

# 林清轩

Forest Cabin

Shanghai Forest Cabin Cosmetics Group Co., Ltd.  
上海林清軒化妝品集團股份有限公司

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

Stock Code: 2657



2025  
ANNUAL REPORT

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# DEFINITIONS

In this annual report, unless the context otherwise requires, the following terms have the meanings set forth below:

“Articles of Association”	the Articles of Association of SHANGHAI FOREST CABIN COSMETICS GROUP CO., LTD. (as amended from time to time)
“Associate(s)”	has the meaning ascribed to it under the Listing Rules
“Board” or “Board of Directors”	the board of directors of our Company
“China” or “PRC”	the People’s Republic of China, excluding, for the purpose of this annual report only, Hong Kong, Macau Special Administrative Region and Taiwan region
“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), with its H Shares listed on the Stock Exchange (stock code: 02657)
“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, supplemented or otherwise modified from time to time
“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
“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
“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

## DEFINITIONS

“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 Stock Exchange” or “Stock Exchange”	The Stock Exchange of Hong Kong Limited, a wholly-owned subsidiary of Hong Kong Exchanges and Clearing Limited
“Hundun Innovation”	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)), a limited partnership incorporated under the laws of the PRC on December 16, 2016
“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
“Listing”	listing of our H Shares on the Main Board
“Listing Date”	December 30, 2025
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (as amended from time to time)
“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
“Mr. Sun”	Mr. Sun Laichun (孫來春), our founder, chairman 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”
“Prospectus”	the prospectus of the Company dated December 18, 2025
“RMB” or “Renminbi”	Renminbi, the lawful currency of the PRC
“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 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 Lingren”	Shanghai Lingren Management Consulting Co., Ltd. (上海冷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
“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, comprising Domestic Unlisted Share(s) and H Share(s)
“Shareholder(s)”	holder(s) of the Share(s)
“subsidiary(ies)”	has the meaning ascribed to it in section 15 of the Companies Ordinance (Chapter 622 of the Laws of Hong Kong)
“US\$” or “U.S. dollars”	United States dollars, the lawful currency of the United States
“%”	per cent

# GLOSSARY OF TECHNICAL TERMS

This glossary contains certain technical terms used in this annual report in connection with our Company. Such terms and their meanings may not correspond to standard industry definitions or usage.

“active customer(s)”	customers who have placed at least one purchase order in the period from 2023 to 2025
“anti-wrinkle”	the ability to reduce the appearance of fine lines and wrinkles
“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 Rejuvenate Cream”	all generations of 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
“collagen”	structural protein found in the human body, particularly in the skin, tendons and bones, which provides strength, elasticity and support to various tissues
“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

## GLOSSARY OF TECHNICAL TERMS

“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
“ESG”	environmental, social and governance
“First-tier cities”	Shanghai, Beijing, Guangzhou and Shenzhen
“GMP”	good manufacturing practices
“kg”	kilogram, a unit of weight equal to 1,000 grams
“KOC(s)”	key opinion customer(s)
“KOL(s)”	key opinion leader(s)
“lower-tier cities”	including third – and other lower-tier cities
“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
“New first-tier cities”	Nanjing, Wuhan, Suzhou, Hefei, Chengdu, Hangzhou, Zhengzhou, Tianjin, Ningbo, Dongguan, Changsha, Qingdao, Xi’an, Chongqing, Wuxi and Changshu
“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
“premium skincare brand”	skincare brands positioned to meet the demands of consumers for prestige, high quality and exclusivity through perceived-value products
“Qingxuan Extract”	an active compound comprising the leaves, flowers, and seed oil of alpine red camellia, obtained through a proprietary supercritical extraction technology

## GLOSSARY OF TECHNICAL TERMS

“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 at least one purchase during the same period of time
“retail sales”	the monetary value paid by final consumers on purchasing finished goods
“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 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
“thermal aging”	premature deterioration of the skin’s structure and function due to prolonged exposure to heat
“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, Lu’an, Fuyang, Liaocheng, Xinyang, Heze, Jieyang, Shangqiu, Zhoukou, Baotou, Ma’anshan, Ordos, Dongying, Zaozhuang, Zhumadian, An’qiu, Jiangyin, Liyang and Zhangjiagang

## GLOSSARY OF TECHNICAL TERMS

“top-tier cities”

including first-, new first- and second-tier cities

“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

# CORPORATE INFORMATION

## BOARD OF DIRECTORS

### Executive Directors

Mr. Sun Laichun (孫來春)  
Mr. Gao Hongqi (高宏旗)

### Non-Executive Director

Ms. Jing Aimei (景愛梅)

### Independent Non-Executive Directors

Mr. Zhu Qian (朱乾)  
Mr. Liu Yuliang (劉玉亮)  
Ms. Qiang Yilan (強一嵐)

## AUDIT COMMITTEE

Mr. Zhu Qian (*Chairman*)  
Ms. Jing Aimei  
Mr. Liu Yuliang

## REMUNERATION COMMITTEE

Mr. Liu Yuliang (*Chairman*)  
Mr. Zhu Qian  
Mr. Sun Laichun

## NOMINATION COMMITTEE

Mr. Sun Laichun (*Chairman*)  
Mr. Liu Yuliang  
Ms. Qiang Yilan

## JOINT COMPANY SECRETARIES

Ms. Zeng Lu (曾璐)  
Ms. Tam Pak Yu, Vivien (譚栢如)

## AUTHORIZED REPRESENTATIVES

Mr. Sun Laichun  
Ms. Tam Pak Yu, Vivien

## AUDITOR

### Ernst & Young

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

## REGISTERED ADDRESS

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

## CORPORATE INFORMATION

### HONG KONG LEGAL ADVISOR

**Jingtian & Gongcheng LLP**

Suites 3203–3209, 32/F  
Edinburgh Tower  
The Landmark  
15 Queen's Road Central, Central  
Hong Kong

### 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

### STOCK CODE

02657

### COMPANY'S WEBSITE

<https://www.forest-cabin.com/>

### LISTING DATE

December 30, 2025

# FINANCIAL HIGHLIGHTS

A summary of the highlights of the financial results and the assets and liabilities of the Group for the past four financial years is set out below:

	Year ended December 31,			
	2025	2024	2023	2022
(RMB'000)				
Revenue	<b>2,449,537</b>	1,209,641	805,004	691,150
Gross profit	<b>2,008,818</b>	997,656	653,863	539,077
Profit/(loss) before tax	<b>429,300</b>	218,293	99,662	(36,386)
Profit/(loss) for the year	<b>360,367</b>	186,833	84,518	(5,931)

	As of December 31,			
	2025	2024	2023	2022
(RMB'000)				
Non-current assets	<b>456,110</b>	379,857	309,363	204,989
Current assets	<b>2,044,165</b>	694,097	429,389	339,438
Total assets	<b>2,500,275</b>	1,073,954	738,752	544,427
Non-current liabilities	<b>79,836</b>	91,060	37,826	4,690
Current liabilities	<b>585,394</b>	370,820	230,810	158,079
Total liabilities	<b>665,230</b>	461,880	268,636	162,769
Total equity	<b>1,835,045</b>	612,074	470,116	381,658

# CHAIRMAN'S STATEMENT

Dear Shareholders,

I still remember that at the end of last year, after striking the gong that marked our listing on the Hong Kong Stock Exchange, several colleagues and I rushed to the airport for a special livestream in the evening on that day. When I was asked why I did not take a break and savor that “highlight moment” of going public, my answer was as always: listing is never a finish line, but rather a new starting point. It is a base camp for climbing to the next summit. Only renewed efforts can make us live up to the expectations and continue to forge ahead steadily.

Our original commitment has never changed. Since Forest Cabin's inception 23 years ago, we have been caring for every consumer's complexion, as well as the land beneath our feet, the air we breathe, and the cities and villages we live, for our roots run deep in the vast expanse of China's land. This guides every step we take as we strive tirelessly and persevere with unwavering dedication.

## **2025 was a year of full-chain upgrade from single flagship product of essential oils to multiple flagship products for Forest Cabin.**

First, the implementation of the “1+4+N” strategy. The strategy takes Camellia Essential Oil as the core while simultaneously developing four signature products, including facial creams, essence lotions, facial masks and sunscreens, and expanding N complementary products around demographic segments and scenarios. In 2025, the Camellia Essence Oil, as our signature product, continued to solidify its competitive moat, with cumulative sales exceeding 55 million bottles. It has ranked first in national facial essence oil retail sales for 12 consecutive years, achieving annual revenue of RMB1.024 billion, representing a year-on-year increase of 128.68%. On the other hand, new flagship products gradually contributed to revenue growth. The “Little Gold Pearl” Tightening Essence Water, launched in July 2025, recorded a revenue of RMB204 million within six months of its debut; the Cellular Energy Black Gold Cream achieved a revenue of RMB129 million in the first year after its launch, quickly emerged as a best-selling product. As of now, Forest Cabin has at least three flagship products with at least hundred-million-RMB revenue.

The success of the “1+4+N” strategy has laid a solid foundation for building a multi-brand portfolio further that features “flagship brand for the premium market, sub-brands for market segments” and making the transition from “product-driven” to “multi-brand success.”

## **2025 was a year for Forest Cabin to deliver brand experiences through “omni-channel” approach.**

During the year, Forest Cabin's online channels achieved a revenue of RMB1.724 billion, accounting for 70.4% of total revenue, representing an increase of 141.3% compared to 2024. Among them, Douyin channel reached a revenue of RMB957 million, representing a year-on-year increase of 338%; WeChat channel reached a revenue of RMB194 million, representing a year-on-year increase of 116%. Online channels are gradually becoming one of the stable growth drivers of Forest Cabin.

Offline channels achieved a revenue of RMB725 million, representing an increase of 46.5% compared to 2024. By the end of 2025, Forest Cabin had 580 stores nationwide, with over 95% located in shopping malls. These stores serve as brand experience hubs, offering consumers exceptional skincare services.

## CHAIRMAN'S STATEMENT

Offline physical spaces provide a sense of trust and authenticity that online channels cannot compare, playing an irreplaceable role in enhancing brand awareness, conveying brand philosophy, and even consolidating Forest Cabin's positioning as a premium domestic skincare brand. On one hand, our stores are spread across the country, allowing consumers to experience in person, thereby building long-term consumer trust and loyalty. On the other hand, leveraging member information accumulated in stores, including consumption data, skin conditions and preferences, we perform user profiling analysis after data integration, which serves as a guidance for developing products with more specific targets and forward-looking, thereby providing consumers with personalized services with higher precision. For offline stores, we will remain unwaveringly committed to their dedicated operation.

We have fostered long-term relationships with channel partners to build a channel ecosystem together. Whether in shopping malls or distributor channels, Forest Cabin's stores achieved impressive revenue growth in 2025. Forest Cabin has become one of the few brands in the current cosmetics market to achieve simultaneous high-speed growth across both online and offline channels, which is exactly attributable to its well-developed channel capabilities.

### **2025 was a year of honoring its commitment to “Shared Prosperity” by fulfilling corporate social responsibility for Forest Cabin.**

The core ingredient of Forest Cabin is the alpine red camellia from Zhejiang, Jiangxi and other areas. Forest Cabin has established partnerships for over 20,000 mu, totaling 9 camellia planting bases in mountainous areas most suitable for the growth of these high-quality red camellias. We prohibit the use of pesticides and hormones to ensure the camellia ingredients are natural and environmentally friendly.

We invested nearly RMB300 million to build a carbon-neutral research and intelligent manufacturing base, which integrates renewable energy resources such as solar and wind power into a smart energy system to meet the facility's energy needs. We also established a low-carbon smart energy network featuring “multi-energy integration and three-network interconnection”, utilizing modern technologies such as big data, cloud computing, and artificial intelligence to achieve smart energy management and carbon neutrality. In 2025, Forest Cabin obtained the “Carbon Neutral Certificate,” becoming the first enterprise in China's cosmetics industry to achieve operational carbon neutrality. This breakthrough demonstrates our commitment to sustainable development and marks a significant step forward for the Chinese beauty and cosmetics industry in its low-carbon transition.

Forest Cabin also launched the “Shared Prosperity” initiative. On the date of our listing, we donated RMB300,000 to Pan'an County, Zhejiang, and partnered with the local authorities to establish a public-benefit seedling base with an annual capacity of 600,000 camellia trees, advancing the “Shared Prosperity” initiative to a new stage.

Since its collaboration with various camellia planting bases, Forest Cabin has expanded its sales channels and increased industrial added-value. The local camellia oil industry chain is developing into a vital pillar of rural revitalization. Under the cooperation between Forest Cabin and the local authorities, mountain plots that previously lay fallow have been transformed into camellia plantation fields and become “mountains of gold and silver”. Villagers no longer need to leave for jobs in urban cities; instead, they earn income by working at the camellia cultivation bases and may even receive bonuses in the future. Forest Cabin takes alpine red camellia as the bridge, precisely connecting the resources of the mountains with the momentum of this Shanghai's brand, thereby transforming the “Shared Prosperity” initiative into tangible benefits such as the income for local people, the lush mountains, and the technological strength for endangered species protection, achieving multiple benefits across ecology, society and economy.

### **2025 was a year driven by “science and research” and dedicated to fortifying its moat for Forest Cabin.**

## CHAIRMAN'S STATEMENT

First, innovation in ingredients. During the year, Forest Cabin filed for three new proprietary cosmetic ingredients centered on red camellia produced in Zhejiang. Ingredient is the “core chip” of cosmetics, and proprietary ingredient is the brand moat.

Second, standard defining. This year, Forest Cabin took the lead to publish the *Blue Paper on Cellular-Level Anti-Wrinkle Skincare in China* (《中國細胞級抗皺護膚藍皮書》), defining the new technology trend of “cellular-level anti-wrinkle repairing”, leading an upgrade in the dimensions of competition in the industry. We participated in drafting the group standard that focuses on PDRN raw material testing, as well as *Efficacy Evaluation Methods for Whitening Cosmetics Suitable for Sensitive Skin* (《敏感肌適用型美白化妝品功效評價方法》), the first group standard that focuses on the dual dimensions of “suitable for sensitive skin” and “whitening efficacy” in China, bridging the gap in evaluation system for sensitive-skin whitening products in the country.

Third, further exploration in technology. Forest Cabin launched new products, such as the “Little Gold Pearl” Tightening Essence Water utilizing “Microfluidic Suspension Technology (微流控懸浮技術)” and the Cellular Energy Black Gold Cream featuring “Nanovesicle Transdermal Technology (納米囊泡透皮技術)”, which became sought-after phenomenon-level best-sellers, demonstrating our successful application of cutting-edge technologies.

Fourth, industry-academia-research integration. Forest Cabin established joint laboratories and research platforms with Shanghai Jiao Tong University and other universities and research institutes, and has been admitted to the Songjiang District Postdoctoral Innovation Practice Base. Through deep industry-academia-research collaboration, it advances fundamental research. Our comprehensive capabilities in enterprise scientific research, industry leadership, and talent cultivation have reached new heights.

### **2025 was, what's more, a year of continuous and healthy growth in revenue and profits with improving profitability.**

We recorded a revenue of RMB2,449.5 million for 2025, representing an increase of 102.5% from RMB1,209.6 million for 2024. Our net profit rose from RMB186.8 million for 2024 to RMB360.4 million for 2025, representing an increase of 92.9%.

### **2025 was even a year of continuous improvement in our internal governance and organizational capabilities.**

This year, Forest Cabin restructured its organization. It gradually shifted from a vertical management system to a matrix model by establishing project teams spanning research, product development, production, sales, marketing and after-sales service around several flagship products. This restructuring boosted the vitality of the organization and thereby replicated the path to success of camellia essential oil, the flagship product, successfully creating “Little Gold Pearl” Tightening Essence Water, a new product that recorded high sales volume upon launch. This product quickly became the representative products in the toner category and a phenomenal signature product in the Chinese skincare industry.

To ensure efficient implementation of its strategy, the Company takes seven core competencies (strategic capability, product capability, marketing capability, store operation capability, cost capability, organizational capability, and internal control capability) as its backbone to continuously forge a modern governance system with clear responsibilities and strong execution, forming an integrated operational capability characterized by “strategic leadership, product-driven growth, marketing breakthroughs, retail efficiency improvement, cost refinement, organizational support, and closed-loop budgeting”, thereby giving us more ease and resilience when facing market changes, and providing solid support for high-quality development in the long run.

## CHAIRMAN'S STATEMENT

Long-term talent initiatives also advanced in 2025. The “Dual Hundred Program (雙百計劃)” was steadily implemented to recruit 100 outstanding fresh graduate trainees and cultivate 100 professional managers with high growth potential and comprehensive development. The “Dual Hundred Program” focuses on systematically developing backbone talent with both strategic thinking and execution capabilities, preparing commanders for Forest Cabin’s multi-brand and globalization layout. This represents Forest Cabin’s “most valuable” investment in assets.

Meanwhile, we always uphold the core of corporate culture. Corporate culture is the root and soul of the Company’s development. Forest Cabin has taken its vision, mission, and values as its guide in unifying thinking, building consensus, and driving action, the results of which have formed the shared value principle and code of conduct for all employees.

- **Mission:** To decode the secret of glowing skin using modern technology and natural botanical extracts.
- **Vision:** To make the skin of humanity and the Earth more beautiful.
- **Values:** Stayed on customer-centric approach; guided by business results; emphasizing teamwork; learning from benchmarks, embracing self-reflection, and replicating success.

These are the spirits that keep us steadfast in our original aspirations throughout the two decades of our entrepreneurship, which are also the spirits our team bear in mind to unite, move forward and continuously surpass themselves when facing challenges.

**None of these achievements would be possible without the unwavering dedication of the Forest Cabin team over the past 23 years, the firm support of our partners, and most importantly, the trust of our consumers and Shareholders.**

**Looking forward, Forest Cabin will continue to uphold “long-term perspective” while gaining its foothold on the international stage of the Hong Kong capital market.**

First, we will continue to increase investments in R&D to further strengthen our core technical moat built with alpine red camellia while actively exploring new botanical ingredients, so as to deliver more natural, safe, and effective premium skincare products to consumers.

Second, we will insist on advancing our multi-brand strategy and global footprint, and build Forest Cabin, which is rooted in Chinese culture, into a global brand through internal incubation and external acquisitions to become a representative of China’s premium skincare products.

Third, we will operate with greater transparency and compliance, delivering superior performance as a return for the trust and support of our investors.

Again, your continued companionship and devoted support along the way is much appreciated. We look forward to moving forward together to opening a new chapter for domestic premium skincare products.

**Sun Laichun**

*Chairman of the Board*

**Shanghai Forest Cabin Cosmetics Group Co., Ltd.**

March 2026

# MANAGEMENT DISCUSSION AND ANALYSIS



## BUSINESS REVIEW AND OUTLOOK

### 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, and remain committed to providing safe and effective skincare products. Our inaugural Camellia Essence Oil was launched in 2014, serving as the foundational product that established our signature oil-based skincare product line.

### Business Review

#### Our products

With alpine red camellia as the core ingredient, our products use proprietary extraction technology to provide safe, efficient, and culturally resonant skincare solutions.

During the Reporting Period, Forest Cabin offered 246 SKUs, encompassing mainstream skincare categories such as essence oils, face creams, toners, serums, facial masks and sunscreens, and catering to diverse consumer needs for anti-wrinkle, firming, and repair. Our product portfolio centers on the signature product, Camellia Essence Oil, and continues to expand into multiple market segments, solidifying our leading position among premium domestic skincare brands.

### 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 55 million bottles sold cumulatively since its launch as of December 31, 2025, the product ranked first in China by total retail sales across all sales channels among all facial essence oil products for 12 consecutive years since 2014. 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. In 2025, Camellia Essence Oil 5.0 was awarded the Silver Winner of the American Muse Design Awards, a world-renowned design award, for its bottle design.



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

In July 2025, Forest Cabin Camellia Anti-Wrinkle Peptide Dewy Essence Toner, an essence-grade toner, was launched. As the pioneer of camellia oil microbeads, 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. Our Forest Cabin Camellia Anti-Wrinkle Peptide Dewy Essence Toner recorded revenue of RMB204.2 million in 2025, and has become one of the representative products in the toner category shortly after its debut.

### 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)

In January 2025, the Company launched the “Forest Cabin Black Gold Cream 2.0 (林清軒黑金霜2.0)”. The upgraded Camellia Black Gold Rejuvenate Peptide Anti-Wrinkle Brightening Essential Cream targets wrinkle reduction at the cellular level, and is designed to address skin issues such as collagen loss, dullness and sagging. 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.



The cream is available in two textures to suit different skin types. In 2025, the Camellia Rejuvenate Cream achieved revenue of RMB128.6 million, rising to become one of our best-selling products.

## MANAGEMENT DISCUSSION AND ANALYSIS



### UV Protection Cream (高倍隔離防曬霜)

In February 2025, the Company launched the new generation of essence-grade sunscreen “400 Little Golden Umbrella 2.0 (400小金傘2.0版本)”, which deeply integrates “high-performance UV protection” with “anti-wrinkle repair” to directly address skin aging issues caused by photodamage.

