of the Company can make a petition to the People's Court to dissolve the Company.

The liquidation committee shall notify its creditors within a period of 10 days since the date it is established, publish relevant announcements within 60 days. Creditors shall, within 30 days since the date of receiving the notice, or for creditors who do not receive the notice, within 45 days since the date of the announcement, report their creditors' rights to the liquidation committee.

When reporting creditors' rights, the creditors shall provide an explanation of matters relevant to the creditor's rights and provide the supporting evidence. The liquidation committee shall register the creditors' rights.

In the course of reporting the creditors' rights, the liquidation committee shall not repay the creditors.

The remaining property of the Company after paying the liquidation expenses, the wages, social insurance fees and statutory compensation, outstanding taxes and debts of the Company shall be distributed in proportion to the number of shares held by shareholders. The property of the Company shall not be distributed to shareholders until all liabilities have been paid off in accordance with the provisions of the preceding paragraph.

AMENDMENT TO THE ARTICLES OF ASSOCIATION

18. Amendments to the Articles of Association

The Company shall amend the Articles of Association under any of the following circumstances:

- (I) Matters provided for in the Articles of Association are in conflict with the provisions of the amended Company Law or relevant laws, administrative regulations, departmental rules, normative documents or the listing rules of the place where the Company's shares are listed;
- (II) A change in the condition of the Company that is inconsistent with the matters recorded in the Articles of Association;
- (III) The shareholders' meeting decides to amend the Articles of Association.

If the amendment to the Articles of Association adopted by resolution of the shareholders' meeting shall be subject to the approval of the competent authorities, it shall be submitted to the competent authorities for approval; if it involves registration matters of the Company, registration of changes shall be made in accordance with the law.

FURTHER INFORMATION ABOUT OUR COMPANY**Incorporation**

Our Company was established as a limited liability company in the PRC on December 22, 2011 and was converted into a joint stock limited company on February 8, 2025 under the laws of the PRC. As of the Latest Practicable Date, the registered share capital of our Company was RMB25,139,567.

Our principal place of business in Hong Kong is at 40th Floor, Dah Sing Financial Centre, No. 248 Queen's Road East, Wanchai, Hong Kong. We were registered as a non-Hong Kong Company under Part 16 of the Companies Ordinance on May 12, 2025. Ms. Tam Pak Yu, Vivien has been appointed as the authorized representative of our Company for the acceptance of service of process and notices in Hong Kong.

As we are established in the PRC, our corporate structure and Articles of Association are subject to the relevant laws and regulations of the PRC. A summary of the relevant provisions of our Articles of Association is set out in "Appendix V — Summary of the Articles of Association". A summary of certain relevant aspects of the laws and regulations of the PRC is set out in "Appendix IV — Summary of Principal Legal and Regulatory Provisions".

Changes in Share Capital

On December 22, 2011, our Company was incorporated with a registered capital of RMB1,000,000.

As of the Latest Practicable Date, there had been no alterations of our share capital within the two years preceding the date of publication of this Prospectus. For more details, see "History, Development and Corporate Structure — Establishment and Development of Our Company".

Resolutions of our Shareholders

Pursuant to a general meeting held on May 23, 2025, among other things, our Shareholders resolved that:

- (a) Each Share of our Company with par value of RMB1.00 will be subdivided into five Shares with par value of RMB0.20 immediately prior to the Listing;
- (b) the issuance by our Company of H Shares of nominal value of RMB0.20 each and the listing of such H Shares on the main board of the Hong Kong Stock Exchange;
- (c) the number of H Shares to be issued shall not be more than 25% of the total issued share capital of our Company as enlarged by the Global Offering, and the grant to the underwriters (or their representatives) of the Over-allotment Option of not more than 15% of the number of H Shares issued pursuant to the Global Offering;

- (d) subject to filing with the CSRC, upon completion of the Share Subdivision and Global Offering, 92,127,177 Domestic Unlisted Shares will be converted into H Shares on a one-for-one basis pursuant to corresponding Shareholders' applications;
- (e) subject to the completion of the Global Offering, the adoption of the Articles of Association which shall become effective on the Listing Date, and authorization to the Board to amend the Articles of Association for the purpose of the Company's Listing; and
- (f) authorization of the Board to handle all matters relating to, among other things, the Global Offering, the issue and listing of the H Shares.

Changes in Share Capital of our Subsidiaries

The following sets forth the changes in the share capital of the subsidiaries of the Company within two years immediately preceding the date of this Prospectus:

On August 19, 2024, the registered capital of Shanghai Chunchun was increased from RMB1 million to RMB10 million.

On August 19, 2024, the registered capital of Shanghai Qiyuan was increased from RMB5 million to RMB10 million.

On September 26, 2024, the registered capital of Shanghai Qifei was increased from RMB1 million to RMB5 million.

On September 27, 2024, the registered capital of Shanghai Qitan was increased from RMB2 million to RMB5 million.

On December 12, 2024, Shanghai Qiyu Business Consulting Co., Ltd. (上海柒裕商務諮詢有限公司) was established in Shanghai, the PRC with the registered capital of RMB100 thousand.

On March 26, 2025, Hangzhou Dongdongqi E-commerce Co., Ltd. (杭州洞洞柒電子商務有限公司) was established in Hangzhou, the PRC with the registered capital of RMB10 million.

On November 11, 2025, Shanghai Chuntao Cosmetics Co., Ltd. (上海椿桃化妝品有限公司), was established in Shanghai, the PRC with the registered capital of RMB10 million.

On November 11, 2025, Shanghai Shentao Cosmetics Co., Ltd. (上海參桃化妝品有限公司), was established in Shanghai, the PRC with the registered capital of RMB10 million.