Our high-performance UV Protection Cream is an advanced sunscreen product (essence-grade sunscreen) 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.

### Research and development

Forest Cabin attaches great importance to R&D and innovation, regarding it as the cornerstone of the brand’s core competitiveness. Our R&D services, primarily driven by independent R&D and complemented by strategic collaborations, focus on in-depth exploration and application of camellia-based ingredients and related skincare technologies, and continuously iterate product development to cater to consumer needs. As of December 31, 2025, we have 139 experienced R&D personnel, with team members covering multiple disciplines including botany, biology, dermatology, and applied chemistry. Over 55% of them hold master’s degrees or higher, ensuring the professionalism and farsightedness of our R&D activities. In terms of R&D investment, we have continued to increase financial support. The research and development costs were RMB46.8 million in 2025, demonstrating our long-term commitment to technological innovation.

### Ingredients

In 2025, we completed the filing for three new ingredients, namely CAMELLIA CHEKIANGOLEOSA seed oil, fermentation product of candida globosa/CAMELLIA CHEKIANGOLEOSA seed oil, and fermentation product lysate filtrate of Saccharomyces cerevisiae/CAMELLIA CHEKIANGOLEOSA flower/leaf. These proprietary new ingredients will be used as key ingredients in core products in the future to keep building of ingredient barriers of the Company.

### Patent achievements

In 2025, we applied for 30 patents, including 10 invention patents; and were granted 17 patents, including 5 invention patents. As at December 31, 2025, we have been granted 87 patents, including 46 invention patents related to core ingredients, technologies, or camellia formulations, covering patented components such as Qingxuan Extract and Camellia Peptides, providing strong support for product differentiation.

## MANAGEMENT DISCUSSION AND ANALYSIS

### Scientific Influence

In 2025, we published 11 scientific papers covering the optimization of extraction processes, characterization of component structure, efficacy verification and mechanism target analysis of proprietary ingredients related to camellia flowers, leaves and seeds (e.g. enzyme cutting of camellia seed oil, camellia seed polypeptide liquid and camellia super DNA sodium youth factor). Key achievements include:

- Two conference posters were presented at the IFSCC International Science Conference on Cosmetic, investigating the anti-wrinkle and repair effects of camellia seed extract and the anti-aging mechanism of Zhejiang red camellia extract at the cellular level, respectively.
- A study on the mitochondrial autophagy mechanism of camellia flower extract was published in the SCI Q1 journal Antioxidants, providing a theoretical basis for cellular-level anti-aging strategies that target mitochondria.
- Nine studies were published in core and general Chinese journals such as Fine Chemicals (《精細化工》) and Detergent & Cosmetics (《日用化學品科學》), focusing on the multi-dimensional development and efficacy verification of camellia flowers/leaves/seeds, which formed a complete scientific research system from raw material screening and mechanism research to application evaluation.

In 2025, we hosted the Second Skin Cellular-Level Anti-Wrinkle Research Conference and released the industry's first China Cellular-Level Anti-Wrinkle Skincare Blue Book (《中國細胞級抗皺護膚藍皮書》), which reveals the current opportunities and pain points in China's anti-wrinkle market, and proposed the "cellular-level anti-wrinkle" solution as well as the direction of technological iteration.

Meanwhile, the Company established a joint research laboratory for cellular-level anti-wrinkle and a mitochondrial anti-wrinkle research platform with Shanghai Jiao Tong University for the in-depth research on the aging mechanism at the cellular level. It developed targeted anti-wrinkle technologies and products to provide consumers with more efficient and scientific skincare solutions, leading the skincare industry into a new era of precision anti-aging.

In terms of standard development, in 2025, the Company, in conjunction with relevant industry departments, associations and leading enterprises, participated in the formulation and release of several group standards, covering ingredient requirements, efficacy evaluation methods, testing methods and finished product quality control. These mainly include 12 group standards such as the General Requirements for Testing Polydeoxyribonucleotide (PDRN) Raw Materials for Cosmetics (《化妝品用多聚脫氧核糖核苷酸(PDRN)原料檢測通用要求》), the Efficacy Evaluation Methods for Whitening Cosmetics Suitable for Sensitive Skin (《敏感肌適用型美白化妝品功效評價方法》), the Test Methods for Anti-Photoaging Performance of Cosmetics (《化妝品抗光老化性能測試方法》), and Plant-Based Skincare Creams (《植物護膚面霜》), as well as the industry standard for Non-woven Fabric Molded Sheets for Facial Masks (《面膜用非織造布成型片材》). In addition, the Company also participated in the drafting of the group standard Technical Specifications for Essential Oils in Oil-Based Skincare Products (《以油養膚功效型護膚產品精華油技術規範》), continuously promoting the standardized development of the "oil-based skincare" segment.

## MANAGEMENT DISCUSSION AND ANALYSIS

### Product design and development

Our product design and development process are structured to ensure product quality, efficacy and market readiness.

In 2025, the Company continued to optimize its organizational structure. It gradually shifted from a vertical management system to a matrix management model, and established project teams for functions such as scientific research, product development, production, sales, marketing and after-sales service of several flagship products. Such change has successfully replicated the successful development experience of the Camellia Essence Oil, thus improving cross-departmental collaboration efficiency and market responsiveness.

During the year, the Company successfully launched a new product – Forest Cabin Camellia Anti-Wrinkle Peptide Dewy Essence Toner, which was well received by the market and has become one of the representative products in the toner category shortly after its debut. It has gained widespread attention in the industry, further consolidating the market position of the Company in the core skincare category. During the period from July to December 2025, Forest Cabin Camellia Anti-Wrinkle Peptide Dewy Essence Toner recorded revenue of RMB204.2 million.

### Sales network

We have established an integrated sales network that strategically combines diversified online channels with a strong offline presence through deep integration of online and offline channels. The online-merge-offline strategy not only enhances the in-depth interaction between the brand and consumers, but also drives sustainable growth across all channels.

### Offline channels

Our offline channels are essential for building long-term consumer trust and loyalty. By strategically positioning in major cities across the country, we have built a broad and deep offline network, providing a solid foundation for in-depth interaction between the brand and users. 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.

We prioritize the strategic expansion of our offline stores as a cornerstone of our brand development. Most of our stores are located in premium, commercially vibrant shopping malls, which enhances brand recognition and reinforces our premium market positioning. In addition, we enhance customer experience while demonstrating our product efficacy firsthand by offering in-store experiential skincare services. Through authenticity and personalized services, we are able to continuously strengthen customer relationships in interaction, thereby converting product value into customer trust in our brand. As of December 31, 2025, we had 580 stores nationwide, with over 95% located in shopping malls.

We operate the majority of our stores through direct operations, at which high-standard services are provided, helping us to build a good brand image. As of December 31, 2025, a total of 390 stores were directly operated.



## MANAGEMENT DISCUSSION AND ANALYSIS

Our store network in China is 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 continued 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. 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 balanced layout strategy 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,	
	2025	2024
First-tier cities	65	55
New first-tier cities	189	159
Second-tier cities	90	78
Third-tier cities	146	136
Other lower-tier cities	90	78
<b>Total</b>	<b>580</b>	<b>506</b>

Our revenue from all city tiers in China demonstrated steady growth during the Reporting 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,			
	2025		2024	
	Amount	Percentage of total revenue of offline stores	Amount	Percentage of total revenue of offline stores
(RMB in thousands, except for percentage)				
First-tier cities	78,087	13.6	61,585	13.9
New first-tier cities	207,062	35.9	155,223	35.0
Second-tier cities	75,559	13.1	69,118	15.6
Third-tier cities	147,670	25.6	103,566	23.3
Other lower-tier cities	68,098	11.8	54,597	12.3
<b>Total revenue from offline stores</b>	<b>576,476</b>	<b>100.0</b>	<b>444,089</b>	<b>100.0</b>

### Our online channels

Leveraging our strong brand image, product advantages and consumer trust cultivated through our offline channels, and in order to adapt to the evolution of consumers' digital consumption habits, we are rapidly expanding our online channels centered on online direct sales and retailers, aiming to provide customers with more convenient and diversified consumption channels.

Our online direct sales channel comprises sales to end customers through self-operated stores across major e-commerce and social commerce platforms.

## MANAGEMENT DISCUSSION AND ANALYSIS

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

	Year ended December 31,			
	2025		2024	
	Amount	Percentage of total revenue of online direct sales	Amount	Percentage of total revenue of online direct sales
(RMB in thousands, except for percentage)				
Tmall	235,791	15.0	248,749	39.2
Douyin	957,295	61.0	218,434	34.4
WeChat	194,261	12.4	90,054	14.2
JD.com	20,943	1.3	16,678	2.6
Others <sup>(1)</sup>	161,396	10.3	60,922	9.6
<b>Total revenue from online direct sales</b>	<b>1,569,686</b>	<b>100.0</b>	<b>634,837</b>	<b>100.0</b>

Note:

(1) Others primarily include social media and e-commerce platform, such as Aikucun, Jinglinggou, Pinduoduo and Kuaishou.

### 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. As of December 31, 2025, the Company has entered into long-term cooperation agreements with nine camellia planting bases across Zhejiang and Jiangxi provinces, which collectively covered an area of over 26,000 mu, and we have entered into exclusive supply agreements with four of these 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.

We have established robust production capabilities to support our growth, ensure product quality and enhance supply chain responsiveness. As of the end of 2025, 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. Together, these facilities have a combined GFA of 49,120 sq.m.. 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.

### Marketing and branding

We have built an omni-channel marketing system driven by both online and offline channels, emphasizing both traffic conversion and brand building. We continue to enhance brand awareness and customer loyalty via diversified touchpoints and differentiated user experiences.

#### Online marketing: short video + livestreaming synergy for efficient traffic conversion

We have adopted an integrated online promotion strategy to “create synergies between short-video and livestreaming”. By leveraging the synergy created from the content seeding of short videos and instant conversions via live streaming, we have achieved efficient traffic accumulation and conversion. As of December 31, 2025, we had accumulated over 7.96 million and 2.85 million followers on Tmall and Douyin platforms, respectively.

- In-depth creation of short video content: We produce and disseminate short video with content showcasing our brand philosophy, product efficacy, and skincare knowledge, ensuring both content quality and message effectiveness. Our content strategy for short videos is characterized by two key features. One of them is the in-depth creation of specialized content, which centers on core products to create immersive efficacy demonstrations and skincare tutorial content. Furthermore, we collaborate with content creators across various social media platforms to publish scientifically validated content based on test reports from third-party authoritative testing institutions, thereby strengthening the brand’s professional credibility. The other is the personalized content strategy. We have established the Forest Cabin IP matrix (林清軒IP矩陣) to attract diverse user groups, which serves as a crucial platform for brand content dissemination. For instance, our founder, Sun Laichun, joined Douyin in March 2024, sharing brand stories and skincare philosophies with an authentic and down-to-earth personal image, amassing over 600,000 followers on the platform to date. Sun Fuchun, the co-founder, also set up his personal account at the end of 2024, consistently delivering brand value content through the “founder brothers (創始人兄弟檔)”. Furthermore, family member “Younger President Sun (小孫總)” attracts younger users with his “daily life about a second-generation entrepreneur + full of mirth” style. These efforts have formed the “Forest Cabin IP Matrix” that covers different age groups and interest circles, effectively achieving differentiated audience reach and emotional connection across various user segments.
- Livestreaming matrix layout: We have established a live-streaming system encompassing category-matrix livestreaming studios, brand IP matrix livestreaming studios, and collaborations with KOLs/KOCs. We have developed vertical livestreaming studios based on our core product categories, while simultaneously encouraging our founder, family members, and core employees to form an IP matrix for the brand. By cultivating personalized and differentiated public impression, we have strengthened the brand visibility, deepened emotional connections with target audiences, and enhanced brand affinity. At the same time, we have increased our collaborative livestreaming efforts with KOLs/KOCs, leveraging top-tier KOLs to establish brand authority and mid-tier KOLs to broaden audience reach.
- Full coverage of all social platforms: We have been active in operating official accounts on mainstream social platforms including WeChat, Weibo, Douyin and Xiaohongshu, reinforcing brand storytelling and strengthening connections with consumers through consistent content dissemination and interactions.

## MANAGEMENT DISCUSSION AND ANALYSIS

### Offline marketing: experience as a service to deepen customer relationships

Our offline stores serve not only as sales points but also as main sites for brand experience. Through skincare experience service, we transform in-store customer traffic into loyal brand advocates.

- Personalized skincare experience: When customers express interest in our products, our store staff will provide personalized services, including facial cleaning and product demonstrations, and offer guidance on proper usage techniques and skincare routines to enhance absorption of the product and maximize its usage value.
- Immersive brand perception: This hands-on experience not only imparts professional skincare knowledge but also allows consumers to intuitively perceive the brand's professionalism and product efficacy, thereby effectively enhancing conversion rates and fostering repurchase intentions.

### Membership operations: comprehensive life time value management

We have established a unified membership system covering both online and offline channels, enhancing customer lifetime value through refined operations:

- Tiered benefits system: Customized benefits and services are provided based on membership levels to enhance the sense of belonging of members. By the end of 2025, the Company had over 6.1 million active customers, with an annual repurchase rate of 34.2%. We have established direct connections with our members by delivering exclusive content and personalized offers to enhance user stickiness.
- In-depth provenance experience: Members are invited to participate in activities such as “Factory Provenance Tours”, the “Camellia Art Festival”, “member salons”, and “New Product Experience and Launch Events”, which enable them to visit camellia planting bases and production facilities, and allow members to experience the sustainable practices and artisanal craftsmanship of our products up close during visits, thereby deepening their appreciation of our brand values.

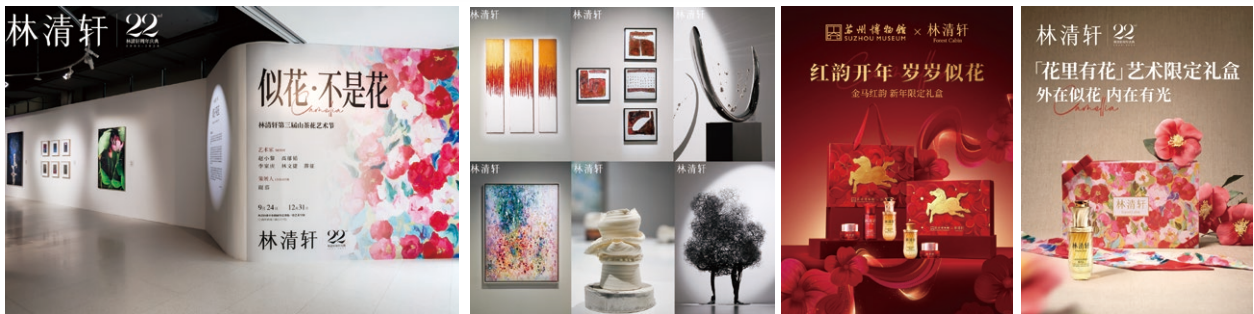


## MANAGEMENT DISCUSSION AND ANALYSIS

### Brand momentum building: celebrity endorsements and industry influence

We have enhanced our market reputation through multi-dimensional brand exposure:

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



- Industry exploration: We actively participate in and sponsor beauty expos, industry forums and awards ceremonies to maintain keen insights into market trends and create value with industry peers.

Through our four-in-one marketing system comprising of “online traffic generation + offline experience + member retention + brand empowerment”, we continuously reinforce our brand moat in the highly competitive beauty and cosmetics market, enabling high-quality user growth and value conversion.

## MANAGEMENT DISCUSSION AND ANALYSIS

### Outlook and Planning

We believe that our continued success ahead lies in the following strategic planning.

To capitalize on opportunities arising from the upgrade of beauty and cosmetics consumption and the rise of domestic brands, the Company adheres to pursuing long-term, high-quality development. With premiumization, multi-brand development, and globalization as its core development direction, it takes “1+4+N” signature product portfolio as its core pillars and “strengthening offline channels, expanding online channels” as its channel strategy to build a comprehensive, multi-tiered, and sustainable strategic development system underpinned by seven core competencies and corporate culture, continually consolidating Forest Cabin’s leading position in the premium skincare sector.

#### Brand strategy

##### **Premiumization: solidify the brand’s position as a benchmark for premium domestic products and enhance brand value**

We continue to deepen the premium positioning to break the stereotype of domestic products as “affordable alternatives”, create a domestic benchmark which is comparable to international premium brands, and drive the upgrade of brand value towards technological and cultural value.

- **Premium product upgrade:** Leveraging the production capacity advantages of the Shanghai factory, we strictly control product quality and reinforce core efficacy endorsements such as “cellular-level anti-wrinkle”, so as to extend the leading position of core products in the premium essence oil market.
- **Premium channel consolidation:** We optimize omni-channel strategies and focus on mid-to-high-end consumer scenarios. For offline channels, we continuously enhance single store performance, while delivering an exceptional skincare experience. For online channels, we deepen cooperation with core platforms such as Tmall and Douyin, while conveying a premium brand image. These efforts drive channel synergy between online and offline models and achieve precise reach and retention of targeted consumers.
- **Shaping premium brand value:** We have increased R&D investments and enhanced in-depth cooperation with renowned research institutions to establish joint laboratories, breaking through core technological bottlenecks and underpinning premium positioning with technical strength. At the same time, we have entered into cooperation with industry partners such as Chenshan Botanical Garden (辰山植物园) to cultivate new varieties of camellia, enhancing active ingredients at source, thereby improving product efficacy. With upgrades in both technology and ingredients, we create products that meet premium skincare requirement.

## MANAGEMENT DISCUSSION AND ANALYSIS

### **Multi brands: breaking through the growth boundaries of single brand to cover market segments and enhance risk resilience**

We have formed a multi-brand portfolio featuring “flagship brand for the premium market, sub-brands for market segments” to create a variety of sub-brands with clear positioning and target customer groups. Such initiative aims to empowering the Company’s gradual transit from “product-driven” to “multi-brand success”, adding new paths and injecting driving forces to our long-term performance growth.

- Strengthening the core leadership role of the flagship brand: Forest Cabin continues to focus its flagship brand on the premium oriental plant-based skincare segment. Taking Camellia Essence Oil as its signature product, it deepens its core positioning such as “oil-based skincare” and “cellular-level anti-wrinkle”, increases investment in R&D and brand culture dissemination, creating a domestic benchmark comparable to international premium brands, thereby providing brand endorsement, resource support, and management experience for sub-brands. The flagship brand will focus on performing the functions of “establishing a premium image, accumulating core resources, and driving technological innovation”. It will continue to increase brand value and market influence, promoting the synergistic development of the entire brand portfolio.
- Incubating sub-brands for market segments: Based on market demand and its resource strengths, the Company internally incubates sub-brands to create differentiated products covering more segment needs. Meanwhile, the Company explores mergers and acquisitions opportunities in the market for acquiring brands with strong cultural compatibility, with an aim to accelerating expansion in segments by leveraging the acquired brands’ pipeline and reputation, thereby achieving a dual-engine multi-brand development model of “internal incubation + external mergers and acquisitions”.

### **Globalization: steadily advancing brand globalization for culture and market presences**

With the core principle of “brand globalization rather than capacity globalization”, we adopt a strategy of “small steps for expanding presence with precision (小步慢跑、精準布局)” to gradually expand to global markets and promote China’s alpine red camellia culture for establishing a global brand footprint.

In the future, Forest Cabin will gradually implement the above brand strategy by consolidating market position through premium positioning, exploring market segments with multi brands, and expanding room for growth through globalization. This approach balances short-term operational efficiency with long-term brand value enhancement, contributing to the Company’s progress toward high-quality sustainable development.

## MANAGEMENT DISCUSSION AND ANALYSIS

### Product strategy

The Company adopts a product development approach, which features a signature product, full-category synergy and comprehensive coverage of all scenarios, that aims at building “1+4+N” category matrix. Adhering to the principles of breaking through boundaries of our signature product, making stable contributions from main categories, and complemented and extended by innovative categories, we strive to build a category matrix system with clear structure, rational tiers, and sustainable growth.

#### Strengthening “1” signature product

Focusing on our Camellia Essence Oil as the brand’s principal strategic product, we continue to iterate and upgrade its formula and process to reinforce core concept such as “cellular-level anti-wrinkle” and “oil-based skincare”, expand its leading advantages in the facial essence oil segment. Leveraging this signature product to deeply educate users and capture market mindshare, we will drive overall brand recognition and repurchase growth, thereby forming a positive cycle of strong product, strong brand, and strong channel.

#### Developing “4” core category products

Centering on our signature product, we are committed to developing four pillar categories, including facial creams, essence lotions, sunscreens, and facial masks, forming a systematic skincare solution designed to be used with the essence oil.

#### Expanding “N” innovative and extended products

We will expand N supplementary products around demographic segments and scenarios to enrich consumer scenarios, fill market gaps, and enhance brand resilience and growth flexibility.

### Channel strategy

The Company adheres to an omni-channel development strategy of “strengthening offline channels, expanding online channels”. Taking premium scenarios as the carrier, digital operations as the driver, and user experience as the core, we are building a channel system which can drive in-depth integration, efficient synergy, and sustainable growth both online and offline.