FURTHER INFORMATION ABOUT OUR BUSINESS

Summary of Material Contracts

We have entered into the following contracts (not being contracts entered into in the ordinary course of business) within the two years immediately preceding the date of this Prospectus that are or may be material:

1. the shareholders agreement dated June 12, 2024 entered into among the Shanghai Forest Cabin Biological-Tech Co., Ltd. (上海林清軒生物科技有限公司) (currently known as Shanghai Forest Cabin Cosmetics Group Co., Ltd. (上海林清軒化妝品集團股份有限公司), the “**Company**”), Shanghai Xunzaoji Daily Necessities Co., Ltd. (上海尋皂記日用品有限公司) (“**Shanghai Xunzaoji**”), Shanghai Senqingxuan Industrial Co., Ltd. (上海森清軒實業有限公司) (“**Shanghai Senqingxuan**”), Danbo (Shanghai) Biology Technology Co., Ltd. (淡泊(上海)生物科技有限公司) (“**Shanghai Danbo**”), Shanghai Qitan Biology Technology Co., Ltd. (上海柒潭生物科技有限公司) (“**Shanghai Qitan**”), Shanghai Qiyuan Electronic Commerce Co., Ltd. (上海柒淵電子商務有限公司) (“**Shanghai Qiyuan**”), Shanghai Chunchun Cosmetics Sales Co., Ltd. (上海春椿化妝品銷售有限公司) (“**Shanghai Chunchun**”), Shanghai Sangezhuang Information Technology Co., Ltd. (上海三個椿信息科技有限公司) (“**Shanghai Sangezhuang**”), Shanghai Shaohua Cosmetics Co., Ltd. (上海芍華化妝品有限公司, currently known as Shanghai Hesuo Cosmetics Co., Ltd. (上海何所化妝品有限公司) (“**Shanghai Hesuo**”), Shanghai Haixing Lover Cosmetics Co., Ltd. (上海海星戀人化妝品有限公司, currently known as Shanghai Shenrongzhuang Cosmetics Co., Ltd. (上海參容莊化妝品有限公司) (“**Shanghai Shenrongzhuang**”), Shanghai Qilong Biology Technology Co., Ltd. (上海柒隆生物科技有限公司) (“**Shanghai Qilong**”), Nantong Qilingqi Electronic Commerce Co., Ltd. (南通柒零柒電子商務有限公司) (“**Nantong Qilingqi**”), Shanghai Qifei Cosmetics Co., Ltd. (上海柒飛化妝品有限公司) (“**Shanghai Qifei**”), Shanghai Qijin Cosmetics Co., Ltd. (上海柒錦化妝品有限公司) (“**Shanghai Qijin**”), Nantong Qiyu Information Technology Co., Ltd. (南通柒域信息科技有限公司) (“**Nantong Qiyu**”), Jinhua Qilan Electronic Commerce Co., Ltd. (金華柒瀾電子商務有限公司) (“**Jinhua Qilan**”), Jinhua Jiuguo Electronic Commerce Co., Ltd. (金華九果電子商務有限公司) (“**Jinhua Jiuguo**”), Mr. Sun Laichun (孫來春), Mr. Sun Fuchun (孫福春), Shanghai Fangjiaoshi Management Consulting Co., Ltd. (上海房角石管理諮詢有限公司) (“**Shanghai Fangjiaoshi**”), Shanghai Yuangan Investment Partnership (Limited Partnership) (上海元淦投資合夥企業(有限合夥)) (“**Shanghai Yuangan**”), Shanghai Yuanhui Business Consulting Partnership (Limited Partnership) (上海元洄商務諮詢合夥企業(有限合夥)) (“**Shanghai Yuanhui**”), Shanghai Lingren Management Consulting Co., Ltd. (上海冷人管理諮詢有限公司) (“**Shanghai Lingren**”), Youngor Fashion (Shanghai) Technology Co., Ltd. (雅戈爾時尚(上海)科技有限公司) (“**Youngor Fashion**”), Hainahua (Shanghai) Equity Investment Fund Partnership (Limited Partnership) (海納華(上海)股權投資基金合夥企業(有限合夥)) (“**Hainahua Shanghai**”), Zhejiang Zhuji Toutoushidao Investment Partnership (Limited Partnership) (浙江諸暨頭頭是道投資合夥企業(有限合夥)) (“**Toutoushidao**”), Foshan Haiyujia Enterprise Management Partnership (Limited Partnership) (佛山海禹嘉企業管理合夥企業(有限合夥)) (“**Foshan**”).

Haiyujia”), Top New Development Limited (“**Top New Development**”), Ningbo Meishan Bonded Port Zone Hundun Innovation Phase II Investment Partnership (Limited Partnership) (寧波梅山保稅港區混沌創新二期投資合夥企業(有限合夥)) (“**Hundun Innovation**”), Shanghai Taomin Information Technology Co., Ltd. (上海濤敏信息科技有限公司) (“**Shanghai Taomin**”), Jinhua Future Yicai Phase I Equity Investment Partnership (Limited Partnership) (金華未來益財一期股權投資合夥企業(有限合夥)) (“**Jinhua Yicai**”), Future Yicai Equity Investment Management (Shanghai) Co., Ltd. (未來益財股權投資管理(上海)有限公司) (“**Shanghai Yicai**”), Hangzhou Yuanchen Equity Investment Partnership (Limited Partnership) (杭州源琛股權投資合夥企業(有限合夥)) (“**Hangzhou Yuanchen**”), Shanghai Damo Guyan Enterprise Management Consulting Partnership (Limited Partnership) (上海大漠孤煙企業管理諮詢合夥企業(有限合夥)) (“**Damo Guyan**”) and Foshan Nanhai District Huibi No. 2 Equity Investment Partnership (Limited Partnership) (佛山市南海區匯碧二號股權投資合夥企業(有限合夥)) (“**Foshan Huibi No. 2**”) regarding the shareholders’ rights in the Company;