#### Strengthening offline channels: consolidating channel foundation and enhancing store quality and user experience

Guiding by premiumization, experience, and refinement, we will reinforce our major offline markets and strengthen brand image and user stickiness.

- We will optimize the structure of store layout to maintain the leading position of domestic premium skincare brands both in terms of scale and quality of our offline stores. By upgrading store aesthetics, service standards, and experiential scenarios, we will create an ultimate experiential space and strengthen perception of premium brand.
- We will enhance the refined operation of our stores and optimize the online traffic generation and offline conversion model to promote new customer acquisition and improve conversion rate, thereby achieving “quality growth and store efficiency enhancement”.

## MANAGEMENT DISCUSSION AND ANALYSIS

### Expanding online channels: building an omni-channel growth engine for synergistic scale and branding

Taking content-driven, brand-oriented, and refined operations as the core, we will expand our online business scale and improve the quality of growth.

- We will enhance the operations on mainstream e-commerce platforms such as Douyin, Tmall, and JD.com, by strengthening brand live streaming, influencer co-creation, and targeted advertising to boost online brand awareness and sales conversion, building a stable, healthy, and sustainable online growth curve.
- We will optimize the diversified structure of the platforms, actively deploying high-end vertical channels of cosmetics products, private domain operations, and official brand mini-programs to form a closed-loop system of “public domain traffic generation + private domain retention + omni-channel conversion”, enhancing user lifetime value.
- We will strengthen the output of premium content and science-based education on its efficacy, and remain committed to capturing the market with product value, so as to achieve simultaneous growth in both online scale and brand value.

### Organizational support

To ensure the efficient implementation of its strategy, the Company takes seven core competencies as its backbone and corporate culture as its soul to construct a modern governance system and organizational support system with clear responsibilities and strong execution, providing solid support for high-quality development in the long run.

### Forging seven core competencies to build an efficient operation management system

The Company will continue to enhance its seven core competencies – strategic capability, product capability, marketing capability, store operation capability, cost capability, organizational capability, and internal control capability – to form an integrated operational capability characterized by “strategic leadership, product-driven growth, marketing breakthroughs, retail efficiency improvement, cost refinement, organizational support, and closed-loop internal control”.

### Upholding the core of corporate culture to foster spiritual strength for long-term development

Corporate culture is the root and soul of the Company’s development. Forest Cabin always takes vision, mission, and values as its guide when unifying thinking, building consensus, and driving action, the results of which have formed the shared value principle and code of conduct for all employees.

**Mission:** To decode the secret of glowing skin using modern technology and natural botanical extracts.

**Vision:** To make the skin of humanity and the Earth more beautiful.

**Values:** To stay on customer-centric approach; be guided by business results; emphasize teamwork; learn from benchmarks, thereby embracing self-reflection and replicating success.

In the future, the Company will continue to leverage its strong organizational capabilities and exceptional corporate culture as the foundation to ensure the steady implementation and efficient execution of its strategies, driving Forest Cabin’s leapfrog from a benchmark in China’s premium skincare sector to a leading brand in the world.

## MANAGEMENT DISCUSSION AND ANALYSIS

### FINANCIAL REVIEW

#### Revenue

##### Revenue by product category

The following table sets forth the breakdown of our revenue by product category during the Reporting Period:

	Year ended December 31,			
	2025		2024	
	Amount	%	Amount	%
	(RMB in thousands, except for percentage)			
Essence oil	1,023,560	41.8	447,600	37.0
Face cream	360,052	14.7	190,402	15.7
Lotion and toner	395,263	16.1	128,836	10.7
Serum	226,055	9.2	121,436	10.0
Facial mask	197,196	8.1	147,558	12.2
Sunscreen	53,582	2.2	36,396	3.0
Other cosmetic products <sup>(1)</sup>	192,645	7.9	136,490	11.3
Others <sup>(2)</sup>	1,184	0.0	923	0.1
Total	2,449,537	100.0	1,209,641	100.0

*Notes:*

- (1) Other cosmetic products primarily consisted of eye cream, cleanser, body care and color cosmetics.
- (2) Others primarily represent brand licensing fees income.

We recorded a revenue of RMB2,449.5 million for the year ended December 31, 2025, representing an increase of 102.5% from RMB1,209.6 million for the year ended December 31, 2024, primarily due to increase in revenue from essence oil, face cream, and lotion and toner. The increase was primarily due to the launch of new SKUs driving product sales growth and upgrades to existing signature products.

## MANAGEMENT DISCUSSION AND ANALYSIS

### Revenue by sales channel

The following table sets forth a breakdown of our revenue by sales channel during the Reporting Period:

	Year ended December 31,			
	2025		2024	
	Amount	%	Amount	%
	(RMB in thousands, except for percentage)			
<b>Offline channels</b>	<b>724,519</b>	<b>29.6</b>	494,368	40.8
Offline stores	576,476	23.6	444,089	36.7
– Directly-operated stores	514,698	21.1	398,332	32.9
– Store partners	61,778	2.5	45,757	3.8
Sales to offline retailers and enterprise customers	20,459	0.8	17,153	1.4
Distributors	127,584	5.2	33,126	2.7
<b>Online channels</b>	<b>1,723,834</b>	<b>70.4</b>	714,350	59.1
Online direct sales	1,569,686	64.1	634,837	52.5
Sales to online retailers	154,148	6.3	79,513	6.6
<b>Others<sup>(1)</sup></b>	<b>1,184</b>	<b>0.0</b>	923	0.1
<b>Total</b>	<b>2,449,537</b>	<b>100.0</b>	1,209,641	100.0

Note:

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

Revenue from our offline channels increased from RMB494.4 million in 2024 to RMB724.5 million in 2025, primarily due to (i) the continued growth in revenue from offline stores resulting from the expansion of our offline store network through the establishment of new directly-operated stores and collaborations with new store partners, as well as increased sales per store; and (ii) the continued growth in revenue from distributors resulting from the initiation and expansion of our collaborations with them.

Revenue from our online channels increased from RMB714.4 million in 2024 to RMB1,723.8 million in 2025, primarily due to our intensified sales and marketing activities on e-commerce platforms.

### Cost of Sales

Our cost of sales primarily consisted of (i) cost of inventories sold, (ii) logistics and transportation costs, (iii) labor costs, (iv) taxes and surcharges, and (v) other cost of sales.

Our cost of sales increased by 107.9% from RMB212.0 million for the year ended December 31, 2024, to RMB440.7 million for the year ended December 31, 2025, primarily due to increases in the cost of inventories sold, logistics and transportation expenses and labor costs as our business grew.

## MANAGEMENT DISCUSSION AND ANALYSIS

### Gross Profit and Gross Profit Margin

Our gross profit represents our total revenue less our total cost of sales, and gross profit margin represents gross profit divided by total revenue, expressed as a percentage.

#### Gross profit and gross profit margin by product category

The following table sets forth our gross profit and gross profit margin by product category during the Reporting Period:

	Year ended December 31,			
	2025		2024	
	Gross profit	Gross profit margin (%)	Gross profit	Gross profit margin (%)
	(RMB in thousands, except for percentage)			
Essence oil	882,006	86.2	381,620	85.3
Face cream	297,499	82.6	162,594	85.4
Lotion and toner	317,537	80.3	101,791	79.0
Serum	188,386	83.3	106,813	88.0
Facial mask	150,379	76.3	116,623	79.0
Sunscreen	40,228	75.1	29,747	81.7
Other cosmetic products <sup>(1)</sup>	131,599	68.3	97,545	71.5
Others <sup>(2)</sup>	1,184	100.0	923	100.0
<b>Total</b>	<b>2,008,818</b>	<b>82.0</b>	<b>997,656</b>	<b>82.5</b>

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.

## MANAGEMENT DISCUSSION AND ANALYSIS

### Gross profit and gross profit margin by sales channel

The following table sets forth the breakdown of our gross profit and gross profit margin shown by sales channel during the Reporting Period:

	Year ended December 31,			
	2025		2024	
	Gross profit	Gross profit margin (%)	Gross profit	Gross profit margin (%)
(RMB in thousands, except for percentage)				
<b>Offline channels</b>	<b>582,419</b>	<b>80.4</b>	409,543	82.8
Offline stores	486,512	84.4	375,435	84.5
– Directly-operated stores	442,299	85.9	342,713	86.0
– Store partners	44,213	71.6	32,722	71.5
Sales to offline retailers and enterprise customers	13,400	65.5	11,510	67.1
Distributors	82,507	64.7	22,598	68.2
<b>Online channels</b>	<b>1,425,215</b>	<b>82.7</b>	587,190	82.2
Online direct sales	1,308,376	83.4	525,830	82.8
Sales to online retailers	116,839	75.8	61,360	77.2
<b>Others<sup>(1)</sup></b>	<b>1,184</b>	<b>100.0</b>	923	100.0
<b>Total</b>	<b>2,008,818</b>	<b>82.0</b>	997,656	82.5

Note:

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

Our gross profit increased from RMB997.7 million in 2024 to RMB2,008.8 million in 2025, primarily due to growth in sales revenue. Our gross profit margin remained relatively stable at 82.5% and 82.0% respectively in 2024 and 2025.

### 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) other income primarily comprising insurance claims and revenue related to the closure of stores operated by retail partners, which represent 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.

Our other income and gains increased by 58.1% from RMB20.5 million for the year ended December 31, 2024 to RMB32.4 million for the year ended December 31, 2025, primarily due to increase in government grants.

## MANAGEMENT DISCUSSION AND ANALYSIS

### Selling and distribution expenses

Our selling and distribution expenses primarily consisted of (i) marketing and promotion expenses, (ii) labor costs, (iii) depreciation and amortization, (iv) store operation fees, and (v) others primarily comprising logistics service fees, entertainment and travel expenses and office expenses.

Our selling and distribution expenses increased by 102.9% from RMB688.5 million for the year ended December 31, 2024 to RMB1,396.8 million for the year ended December 31, 2025, primarily due to increases in marketing and promotional expenses and labor costs. In particular, (i) marketing and promotion expenses increased by 148.7% from RMB365.0 million for the year ended December 31, 2024 to RMB907.8 million for the year ended December 31, 2025, primarily due to increased brand exposure, intensified brand promotion efforts, and investments in channel development; (ii) labor costs increased by 56.4% from RMB189.4 million for the year ended December 31, 2024 to RMB296.2 million for the year ended December 31, 2025, primarily due to an increase in the number of sales personnel in 2025 in line with the Group's business expansion.

### 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.

Our administrative expenses increased by 96.7% from RMB77.8 million for the year ended December 31, 2024 to RMB153.0 million for the year ended December 31, 2025, primarily due to increased listing expenses related to the global offering; increased employee benefit expenses; and increased sales taxes and surcharges as our revenue grew.

### Research and development costs

Our research and development expenses primarily consisted of (i) labor costs, (ii) testing expenses, (iii) direct material costs, and (iv) depreciation and amortization.

Our research and development expenses increased by 53.8% from RMB30.4 million for the year ended December 31, 2024 to RMB46.8 million for the year ended December 31, 2025, primarily due to increased new product development and R&D activities.

### Other expenses

Other expenses primarily include write-downs of inventory, foreign exchange losses, and losses on the disposal of property, plant, and equipment. In 2024 and 2025, our other expenses were RMB1.3 million and RMB7.5 million, respectively, primarily due to increased write-downs of packaging materials resulting from our name change and foreign exchange losses.

## MANAGEMENT DISCUSSION AND ANALYSIS

### Finance costs

Finance costs include interest expense on lease liabilities and interest expense on interest-bearing bank borrowings. In 2024 and 2025, our finance costs were RMB2.5 million and RMB5.5 million, respectively, primarily due to (i) an increase in interest expense on lease liabilities due to an increase in lease liabilities; and (ii) an increase in interest expense on interest-bearing bank borrowings, as interest expense on bank borrowings used for the construction of new production facilities was no longer capitalized but was recognized as finance costs upon completion of construction.

### (Impairment losses)/reversal of impairment losses on financial assets

Impairment losses or reversals of impairment losses on financial assets primarily refer to credit losses or reversals of credit losses on trade receivables and other receivables. In 2024, our reversal of impairment losses on financial assets was RMB0.6 million, compared to impairment losses on financial assets of RMB2.4 million in 2025, primarily due to an increase in expected credit losses on trade receivables.

### Income tax expense

In 2024 and 2025, we recorded income tax expense of RMB31.5 million and RMB68.9 million, respectively, primarily due to an increase in profit before tax.

### Profit and total comprehensive income for the year

As a result of the above, our profit and total comprehensive income for the year increased by 92.9% from RMB186.8 million for the year ended December 31, 2024 to RMB360.4 million for the year ended December 31, 2025.

### Non-IFRS measures

To supplement our consolidated statement of profit or loss and other comprehensive income which are presented under IFRS Accounting Standards, we also use adjusted profit for the year as non-IFRS measures, which are not required by, or presented in accordance with IFRS Accounting Standards. We believe that the presentation of non-IFRS measures, together with the presentation of corresponding IFRS measures, provides useful information to investors and our management, which facilitates comparisons of our operating performance from period to period by eliminating certain non-operating or non-recurring expenses that do not affect the ongoing operating performance of the Company (including listing expenses and share-based payments).

We define adjusted profit for the year (non-IFRS measure) as profit for the year adjusted by adding back listing expenses and share-based payments. Our adjusted profit for the year amounted to RMB400.8 million for the year ended December 31, 2025, representing an increase of 100.1% as compared with RMB200.2 million for the year ended December 31, 2024.

## MANAGEMENT DISCUSSION AND ANALYSIS

	Year ended December 31,	
	2025 (RMB'000)	2024 (RMB'000)
Profit for the year	360,367	186,833
Add:		
Listing expenses	30,219	8,284
Share-based payments	10,166	5,125
Adjusted profit for the year	400,752	200,242

From time to time in the future, there may be other items that we may exclude from reviewing our financial results. The use of such non-IFRS measures has limitations as analytical tools, and shareholders and potential investors of the Company should not consider them in isolation from, or as a substitute for or superior to analysis of, our results of operations or financial condition as reported under IFRS Accounting Standards. In addition, the definition of such non-IFRS measures may be different from similar terms used by other companies, and therefore may not be comparable to similarly-titled measures of other companies.

### Inventory

Our inventory consists of raw materials, work in progress and finished goods. The table below provides the breakdown of our inventory as of the end of the Reporting Period:

Item	As of December 31, 2025 (RMB'000)	As of December 31, 2024 (RMB'000)
	Raw materials	54,566
Finished goods	231,237	70,205
Work in progress	20,334	15,920
Write-down of inventories	(1,405)	(2,664)
<b>Total</b>	<b>304,732</b>	<b>141,239</b>

Our inventory increased by 115.8% from RMB141.2 million as of December 31, 2024 to RMB304.7 million as of December 31, 2025, primarily due to stocking up finished goods to meet anticipated increasing procurement demand in view of projected sales growth.

Our inventory turnover days increased from 173 days in 2024 to 186 days in 2025, primarily due to stocking up finished goods to meet anticipated increasing procurement demand in view of projected sales growth.

## MANAGEMENT DISCUSSION AND ANALYSIS

### Trade and bills payables

Our trade and bills payables primarily consist of trade and bills payables to suppliers for packaging materials and raw materials. Trade and bills payables are generally settled within 30 to 90 days. Our trade and bills payables increased by 58.0% from RMB106.0 million as of December 31, 2024, to RMB167.5 million as of December 31, 2025, primarily due to an increase in purchases of packaging materials and raw materials to support increase in product sales.

### Other payables and accruals

Our other payables and accruals increased by 55.0% from RMB168.7 million as of December 31, 2024 to RMB261.6 million as of December 31, 2025, primarily due to (i) an increase in headcount in 2025 in line with the Group's business expansion, resulting in higher wages and benefits payable; and (ii) intensified brand promotion efforts in 2025, resulting in more accruals for advertising and promotional services.

### Liquidity and capital resources

#### Sources of liquidity and working capital

Our primary use of cash is to fund our working capital needs and other recurring expenses. During the Reporting Period, we financed our operations primarily through cash generated from our operating activities and financing activities. After listing, our liquidity needs will be satisfied with a combination of cash flow generated from our operating activities, the net proceeds received from the global offering, debt financing and other funds raised from the capital markets from time to time. We will closely monitor our working capital levels, prudently review future cash flow requirements and adjust our operation and expansion plans when necessary to ensure that we maintain sufficient working capital to support our business operations. We had cash and cash equivalents of RMB1,541.5 million as of December 31, 2025, compared to RMB440.3 million as of December 31, 2024.

#### Cash flows

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

	Year ended December 31,	
	2025	2024
	(RMB'000)	(RMB'000)
Net cash generated from operating activities	410,447	306,505
Net cash used in investing activities	(74,592)	(88,585)
Net cash generated from/(used in) financing activities	766,939	(63,490)
Cash and cash equivalents at the beginning of the year	440,322	285,729
Effect of foreign exchange differences, net	(1,569)	163
<b>Cash and cash equivalents at the end of the year</b>	<b>1,541,547</b>	<b>440,322</b>

## MANAGEMENT DISCUSSION AND ANALYSIS

### Net cash from operating activities

For the year ended December 31, 2025, our net cash from operating activities was RMB410.4 million, primarily due to profit before tax of RMB429.3 million, and was adjusted for: (i) non-cash and non-operating items, primarily comprising depreciation of right-of-use assets of RMB69.0 million and depreciation of property, plant, and equipment of RMB35.3 million; (ii) changes in working capital, primarily comprising an increase of RMB35.6 million in prepayments, other receivables and other assets, and an increase of RMB163.3 million in inventories.

### Net cash used in investing activities

For the year ended December 31, 2025, net cash used in investing activities was RMB74.6 million, primarily due to (i) purchases of property, plant, and equipment of RMB73.2 million; and (ii) purchases of other intangible assets of RMB4.8 million.

### Net cash generated from/(used in) financing activities

For the year ended December 31, 2025, net cash from financing activities was RMB766.9 million, primarily consisting of (i) cash inflows of RMB952.7 million from proceeds of the listing; and (ii) dividends paid of RMB95.0 million.

### Indebtedness

The table below sets out the details of our indebtedness as of the dates indicated:

	As of December 31, 2025 (RMB'000)	As of December 31, 2024 (RMB'000)
<b>Current</b>		
Interest-bearing bank borrowings	23,432	–
Lease liabilities	50,509	37,765
<b>Non-current</b>		
Interest-bearing bank borrowings	38,952	77,955
Lease liabilities	40,884	13,105
<b>Total</b>	<b>153,777</b>	<b>128,825</b>

### BANK BORROWINGS

As of December 31, 2025, we obtained financing from banks with effective fixed interest rate from 2.9% to 3.5% per annum. As of December 31, 2024 and December 31, 2025, we had a total of bank borrowings of RMB78.0 million and RMB62.4 million, respectively. During the Reporting Period, our borrowings were primarily used to replenish working capital.

## MANAGEMENT DISCUSSION AND ANALYSIS

### CONTINGENT LIABILITIES

As of December 31, 2025, we did not have any material contingent liabilities, guarantees or any litigations or claims of material importance, pending or threatened against any member of the Group.

### COMMITMENTS

During the Reporting Period, our capital commitments consisted primarily of property, plant, and equipment, as well as other intangible assets. Our total capital commitments decreased by 36.7% from RMB11.2 million as of December 31, 2024 to RMB7.1 million as of December 31, 2025.

### CAPITAL EXPENDITURES

During the Reporting Period, our capital expenditures primarily consisted of purchases of property, plant, and equipment, as well as other intangible assets. For the year ended December 31, 2025, our capital expenditures amounted to RMB77.9 million. We intend to fund future capital expenditures through a combination of operating cash flow, equity and debt financing, and net proceeds from the global offering.

### KEY FINANCIAL RATIOS

The table below sets forth the key financial ratios for the year ended December 31, 2025 and the year ended December 31, 2024:

Item	For the year ended December 31, 2025	For the year ended December 31, 2024
Gross profit margin (%) <sup>(1)</sup>	82.0%	82.5%
Net profit margin (%) <sup>(2)</sup>	14.7%	15.4%
Return on total assets (%) <sup>(3)</sup>	20.2%	20.6%
Current ratio <sup>(4)</sup>	3.5	1.9
Quick ratio <sup>(5)</sup>	3.0	1.5
Gearing ratio (%) <sup>(6)</sup>	3.4%	12.7%

Notes:

- (1) Gross profit margin equals gross profit divided by revenue and multiplied by 100%.
- (2) Net profit margin equals profit for the year divided by revenue and multiplied by 100%.
- (3) Return on total assets equals profit for the year 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%.

## MANAGEMENT DISCUSSION AND ANALYSIS

### SIGNIFICANT INVESTMENTS HELD

As of December 31, 2025, the Group did not hold any significant investments representing 5% or more of the Group's total assets.

### MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES

During the Reporting Period, we did not have any material acquisitions or disposals of subsidiaries, associates and joint ventures.

### PLEDGE OF ASSETS

As of December 31, 2025, the Group's bank loans were secured by certain of the Group's property, plant, and equipment, as well as right-of-use assets. The carrying amounts of these assets as of December 31, 2025 were RMB171,357,000 and RMB13,823,000, respectively.

Save as disclosed above, as of December 31, 2025, we had no other encumbered assets.

### FUTURE PLANS FOR MATERIAL INVESTMENTS AND CAPITAL ASSETS

Save as disclosed in this annual report and the prospectus of the Company dated December 18, 2025 (the "**Prospectus**"), as of the date of this annual report, we have no specific future plan for material investments and acquisition of capital assets.

### CURRENCY AND EXCHANGE RATE FLUCTUATION RISK

We receive most of our revenue in RMB and most of the expenditures as well as capital expenditures are also denominated in RMB, which is the functional currency of the Company's subsidiaries. Our exposure to foreign currency risk arises mainly from certain bank balances, which are denominated in foreign currencies. Except for the above items denominated in foreign currencies, we did not have any other monetary assets or liabilities denominated in foreign currencies as of December 31, 2025.

The foreign exchange risk exposure of the Group mainly arises from the risk of exchange of United States dollars and Hong Kong dollars to Renminbi. We managed our foreign exchange risk by regularly reviewing net foreign exchange exposures and conducting risk management. The management of the Group continued to pay attention to the market environment and the Group's own foreign exchange risk profile, and to consider taking appropriate hedging measures when necessary. During the Reporting Period, the Group did not enter into any hedging transaction against foreign currency risks.

### EMPLOYEES AND REMUNERATION POLICIES

As of December 31, 2025, the Group had 2,840 employees. The number of employees employed by the Group varies from time to time depending on needs. The staff costs including Directors' and Supervisors' emoluments were approximately RMB457.3 million for the year ended December 31, 2025.

Our success depends on our ability to attract, retain and motivate qualified personnel. The remuneration package for our employees generally includes salary, bonuses and share incentive scheme. We have a unified salary management system and employee internal transfer management methods to ensure the fairness of salary and promotion, and the salary and promotion decisions stipulated in the system are based on the employees' position and performance. In addition to salary, employees also receive welfare benefits, including medical insurance, retirement benefits, work-related injury insurance and other miscellaneous items. We make contributions to mandatory social security funds for our employees to provide retirement, medical, work-related injury, maternity and unemployment benefits. We also provide training and development plans to our employees to improve their technical skills.

# DIRECTORS AND SENIOR MANAGEMENT

## DIRECTORS

### Executive Directors

**Mr. Sun Laichun (孫來春先生)**, aged 52, is our founder, executive Director, chairman 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 chairman 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 Shenyang 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. Sun is the younger brother of Mr. Sun Fuchun.

**Mr. Gao Hongqi (高宏旗先生)**, aged 59, 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 55, 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 44, is our independent non-executive Director.

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 dual bachelor's degrees in economics majoring in public finance (asset management and evaluation) and management majoring in accounting.

## DIRECTORS AND SENIOR MANAGEMENT

**Mr. Liu Yuliang (劉玉亮先生)**, aged 65, is our independent non-executive Director.

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 Shanghai CHANDO Group Co., Ltd. (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 40, is our independent non-executive Director.

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

For details of the biographies of Mr. Sun Laichun (孫來春先生) and Mr. Gao Hongqi (高宏旗先生), please refer to the paragraphs under “Directors” in this section.

**Mr. Sun Fuchun (孫福春先生)**, aged 53, 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.

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. Sun Fuchun is the elder brother of Mr. Sun.

**Mr. Du Youyi (杜有義先生)**, aged 57, 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 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 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.

## DIRECTORS AND SENIOR MANAGEMENT

**Ms. Zeng Lu (曾璐女士)**, aged 41, 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.

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 ten 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.

### CHANGE IN INFORMATION OF DIRECTORS AND CHIEF EXECUTIVES

Save as disclosed in this annual report, there is no change in the information of Directors and chief executives which is required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules since the publication of the Prospectus.

# DIRECTORS' REPORT

The Board is pleased to present this Report of Directors together with the audited consolidated financial statements of the Group for the year ended December 31, 2025.

## LIST OF DIRECTORS

The following are the Directors of the Company during the Reporting Period and up to the date of this annual report:

### Executive Directors

Mr. Sun Laichun  
Mr. Gao Hongqi

### Non-executive Director

Ms. Jing Aimei

### Independent non-executive Directors

Mr. Zhu Qian  
Mr. Liu Yuliang  
Ms. Qiang Yilan

Biographical details of the Directors are set out in the section headed "Directors and Senior Management" of this annual report.

## PRINCIPAL BUSINESS

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 Camellia Essence Oil had ranked first in China by total retail sales across all sales channels among all facial essence oil products for 12 consecutive years since 2014.

An analysis of the principal business of the Group (including use of financial key performance indicators) during the Reporting Period and its future development are set out in the sections headed "Chairman's Statement" and "Management Discussion and Analysis" of this annual report, respectively.

## DIRECTORS' REPORT

### MAJOR RISKS

#### **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**

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 adversely affected. To mitigate the potential impact of intensifying market competition on our brand positioning and profitability, we will continue to strengthen our premium brand positioning, drive product upgrades through research and development and innovation, and consolidate and expand our competitive advantage in China's premium skincare market by deepening the core brand recognition of "Camellia" and implementing an omnichannel synergy strategy.

#### **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 adversely affect our business, financial condition, and results of operations. To mitigate the impact of macroeconomic uncertainties and consumers' spending willingness on our business, we will continue to optimize our membership service system to strengthen the loyalty among our core customer base. We will maintain a cooperative development across online and offline channels, and expand our reach to a broader range of consumer segments through a multi-brand, multi-category approach, thereby enhancing the overall resilience of our business.

**Our success is dependent on our ability to develop, launch and promote new brands and product offerings, 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 and brands that align with those changes, our products and brands 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. To mitigate the risk of our brands or products becoming obsolete due to rapidly changing consumer preferences and industry trends, we will continue to invest in market trend analysis and consumer insights. Through continuous iteration of our core products and the incubation of new brands, we will ensure that our brands remain at the forefront of market trends and meet evolving consumer demands.

**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 product 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. To mitigate the potential impact of product quality issues on our brand reputation and consumer trust, we will continue to implement a quality control system across the entire supply chain. By maintaining strict oversight at every stage from raw material procurement, manufacturing to finished product testing, and supplementing this with a robust product liability protection mechanism, we are committed to providing consumers with safe, effective, and high-quality skincare products.

## DIRECTORS' REPORT

**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 Douyin, Tmall, JD.com, 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. 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. To mitigate the impact of changes in the business strategies of individual or a few e-commerce platforms on our online sales channels, we will continue to deepen our strategy of omnichannel deployment, strengthen our capabilities in brand-owned live streaming and content marketing, and build a self-managed, diversified, and stable sales network across all channels through an integrated online-offline consumer model.

## RELATIONSHIPS WITH EMPLOYEES, CUSTOMERS AND SUPPLIERS

The Group maintains a good relationship with its employees, customers and suppliers.

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. For the year ended December 31, 2025, the total revenue from our five largest customers amounted to RMB133.9 million, representing 5.5% of our total revenue for the year. For the year ended December 31, 2025, the total revenue from the largest customer amounted to RMB54.8 million, representing 2.2% of our total revenue for the year.

Our suppliers primarily comprise online e-commerce service providers, promotional services providers and raw material providers located in China. For the year ended December 31, 2025, the total purchases from our five largest suppliers amounted to RMB331.9 million, representing 21.3% of our total purchases for the year. For the year ended December 31, 2025, the purchases from our largest supplier amounted to RMB112.9 million, representing 7.2% of our total purchases for the year.

The Group has always been committed to maintaining close relationships with employees, and the Group is committed to ensuring the health and safety of its employees and providing competitive compensation and benefits based on their performance. The Group also strives to provide its employees with ample training and development resources.

The Group is committed to providing customers with high-quality products and services. We have established multiple communication channels to understand customer needs and feedback, and we are dedicated to safeguarding customer interests.

The Group maintains good business relationships with suppliers, managing them in a fair, impartial, and transparent manner. We seek mutual benefit and win-win cooperation with our suppliers.

During the Reporting Period, none of the Directors and, to the best knowledge of the Directors, their respective close associates or any of our Shareholders holding more than 5% of our issued share capital (excluding treasury shares) had any interest in any of our five largest customers or suppliers.

### SOCIAL RESPONSIBILITY, ENVIRONMENTAL POLICY AND PERFORMANCE

In 2025, the Group was committed to fulfilling its social responsibilities, improving employee welfare, promoting development, protecting the environment, giving back to society and achieving sustainable growth.

The Company is committed to building an integrated full-value chain system encompassing “cultivation, scientific research, manufacturing, sales, and cultural tourism”, driving ecological conservation, industrial upgrading and cultural symbiosis. Through our “from flower to oil” full-industry-chain ecological strategy, the Company has not only established a model for the sustainable development of premium skincare brands in China but also fosters a harmonious coexistence of nature, science, and beauty through green innovation.

For details of the Company's social responsibility, environmental policies and performance during the Reporting Period, please refer to the 2025 Environmental, Social and Governance Report of the Company published on the websites of the Stock Exchange and the Company.

### RESULTS

The Group's operating results for the Reporting Period are set out in the consolidated statement of profit or loss and other comprehensive income on page 86 of this annual report.

### SHARES IN ISSUE

Details of movements in the share capital of the Company during the year are set out in note 27 to the consolidated financial statements.

### FINAL DIVIDEND

The Board has resolved to recommend the declaration of a final dividend of RMB0.95 per Share for the year ended December 31, 2025, amounting to RMB134,671,273.25 in total, subject to the approval of the Shareholders at the 2025 annual general meeting of the Company (the “**2025 AGM**”). The proposed final dividend will be paid in Hong Kong dollars to the holders of H Shares of the Company. The final dividend paid in Hong Kong dollars will be converted from RMB to Hong Kong dollars based on the average selling price of foreign exchange published by the People's Bank of China on the calendar week preceding the 2025 AGM. The final dividend to be paid to the holders of the Company's domestic unlisted shares will be paid in RMB. The Group is not aware of any arrangement under which a Shareholder has waived or agreed to waive any dividends.

The final dividend will be paid to Shareholders whose names appear on the Company's register of members at the close of business on Tuesday, May 19, 2026 (the “**Record Date**”). To determine the identity of Shareholders entitled to the final dividend, the H Share register of members will be closed from Thursday, May 14, 2026 to Tuesday, May 19, 2026 (both days inclusive). To qualify for the final dividend, all transfer documents and the relevant Share certificates must be delivered to the Company's H Share Registrar, Tricor Investor Services Limited (for H Shareholders) or the Company's headquarters in the PRC (for Shareholders of Domestic Unlisted Shares), no later than 4:30 p.m. on Wednesday, May 13, 2026.

## DIRECTORS' REPORT

Pursuant to Article 165 of the Articles of Association, the Company declares dividends to Shareholders in Renminbi. Dividends distributed to Shareholders of Domestic Unlisted Shares shall be paid in Renminbi, while dividends distributed to H Shareholders shall be denominated and declared in Renminbi but paid in Hong Kong dollars. Subject to the approval at the 2025 AGM, the aforementioned dividends are expected to be paid on or before July 8, 2026.

### 2025 AGM and Closure of Register of Members

The 2025 AGM is scheduled to be held on Friday, May 8, 2026. The H Share register of members will be closed from Tuesday, May 5, 2026 to Friday, May 8, 2026 (both days inclusive). All Shareholders of the Company's H Shares and Domestic Unlisted Shares whose names appear on the Company's register of members at the commencement of business hours on Friday, May 8, 2026, are entitled to attend the 2025 AGM and vote at the meeting. H Shareholders of the Company who wish to attend the 2025 AGM and vote at the meeting are required to lodge all transfer documents together with the relevant Share certificates to the Company's H Share Registrar, Tricor Investor Services Limited (for H Shareholders) or the Company's headquarters in the PRC (for Shareholders of Domestic Unlisted Shares), no later than 4:30 p.m. on Monday, May 4, 2026.

### Dividend Taxation

Pursuant to the Enterprise Income Tax Law of the People's Republic of China and its implementing regulations, which took effect on January 1, 2008, and amended on February 24, 2017 and December 29, 2018, the Notice on Issues Concerning the Withholding and Remittance of Enterprise Income Tax by Chinese Resident Enterprises when Distributing Dividends to Shareholders of Overseas H Share Non-Resident Enterprises (Guo Shui Han [2008] No. 897) (《關於中國居民企業向境外H股非居民企業股東派發股息代扣代繳企業所得稅有關問題的通知》(國稅函[2008]897號)) issued and implemented by the State Administration of Taxation on November 6, 2008, and other relevant regulations, enterprises within China must withhold and remit a 10% enterprise income tax on behalf of such non-resident enterprise shareholders when distributing dividends for 2008 and subsequent years to non-resident enterprise shareholders for fiscal periods beginning on January 1, 2008. Therefore, as an enterprise located within China, the Company will withhold 10% of the annual dividend as enterprise income tax prior to distributing it to non-resident corporate Shareholders whose names appeared on the H Share register of members (i.e., any Shareholder holding H Shares in the name of a non-individual Shareholder, including but not limited to HKSCC Nominees Limited, other agents, trustees or H Shareholders registered in the name of other organizations or groups). After receiving the dividends, non-resident enterprise Shareholders may, either on their own behalf or through an authorized agent or the Company, apply to the competent tax authority for tax treaty (arrangement) benefits by providing evidence demonstrating that they are the beneficial owners as defined by the tax treaty (arrangement). Upon verification by the competent tax authority, a tax refund will be issued for the difference between the tax withheld and the tax payable calculated at the rate specified in the tax treaty (arrangement).

Pursuant to the Notice on Issues Concerning the Collection and Administration of Individual Income Tax Following the Repeal of Document Guo Shui Fa [1993] No. 045 (Guo Shui Han [2011] No. 348) (《關於國稅發[1993]045號文件廢止後有關個人所得稅徵管問題的通知》(國稅函[2011]348號)), the Company is required to withhold and remit individual income tax on behalf of individual H Shareholders. For individual H Shareholders are residents of Hong Kong, Macao, or other countries or regions that have entered into a tax treaty with China providing for a 10% tax rate, the Company will withhold and remit individual income tax on behalf of such Shareholders at a rate of 10%.

If an individual H Shareholder is a resident of a country or region that has entered into a tax treaty with China providing for a tax rate of less than 10%, the Company will withhold and remit individual income tax on behalf of such Shareholder at a rate of 10%. If such Shareholders request a refund of the amount of individual income tax paid in excess of the amount payable under the tax treaty, the Company may, in accordance with the relevant tax treaty, assist in applying for the benefits of the tax treaty on his/her behalf. However, the Shareholder must promptly provide the relevant documents and information in accordance with the Administrative Measures for Non-Resident Taxpayers to Enjoy Tax Treaty Benefits (《非居民納稅人享受稅收協議待遇管理辦法》) (Announcement No. 60 of 2015 by the State Taxation Administration) and the requirements of the relevant tax treaty. Upon review and approval by the competent tax authorities, the Company will assist in the refund of any overpaid taxes.

For individual H Shareholders who are residents of countries or regions that have entered into tax treaties with China providing for a tax rate higher than 10% but lower than 20%, the Company will withhold and remit individual income tax on behalf of such Shareholders at the applicable tax rate specified in such tax treaties.

For individual H Shareholders who are residents of countries or regions that have entered into a tax treaty with China providing for a 20% tax rate, or that have not entered into any tax treaty with China, or in other circumstances, the Company will withhold and remit individual income tax on behalf of such Shareholders at a rate of 20%. Shareholders are advised to consult their tax advisors regarding the tax implications in China, Hong Kong and elsewhere arising from the ownership and disposal of H Shares.

### RESERVES

Details of the movements in the reserves of the Group and the Company for the year ended December 31, 2025 are set out in the consolidated statement of changes in equity on pages 89 to 90 and note 38 to the consolidated financial statements of this annual report, respectively.

### DISTRIBUTABLE RESERVES

As of December 31, 2025, the Company had distributable reserves of RMB259.9 million.

### PROPERTY, PLANT AND EQUIPMENT

Details of the movements in the property, plant and equipment of the Group for the year ended December 31, 2025 are set out in note 14 to the consolidated financial statements.

### INTEREST-BEARING BANK BORROWINGS

Details of the interest-bearing bank borrowings of the Group as of December 31, 2025 are set out in note 25 to the consolidated financial statements.

### ISSUE OF DEBENTURE

The Group did not issue any debenture during the year ended December 31, 2025.

## DIRECTORS' REPORT

### PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

For the period from the Listing Date to December 31, 2025, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities (including the sale of treasury shares). As of December 31, 2025, the Company did not hold any treasury shares.

### USE OF PROCEEDS FROM THE LISTING

The Company was listed on December 30, 2025, by way of an issue of 13,966,450 H Shares at the offer price of HK\$77.77 per Share. The Company issued 2,094,950 H Shares on January 27, 2026 at the same price pursuant to the exercise of the over-allotment option on January 22, 2026. The net price was approximately HK\$72.41 per H Share. The net proceeds from the Listing were approximately HK\$1,163.02 million, after deducting the underwriting commissions, fees and other expenses in connection with the Global Offering. The proceeds from the Listing will be unutilized in accordance with the plans as disclosed in the section headed "Future Plans and Use of Proceeds" in the Prospectus:

Items	%	Proceeds to be used for the relevant purposes (HK\$ million)	Proceeds utilized during the Reporting Period (HK\$ million)	Proceeds unutilized as of the end of the Reporting Period (HK\$ million)	Expected timetable for full utilization of the unutilized proceeds <sup>(1)</sup>
Branding activities	20.0%	232.60	0.0	232.60	December 31, 2028
Enhancing our online and offline sales network	20.0%	232.60	0.0	232.60	December 31, 2028
Strengthening our production and supply chain capabilities	15.0%	174.45	0.0	174.45	December 31, 2028
Enhancing R&D capabilities and expanding product portfolio	15.0%	174.45	0.0	174.45	December 31, 2028
Incubation and acquisition of new brands to build a multi-brand matrix	15.0%	174.45	0.0	174.45	December 31, 2028
Enhancing our digitalization and information infrastructure	5.0%	58.15	0.0	58.15	December 31, 2028
Working capital and general corporate purposes	10.0%	116.30	0.0	116.30	December 31, 2028
<b>Total</b>	<b>100%</b>	<b>1,163.02</b>	<b>0.0</b>	<b>1,163.02</b>	<b>December 31, 2028</b>

*Notes:*

- (1) The expected timetable for full utilization of the unutilized proceeds is based on the estimation of the Group and is subject to change depending on the current and future development of market conditions.
- (2) There may be discrepancies between the arithmetic sum of certain breakdowns and the corresponding total amount, which are due to rounding rather than data error.

The Company has deposited the unutilized net proceeds into short-term interest-bearing accounts at licensed commercial banks and/or other authorized financial institutions. The Company will comply with the PRC laws regarding foreign exchange registration and the remittance of proceeds.

## DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY OR ANY OF ITS ASSOCIATED CORPORATIONS

As of December 31, 2025, so far as the Directors are aware, the interests or short positions of the Directors or chief executives of the Company in any Shares, underlying Shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including any interests and short positions which they were taken or deemed to have under such provisions of the SFO), or which were required, pursuant to Section 352 of the SFO, to be entered into the register maintained by the Company, or which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code were as follows:

Name	Position	Nature of Interest	Number and Class of Shares Held	Approximate Percentage of Shareholding in the Relevant Class of Shares	Approximate Percentage of Shareholding in the Total Issued Share Capital of our Company
Mr. Sun <sup>(1)(2)(3)</sup>	Founder, chairman of the Board, executive Director and president	Beneficial owner and interest in controlled corporation	33,570,658 Domestic Unlisted Shares	100.00%	24.04%
			66,066,487 H Shares	62.27%	47.30%
Ms. Jing Aimei <sup>(4)</sup>	Non-executive Director	Interest in controlled corporation	1,129,005 H Shares	1.06%	0.81%

*Notes:*

- (1) As of December 31, 2025, Mr. Sun held 19,210,658 Domestic Unlisted Shares and 28,815,987 H Shares directly. Mr. Sun held 97.5% of the equity interest in Shanghai Fangjiaoshi. Therefore, Mr. Sun is deemed to be interested in the 14,360,000 Domestic Unlisted Shares and 21,540,000 H Shares held by Shanghai Fangjiaoshi under the SFO.
- (2) As of December 31, 2025, Mr. Sun was the sole general partner of Shanghai Yuanhui. Therefore, Mr. Sun is deemed to be interested in 10,155,000 H Shares held by Shanghai Yuanhui under the SFO.
- (3) As of December 31, 2025, 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 5,555,500 H Shares held by Shanghai Yuangan under the SFO.
- (4) As of December 31, 2025, 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.
- (5) All interests are long positions.

Save as disclosed above, as of December 31, 2025, none of the Directors or chief executives of the Company had interests or short positions in the Shares, underlying Shares or debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) (i) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including any interests and short positions which they were taken or deemed to have under such provisions of the SFO); (ii) which were required, pursuant to Section 352 of the SFO, to be entered into the register referred herein; or (iii) which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code.