2. the supplemental agreement to the shareholders agreements dated December 2, 2024 entered into among the Company, Shanghai Xunzaoji, Shanghai Senqingxuan, Shanghai Danbo, Shanghai Qitan, Shanghai Qiyuan, Shanghai Chunchun, Shanghai Sangezhuang, Shanghai Shaohua Cosmetics Co., Ltd. (上海芍華化妝品有限公司, currently known as Shanghai Hesuo), Shanghai Haixing Lover Cosmetics Co., Ltd. (上海海星戀人化妝品有限公司, currently known as Shanghai Shenrongzhuang), Shanghai Qilong, Nantong Qilingqi, Shanghai Qifei, Shanghai Qijin, Nantong Qiyu, Jinhua Qilan, Jinhua Jiuguo, Mr. Sun Laichun, Mr. Sun Fuchun, Shanghai Fangjiaoshi, Shanghai Yuangan, Shanghai Yuanhui, Shanghai Lingren, Youngor Fashion, Hainahua Shanghai, Toutoushidao, Foshan Haiyujia, Top New Development, Hundun Innovation, Shanghai Taomin, Jinhua Yicai, Shanghai Yicai, Hangzhou Yuanchen, Damo Guyan and Foshan Huibi No. 2, pursuant to which the shareholders of the Company agreed to terminate certain special shareholders rights, details of which are included in the section headed “History, Development and Corporate Structure” in this prospectus;
3. the shareholders agreement dated May 22, 2025 entered into among the Company, Mr. Sun Laichun, Mr. Sun Fuchun, Shanghai Fangjiaoshi, Shanghai Yuangan, Shanghai Yuanhui, Shanghai Lingren, Youngor Fashion, Toutoushidao, Foshan Haiyujia, Top New Development, Hundun Innovation, Foshan Huibi No. 2, Zhangjiagang Xinghanyanchuang Investment Partnership (Limited Partnership) (張家港星翰妍創投資合夥企業(有限合夥)) (“**Xinghan Yanchuang**”), Cathay Beauty & Innovation Future (Shanghai) Private Investment Fund Partnership, L.P. (凱輝創美未來(上海)私募投資基金合夥企業(有限合夥)) (“**Shanghai Cathay Beauty & Innovation**”) and Xiamen Womeida Investment Co., Ltd. (廈門沃美達投資有限公司) (“**Xiamen Womeida**”) regarding the shareholders’ rights in the Company;


4. the supplemental agreement to the shareholders agreement dated May 27, 2025 entered into among the Company, Mr. Sun Laichun, Mr. Sun Fuchun, Shanghai Fangjiaoshi, Shanghai Yuangan, Shanghai Yuanhui, Shanghai Lingren, Youngor Fashion, Toutoushidao, Foshan Haiyujia, Top New Development, Hundun Innovation, Foshan Huibi No. 2, Xinghan Yanchuang, Shanghai Cathay Beauty & Innovation and Xiamen Womeida, pursuant to which the shareholders of the Company agreed to terminate certain special shareholders rights, details of which are included in the section headed “History, Development and Corporate Structure” in this prospectus;
5. a cornerstone investment agreement dated December 16, 2025 entered into among our Company, FIL Investment Management (Hong Kong) Limited (in the capacity as agent and fiduciary for the funds and accounts listed in the agreement), CITIC Securities (Hong Kong) Limited, CLSA Limited and Huatai Financial Holdings (Hong Kong) Limited, with respect to a subscription of H Shares at the Offer Price in the aggregate amount of the Hong Kong dollar equivalent of US dollar 15 million;
6. a cornerstone investment agreement dated December 16, 2025 entered into among our Company, Greater Bay Area Development Fund Management Limited acting for and on behalf of the managed account of Mega Prime Development Limited, CITIC Securities (Hong Kong) Limited, CLSA Limited and Huatai Financial Holdings (Hong Kong) Limited, with respect to a subscription of H Shares at the Offer Price in the aggregate amount of the Hong Kong dollar equivalent of US dollar 12 million;
7. a cornerstone investment agreement dated December 16, 2025 entered into among our Company, Golden Valley Global Limited, CITIC Securities (Hong Kong) Limited, CLSA Limited and Huatai Financial Holdings (Hong Kong) Limited, with respect to a subscription of H Shares at the Offer Price in the aggregate amount of the Hong Kong dollar equivalent of US dollar 5 million;
8. a cornerstone investment agreement dated December 16, 2025 entered into among our Company, Golden Valley Value Select Master Fund, CITIC Securities (Hong Kong) Limited, CLSA Limited and Huatai Financial Holdings (Hong Kong) Limited, with respect to a subscription of H Shares at the Offer Price in the aggregate amount of the Hong Kong dollar equivalent of US dollar 5 million;
9. a cornerstone investment agreement dated December 16, 2025 entered into among our Company, Duckling Fund, L.P., CITIC Securities (Hong Kong) Limited, CLSA Limited and Huatai Financial Holdings (Hong Kong) Limited, with respect to a subscription of H Shares at the Offer Price in the aggregate amount of the Hong Kong dollar equivalent of US dollar 10 million;