## DIRECTORS' REPORT

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

As of December 31, 2025, so far as the Directors are aware, save for the Directors or chief executives of the Company, the following persons had or were taken or deemed to have interests and/or short positions in the Shares or the underlying Shares of the Company which were 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, and which were required to be entered into the register maintained by the Company under Section 336 of the SFO (if applicable):

Name of Shareholders	Nature of Interest	Number and Class of Shares	Approximate Percentage of Interests in the Total Share Capital of our Company	Approximate Percentage of Shareholding in the Relevant Class of Shares
Shanghai Fangjiaoshi	Beneficial owner	14,360,000 Domestic Unlisted Shares	10.28%	42.78%
		21,540,000 H shares	15.42%	20.30%
Shanghai Yuanhui	Beneficial owner	10,155,000 H shares	7.27%	9.57%
Shanghai Lingren <sup>(1)</sup>	Interest in controlled corporation	5,555,500 H shares	3.98%	5.24%
Shanghai Yuangan	Beneficial owner	5,555,500 H shares	3.98%	5.24%
Youngor Fashion (Shanghai) Technology Co., Ltd. ("Youngor Fashion") <sup>(2)</sup>	Beneficial owner	5,645,030 H shares	4.04%	5.32%
Youngor Fashion Co., Ltd. <sup>(5)</sup>	Interest in controlled corporation	5,645,030 H shares	4.04%	5.32%

*Notes:*

- (1) As of December 31, 2025, Shanghai Lingren was the sole general partner of Shanghai Yuangan. Therefore, Shanghai Lingren was deemed to be interested in the Shares of the Company held by Shanghai Yuangan under the SFO.
- (2) As of December 31, 2025, Youngor Fashion was wholly owned by Youngor Fashion Co., Ltd. Therefore, Youngor Fashion Co., Ltd. was deemed to be interested in the Shares of our Company held by Youngor Fashion.
- (3) All interests are long positions.

Save as disclosed above, as of December 31, 2025, so far as the Directors are aware, no other person (other than the Directors and chief executives of the Company) or corporation had any interests or short positions in the Shares or underlying Shares of the Company which were required to be disclosed to the Company pursuant to the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were required to be entered into the register maintained by the Company under Section 336 of the SFO.

### INTERESTS OF DIRECTORS IN COMPETING BUSINESS

For the year ended December 31, 2025, none of the Directors or their respective associates had any interest in any business which competes or is likely to compete, directly or indirectly, with the business of the Group and requires disclosure pursuant to Rule 8.10 of the Listing Rules.

### INTERESTS OF DIRECTORS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS

For the year ended December 31, 2025, no Director or any entity connected with them had a material interest, either directly or indirectly, in any transaction, arrangement or contract of significance to the business of the Company to which the Company or any of its subsidiaries or fellow subsidiaries was a party.

### CONTRACTS WITH CONTROLLING SHAREHOLDER

For the year ended December 31, 2025, no material contract has been entered into among the Company or any of its subsidiaries and the Controlling Shareholder or any of their subsidiaries.

### RIGHTS OF DIRECTORS AND CHIEF EXECUTIVES TO ACQUIRE SHARES OR DEBENTURES

At no time during the Reporting Period was the Company, its holding company, or any of its subsidiaries a party to any arrangements to enable the Directors and chief executives to acquire benefits by means of the acquisition of shares or debentures (including debt securities) of the Company or any other corporation.

### DIRECTORS' AND CHIEF EXECUTIVES' REMUNERATION AND FIVE HIGHEST PAID INDIVIDUALS

For details of the remuneration of the Directors, chief executives and the five highest paid individuals, please refer to notes 9 and 10 to the consolidated financial statements.

No Director waived or agreed to waive any emoluments, and no emoluments were paid by the Group to any of the Directors or the five highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office.

### DIRECTORS' SERVICE CONTRACTS

During the Reporting Period, none of the Directors had any service contract of directors with any member of our Group (other than contracts expiring or determinable by the employer within one year without the payment of compensation other than statutory compensation).

## DIRECTORS' REPORT

### CONNECTED TRANSACTION

Details of the related party transactions for the year ended December 31, 2025 are set out in note 34 to the consolidated financial statements. None of these related party transactions constitutes “connected transactions” or “continuing connected transactions” that need to be disclosed in this annual report under Chapter 14A of the Listing Rules.

During the Reporting Period, there was no connected transaction or continuing connected transactions of the Group which are required to be disclosed in accordance with the Listing Rules. The Directors confirm that the Company has complied with the disclosure requirements under Chapter 14A of the Listing Rules during the Reporting Period.

### PERMITTED INDEMNITY PROVISION

The Company has maintained Directors' liability insurance to provide protection to the Directors in respect of any losses arising from their actual or alleged misconduct.

During the Reporting Period and up to the date of this annual report, permitted indemnity provision (as defined in section 9 of the Companies (Directors' Report) Regulation (Chapter 622D of the Laws of Hong Kong)) were in force or are in force to provide appropriate protection for the Directors.

### MATERIAL LITIGATION AND ARBITRATION MATTERS

During the Reporting Period, the Group did not have any litigation and arbitration matters that had a material impact on our operating activities.

### PUBLIC FLOAT

As at the date of this annual report, based on the information currently available and to the best knowledge of the Directors, the public float of the Company complies with the minimum public float requirement under Rule 19A.28B of the Listing Rules.

### PRINCIPAL SUBSIDIARIES

Details of the names, principal places of business, places of incorporation and registered share capital of the Company's principal subsidiaries are set out in note 1 to the consolidated financial statements.

### MANAGEMENT CONTRACTS

Save for the Directors' service contracts, no contracts concerning the management or administration of the whole or any substantial part of the business of the Company were entered into or existed during the year ended December 31, 2025.

### PRE-EMPTIVE RIGHTS

There are no pre-emptive right provisions under the Articles of Association or PRC laws which would oblige the Company to offer new Shares pro rata to existing Shareholders.

### MATERIAL CONTRACTS

During the Reporting Period, (i) neither the Company nor any of its subsidiaries entered into and/or had any material contract with our Controlling Shareholder or any of its subsidiaries, and (ii) there were no material contracts for the provision of services to the Group by our Controlling Shareholder or any of its subsidiaries.

### EQUITY-LINKED AGREEMENTS

Save as disclosed in this annual report, no equity-linked agreements were entered into by the Group or subsisted for the year ended December 31, 2025.

### AUDITOR

For the year ended December 31, 2025, the independent auditor of the Company was Ernst & Young. The consolidated financial statements set out in this annual report have been audited by Ernst & Young. There has been no change in the auditor of the Company since the Listing Date.

### DONATIONS

For the year ended December 31, 2025, the donation expenses of the Group were approximately RMB300,000.

### COMPLIANCE WITH LAWS AND REGULATIONS

The business operated by the Company is primarily regulated by the laws, rules and regulations of the PRC. The Group is subject to various laws and regulations, primary including the Company Law, the Civil Code of the People's Republic of China, the Labor Law of the People's Republic of China, the Product Quality Law of the People's Republic of China, the Environmental Protection Law of the People's Republic of China, and the Enterprise Income Tax Law of the People's Republic of China. During the Reporting Period, the Company has complied with the relevant laws, rules and regulations that have a material impact on the Company.

### CONTINUING DISCLOSURE OBLIGATIONS PURSUANT TO THE LISTING RULES

As of December 31, 2025, the Company does not have any other disclosure obligations under Rules 13.20, 13.21 and 13.22 of the Listing Rules.

## DIRECTORS' REPORT

### SUBSEQUENT EVENTS

The over-allotment option described in the Prospectus has been fully exercised by the overall coordinators (for themselves and on behalf of the international underwriters) on Thursday, January 22, 2026, in respect of an aggregate of 2,094,950 H Shares, representing approximately 15% of the total number of the offer shares initially available under the Global Offering before any exercise of the over-allotment option, at an offer price of HK\$77.77 per H Share (exclusive of brokerage of 1.0%, SFC transaction levy of 0.0027%, AFRC transaction levy of 0.00015% and the Stock Exchange trading fee of 0.00565%).

On March 24, 2026, the Board proposed to appoint Mr. Sun Fuchun as an executive Director of the first session of the Board. His tenure shall commence on the date of approval by the shareholders' meeting until the expiry of the first session of the Board. The above proposed appointment of executive Director will take effect upon approval by the Shareholders by an ordinary resolution at the shareholders' meeting. For details of the proposed appointment of executive Director, please refer to the Company's announcement dated March 24, 2026.

On March 24, 2026, in accordance with the relevant provisions of the Company Law and in light of the Company's actual circumstances, the Company proposed to amend the Articles of Association and its appendix, the Rules of Procedure for Shareholders' Meetings and the Rules of Procedure for Board Meetings (the "**Proposed Amendments**"). The Proposed Amendments mainly include: (i) deleting the provisions regarding the review and approval of the annual financial budgetary plans and final accounting plans of the Company from the functions and powers of the shareholders' meeting; (ii) deleting the provisions regarding the annual financial budgetary plans and final accounting plans of the Company from the functions and powers of the Board; and (iii) other textual amendments. The Proposed Amendments are subject to the consideration and approval by the Shareholders at a shareholders' meeting of the Company. For details of the Proposed Amendments, please refer to the Company's announcement dated March 24, 2026.

On March 16, 2026, the Board proposed to adopt the H Share Award (Existing Shares) Scheme (the "**H Share Award Scheme**"), subject to approval by Shareholders by way of a special resolution at the 2026 first extraordinary shareholders' meeting to be held on April 10, 2026. For details of the H Share Award Scheme, please refer to the Company's announcement dated March 16, 2026 as well as the circular dated March 18, 2026.

Save as disclosed in this annual report, the Group has no material events from the end of the Reporting Period and up to the date of this annual report.

#### SHANGHAI FOREST CABIN COSMETICS GROUP CO., LTD.

**Sun Laichun**

*Chairman of the Board*

March 24, 2026

# CORPORATE GOVERNANCE REPORT

The Board is pleased to present the corporate governance report for the period from the Listing Date of the Company to December 31, 2025.

## CORPORATE GOVERNANCE PRACTICES

Our Company is committed to achieving high standards of corporate governance with a view to safeguarding the interests of our Shareholders. The principles of the Company's corporate governance are to promote effective internal control measures, enhance transparency of the work of the Board, and strengthen accountability of the Board to all the Shareholders.

Since the Company's H shares were listed on the Main Board of the Stock Exchange on December 30, 2025, the Company has adopted the corporate governance code as its own code of corporate governance since the Listing Date.

Save as disclosed below, as of the date of this annual report, the Company has complied with all applicable code provisions set out in the corporate governance code. The Board will continue to regularly review the effectiveness of our corporate governance structure and practices.

Pursuant to code provision C.2.1 of Part 2 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 roles of chairman of the Board and president should be separate and should not be performed by the same individual. The Company does not have a separate chairman of the Board and president, and Mr. Sun Laichun currently performs these two roles. The Board also believes that vesting the roles of both chairman of the Board and president in the same person has the benefit of ensuring consistent leadership within the Group, enabling more effective and efficient overall strategic planning of the Board and facilitating the communication between the Group's management and the Board. In particular, Mr. Sun Laichun has over 20 years of corporate management experience. He founded the brand of Forest Cabin in September 2003 and later founded the 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. The Board considers that the balance of power and authority for the present arrangement is not impaired and this structure enables the Company to make and implement prompt and effective decisions. In addition, there is sufficient check and balance in the Board as the decisions made by the Board require 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 separating the roles of chairman of the Board and president at a time when it is appropriate by taking into account the circumstances of the Group as a whole.

The Company will continue to regularly review and monitor its corporate governance practices to ensure compliance with the corporate governance code, and maintain a high standard of corporate governance practices of the Company.

## BOARD OF DIRECTORS

The Board is responsible for the overall leadership of the Group, supervises the Group's strategic decisions and development plans, and monitors our business and performance.

The Board possesses extensive expertise across various sectors, such as overall management, technology, investment, accounting and financial management, as well as industry knowledge and experience relevant to our business operations, which equips the Board with diversified perspectives and skills.

## CORPORATE GOVERNANCE REPORT

### BOARD COMPOSITION

During the Reporting Period and up to the date of this annual report, the composition of the Board is as follows:

#### Executive Directors

Mr. Sun Laichun (孫來春先生)

Mr. Gao Hongqi (高宏旗先生)

#### Non-executive Director

Ms. Jing Aimei (景愛梅女士)

#### Independent Non-executive Directors

Mr. Zhu Qian (朱乾先生)

Mr. Liu Yuliang (劉玉亮先生)

Ms. Qiang Yilan (強一嵐女士)

The biographical details of the Directors are set out in the section headed “Directors and Senior Management” of this report.

There is no relationship (including financial, business, family or other material/relevant relationship) among the Directors.

### DIRECTORS’ RESPONSIBILITIES AND ACCOUNTABILITIES

All Directors should perform their duties as Directors of the Company in good faith and in compliance with applicable laws and regulations, and act in the interests of the Company and the Shareholders at all times. The Board assumes a collective responsibility to guide the Company as well as to direct and supervise the Company’s affairs as appropriate.

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

All Directors actively promote the implementation of corporate culture. At the same time, they diligently perform their duties in strict accordance with relevant laws and regulations, the Listing Rules and the Articles of Association, ensuring that the Company’s development strategy remains highly aligned with its corporate culture philosophy.

The Directors are required to disclose the number and nature of offices held in public companies or organizations and other significant commitments, as well as their identities and time devoted in the issuer, the Directors agreed to disclose their commitments to the Company in a timely manner. The Directors, including independent non-executive Directors, have demonstrated strong commitment and ability to devote sufficient time to discharge their responsibilities at the Board.

Furthermore, the Directors acknowledge their responsibilities for preparing the financial statements of the Group in accordance with statutory requirements and applicable accounting standards, and understand their responsibilities for ensuring the timely issue of the Group’s financial statements. The Directors are not aware of any material uncertainties relating to events or conditions which may cast significant doubt upon the Company’s ability to continue as a going concern. Accordingly, the Directors have prepared the financial statements of the Company on a going concern basis. The reporting responsibility of the Company’s external auditor for the financial statements of the Group are set out in the section headed “Independent Auditor’s Report” of this annual report.

### DELEGATION OF POWERS BY THE BOARD

The management comprising executive Directors and other senior management members is delegated with responsibilities for conducting the daily operations of our Group and for implementing our strategies and business plans from time to time. Executive Directors and senior management members meet regularly to review our business operations and performance, coordinate resources and make operational and financial decisions. The Board also directs and supervises senior management, including requiring senior management to report to the Board and follow up on matters deliberated by the Board, and regularly reviews delegation arrangements to ensure that such arrangements remain appropriate to the needs of the Group.

To oversee certain specific aspects of the Company's affairs, the Board has established three Board committees, namely, the Audit Committee, the Remuneration Committee and the Nomination Committee. The Board has delegated responsibilities to the Board committees as set out in their respective written terms of reference. The terms of reference of each Board Committee are published on the websites of the Company and the Stock Exchange.

### BOARD MEETINGS AND SHAREHOLDERS' MEETINGS

The Board meets regularly to discuss and formulate the overall strategy as well as the operation and financial performance of the Group. Directors may participate either in person or by electronic means of communication.

The Board shall meet regularly and Board meetings shall be held at least four times a year. For all regular Board meetings, a notice of at least 14 days shall be given such that the Directors can add other matters to the meeting agenda. For other Board and committee meetings, reasonable notice shall be generally given. Documents of the Board together with all appropriate, complete and relevant information shall be dispatched to all Directors at least three days before each regular Board meeting to ensure that the Directors have sufficient time to review the relevant documents and be adequately prepared for the meeting.

In addition, the chairman of the Board should meet at least annually with the independent non-executive Directors without the presence of the other Directors. Such meetings provide an effective platform for the chairman of the Board to listen to the views of the independent non-executive Directors on issues including corporate governance improvement, effectiveness of the Board, and such other issues they may wish to raise in the absence of other Directors and senior management of the Company.

The Company's H Shares have been listed on the Main Board of the Stock Exchange since December 30, 2025. During the period from the Listing Date to December 31, 2025, the Board and the Board committees have not held any meetings, and no meeting was held between the chairman of the Board and the independent non-executive Directors.

## CORPORATE GOVERNANCE REPORT

### APPOINTMENT OF DIRECTORS

All Directors shall be appointed for a fixed term with service contracts. A Director (including non-executive Director and employee representative Director) has a tenure of three years and can be re-elected upon the expiry of the tenure. An independent non-executive Director has a tenure of three years and can be re-elected upon the expiry of the tenure, provided that the tenure shall not exceed nine years. The Board shall contain a representative of the Company's employees. Employee representatives shall be democratically elected by the Company's employees at the employee representative assembly, general employee meeting or otherwise, without being subject to consideration and approval at a shareholders' meeting. 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, the original Director shall still perform the duties of a Director in accordance with the provisions of laws, administrative regulations, departmental rules, the Listing Rules and the Articles of Association until the re-elected Director assumes office.

The procedures and process for appointment, re-election and removal of Directors are set out in the Articles of Association. The Nomination Committee is responsible for reviewing the composition of the Board, and making recommendations to the Board on appointment, re-election, and succession planning of Directors.

### CONTINUOUS PROFESSIONAL DEVELOPMENT OF DIRECTORS

All Directors have been given relevant guideline materials regarding the responsibilities and obligations of being a Director, the relevant laws and regulations applicable to the Directors, interest disclosure obligation and business of the Company, and such induction materials are also provided to newly appointed Directors shortly upon their appointment as Directors to ensure that they have a proper understanding of the operation and business of the Company and are full aware of Directors' responsibilities and obligations under the Listing Rules and relevant statutory requirements.

All Directors are also updated from time to time on the latest developments regarding the Listing Rules and other applicable regulatory requirements to ensure compliance and enhance their awareness of good corporate governance practices.

Each of our directors confirms that he or she (i) has obtained the legal advice referred to under Rule 3.09D of the Listing Rules on May 23, 2025, and (ii) understands his/her obligations as a director of a listed issuer under the Listing Rules.

## CORPORATE GOVERNANCE REPORT

During the Reporting Period and as at the date of this annual report, the Company has organized training sessions conducted by the legal advisors for all Directors. Prior to the Listing Date and up to the date of this annual report, all Directors had participated in continuous professional development in the following manner in compliance with principle C.1 of the corporate governance code:

	Types of training
<b>Executive Directors</b>	
Mr. Sun Laichun	A, B
Mr. Gao Hongqi	A, B
<b>Non-executive Director</b>	
Ms. Jing Aimei	A, B
<b>Independent Non-executive Directors</b>	
Mr. Zhu Qian	A, B
Mr. Liu Yuliang	A, B
Ms. Qiang Yilan	A, B

### Types of training

- A. Attending training sessions on various topics, such as Listing Rules, directors' duties under applicable laws and regulations, financial reporting, internal control, risk management, etc.
- B. Reading relevant news briefs, articles, journals and relevant publications.

### BOARD COMMITTEES

The Board has established three Board committees, namely the Audit Committee, the Remuneration Committee and the Nomination Committee and has delegated various responsibilities to the Board committees. All the Board committees perform their distinct roles in accordance with their respective written terms of reference, which are available on the websites of the Company and the Stock Exchange. The Board committees are provided with sufficient resources to discharge their duties and, upon reasonable request, are able to seek independent professional advice under appropriate circumstances at the Company's expense.

#### Audit Committee

From the Listing Date to the date of this annual report, the composition of the Audit Committee is as follows:

Mr. Zhu Qian (*Chairman*)  
Ms. Jing Aimei  
Mr. Liu Yuliang

## CORPORATE GOVERNANCE REPORT

During the Reporting Period and up to the date of this annual report, the Audit Committee has performed the following major tasks:

- reviewed the audited annual results and annual report of the Group for the year ended December 31, 2025;
- reviewed the adequacy of resources, staff qualifications and experience, training sessions and budget of the Group's accounting, financial reporting and internal audit function;
- reviewed the risk management and internal control systems of the Group; and
- discussed and reviewed the auditor's independence and terms of engagement for the year ending December 31, 2026, and made recommendations on the re-appointment of the auditor.

The Audit Committee has reviewed the annual results and the consolidated financial statements of the Group for the year ended December 31, 2025.

The primary duties of the Audit Committee include, but are not limited to, the following:

1. to supervise and assess the external audit work;
2. to supervise and assess the internal audit work, and supervise the formulation and implementation of the Company's internal audit system and accounting policies;
3. to review and monitor the independence and objectiveness of the external audit department and the effectiveness of its audit procedures in accordance with applicable standards;
4. to formulate and implement policies regarding the provision of non-audit services by the external audit department;
5. to act as the key representative for communication between the Company and the external audit department and overseeing their relationship to ensure the coordination of the work of the internal audit function and the external audit department, to ensure that the internal audit function has sufficient resources to operate within the Company and has an appropriate status, and review and monitor its effectiveness; to be responsible for the communication on major issues between the internal audit and the external audit when necessary;
6. to review the Company's financial information and its disclosure, as well as the financial and accounting policies and operations;
7. to monitor the integrity of the Company's financial statements, annual reports and accounts, semi-annual reports and quarterly reports (if to be published), and review the major opinions on financial reporting contained in the statements and reports;
8. to review the Company's internal control system; to review and evaluate the Company's financial monitoring, risk management and internal control system;

## CORPORATE GOVERNANCE REPORT

9. to discuss risk management and internal control systems with management to ensure that the management has fulfilled its responsibilities in establishing effective risk management and internal control systems. The discussion shall include whether the resources, staff qualifications and experience in the Company's accounting and financial reporting functions are sufficient, and whether the training courses received by the staff and the relevant budgets are adequate;
10. to consider on its own initiative or as delegated by the Board of Directors the major investigation findings regarding the risk management and internal control matters and the responses of the management to such investigation findings;
11. to examine any "Audit Letter" given by the external audit department to the management, any major queries raised by the audit department to the management regarding accounting records, financial accounts or monitoring systems, and the management's responses;
12. to review the Group's financial and accounting policies and practices;
13. to ensure that the Board of Directors will respond in a timely manner to the matters and major queries raised in any "Audit Letter" given by the external audit department to the management, as well as the management's responses;
14. to examine and evaluate the Company's major related (connected) transactions (as defined in the Hong Kong Listing Rules, the same applies hereafter); to review the Company's internal systems, and organize audits of major related (connected) transactions;
15. to examine and review the Company's arrangements whereby the Company's employees can, in confidence, raise concerns about potential improprieties in financial reporting, internal control or other aspects. The Committee shall ensure that there are appropriate arrangements for the Company to conduct a fair and independent investigation of such matters and take appropriate actions;
16. to formulate a whistle-blowing policy and system to enable employees and those having dealings with the Company or its subsidiaries (such as customers and suppliers) to secretly and anonymously raise their concerns to the Committee about any potential improprieties regarding the Company or its subsidiaries;
17. to formulate, review, approve and update (if applicable) policies and systems to promote and support anti-corruption laws and regulations;
18. to formulate and review the Company's corporate governance policies and practices, and make recommendations to the Board of Directors;
19. to review and monitor the training and continuous professional development of directors and senior management;
20. to review and monitor the Company's policies and practices on compliance with laws and regulatory requirements;
21. to formulate, review and monitor code of conduct and compliance manual (if any) for employees and directors;

## CORPORATE GOVERNANCE REPORT

22. to review the Company's compliance with the corporate governance code and the disclosures in the Corporate Governance Report set out in the annual report; to report to the Board of Directors on matters within the terms of reference of the Committee (including the decisions or recommendations made by the Committee);
23. other duties and authorities as required by laws, administrative regulations, departmental rules, normative documents, the Listing Rules (including the relevant authorities and duties as specified in the relevant provisions of the corporate governance code) as well as the Articles of Association and as delegated by the Board of Directors of the Company, and to study other issues as defined by the Board of Directors.

The written terms of reference of the Audit Committee are available on the websites of the Stock Exchange and the Company.

As the Company's H Shares were listed on the Stock Exchange on December 30, 2025, the Board considered that no Audit Committee meeting was required for the period from the Listing Date to December 31, 2025.

### Remuneration Committee

From the Listing Date to the date of this annual report, the composition of the Remuneration Committee is as follows:

Mr. Liu Yuliang (*Chairman*)  
Mr. Sun Laichun  
Mr. Zhu Qian

The Remuneration Committee is responsible for making recommendations to our Board on remuneration of individual 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). From the Listing Date to the date of this annual report, the Remuneration Committee has performed the following major tasks:

- reviewed and evaluated the performance of executive Directors;
- reviewed and approved the H Share Award Scheme; and
- reviewed and made recommendations on the remuneration of Directors and senior management of the Company.

The primary duties of the Remuneration Committee include, but are not limited to, the following:

1. to formulate remuneration policies and structures as well as remuneration plans or proposals based on the major scope, responsibilities and importance of the management positions of Directors (including independent non-executive Directors) and senior management; to make recommendations to the Board of Directors on the establishment of a formal and transparent procedure for developing remuneration policies; remuneration plans or proposals mainly including but not limited to, performance appraisal standards, procedures as well as the major award and penalty plan and system;

## CORPORATE GOVERNANCE REPORT

2. to review, formulate and/or approve the share incentive scheme for the Directors (including independent non-executive Directors), senior management and other relevant parties of the Company in accordance with relevant laws, administrative regulations, departmental rules, normative documents and the listing rules of the stock exchange where the shares of the Company are listed (including matters relating to share schemes under Chapter 17 of the Listing Rules);
3. to be responsible for the administration of share schemes, including but not limited to reviewing the eligibility of participants, conditions of grant and conditions of exercise of the share incentive schemes;
4. to review the performance of duties by Directors (including independent non-executive Directors) and senior management of the Company and conduct annual performance appraisals on them;
5. to supervise the implementation of the remuneration system;
6. to review and approve management's remuneration recommendations with reference to the goals and objectives set by the Board;
7. to make recommendations to the Board on the Company's overall performance appraisal and policy and structure for remuneration of Directors and senior management, as well as the establishment of a formal and transparent procedure for developing remuneration policy;
8. to make recommendations to the Board on the individual remuneration packages of executive Directors and senior management, which include benefits in kind, pension rights and compensation payments (including any compensation payable for the loss or termination of their office or appointment);
9. to make recommendations to the Board on the remuneration of non-executive Directors;
10. to consider the remuneration paid by comparable companies, time commitment and responsibilities and employment conditions for other positions within the Group;
11. to review and approve the compensation payable to executive Directors and senior management for the loss or termination of office or appointment to ensure that such compensation is consistent with contractual terms and is otherwise fair, reasonable and not excessive;
12. to review and approve compensation arrangements relating to dismissal or removal of Directors for misconduct to ensure that such arrangements are consistent with contractual terms and are otherwise reasonable and appropriate;
13. to ensure that no Director or any of their associates (as defined in Listing Rules) is involved in determining their own remuneration;
14. to review the performance of duties by the Directors (including independent non-executive Directors) and senior management of the Company and conduct annual performance appraisals on them;

## CORPORATE GOVERNANCE REPORT

15. to supervise the implementation of the Company's remuneration system;
16. to assume other duties as required by the provisions of laws, administrative regulations, departmental rules, normative documents, the Listing Rules (including the relevant authorities and duties as stipulated in the relevant code provisions of the corporate governance code) and the Articles of Association, and other duties and powers delegated by the Board of Directors. The Committee shall also report to the Board on matters within the scope of its duties and authorities (including decisions or recommendations made by the Committee).

The written terms of reference of the Remuneration Committee are available on the websites of the Stock Exchange and the Company.

As the Company's H Shares were listed on the Stock Exchange on December 30, 2025, the Board considered that no Remuneration Committee meeting was required for the period from the Listing Date to December 31, 2025.

### Nomination Committee

From the Listing Date to the date of this annual report, the composition of the Nomination Committee is as follows:

Mr. Sun Laichun (*Chairman*)  
Mr. Liu Yuliang  
Ms. Qiang Yilan

From the Listing Date to the date of this annual report, the Nomination Committee has performed the following major tasks:

- reviewed the structure, size and composition of the Board to ensure that it has a balance of expertise, skills and experience appropriate to the needs of the business of the Group;
- assessed the independence of the independent non-executive Directors;
- reviewed the implementation and effectiveness of the Board Diversity Policy; and
- reviewed and made recommendations on amendments to terms of reference of the Nomination Committee.

The primary duties of the Nomination Committee include, but not limited to, the following:

1. to review at least annually the structure, size and composition of the Board, including in terms of skills, knowledge and experience, and based on the business activities, scale of assets and shareholding structure of the Company, to make recommendations to the Board regarding any proposed changes to the board of directors in line with the strategy of the Company; to ensure a balanced composition of executive and non-executive Directors (including independent non-executive Directors) of the Board when considering the members of the Board, whilst considering board diversity from multiple perspectives including but not limited to directors' gender, age, cultural and education background, and professional experience; to formulate and review the Board Diversity Policy, and disclose the policy or a summary thereof in the corporate governance report;

## CORPORATE GOVERNANCE REPORT

2. to study the selection criteria and procedures for directors, managers and other senior management, and to make recommendations to the Board;
3. to conduct a wide search for qualified candidates for directors, managers and other senior management, and to select and nominate such persons for appointment as Directors or to provide advice to the Board in this regard;
4. to review candidates for Directors (including independent non-executive Directors) and senior management, and to make recommendations in writing to the Board;
5. to make recommendations to the Board regarding the appointment or reappointment of Directors, and succession planning for directors (particularly the chairman) and general managers;
6. to assess the independence of independent non-executive Directors, review annually the time commitment required of non-executive Directors (including independent non-executive Directors) to determine whether they devote sufficient time to fulfil their duties and support regular performance evaluation of the Board;
7. to ensure that non-executive Directors receive a formal letter of appointment upon joining the Board, which clearly sets out the requirements for non-executive Directors in terms of time commitment, committee service and participation other than Board meetings; and
8. to handle matters within the scope of duties and authorities stipulated by laws, administrative regulations, departmental rules, normative documents, the Listing Rules and the Articles of Association, to handle other matters delegated by the Board, and to report to the Board on matters within the terms of reference of the Committee (including decisions or recommendations made by the Committee). The written terms of reference of the Nomination Committee are available on the websites of the Stock Exchange and the Company.

As the Company's H Shares were listed on the Stock Exchange on December 30, 2025, the Board considered that no Nomination Committee meeting was required for the period from the Listing Date to December 31, 2025.

### Policy on Nomination of Directors

For the year ended December 31, 2025, the Nomination Committee implemented the following policies/procedures for the selection and appointment of Directors in accordance with its terms of reference:

#### Selection policy

The Nomination Committee will evaluate, select and recommend candidate(s) for directorships to the Board by giving due consideration to criteria, having due regard to the benefits of diversity on the Board, including but not limited to gender, age, cultural and educational background, professional experience, skills, knowledge and length of service, sufficient time to effectively carry out their duties, their services on other listed and non-listed companies which should be limited to reasonable numbers, qualifications including accomplishment and experience in the relevant industries the Company's business is involved in, independence, reputation for integrity, potential contributions that the individual(s) can bring to the Board and commitment to enhance and maximize Shareholders' value.

## CORPORATE GOVERNANCE REPORT

### Selection procedures

1. conduct a comprehensive assessment on and analysis of existing Directors, engage in thorough communication with relevant departments of the Company, and study the Company's demand for new Directors;
2. extensively search for Director candidates through various channels, including the Company and its subsidiaries, based on position requirements and the board diversity policy;
3. collect information of the preliminary candidates, including occupation, education, professional title, detailed work experience and all full-time or part-time positions, and prepare written materials accordingly;
4. convene a Nomination Committee meeting to review the qualification of the candidates in accordance with the eligibility criteria for Directors;
5. form a resolution at the Nomination Committee meeting, and make recommendations for candidates and submit relevant materials to the Board; and
6. conduct other work subsequently according to the decisions or feedback of the Board.

### CORPORATE GOVERNANCE FUNCTION

The Board recognizes the importance of corporate governance and is responsible for performing the following corporate governance duties:

- to develop and review the Company's policies and practices on corporate governance;
- to review and monitor the training and continuous professional development of Directors and senior management;
- to review and monitor the Company's policies and practices on compliance with legal and regulatory requirements;
- to develop, review and monitor the code of conducts and compliance handbook (if any) applicable to our employees and Directors; and
- to review the Company's compliance with the code provisions of the corporate governance code and disclosure in the corporate governance report.

Upon the Listing, the Board will continue to review the Company's corporate governance policies and practices on compliance with the Listing Rules and other applicable legal and regulatory requirements; review the code of conducts and compliance handbook (if any) applicable to our employees and Directors; review the records of training and continuous professional development of Directors and senior management; and review the Company's compliance with the code provisions of the corporate governance code and disclosure in the corporate governance report.

## BOARD DIVERSITY

In order to enhance the effectiveness of the Board, we have adopted a board diversity policy which sets out the objective and approach to achieve and maintain diversity of the Board. Pursuant to the board diversity policy, the Company seeks to achieve Board diversity through the consideration of a number of factors, including but not limited to gender, age, cultural, education background, professional experience, skills, knowledge and/or length of service. The final selection of Board candidates must take full account of the Board's diversity objectives and the Company's specific needs, and shall be based on their merits and their potential overall contribution to the Board, rather than focusing on any single aspect of diversity. Our Directors have a balanced mix of knowledge and skills, including overall management and strategic development as well as knowledge and experience in areas such as accounting and chemical engineering. They obtained degrees in various areas including economics, accounting and administration. Furthermore, the Board has a diverse age and gender representation. The Board currently comprises two female Directors and four male Directors, ranging from 40 years old to 65 years old.

With regard to gender diversity on the Board, we recognize the particular importance of gender diversity. We have taken and will continue to take steps to promote and enhance gender diversity at all levels of the Company, including but without limited to the Board and senior management levels. We will ensure gender diversity in the recruitment of mid- and senior-level staff to develop a pipeline of potential female successors for the Board. The Group will also identify and select female individuals with a diverse range of skills, experience and knowledge in different fields from time to time, and maintain a list of such female individuals who possess qualifications for acting as Board members (which will be reviewed by the Nomination Committee periodically) to maintain the gender diversity of the Board. The Board targeted to achieve and has achieved at least one female Director, and believes that the current gender diversity is satisfactory. Taking into account our existing business model and specific needs as well as the different background of our Directors, the composition of the Board satisfies our board diversity policy, and the Board has achieved its gender diversity goal.

The Nomination Committee will from time to time discuss and agree on expected goals to ensure Board diversity, as well as review and, where necessary, update the board diversity policy to ensure such policy continue to be effective.

## WORKFORCE DIVERSITY

As at December 31, 2025, the gender ratios in the Board and our workforce are as follows:

	Male	Female
Board	66.67%	33.33%
Senior management	80%	20%
Total workforce (including executive Directors and senior management)	17.36%	82.64%

In order to promote the gender diversity in the composition of the management and workforce of the Company, all employees enjoy equal employment, training and career development opportunities. The Company also strives to create an environment and culture which is friendly to our staff of different gender and background. The Company considers that the above current gender diversity is satisfactory and will continue to work towards enhancing gender diversity in the Board, senior management and overall workforce.

## CORPORATE GOVERNANCE REPORT

### BOARD INDEPENDENCE

The Company has established a mechanism for the Board to obtain independent views and opinions (including but not limited to the Articles of Association and the terms of reference of Board committees) to ensure the Board has an independent element as a key measure to improve the efficiency of the Board.

All Directors, including independent non-executive Directors, have brought a wealth of valuable business experience, knowledge and professionalism to the Board for its efficient and effective operation. All Directors have full and timely access to all the information of the Company and may, upon request, seek independent professional advice under appropriate circumstances at the Company's expense for discharging their duties to the Company. The Board has reviewed the implementation and effectiveness of the mechanism and believes that the mechanism can ensure the Board obtains independent views and opinions.

During the period from the Listing Date to December 31, 2025 and up to the date of this annual report, the Board has always been in compliance with the requirements of Rules 3.10(1), 3.10(2) and 3.10A of the Listing Rules relating to the appointment of at least three independent non-executive Directors with at least one independent non-executive Director possessing appropriate professional qualifications, or accounting or related financial management expertise, and independent non-executive Directors representing at least one-third of the Board.

Each of the independent non-executive Directors has confirmed his/her independence pursuant to Rule 3.13 of the Listing Rules, and the Company considers each of them to be independent.

### REMUNERATION POLICY

The Group's remuneration policy and structure for remuneration of the Directors and senior management of the Group are based on their responsibilities, qualification, position and seniority, and is reviewed by the Remuneration Committee periodically.

To attract and retain talents and to provide incentives to the employees for long-term development of the Company, the Company has operated a share award arrangement through an employee incentive platform. The share award arrangement are not subject to the provisions of Chapter 17 of the Listing Rules, as it does not involve any grant of share options or awards or issuance of new Shares by the Company after Listing. Details of the employee incentive scheme are set out in the section headed "— Further Information about Our Directors, Management and Substantial Shareholders — Share Incentive Schemes" in Appendix VI to the Prospectus.

The Company has also established an H Share Award Scheme to motivate its employees, effectively aligning the interests of Shareholders, the Company and individual employees to jointly promote the Company's sustained and healthy development. For details of the H Share Award Scheme, please refer to the Company's announcements dated March 16, 2026 and April 10, 2026 as well as circular dated March 18, 2026.

## Remuneration of Directors and Senior Management

The Company pays remuneration to executive Directors and senior management members who are employees of the Company in the form of salaries, retirement benefit plan contributions, discretionary bonuses, housing allowances and other benefits in kind. Independent non-executive Directors receive remuneration based on their respective positions and responsibilities (including serving as members or chairman of Board committees).

Details of the remuneration of each Director for the Reporting Period are set out in Note 9 to the consolidated financial statements in this annual report.

Remuneration paid to senior management members for the Reporting Period falls within the bands set out below:

Bands of remuneration	Number of individuals
RMB500,000 to RMB1,000,000	1
RMB1,000,001 to RMB2,000,000	1
RMB2,000,001 to RMB3,000,000	1
RMB3,000,001 to RMB4,000,000	2

## JOINT COMPANY SECRETARY

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 Pak Yu, Vivien (“**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. Ms. Zeng is the primary contact person of Ms. Tam with the Company.

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 applicable 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 advisor of our Company, on matters concerning our Company’s ongoing compliance with the Listing Rules and the applicable laws and regulations.

## CORPORATE GOVERNANCE REPORT

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.

During the Reporting Period, Ms. Zeng and Ms. Tam attended not less than 15 hours of professional training, which was in compliance with the requirements under Rule 3.29 of the Listing Rules.

### DIRECTORS' SECURITIES TRANSACTIONS

Since its listing, the Company has adopted The Model Code as the code of conduct regulating dealings in securities of the Company by its Directors and employees who are in possession of inside information in relation to the Group or the Company's securities.

In response to specific enquiries made by the Board, all Directors confirmed that they have complied with the provisions of the Model Code since the Listing Date and up to the date of this report. The Company was also not aware of any incident of non-compliance with the Model Code by employees.

### RISK MANAGEMENT AND INTERNAL CONTROL

We face various risks in the course of our operations. Risk management is crucial to our development and success. Therefore, we have established a comprehensive risk management framework and related policies and procedures which we consider appropriate for our business operations. Our policies and procedures are designed to manage and oversee our business performance.

To monitor the ongoing implementation of our risk management policies and corporate governance measures, we have adopted, among other things, the following risk management measures:

- (i) established the Audit Committee to review and supervise our financial reporting process and internal control system;
- (ii) adopted policies to ensure compliance with the Listing Rules, including but not limited to aspects related to risk management, connected transactions and information disclosure;
- (iii) 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;
- (iv) established a set of emergency procedures in the event of major quality-related issues;
- (v) adopted internal control policies with regard to the monitoring of KOL-related contents of our brands and products;
- (vi) provided enhanced training programs on quality assurance and product safety procedures; and
- (vii) distributed employee handbooks to enhance employees' awareness of complying with laws and regulations.

### Internal Audit

The Company has an internal audit function in place. We have established the Audit Committee, which is responsible for monitoring the implementation of our risk management policies within the Company on an ongoing basis to ensure that our internal control system is effective in identifying, managing and mitigating risks involved in our business operations. For the professional qualifications and experience of the members of the Audit Committee, please refer to the section headed “Directors and Senior Management” of this annual report.

We have also established an internal control and compliance department, which is responsible for reviewing the effectiveness of internal controls and reporting to the Audit Committee on any issues identified. The internal control and compliance department meets with the management from time to time to discuss any internal control issues we face and the corresponding measures.

The Audit Committee, the internal control and compliance department and senior management together monitor the implementation of our risk management policies on an ongoing basis at least annually to ensure our policies and their implementation are effective and sufficient. As of the date of this annual report, the Company is not aware of any material deficiency in the effectiveness or adequacy of its risk management and internal control mechanisms.

The Group’s internal control policies, such as the information disclosure management system, include an inside information disclosure policy, which sets out the procedures and internal control measures for handling and disclosing inside information.

The policy provides guidance to the Directors and all relevant employees of the Group to ensure appropriate safeguards are in place to prevent the Company from breaching statutory disclosure requirements. Key measures under the policy include:

1. defining the requirements of periodic financial and operational report to the Board and the secretary to the Board such that they can assess inside information and make timely disclosures, if necessary;
2. controlling the access to inside information by employees on a need-to-know basis, and safeguarding the confidentiality of the inside information before it is properly disclosed to public; and
3. complying with the Listing Rules for the procedures and ways of communication with the Group’s stakeholders, including Shareholders, investors, analysts, etc.

The Board confirms that it has responsibility for maintaining a sound risk management and internal control system and has the duty to review the effectiveness of that system, so as to safeguard shareholders’ investments and the Company’s assets. With the support from the Audit Committee, the Board reviews the effectiveness of the system each year. The risk management and internal control system is designed to identify, assess, and report potential risks and to implement control measures. It is designed to manage, rather than eliminate, the risk of failure to achieve business objectives, and can only provide reasonable and not absolute assurance against material misstatement or loss.