10. a cornerstone investment agreement dated December 16, 2025 entered into among our Company, SS Capital Exponential Ascent Strategy Ltd., CITIC Securities (Hong Kong) Limited, CLSA Limited and Huatai Financial Holdings (Hong Kong) Limited, with respect to a subscription of H Shares at the Offer Price in the aggregate amount of the Hong Kong dollar equivalent of US dollar 8 million;
11. a cornerstone investment agreement dated December 16, 2025 entered into among our Company, Dajia Life Insurance Co., Ltd. (大家人壽保險股份有限公司), CITIC Securities (Hong Kong) Limited, CLSA Limited and Huatai Financial Holdings (Hong Kong) Limited, with respect to a subscription of H Shares at the Offer Price in the aggregate amount of the Hong Kong dollar equivalent of US dollar 5 million;
12. a cornerstone investment agreement dated December 16, 2025 entered into among our Company, Yield Royal Investment Holding (Singapore) PTE. LTD., CITIC Securities (Hong Kong) Limited, CLSA Limited and Huatai Financial Holdings (Hong Kong) Limited, with respect to a subscription of H Shares at the Offer Price in the aggregate amount of the Hong Kong dollar equivalent of US dollar 2 million;
13. the Hong Kong Underwriting Agreement.

Intellectual Property Rights***Trademarks***

As of the Latest Practicable Date, we had registered the following trademarks which we consider to be or may be material to our business:

No.	Trademark	Place of Registration	Class	Registered Number	Expiry Date
1.		PRC	3	3748173	February 13, 2026
2.		PRC	30	5760719	October 13, 2029
3.		PRC	4 16 20 21 25 26	8617688 8617687 8617686 8617685 8617684 8617683	September 13, 2031 September 13, 2031 September 13, 2031 September 13, 2031 September 13, 2031 September 13, 2031
4.		PRC	3	9234527	March 27, 2032
5.		PRC	3	9600100	September 13, 2032
6.		PRC	3	13440525	January 13, 2026
7.		PRC	3, 35	20574539	August 27, 2027

No.	Trademark	Place of Registration	Class	Registered Number	Expiry Date
8.	林清轩	PRC	3 35	22278051 22278041	January 27, 2028 January 27, 2028
9.	林清轩	PRC	2, 6, 7, 8, 9, 11, 12, 14, 15, 17, 19, 22, 23, 24, 27, 28, 29, 32, 33, 34, 38, 39, 44, 45	23043655	August 20, 2028
10.	林清轩	PRC	3 35	39731769 39723879	June 20, 2030 May 13, 2030
11.	FOREST CABIN	PRC	3 35	39709679 39726864	March 6, 2030 March 6, 2030
12.	林清轩 forest cabin	PRC	24	45431825	February 27, 2032
13.	林清轩	PRC	40	48221141	June 6, 2031
14.	FOREST CABIN	PRC	21	59098218	February 27, 2032
15.	林清轩	PRC	21	59085148	February 27, 2032
16.	 林清轩	PRC	35 3	65607665 65616316	December 20, 2032 December 20, 2032
17.	林清轩	PRC	5	68001182	July 20, 2033

No.	Trademark	Place of Registration	Class	Registered Number	Expiry Date
18.	林清轩	PRC	3 5	73519211 73503946	March 20, 2034 May 27, 2034
19.	林清轩	PRC	1 2 4 7 8 9 10	78404181 78391873 78398903 78414817 78391926 78391940 78404221	October 20, 2034 October 20, 2034 October 20, 2034 November 27, 2034 October 20, 2034 October 20, 2034 October 20, 2034
20.	林清轩	PRC	11 12 14 15 17 18 20	78404232 78404240 78404074 78416054 78390323 78408626 78399607	November 6, 2034 October 27, 2034 October 20, 2034 November 6, 2034 October 20, 2034 November 6, 2034 October 27, 2034
21.	林清轩	PRC	21 22 24 25 26 27 28 29	78413495 78409669 78398546 78395535 78415606 78399523 78400732 78411184	November 6, 2034 October 27, 2034 November 6, 2034 October 20, 2034 November 6, 2034 October 20, 2034 October 20, 2034 October 27, 2034
22.	林清轩	PRC	32 33 34 38 39 40 41 42 44 45	78390606 78411217 78416143 78390500 78396316 78411711 78397737 78390530 78416494 78394752	October 20, 2034 October 27, 2034 November 6, 2034 October 20, 2034 October 20, 2034 November 6, 2034 October 20, 2034 October 20, 2034 November 6, 2034 October 20, 2034
23.	林清轩 Forest Cabin	Hong Kong	3, 35	306552126	May 13, 2034

Copyrights registered

As of the Latest Practicable Date, we had registered the following copyrights which we consider to be or may be material to our business:

No.	Copyright	Copyright Type	Registered Owner	Registered Number	Registration Date
1.	Forest Cabin brand logo (the shape of oriental elegance) (林清軒品牌標識 (東方優雅氣韻之形))	Artwork	The Company	國作登字 -2023-F-00286848	December 1, 2023

Patents

As of the Latest Practicable Date, we had registered the following patents which we consider to be or may be material to our business:

No.	Patent Name	Application No.	Application Type	Patent Owner	Place of Registration	Grant Date	Expiry Date
1.	Plant composition for whitening, plant extract and preparation method thereof (用於美白的植物組合物、植物提取液及其製備方法)	2016103710463	Invention	The Company	PRC	May 30, 2016	May 29, 2036
2.	Anti-aging composition with stable adhesion between epidermis and dermis and its use (具有穩定表皮與真皮間黏連作用的抗衰老組合物及其用途)	2018102607290	Invention	The Company, Shanghai Qitan	PRC	March 27, 2018	March 26, 2038
3.	A combination extract of red camellia and its preparation method and application in cosmetics (一種紅山茶組合提取物及其製備和在化妝品中的應用)	2018112510304	Invention	The Company, Shanghai Qitan	PRC	October 25, 2018	October 24, 2038