During the Reporting Period, the Board conducted an annual review of the effectiveness and adequacy of the Group’s risk management and internal control system, which includes financial, operational, and compliance controls, as well as the risk management system through the Audit Committee. No material issues or significant deficiencies were identified. The Board considers the Company’s current risk management and internal control system to be effective and adequate, and believes the resources, qualifications and experience, training programs of staff and related budgets in place for fulfilling accounting, internal audit, financial reporting functions and ESG performance and reporting are sufficient.

## CORPORATE GOVERNANCE REPORT

### AUDITOR'S REMUNERATION

For the year ended December 31, 2025, the fee paid/payable to the external auditor of the Company, Ernst & Young, in respect of audit and non-audit services is set out as follows:

Type of Services	RMB'000
Audit services	2,500
Non-audit services	–
Total	2,500

### DIVIDEND POLICY

The Company has adopted Profit Distribution Management System (the “**Dividend Policy**”) on payment of dividends. According to the Dividend Policy, the Board recommended the payment of a final dividend for the year 2025 in an aggregate amount of RMB134,671,273.25, representing a dividend of RMB0.95 per Share, calculated based on the total number of issued shares of 141,759,235 shares of the Company as at the date of this report.

The summary of the Company's Dividend Policy is as follow:

The Company shall implement a continuous and stable profit distribution policy, and may make specific provisions on the specific conditions and proportions of cash dividends and the principles for the use of undistributed profits to protect shareholders' right to dividends. The Company shall prioritize reasonable investment returns for investors while also considering its sustainable development, maintaining the continuity and stability of its profit distribution policy, and complying with relevant requirements of laws and regulations. The Company's profit distribution shall not exceed the scope of accumulated distributable profits, shall not impair the Company's ability to continue as going concern, and shall adhere to the following principles:

- (I) to distribute according to the statutory order;
- (II) no distribution is allowed if there are unrecovered losses;
- (III) profits shall not be distributed out from the Shares of the Company held by it.

The proposed distribution of final dividend for 2025 is in line with the Company's Dividend Policy.

The Board shall review and reassess the Dividend Policy and its effectiveness at its sole and absolute discretion on a regular basis or as required.

### COMMUNICATION WITH SHAREHOLDERS AND INVESTOR RELATIONS

The Company considers that effective communication with Shareholders and investors is essential for enhancing investor relations and investors' understanding of the Group's business operations, performance and strategies. The Company has established a shareholders communication policy (the "**Shareholders Communication Policy**") which aims at establishing a two-way relationship and communication channels with its Shareholders, investors and other stakeholders. These channels include the annual shareholders' meeting and other shareholders' meetings of the Company, which provide a platform for shareholders to speak and facilitate communication and interaction; annual and interim reports, notices of shareholders' meetings, announcements, and circulars; and the Company's website ([www.forest-cabin.com](http://www.forest-cabin.com)), where the public can access the latest information regarding the Company's business operations and development, financial information, corporate governance practices, and other relevant information.

The annual shareholders' meeting of the Company provides opportunity for Shareholders to communicate directly with Directors. The chairman of the Board committees will attend the annual shareholders' meetings to answer Shareholders' questions to the extent possible. The Company's external auditor will also attend the annual shareholders' meeting to answer questions about the conduct of the audit, the preparation and content of the auditor's report, accounting policies and auditor independence.

As the Company was listed on the Stock Exchange on December 30, 2025, the Board shall conduct the annual review of the implementation and effectiveness of the Shareholders Communication Policy of the Company in 2026.

### SHAREHOLDERS' RIGHTS

#### Convening of extraordinary shareholders' meetings by Shareholders

Pursuant to Article 53 of the Articles of Association, the Shareholders individually or collectively holding more than 10% of the Company's shares shall have the right to request the Board to convene an extraordinary shareholders' meeting, which shall be submitted in writing to the Board. The Board shall, in accordance with the provisions of laws, administrative regulations, and these Articles, provide a written feedback on whether to agree or disagree with the convening of the extraordinary shareholders' meeting within ten days upon receipt of the request.

If the Board agrees to convene the extraordinary 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 extraordinary 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 an extraordinary shareholders' meeting and shall submit their request in writing.

If the Audit Committee agrees to convene the extraordinary 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.

## CORPORATE GOVERNANCE REPORT

### Proposals at Shareholders' Meetings

Pursuant to Article 58 of the Articles of Association, 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.

For the purpose of making recommendations at the shareholders' meeting, the contact information is available in the section headed "Enquiries to the Board" below.

### Enquiries to the Board

Shareholders may at any time send their enquiries and concerns to the Board in writing whose contact details are as follows:

Address: 9th Floor, Building 3, No. 339 Tongpu Road  
Putuo District  
Shanghai, PRC

(For the attention of the Board)

Email: [ir@lqxgroup.com](mailto:ir@lqxgroup.com)

For the avoidance of doubt, Shareholder(s) must deposit and send the original duly signed written requisition, notice or statement, or enquiry (as the case may be) to the above address and provide their full name, contact details and identification in order to give effect thereto. Shareholders' information may be disclosed as required by law.

### ARTICLES OF ASSOCIATION

The Articles of Association became effective from the Listing Date. From the effective date of the Articles of Association to December 31, 2025, there had been no changes to the Articles of Association.

The latest amended Articles of Association have been published on the websites of the Company and the Hong Kong Stock Exchange.

# INDEPENDENT AUDITOR'S REPORT



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**To the shareholders of Shanghai Forest Cabin Cosmetics Group Co., Ltd.**

*(Established in the People's Republic of China with limited liability)*

## OPINION

We have audited the consolidated financial statements of Shanghai Forest Cabin Cosmetics Group Co., Ltd. (the “**Company**”) and its subsidiaries (the “**Group**”) set out on pages 86 to 150, which comprise the consolidated statement of financial position as at 31 December 2025, and the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including material accounting policy information.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2025, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board (“**IASB**”) and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

## BASIS FOR OPINION

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

## KEY AUDIT MATTERS

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

## INDEPENDENT AUDITOR'S REPORT

### KEY AUDIT MATTERS (CONTINUED)

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

Key audit matter	How our audit addressed the key audit matter
<p><b>Revenue recognition – online direct sales</b></p> <p>The Group primarily sells its products to customers through online channels such as online direct sales and sales to online retailers. In addition, the Group also sells its products to customers through offline channels, including directly-operated stores, store partners, offline retailers, enterprise customers, and distributors.</p> <p>The Group recognised revenue of RMB2,449,537,000 where online direct sales amounted to RMB1,569,686,000, accounting for approximately 64.1% of the total revenue for the year ended 31 December 2025.</p> <p>Considering the risks arising from the large volume of transactions generated from the sales of different products to a significant number of online customers, recognition of revenue from online direct sales required significant audit attention to test the occurrence of the transactions.</p> <p>Relevant disclosures are included in notes 2.4 and 5 to the financial statements.</p>	<p>Our procedures in relation to revenue recognition of online direct sales included:</p> <ul style="list-style-type: none"><li>– Understanding, evaluating and testing the key controls over the recognition of revenue from online direct sales, including IT general controls and key application controls for the relevant IT applications which supported and governed the revenue recognition;</li><li>– Performing analytical procedures, including an analysis of the concentration of orders made by account users during the year with the assistance of our internal specialists, and an analysis on the Group's revenue by online platform, by product category and by month;</li><li>– Comparing the orders generated from online direct sales with the financial records with the assistance of our internal specialists;</li><li>– Performing reconciliation between revenue from online direct sales recorded in the financial system and cash collections for major online platforms;</li><li>– Performing tests of details by checking the original supporting documents, such as transaction records on a sample basis; and</li><li>– Evaluating the adequacy of the disclosures in the financial statements.</li></ul>

## INDEPENDENT AUDITOR'S REPORT

### OTHER INFORMATION INCLUDED IN THE ANNUAL REPORT

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

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

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

### RESPONSIBILITIES OF THE DIRECTORS FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

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

### AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

## INDEPENDENT AUDITOR'S REPORT

### AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Plan and perform the group audit to obtain sufficient appropriate audit evidence regarding the financial information of the entities or business units within the Group as a basis for forming an opinion on the consolidated financial statements. We are responsible for the direction, supervision and review of the audit work performed for purposes of the group audit. We remain solely responsible for our audit opinion.

## INDEPENDENT AUDITOR'S REPORT

### AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

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

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

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

The engagement partner on the audit resulting in this independent auditor's report is Yin Guo Wei (practising certificate number: P07371).

#### **Ernst & Young**

*Certified Public Accountants*

Hong Kong

24 March 2026

# CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

YEAR ENDED 31 DECEMBER 2025

	Notes	2025 RMB'000	2024 RMB'000
<b>REVENUE</b>	5	2,449,537	1,209,641
Cost of sales		(440,719)	(211,985)
<b>Gross profit</b>		2,008,818	997,656
Other income and gains	6	32,417	20,500
Selling and distribution expenses		(1,396,815)	(688,476)
Administrative expenses		(152,975)	(77,761)
Research and development costs		(46,769)	(30,404)
Other expenses	6	(7,474)	(1,295)
Finance costs	8	(5,467)	(2,479)
(Impairment losses)/reversal of impairment losses on financial assets		(2,435)	552
<b>PROFIT BEFORE TAX</b>	7	429,300	218,293
Income tax expense	11	(68,933)	(31,460)
<b>PROFIT AND TOTAL COMPREHENSIVE INCOME FOR THE YEAR</b>		360,367	186,833
<b>Attributable to:</b>			
Owners of the parent		360,367	186,833
<b>EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT</b>			
Basic and diluted (RMB)	13	2.87	1.49 (restated)

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 DECEMBER 2025

	Notes	2025 RMB'000	2024 RMB'000
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment	14	254,315	229,077
Right-of-use assets	15(a)	110,190	70,065
Other intangible assets	16	8,005	7,652
Deferred tax assets	26	80,794	72,166
Other non-current assets	17	2,806	897
<b>Total non-current assets</b>		<b>456,110</b>	<b>379,857</b>
<b>CURRENT ASSETS</b>			
Inventories	18	304,732	141,239
Trade receivables	19	96,646	45,903
Prepayments, other receivables and other assets	20	100,233	64,602
Restricted cash	21	1,007	2,031
Cash and cash equivalents	21	1,541,547	440,322
<b>Total current assets</b>		<b>2,044,165</b>	<b>694,097</b>
<b>CURRENT LIABILITIES</b>			
Trade and bills payables	22	167,499	106,014
Other payables and accruals	23	261,579	168,737
Contract liabilities	24	40,829	26,254
Interest-bearing bank borrowings	25	23,432	–
Lease liabilities	15(b)	50,509	37,765
Tax payable		41,546	32,050
<b>Total current liabilities</b>		<b>585,394</b>	<b>370,820</b>
<b>NET CURRENT ASSETS</b>		<b>1,458,771</b>	<b>323,277</b>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<b>1,914,881</b>	<b>703,134</b>

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 DECEMBER 2025

	<i>Notes</i>	2025 RMB'000	2024 RMB'000
<b>NON-CURRENT LIABILITIES</b>			
Interest-bearing bank borrowings	25	38,952	77,955
Lease liabilities	15(b)	40,884	13,105
<b>Total non-current liabilities</b>		<b>79,836</b>	91,060
<b>NET ASSETS</b>			
		<b>1,835,045</b>	612,074
<b>EQUITY</b>			
Equity attributable to owners of the parent			
Share capital	27	27,933	25,140
Reserves	29	1,807,112	586,934
<b>Total equity</b>		<b>1,835,045</b>	612,074

**Mr. Sun Laichun**  
*Director*

**Mr. Gao Hongqi**  
*Director*

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

YEAR ENDED 31 DECEMBER 2025

	Share capital RMB'000 <i>(Note 27)</i>	Capital reserve* RMB'000 <i>(Note 29)</i>	Statutory reserve* RMB'000 <i>(Note 29)</i>	Equity- settled share- based payment reserve* RMB'000 <i>(Note 29)</i>	(Accumulated losses)/ retained profits* RMB'000	Total equity RMB'000
As at 1 January 2025	25,140	698,825	11,129	3,014	(126,034)	612,074
Profit for the year	-	-	-	-	360,367	360,367
Total comprehensive income for the year	-	-	-	-	360,367	360,367
Issuance of new shares upon the initial public offering (the "IPO")	2,793	944,673	-	-	-	947,466
Equity-settled share-based payment arrangements <i>(note 28)</i>	-	-	-	10,166	-	10,166
Dividends paid to shareholders <i>(note 12)</i>	-	-	-	-	(95,028)	(95,028)
Transfer from retained profits	-	-	2,838	-	(2,838)	-
As at 31 December 2025	27,933	1,643,498	13,967	13,180	136,467	1,835,045

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

YEAR ENDED 31 DECEMBER 2025

	Paid-in capital/share capital RMB'000 (Note 27)	Capital reserve* RMB'000 (Note 29)	Statutory reserve* RMB'000 (Note 29)	Equity-settled share-based payment reserve* RMB'000 (Note 29)	Retained profits/ (accumulated losses)* RMB'000	Total equity RMB'000
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 (note 28)	-	-	-	5,125	-	5,125
Dividends paid to shareholders (note 12)	-	-	-	-	(50,000)	(50,000)
Conversion into a joint stock company (note 27)	-	372,671	(12,570)	(13,770)	(346,331)	-
Transfer from retained profits	-	-	11,129	-	(11,129)	-
As at 31 December 2024	25,140	698,825	11,129	3,014	(126,034)	612,074

\* These reserve accounts comprise the consolidated reserves of RMB1,807,112,000 in the consolidated statement of financial position as at 31 December 2025 (31 December 2024: RMB586,934,000).

# CONSOLIDATED STATEMENT OF CASH FLOWS

YEAR ENDED 31 DECEMBER 2025

	<i>Notes</i>	2025 RMB'000	2024 RMB'000
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Profit before tax		429,300	218,293
Adjustments for:			
Finance costs	8	5,467	2,479
Loss on disposal of items of property, plant and equipment and intangible assets	7	340	157
Gain on termination of leases	7	(1,455)	(27)
Investment income from financial assets at fair value through profit or loss	6	(640)	(826)
Depreciation of property, plant and equipment	7	35,258	14,322
Depreciation of right-of-use assets	7	69,024	60,510
Amortisation of other intangible assets	7	1,897	1,666
(Reversal of write-down)/write-down of inventories	7	(232)	715
Impairment losses/(reversal of impairment losses) on financial assets	7	2,435	(552)
Equity-settled share-based payment expenses	7	10,166	5,125
Foreign exchange differences, net	7	1,569	(163)
		<b>553,129</b>	<b>301,699</b>
Increase in inventories		(163,261)	(86,871)
Increase in trade receivables		(53,162)	(10,914)
Decrease in restricted cash		1,024	9,104
Increase in prepayments, other receivables and other assets		(35,647)	(18,913)
Increase in trade and bills payables		61,485	62,068
Increase in other payables and accruals		100,369	78,955
Increase in contract liabilities		14,575	3,813
Cash generated from operations		478,512	338,941
Income tax paid		(68,065)	(32,436)
Net cash flows from operating activities		<b>410,447</b>	<b>306,505</b>

## CONSOLIDATED STATEMENT OF CASH FLOWS

YEAR ENDED 31 DECEMBER 2025

	<i>Notes</i>	2025 RMB'000	2024 RMB'000
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Purchases of items of property, plant and equipment		(73,173)	(89,569)
Proceeds from disposal of items of property, plant and equipment		2,712	899
Purchases of other intangible assets		(4,771)	(741)
Purchases of financial assets at fair value through profit or loss		(200,000)	(160,000)
Proceeds from disposal of financial assets at fair value through profit or loss		200,640	160,826
Net cash flows used in investing activities		(74,592)	(88,585)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Proceeds from issuance of new shares		952,714	–
Proceeds from interest-bearing bank borrowings		–	50,961
Repayments of interest-bearing bank borrowings		(15,581)	–
Interest paid for interest-bearing bank borrowings		(2,262)	(2,315)
Principal portion of lease payments		(67,171)	(59,253)
Interest portion of lease payments		(3,195)	(1,797)
Dividends paid		(95,028)	(50,000)
Payment for issue expense		(2,538)	(1,086)
Net cash flows from/(used in) financing activities		766,939	(63,490)
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>		<b>1,102,794</b>	<b>154,430</b>
Cash and cash equivalents at beginning of year		440,322	285,729
Effect of foreign exchange differences, net		(1,569)	163
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>	<i>21</i>	<b>1,541,547</b>	440,322
<b>ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS</b>			
Cash and bank balances	<i>21</i>	1,542,554	442,353
Less: Restricted cash	<i>21</i>	1,007	2,031
Cash and cash equivalents as stated in the consolidated statement of financial position and the consolidated statement of cash flows		1,541,547	440,322

# NOTES TO FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2025

## 1. CORPORATE AND GROUP INFORMATION

Shanghai Forest Cabin Cosmetics Group Co., Ltd. is a joint stock limited company established in the People's Republic of China (the "PRC") on 22 December 2011. The registered office of the Company is located at Room 201, Area A, 2F, Building 1, No. 1177 Xinmiao 3rd Road, Xinqiao Town, Songjiang District, Shanghai, PRC. The Company's shares have been listed on the Main Board of The Stock Exchange of Hong Kong Limited since 30 December 2025 (the "Listing") by way of initial public offering ("IPO").

During the year, the Company and its subsidiaries (together as the "Group") were involved in research and development, manufacture and sale of skincare products.

In the opinion of the directors of the Company, the ultimate controlling shareholder of the Company is Mr. Sun Laichun.

As at the date of this report, the Company had direct and indirect interests in its subsidiaries, all of which are limited liability companies. The particulars of the principal subsidiaries are set out below:

Name*	Place and date of establishment/ registration and business	Registered share capital	Percentage of equity attributable to the Company		Principal activities
			Direct	Indirect	
Hangzhou Dongdongqi E-commerce Co., Ltd. (杭州洞洞柴電子商務有限公司)	PRC/Chinese mainland 26 March 2025	RMB10,000,000	100	-	Sale of skincare products
Shanghai Senqingxuan Industrial Co., Ltd. (上海森清軒實業有限公司)	PRC/Chinese mainland 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)	PRC/Chinese mainland 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)	PRC/Chinese mainland 15 December 2016	RMB10,000,000	-	100	Sale of skincare products
Shanghai Qitan Biotechnology Co., Ltd. (上海柒潭生物科技有限公司)	PRC/Chinese mainland 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)	PRC/Chinese mainland 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 their Chinese names as no official English names have been registered.

The above table lists the subsidiaries of the Company which, in the opinion of the directors, principally affected the results for the year or formed a substantial portion of the net assets of the Group. To give details of other subsidiaries would, in the opinion of the directors, result in particulars of excessive length.

# NOTES TO FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2025

## 2. ACCOUNTING POLICIES

### 2.1 Basis of preparation

These financial statements have been prepared in accordance with IFRS Accounting Standards, which comprise all standards and interpretations approved by the International Accounting Standards Board (the “IASB”), and International Accounting Standards and Standing Interpretations Committee interpretations approved by the International Accounting Standards Committee and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention. These financial statements are presented in Renminbi (“RMB”) and all values are rounded to the nearest thousand except when otherwise indicated.

#### Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries (collectively referred to as the “Group”) for the year ended 31 December 2025. A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

Generally, there is a presumption that a majority of voting rights results in control. When the Company has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- (a) the contractual arrangement with the other vote holders of the investee;
- (b) rights arising from other contractual arrangements; and
- (c) the Group’s voting rights and potential voting rights.

The financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies. The results of subsidiaries are consolidated from the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

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.

## 2. ACCOUNTING POLICIES (CONTINUED)

### 2.1 Basis of preparation (continued)

#### Basis of consolidation (continued)

If the Group loses control over a subsidiary, it derecognises the related assets (including goodwill), liabilities, any non-controlling interest and the exchange fluctuation reserve; and recognises the fair value of any investment retained and any resulting surplus or deficit in profit or loss. The Group's share of components previously recognised in other comprehensive income is reclassified to profit or loss or retained profits, as appropriate, on the same basis as would be required if the Group had directly disposed of the related assets or liabilities.

### 2.2 Changes in accounting policies and disclosures

The Group has adopted amendments to IAS 21 *Lack of Exchangeability* for the first time for the current year's financial statements. The Group has not early adopted any other standard or amendment that has been issued but is not yet effective.

Amendments to IAS 21 specify how an entity shall assess whether a currency is exchangeable into another currency and how it shall estimate a spot exchange rate at a measurement date when exchangeability is lacking. The amendments require disclosures of information that enable users of financial statements to understand the impact of a currency not being exchangeable. As the currencies that the Group had transacted in were exchangeable, the amendments did not have any impact on the Group's financial statements.