No.	Patent Name	Application No.	Application Type	Patent Owner	Place of Registration	Grant Date	Expiry Date
4.	The microemulsion facial mask fluid containing camellia seed oil with repairing effect and its preparation method (含山茶籽油的具有修復功效的微乳面膜液及其製備方法)	2018115942719	Invention	The Company	PRC	December 25, 2018	December 24, 2038
5.	A biomimetic composition containing camellia extract for repairing skin barrier and its application (一種仿生的、含山茶提取物的修復皮膚屏障組合物和應用)	2020103579882	Invention	The Company	PRC	April 29, 2020	April 28, 2040
6.	An anti-blue light restoration composition containing camellia extract and its application (一種含山茶提取物的抗藍光修復組合物及其應用)	2020106171589	Invention	The Company	PRC	June 30, 2020	June 29, 2040
7.	Camellia oil with high content of colorless and odorless active ingredients, as well as its preparation method and application (無色無味活性成分含量高的山茶油及其製備方法及應用)	2019109832504	Invention	The Company	PRC	October 16, 2019	October 15, 2039
8.	A combination of multiple whitening pathways containing red camellia extract (一種含紅花山茶提取物的多重美白途徑組合物)	2022108794526	Invention	The Company	PRC	July 25, 2022	July 24, 2042

No.	Patent Name	Application No.	Application Type	Patent Owner	Place of Registration	Grant Date	Expiry Date
9.	Multiple anti-wrinkle composition containing red camellia extract, as well as its preparation method and application (含紅花山茶提取物的多重抗皺組合物及製備方法和應用)	2022108781954	Invention	The Company	PRC	July 25, 2022	July 24, 2042
10.	A micro lotion and its preparation method (一種微乳液及其製備方法)	202211695584X	Invention	The Company	PRC	December 28, 2022	December 27, 2042
11.	A camellia soft bead containing red camellia extract and its preparation method (一種含紅山茶花提取物的山茶花柔珠及其製備方法)	2023112704705	Invention	The Company	PRC	September 28, 2023	September 27, 2043
12.	Self-thickening system of glutamate-based surfactants and its preparation method (谷氨酸型表面活性劑的自增稠體系及其製備方法)	2023112704601	Invention	The Company	PRC	September 28, 2023	September 27, 2043
13.	A composition of hydroxypinacolone retinoate with high content and high stability and its applications (一種高含量、高穩定性的羥基頻哪酮視黃酸酯組合物及其應用)	2023116693841	Invention	The Company	PRC	December 6, 2023	December 5, 2043

No.	Patent Name	Application No.	Application Type	Patent Owner	Place of Registration	Grant Date	Expiry Date
14.	A composition of camellia seed oil containing tetrahydrocurcumin and its applications (一種含四氫薑黃素的山茶籽油組合物及其應用)	2023117386501	Invention	The Company	PRC	December 15, 2023	December 14, 2043
15.	An anti-wrinkle repairing composition containing red camellia extract and its applications (一種含紅山茶提取物的抗皺修護組合物及其應用)	2024100337447	Invention	The Company	PRC	January 9, 2024	January 8, 2044

Domain Name

As of the Latest Practicable Date, we had registered the following internet domain names which we consider to be or may be material to our business:

No.	Domain Name	Owner	Registration Date
1.	forest-cabin.com	The Company	January 12, 2024
2.	lqxshop.com	The Company	May 8, 2008
3.	lqxgroup.com	The Company	October 6, 2015
4.	forest-cabin.cn	The Company	January 12, 2024

LICENSES, PERMITS AND APPROVALS

The following table sets out a list of material licenses, permits, and approvals held by us as of the Latest Practicable Date:

	License/Permit	Holder	Expiry date
1.	Cosmetics Manufacturing License (化妝品生產許可證)	Our Company	August 10, 2026
2.	Special Cosmetics Registration Certificate (特殊化妝品註冊證)	Our Company	April 20, 2026
3.	Special Cosmetics Registration Certificate (特殊化妝品註冊證)	Our Company	April 20, 2026
4.	Special Cosmetics Registration Certificate (特殊化妝品註冊證)	Our Company	June 19, 2028
5.	Special Cosmetics Registration Certificate (特殊化妝品註冊證)	Our Company	June 19, 2028

We will renew the above license and permit before expiration. As advised by our PRC Legal Adviser, there are no legal impediments to the renewal of the relevant license and permits so long as we meet the applicable requirements and conditions and adhere to the procedures set forth in the relevant laws and regulations.

FURTHER INFORMATION ABOUT OUR DIRECTORS, MANAGEMENT AND SUBSTANTIAL SHAREHOLDERS

1. Disclosure of Interests of Directors and Chief Executive of the Company

Immediately following the completion of the Share Subdivision, the Global Offering and Conversion of Domestic Unlisted Shares into H Shares, assuming that the Over-allotment Option is not exercised, the interest and short position of each of our Directors and Chief Executive Officer in the Shares, underlying Shares and debentures of the Company or our associated corporations (within the meaning of Part XV of the SFO) which will be required to be notified to the Company and the Hong Kong Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interest or short position which they were 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 entered in the register referred to therein, or which will be required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers to be notified to the Company and the Hong Kong Stock Exchange (for this purpose, the relevant provisions of the SFO will be interpreted as if they applied to the Supervisors) will be as follows:

Interests in our Company

Shareholder	Position	Nature of Interest	Number and Class of Shares ⁽¹⁾	Approximate Percentage of Shareholding in the Relevant Class of Shares shortly after the Global Offering (%)	Approximate Percentage of Shareholding in the Total Issued Share Capital of our Company immediately after the Global Offering (%)
Mr. Sun ⁽²⁾⁽³⁾⁽⁴⁾	Founder,	Beneficial owner and interest in controlled corporation	33,570,658 Domestic Unlisted Shares	100.00%	24.04%
	Chairperson of the Board, executive Director and president		66,066,487 H Shares	62.27%	47.30%
Ms. Jing Aimei ⁽⁵⁾	Non-executive Director	Interest in controlled corporation	1,129,005 H Shares	1.06%	0.81%

Notes:

- (1) All interests are long positions. The number of Shares were presented based on the assumption that the Share Subdivision is completed.

- (2) As of Latest Practicable Date, Mr. Sun held 97.5% of the equity interest in Shanghai Fangjiaoshi. Therefore, Mr. Sun is deemed to be interested in the Shares held by Shanghai Fangjiaoshi in the Company under the SFO.
- (3) As of Latest Practicable Date, Mr. Sun was the sole general partner of Shanghai Yuanhui. Therefore, Mr. Sun is deemed to be interested in the Shares held by Shanghai Yuanhui in the Company under the SFO.
- (4) As of Latest Practicable Date, Shanghai Lingren was the sole general partner of Shanghai Yuangan. Shanghai Lingren is controlled by Mr. Sun. Therefore, Mr. Sun is deemed to be interested in the Shares held by Shanghai Yuangan in the Company under the SFO.
- (5) As of Latest Practicable Date, Hundun Innovation is owned as to 33.33% by Ms. Jing Aimei, as its limited partner. Therefore, Ms. Jing Aimei is deemed to be interested in the Shares held by Hundun Innovation.

2. Disclosure of Interests of Substantial Shareholders

(a) Interests in the Shares of Our Company

For information on the persons who will, immediately following the completion of the Share Subdivision, the Global Offering and Conversion of Domestic Unlisted Shares into H Shares, have interests or short positions in our Shares or underlying Shares which would be required to be disclosed to us and the Hong Kong Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or, who will directly or indirectly, be interested in 10% or more of the nominal value of any class of share capital carrying the rights to vote in all circumstances at general meetings of the Company, see “Substantial Shareholders”.

(b) Interests of the Substantial Shareholders of Other Members of Our Group

As of the Latest Practicable Date, our Directors are not aware of any persons (other than our Directors or chief executive) will, immediately following the Share Subdivision the completion of the Global Offering, directly or indirectly, be interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of our Group.

3. Service contracts

Each of our Directors has entered into a service contract with our Company. The principal particulars of these service contracts comprise (a) a term of three years which is equivalent to the term of the Board; and (b) termination provisions in accordance with their respective terms. Our Directors may be re-appointed subject to Shareholders’ approval. The service contracts can be renewed pursuant to our Articles of Association and applicable rules.

Save as disclosed above, we have not entered, and do not propose to enter, into any service contracts with any of our Directors in their respective capacities as Directors (other than contracts expiring or determinable by the employer within one year without any payment of compensation (other than statutory compensation)).

4. Director's and Supervisors' Remuneration

Save as disclosed in “Directors and Senior Management” and “Appendix I — Accountants' Report — II Notes to The Historical Financial Information — Directors' and Chief Executive's Remuneration” for the financial years ended December 31, 2022, 2023, 2024 and six months ended June 30, 2025, none of our Directors or supervisors received other remunerations or benefits in kind from us.

5. Disclaimers

Save as disclosed in this Prospectus:

- (a) none of our Directors or any of the parties listed in “Qualification of Experts” of this Appendix is:
 - i. interested in our promotion, or in any assets which, within the two years immediately preceding the date of this Prospectus, have been acquired or disposed of by or leased to us, or are proposed to be acquired or disposed of by or leased to our Company;
 - ii. materially interested in any contract or arrangement subsisting at the date of this Prospectus which is significant in relation to our business;
- (b) save in connection with the Hong Kong Underwriting Agreement and the International Underwriting Agreement, none of the parties listed in “Qualification of Experts” of this Appendix:
 - i. is interested legally or beneficially in any shares in any member of our Group; or
 - ii. has any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for any securities in any member of our Group;
- (c) none of our Directors or their close associates or any shareholders of our Company who to the knowledge of our Directors owns more than 5% of our issued share capital has any interest in our top five customers or suppliers; and
- (d) none of our Directors is a director or employee of a company that has an interest in the share capital of our Company which, once the H Shares are listed on the Hong Kong Stock Exchange, would have to be disclosed pursuant to Divisions 2 and 3 of Part XV of the SFO.

SHARE INCENTIVE SCHEMES**Employee Incentive Scheme**

The following is a summary of the principal terms of the employee incentive scheme approved and adopted by the Company. The terms of the Employee Incentive Scheme are not subject to the provisions of Chapter 17 of the Listing Rules as the Employee Incentive Scheme do not involve the grant of new Shares or options over new Shares of our Company after Listing.

Given the underlying Shares under the Employee Incentive Schemes were either transferred by our Controlling Shareholders to or had already been issued by the Company to Shanghai Yuanhui (the “**Employee Shareholding Platforms**”), there will be no dilutive effect to the issued Shares upon the vesting of the awards under the Employee Incentive Schemes.

As of the Latest Practicable Date, Shanghai Yuanhui and Shanghai Yuantan (a limited partner of Shanghai Yuanhui) were the Company’s Employee Shareholding Platforms collectively holding 2,031,000 underlying Shares of the Company (equivalent to 10,155,000 underlying Shares of the Company after completion of the Share Subdivision). For details of Shanghai Yuanhui and Shanghai Yuantan, see “History, Development and Corporate Structure.”

(a) Purpose

The purpose of the Employee Incentive Scheme is to recognise the contribution of our employees to the Group and motivate them to further promote the development of our Group.

(b) Eligible Participants

Participants of the Employee Incentive Scheme (the “**Participants**”) are selected by the Administrator from management, officers and existing employees of the Company or any other member of the Group.

(c) Grant of awards

As of the Latest Practicable Date, an aggregate of 2,031,000 underlying Shares of our Company (equivalent to 10,155,000 underlying Shares of the Company immediately after completion of the Share Subdivision) held by Shanghai Yuanhui and Shanghai Yuantan were granted to an aggregate of 54 Participants.

As of the Latest Practicable Date, all the underlying Shares under the Employee Incentive Scheme had been granted to the relevant individuals.

Details of the underlying Shares under the Employee Incentive Scheme granted to the Directors of the Company or our subsidiaries (excluding insignificant subsidiaries), who are connected persons of the Company, as of the Latest Practicable Date are set out below:

Name	Relationship with the Company	Number of underlying Shares granted under the Employee Incentive Scheme as of the Latest Practicable Date	Number of underlying Shares granted under the Employee Incentive Scheme upon completion of the Share Subdivision and the Global Offering	Underlying Shares granted as a percentage of total issued share capital immediately upon completion of the Share Subdivision and the Global Offering
Mr. Sun	Director	726,347	3,631,735	2.60%
Mr. Gao Hongqi	Director	104,146	520,730	0.37%

(d) Vesting of Award

The vesting of the underlying Shares granted is conditional upon the expiry of the lock-up period, which is fulfilling from the date of actual payment of the subscription or transfer payment by Participants to 36 months after the Listing of the Company. 30% of the award will be vested from 12 months after the Listing Date, 30% of the award will be vested from 24 months after the Listing Date and remaining 40% of the award will be vested from 36 months after the Listing Date.

(e) Restrictions on transfer

After the Listing, in addition to the restrictions under the Employee Incentive Schemes, the transfer or sale by selected participants shall be subject to the lock-up requirements under the relevant laws and regulations and the stock exchange rules, or the respective agreements entered into between the Company and the relevant selected participants pursuant to the terms of the Employee Incentive Schemes (if applicable).

OTHER INFORMATION**Estate duty**

Our Directors have been advised that no material liability for estate duty is likely to impose on our Company or our subsidiary.

Litigation

As of the Latest Practicable Date, no member of our Group was involved in any litigation, arbitration, administrative proceedings or claims of material importance, and, so far as we are aware, no litigation, arbitration, administrative proceedings or claims of material importance are pending or threatened against any member of our Group.

Joint Sponsors

The Joint Sponsors have made an application on our behalf to the Listing Committee for the listing of, and permission to deal in, our H Shares. All necessary arrangements have been made to enable the securities to be admitted into CCASS.

The Joint Sponsors satisfy the independence criteria applicable to sponsors set out in Rule 3A.07 of the Listing Rules. The sponsor fee payable to the Joint Sponsors by our Company is US\$900,000 in total.

Preliminary Expense

Our Company did not incur any material preliminary expenses.

Qualification of Experts

The qualifications of the experts who have given opinions or advice in this Prospectus are as follows:

Name	Qualification
CITIC Securities (Hong Kong) Limited	Licensed corporation under the SFO to conduct type 4 (advising on securities) and type 6 (advising on corporate finance) regulated activities as defined under the SFO
Huatai Financial Holdings (Hong Kong) Limited	Licensed corporation under the SFO for type 1 (dealing in securities), type 2 (dealing in futures contracts), type 3 (leveraged foreign exchange trading), type 4 (advising on securities), type 6 (advising on corporate finance), type 7 (providing automated trading services) and type 9 (asset management) of the regulated activities as defined under the SFO

Name	Qualification
Jingtian & Gongcheng	PRC Legal Advisor
Ernst & Young	Certified Public Accountants and Registered Public Interest Entity Auditor
China Insights Industry Consultancy Limited	Independent industry consultant

Consent of Experts

Each of the experts referred to in “Qualification of Experts” in this Appendix has given and has not withdrawn its respective written consents to the issue of this Prospectus with the inclusion of certificates, letters, opinions or reports and the references to its names included herein in the form and context in which it is respectively included.

None of the experts named above has any of our shareholding interests in any member of our Group or rights (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for our securities in any member of our Group.

Compliance Advisor

We have appointed Maxa Capital Limited as our Compliance Advisor upon the Listing in compliance with Rule 3A.19 of the Hong Kong Listing Rules.

Taxation of Holders of H Shares

The sale, purchase and transfer of H Shares are subject to Hong Kong stamp duty. Hong Kong stamp duty will apply at the current standard rate of 0.26% on the higher of the consideration paid for, or the market value of the Shares being sold, purchased or transferred, whether or not the sale or purchase is effected on or off the Stock Exchange. For further information in relation to taxation, see “Appendix IV — Taxation and Foreign Exchange — Hong Kong Taxation”.

No Material Adverse Change

Our Directors confirm that, as of the date of this Prospectus, there has been no material adverse change in our financial position or prospects since June 30, 2025.

Binding Effect

This Prospectus shall have the effect, if any application is made pursuant hereto, of rendering all persons concerned bound by all the provisions (other than the penal provisions) of sections 44A and 44B of the Companies (Winding Up and Miscellaneous Provisions) Ordinance so far as applicable.

Miscellaneous

Save as disclosed in this Prospectus:

- (a) within the two years preceding the date of this Prospectus: (i) we have not issued nor agreed to issue any share or loan capital fully or partly paid either for cash or for a consideration other than cash; and (ii) no commissions, discounts, brokerage fee or other special terms have been granted in connection with the issue or sale of any shares of our Company;
- (b) no share or loan capital of our Company is under option or is agreed conditionally or unconditionally to be put under option;
- (c) we have not issued nor agreed to issue any founder shares, management shares or deferred shares;
- (d) there are no arrangements under which future dividends are waived or agreed to be waived;
- (e) there are no procedures for the exercise of any right of pre-emption or transferability of subscription rights;
- (f) there are no contracts for hire or hire purchase of plant to or by us for a period of over one year which are substantial in relation to our business;
- (g) there have been no interruptions in our business which may have or have had a significant effect on our financial position in the last 12 months;
- (h) there are no restrictions affecting the remittance of profits or repatriation of capital by us into Hong Kong from outside Hong Kong;
- (i) no part of the equity or debt securities of our Company, if any, is currently listed on or dealt in on any stock exchange or trading system, and no such listing or permission to list on any stock exchange other than the Hong Kong Stock Exchange is currently being or agreed to be sought;
- (j) our Company has no outstanding convertible debt securities or debentures;
- (k) our Company is a joint stock limited company and is subject to the PRC Company Law; and

- (1) our Company has adopted a code of conduct regarding Directors' securities transactions on terms as required under the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Hong Kong Listing Rules.

Restrictions on Share Repurchases

For details, see the sections headed “Appendix IV — Summary of Principal Legal and Regulatory Provisions” and “Appendix V — Summary of the Articles of Association” in this Prospectus.

Bilingual Prospectus

The English language and Chinese language versions of this Prospectus are being published separately, in reliance upon the exemption provided by section 4 of the Companies Ordinance (Exemption of Companies and Documents from Compliance with Provisions) Notice (Chapter 32L of the Laws of Hong Kong).

Promoters

The promoters of our Company comprised all of the 17 then shareholders of our Company as at December 24, 2024 before our conversion into a joint stock limited liability company:

No.	Name
1	Mr. Sun
2	Shanghai Fangjiaoshi
3	Shanghai Yuanhui
4	Youngor Fashion (Shanghai) Technology Co., Ltd.
5	Shanghai Yuangan
6	Zhejiang Zhuji Toutoushidao Investment Partnership (Limited Partnership)
7	Foshan Haiyujia Enterprise Management Partnership (Limited Partnership)
8	Jinhua Future Yicai Phase I Equity Investment Partnership (Limited Partnership)
9	Hangzhou Yuanchen Equity Investment Partnership (Limited Partnership)

No.	Name
10	Foshan Nanhai Hui Bi No. 2 Equity Investment Partnership (Limited Partnership)
11	Mr. Sun Fuchun
12	Ningbo Meishan Free Trade Port Zone Hundun Innovation Phase II Investment Partnership (Limited Partnership)
13	Dalong Development Co., Ltd.
14	Shanghai Taomin Information Technology Co., Ltd.
15	Hainahua (Shanghai) Equity Investment Fund Partnership (Limited Partnership)
16	Future Yicai Equity Investment Management (Shanghai) Co., Ltd.
17	Shanghai Damo Guyan Enterprise Management Consulting Partnership (Limited Partnership)

Save as disclosed in this Prospectus, within the two years immediately preceding the date of this Prospectus, no cash, securities or benefit has been paid, allotted or given, or is proposed to be paid, allotted or given to the promoters named above in connection with the Global Offering or the related transactions described in this Prospectus.

DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES IN HONG KONG

The documents attached to the copy of this Prospectus delivered to the Registrar of Companies in Hong Kong for registration were:

- (a) the written consents referred to in “Appendix VI — Statutory and General Information — Other Information — Consents of Experts”; and
- (b) a copy of each of the material contracts referred to in “Appendix VI — Statutory and General Information — Further Information about our Business — Summary of Material Contracts”.

DOCUMENTS AVAILABLE ON DISPLAY

Copies of the following documents will be available on display on the website of the Stock Exchange at www.hkexnews.hk and our website at <https://www.forest-cabin.com/> during a period of 14 days from the date of this Prospectus:

- 1. the Articles of Association;
- 2. the Accountants’ Report prepared by Ernst & Young, the text of which is set forth in Appendix I to this Prospectus;
- 3. the audited consolidated financial statements of our Company for the financial years ended December 31, 2022, 2023, 2024 and six months ended June 30, 2025;
- 4. the report from Ernst & Young on the unaudited pro forma financial information of our Group, the text of which is set forth in Appendix II to this Prospectus;
- 5. the material contracts in “Appendix VI — Statutory and General Information — Further Information about our Business — Summary of Material Contracts”;
- 6. the written consents referred to in “Appendix VI — Statutory and General Information — Other Information — Consents of Experts”;
- 7. the service contracts referred to in “Appendix VI — Statutory and General Information — Further Information about our Directors, Management and Substantial Shareholders — Service Contracts”;
- 8. the legal opinions issued by Jingtian & Gongcheng, our PRC Legal Advisor, in respect of, among other things, the general corporate matters and the property interests of our Group under PRC law;
- 9. the industry report issued by CIC, the summary of which is set forth in the section headed “Industry Overview” in this Prospectus; and
- 10. a copy of the PRC Company law, together with unofficial English translations.

林清轩

Forest Cabin