In addition, the IASB has issued amendments to Illustrative Examples on IFRS 7, IFRS 18, IAS 1, IAS 8, IAS 36 and IAS 37 *Disclosures about Uncertainties in the Financial Statements*, which added illustrative examples in the corresponding IFRS Accounting Standards. These examples reflect existing requirements in the corresponding IFRS Accounting Standards to report the effects of uncertainties in the financial statements using climate-related examples. Therefore, the amendments do not have an effective date or transitional provisions.

### 2.3 Issued but not yet effective IFRS accounting standards

The Group has not applied the following new and revised IFRS Accounting Standards, that have been issued but are not yet effective, in these financial statements. 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> <sup>2</sup>
IFRS 19 and its amendments	<i>Subsidiaries without Public Accountability: Disclosures</i> <sup>2</sup>
Amendments to IFRS 9 and IFRS 7	<i>Amendments to the Classification and Measurement of Financial Instruments</i> <sup>1</sup>
Amendments to IFRS 9 and IFRS 7	<i>Contracts Referencing Nature-dependent Electricity</i> <sup>1</sup>
Amendments to IFRS 10 and IAS 28	<i>Sale or Contribution of Assets between an Investor and its Associate or Joint Venture</i> <sup>3</sup>
Amendments to IAS 21	<i>Translation to a Hyperinflationary Presentation Currency</i> <sup>2</sup>
<i>Annual Improvements to IFRS Accounting Standards – Volume 11</i>	Amendments to IFRS 1, IFRS 7, IFRS 9, IFRS 10 and IAS 7 <sup>1</sup>

<sup>1</sup> Effective for annual periods beginning on or after 1 January 2026

<sup>2</sup> Effective for annual/reporting periods beginning on or after 1 January 2027

<sup>3</sup> No mandatory effective date yet determined but available for adoption

## NOTES TO FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2025

### 2. ACCOUNTING POLICIES (CONTINUED)

#### 2.3 Issued but not yet effective IFRS accounting standards (continued)

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.

#### 2.4 Material accounting policies

##### Fair value measurement

The Group measures its financial assets at fair value through profit or loss at the end of each reporting period. 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 reporting period.

## 2. ACCOUNTING POLICIES (CONTINUED)

### 2.4 Material accounting policies (continued)

#### 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 profit or loss in the period in which it arises in those expense categories consistent with the function of the impaired asset.

An assessment is made at the end of each reporting period as to whether there is an indication that previously recognised impairment losses may no longer exist or may have decreased. If such an indication exists, the recoverable amount is estimated. A previously recognised impairment loss of an asset other than goodwill is reversed only if there has been a change in the estimates used to determine the recoverable amount of that asset, but not to an amount higher than the carrying amount that would have been determined (net of any depreciation/amortisation) had no impairment loss been recognised for the asset in prior years. A reversal of such an impairment loss is credited to profit or loss in the period in which it arises.

#### Related parties

A party is considered to be related to the Group if:

- (a) the party is a person or a close member of that person's family and that person
  - (i) has control or joint control over the Group;
  - (ii) has significant influence over the Group; or
  - (iii) is a member of the key management personnel of the Group or of a parent of the Group;

or

## NOTES TO FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2025

### 2. ACCOUNTING POLICIES (CONTINUED)

#### 2.4 Material accounting policies (continued)

##### Related parties (continued)

- (b) the party is an entity where any of the following conditions applies:
- (i) the entity and the Group are members of the same group;
  - (ii) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);
  - (iii) the entity and the Group are joint ventures of the same third party;
  - (iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;
  - (v) the entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group;
  - (vi) the entity is controlled or jointly controlled by a person identified in (a);
  - (vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity); and
  - (viii) the entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the parent of the Group.

##### Property, plant and equipment and depreciation

Property, plant and equipment, other than construction in progress, are stated at cost less accumulated depreciation and any impairment losses. The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

Expenditure incurred after items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to profit or loss in the period in which it is incurred. In situations where the recognition criteria are satisfied, the expenditure for a major inspection is capitalised in the carrying amount of the asset as a replacement. Where significant parts of property, plant and equipment are required to be replaced at intervals, the Group recognises such parts as individual assets with specific useful lives and depreciates them accordingly.

## 2. ACCOUNTING POLICIES (CONTINUED)

### 2.4 Material accounting policies (continued)

#### Related parties (continued)

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 profit or loss in the year the asset is derecognised is the difference between the net sales proceeds and the carrying amount of the relevant asset.

Construction in progress is stated at cost less any impairment losses, and is not depreciated. It is reclassified to the appropriate category of property, plant and equipment when completed and ready for use.

#### Investment 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 measured initially 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.

## NOTES TO FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2025

### 2. ACCOUNTING POLICIES (CONTINUED)

#### 2.4 Material accounting policies (continued) Intangible assets (other than goodwill) (continued)

##### Research and development costs

All research costs are charged to profit or loss as incurred.

Expenditure incurred on projects to develop new 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.

## 2. ACCOUNTING POLICIES (CONTINUED)

### 2.4 Material accounting policies (continued)

#### Leases (continued)

##### Group as a lessee (continued)

(b) *Lease liabilities*

Lease liabilities are recognised at the commencement date of the lease at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for termination of a lease, if the lease term reflects the Group exercising the option to terminate the lease. The variable lease payments that do not depend on an index or a rate are recognised as an expense in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in lease payments (e.g., a change to future lease payments resulting from a change in an index or rate) or a change in assessment of an option to purchase the underlying asset.

The Group's lease liabilities are presented separately in the consolidated statement of financial position.

(c) *Short-term leases and leases of low-value assets*

The Group applies the short-term lease recognition exemption to its short-term leases of 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.

## NOTES TO FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2025

### 2. ACCOUNTING POLICIES (CONTINUED)

#### 2.4 Material accounting policies (continued)

##### 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 profit or loss when the asset is derecognised, modified or impaired.

##### Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value recognised in profit or loss.

## 2. ACCOUNTING POLICIES (CONTINUED)

### 2.4 Material accounting policies (continued)

#### Derecognition of financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e., removed from the Group's consolidated statement of financial position) when:

- the rights to receive cash flows from the asset have expired; or
- the Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a "pass-through" arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if, and to what extent, it has retained the risk and rewards of ownership of the asset. When it has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the Group continues to recognise the transferred asset to the extent of the Group's continuing involvement. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

#### Impairment of financial assets

The Group recognises an allowance for expected credit losses ("ECLs") for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

#### 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).

## NOTES TO FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2025

### 2. ACCOUNTING POLICIES (CONTINUED)

#### 2.4 Material accounting policies (continued)

##### Impairment of financial assets (continued)

##### General approach (continued)

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.

## 2. ACCOUNTING POLICIES (CONTINUED)

### 2.4 Material accounting policies (continued)

#### 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 profit or loss when the liabilities are derecognised as well as through the effective interest rate amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in finance costs in profit or loss.

#### Derecognition of financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled, or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and a recognition of a new liability, and the difference between the respective carrying amounts is recognised in profit or loss.

#### 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.

## NOTES TO FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2025

### 2. ACCOUNTING POLICIES (CONTINUED)

#### 2.4 Material accounting policies (continued)

##### Cash and cash equivalents

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

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

##### Provisions

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

When the 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 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 reporting period of the future expenditures expected to be required to settle the obligation. The increase in the discounted present value amount arising from the passage of time is included in finance costs in profit or loss.

##### 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 reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

## 2. ACCOUNTING POLICIES (CONTINUED)

### 2.4 Material accounting policies (continued)

#### Income tax (continued)

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- when the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss and does not give rise to equal taxable and deductible temporary differences; and
- in respect of taxable temporary differences associated with investments in subsidiaries, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, and the carryforward of unused tax credits and any unused tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carryforward of unused tax credits and unused tax losses can be utilised, except:

- when the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss and does not give rise to equal taxable and deductible temporary differences; and
- in respect of deductible temporary differences associated with investments in subsidiaries, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

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

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

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.

## NOTES TO FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2025

### 2. ACCOUNTING POLICIES (CONTINUED)

#### 2.4 Material accounting policies (continued)

##### **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 online direct 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.

## 2. ACCOUNTING POLICIES (CONTINUED)

### 2.4 Material accounting policies (continued)

#### Revenue recognition (continued)

##### Revenue from contracts with customers (continued)

(a) *Sale of products (continued)*

(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).

## NOTES TO FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2025

### 2. ACCOUNTING POLICIES (CONTINUED)

#### 2.4 Material accounting policies (continued)

##### 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 28 to the financial statements.

The cost of equity-settled transactions is recognised in employee benefit expense, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled. The cumulative expense recognised for equity-settled transactions at the end of each reporting period until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest. The charge or credit to profit or loss for a period represents the movement in the cumulative expense recognised as at the beginning and end of that period.

Service and non-market performance conditions are not taken into account when determining the grant date fair value of awards, but the likelihood of the conditions being met is assessed as part of the Group's best estimate of the number of equity instruments that will ultimately vest. Market performance conditions are reflected within the grant date fair value. Any other conditions attached to an award, but without an associated service requirement, are considered to be non-vesting conditions. Non-vesting conditions are reflected in the fair value of an award and lead to an immediate expensing of an award unless there are also service and/or performance conditions.

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 the Chinese mainland 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 profit or loss as they become payable in accordance with the rules of the central pension scheme.

## 2. ACCOUNTING POLICIES (CONTINUED)

### 2.4 Material accounting policies (continued)

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

#### **Dividends**

Final dividends are recognised as a liability when they are approved by the shareholders in a general meeting. Proposed final dividends are disclosed in 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 reporting period. Differences arising on settlement or translation of monetary items are recognised in 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.

## NOTES TO FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2025

### 3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

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

#### Judgements

In the process of applying the Group's accounting policies, management has made the following judgements, apart from those involving estimations, which have the most significant effect on the amounts recognised in the financial statements:

##### **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 concluded 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 reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below.

### 3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (CONTINUED)

#### Estimation uncertainty (continued)

##### 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 reporting period. 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 by taking 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 expire. The amount of revenue recognised is based on the number of loyalty points that have been redeemed relative to the total number of loyalty points expected to be redeemed. The part of the consideration allocated to the goods sold is recorded in gross sales of products in profit or loss and the deferred revenue is recorded in “Contract liabilities” in the consolidated statement of financial position.

## NOTES TO FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2025

### 4. OPERATING SEGMENT INFORMATION

For management purposes, the Group is not organised into business units based on their services 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 the Chinese mainland. All of the non-current assets of the Group were located in the Chinese mainland.

#### Information about major customers

No revenue from the Group's sales to a single customer or a group of customers under common control amounted to 10% or more of the Group's revenue for the reporting period.

### 5. REVENUE

An analysis of revenue is as follows:

	2025 RMB'000	2024 RMB'000
Revenue from contracts with customers	2,449,537	1,209,641

#### Revenue from contracts with customers

##### (a) Disaggregated revenue information

	2025 RMB'000	2024 RMB'000
<b>Types of goods or services</b>		
Sale of products	2,448,353	1,208,718
Others	1,184	923
Total	2,449,537	1,209,641
<b>Timing of revenue recognition</b>		
Goods transferred at a point in time	2,448,353	1,208,718
Services transferred over time	1,184	923
Total	2,449,537	1,209,641

## NOTES TO FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2025

### 5. REVENUE (CONTINUED)

#### Revenue from contracts with customers (continued)

##### (a) Disaggregated revenue information (continued)

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

	2025 RMB'000	2024 RMB'000
Revenue recognised that was included in contract liabilities at the beginning of the reporting period:		
Sale of products	25,565	21,669
Others	534	650
<b>Total</b>	<b>26,099</b>	<b>22,319</b>

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

	2025 RMB'000	2024 RMB'000
Online channels		
Online direct sales	1,569,686	634,837
Sales to online retailers	154,148	79,513
Offline channels		
Offline stores	576,476	444,089
Sales to offline retailers and enterprise customers	20,459	17,153
Distributors	127,584	33,126
Others	1,184	923
<b>Total</b>	<b>2,449,537</b>	<b>1,209,641</b>

## NOTES TO FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2025

### 5. REVENUE (CONTINUED)

#### Revenue from contracts with customers (continued)

##### (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 31 December are as follows:

	2025 RMB'000	2024 RMB'000
Amounts expected to be recognised as revenue:		
Within 1 year	40,552	26,099
After 1 year	277	155
Total	40,829	26,254

## NOTES TO FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2025

### 6. OTHER INCOME AND GAINS, AND OTHER EXPENSES

	Note	2025 RMB'000	2024 RMB'000
<b>Other income</b>			
Government grants	(i)	20,659	13,669
Insurance claims		6,055	2,344
Bank interest income		2,826	2,583
Others		782	888
Total other income		30,322	19,484
<b>Gains</b>			
Gain on termination of leases		1,455	27
Investment income from financial assets at fair value through profit or loss		640	826
Foreign exchange gains		-	163
Total gains		2,095	1,016
Total other income and gains		32,417	20,500
<b>Other expenses</b>			
Inventory scrap		4,471	150
Foreign exchange loss		1,569	-
Loss on disposal of items of property, plant and equipment and intangible assets		340	157
Donations		300	785
Others		794	203
Total other expenses		7,474	1,295

- (i) These grants related to income are recognised in profit or loss upon receipt of these rewards. There are no unfulfilled conditions or contingencies relating to these grants.

## NOTES TO FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2025

### 7. PROFIT BEFORE TAX

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

	Notes	2025 RMB'000	2024 RMB'000
Cost of inventories sold*		300,917	149,702
Depreciation of property, plant and equipment	14	35,258	14,322
Depreciation of right-of-use assets	15(a)	69,024	61,175
Less: Capitalised in construction in progress		—	(665)
Depreciation charged to profit or loss		69,024	60,510
Loss on disposal of items of property, plant and equipment and intangible assets	6	340	157
Gain on termination of leases	15(c)	(1,455)	(27)
Amortisation of other intangible assets	16	1,897	1,666
Research and development costs		46,769	30,404
Auditor's remuneration		2,500	800
Listing expenses		30,219	8,284
Employee benefit expense (including directors', chief executive's and supervisors' remuneration as set out in note 9):			
Wages and salaries		389,358	229,171
Equity-settled share-based payment expenses		10,166	5,125
Pension scheme contributions, social welfare and other welfare**		57,814	39,350
Total		457,338	273,646
(Reversal of write-down)/write-down of inventories		(232)	715
Impairment losses/(reversal of impairment losses) on financial assets		2,435	(552)
Variable lease payments not included in the measurement of lease liabilities	15(c)	3,326	1,767
Expenses relating to short-term leases and low-value leases	15(c)	2,446	594
Foreign exchange differences, net	6	1,569	(163)

\* The amount of cost of inventories sold as stated herein excludes those included in the employee benefit expense, logistics and transportation costs, taxes and surcharges, write-down of inventories, depreciation of property, plant and equipment and depreciation of right-of-use assets.

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

## NOTES TO FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2025

### 8. FINANCE COSTS

An analysis of finance costs is as follows:

	2025 RMB'000	2024 RMB'000
Interest expenses on lease liabilities	3,195	1,797
Interest expenses on interest-bearing bank borrowings	2,272	2,340
Total interest expenses	5,467	4,137
Less: Interest capitalised	–	1,658
Total	5,467	2,479

### 9. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION

Directors' and chief executive's remuneration for the reporting period, 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:

	2025 RMB'000	2024 RMB'000
Fees	35	–
Other emoluments:		
Salaries, allowances and benefits in kind	3,881	1,422
Performance related bonuses*	3,909	3,000
Pension scheme and social welfare	602	290
Equity-settled share-based payment expenses	3,090	1,653
Subtotal	11,482	6,365
Total	11,517	6,365

\* Certain directors and the chief executive of the Company are entitled to bonus payments which are determined based on a percentage of the profit after tax of the Group.

\*\* No remunerations were paid or payable by the Group to the directors (including chief executive) as an inducement to join or upon joining the Group or as compensation for loss of office during the year.

## NOTES TO FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2025

### 9. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION (CONTINUED)

#### (a) Independent non-executive directors:

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

	2025 RMB'000	2024 RMB'000
Mr. Zhu Qian*	15	–
Mr. Liu Yuliang*	10	–
Ms. Qiang Yilan*	10	–
<b>Total</b>	<b>35</b>	<b>–</b>

\* On 23 May 2025, Mr. Zhu Qian, Mr. Liu Yuliang and Ms. Qiang Yilan were appointed as independent non-executive directors of the Company, effective from December 11, 2025.

There were no other emoluments payable to the independent non-executive directors during the year.

#### (b) Executive directors, non-executive directors and the chief executive:

	Year ended 31 December 2025					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	
<b>Chief executive and executive directors:</b>						
Mr. Sun Laichun	–	1,200	1,928	1,128	146	4,402
Mr. Gao Hongqi	–	1,200	1,019	290	146	2,655
<b>Non-executive director:</b>						
Ms. Jing Aimei**	–	–	–	–	–	–
<b>Supervisors:</b>						
Mr. Wang Shijia***	–	658	440	1,392	146	2,636
Mr. Yu Qibo***	–	439	243	140	82	904
Mr. Luo Biaoyu***	–	384	279	140	82	885
<b>Total</b>	<b>–</b>	<b>3,881</b>	<b>3,909</b>	<b>3,090</b>	<b>602</b>	<b>11,482</b>

## NOTES TO FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2025

### 9. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION (CONTINUED)

#### (b) Executive directors, non-executive directors and the chief executive: (continued)

	Year ended 31 December 2024						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		
<b>Chief executive and executive directors:</b>							
Mr. Sun Laichun	–	624	1,871	1,520	145		4,160
Mr. Gao Hongqi	–	798	1,129	133	145		2,205
<b>Non-executive directors:</b>							
Ms. Ren Jianqiong**	–	–	–	–	–		–
Ms. Jing Aimei**	–	–	–	–	–		–
<b>Total</b>	–	1,422	3,000	1,653	290		6,365

\*\* Ms. Ren Jianqiong resigned as a non-executive director in June 2024. Ms. Jing Aimei was appointed as a non-executive director in June 2024.

\*\*\* Mr. Wang Shijia, Mr. Yu Qibo and Mr. Luo Biaoyu were appointed in December 2024. The incumbent Supervisors of the Company automatically ceased to hold office on 30 December 2025 and the Company will no longer have a Supervisory Committee or Supervisors. The Audit Committee will assume the duties and powers of the Supervisory Committee as stipulated by the Company Law.

The fair values of the share award arrangements, which have been recognised in profit or loss over the vesting period, were determined as at the dates of grant and the amounts included in profit or loss for each reporting period 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 year.

## NOTES TO FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2025

### 10. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees during the year included two directors (2024: two directors), details of whose remuneration are set out in note 9 above. Details of the remuneration for the year of the remaining three (2024: three) highest paid employees who are neither a director nor chief executive of the Company are as follows:

	2025 RMB'000	2024 RMB'000
Salaries, allowances and benefits in kind	2,986	2,289
Performance related bonuses	2,761	2,369
Equity-settled share-based payment expenses	923	438
Pension scheme and social welfare	437	435
Total	7,107	5,531

The number of non-director and non-chief executive highest paid employees whose remuneration fell within the following bands is as follows:

	2025	2024
HK\$1,000,001 to HK\$1,500,000	1	1
HK\$1,500,001 to HK\$2,000,000	1	1
HK\$2,000,001 to HK\$2,500,000	–	1
HK\$3,000,001 to HK\$3,500,000	1	–
Total	3	3

The fair values of the share award arrangement, which have been recognised in profit or loss over the vesting period, were determined as at the dates of grant and the amounts included in profit or loss for the current year are included in the above five highest paid employees' remuneration disclosures.

No remunerations were paid or payable by the Group to the five highest paid employees as an inducement to join or upon joining the Group or as compensation for loss of office during the year.

## NOTES TO FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2025

### 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%, except for the Company which is entitled 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% during the years ended 31 December 2025 and 2024. Such qualification is subject to review by the relevant tax authority in the PRC for every three years.

	2025 RMB'000	2024 RMB'000
Current income tax		
Charge for the year	77,561	49,719
Deferred income tax ( <i>note 26</i> )	(8,628)	(18,259)
<b>Total</b>	<b>68,933</b>	<b>31,460</b>

A reconciliation of the tax expense applicable to 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 rate is as follows:

	2025 RMB'000	2024 RMB'000
Profit before tax	429,300	218,293
Tax at the statutory income tax rate of 25%	107,325	54,573
Effect of different tax rates	(30,945)	(21,772)
Expenses not deductible for tax	2,188	2,182
Deductible temporary differences not recognised	–	3,757
Recognition of deductible temporary differences brought forward from previous years	(2,620)	(3,051)
Additional deductible allowance for research and development costs	(7,015)	(4,229)
<b>Tax charge at the Group's effective rate</b>	<b>68,933</b>	<b>31,460</b>

## NOTES TO FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2025

### 12. DIVIDENDS

	2025 RMB'000	2024 RMB'000
Dividends	95,028	50,000

On 26 January 2024, the Company declared dividends of RMB50,000,000 to its shareholders and the dividends were paid in April 2024.

On 5 August 2025, the Company declared final dividends for 2024 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.

The proposed final dividend for the year 2025 of RMB0.95 per ordinary share to the Company's shareholders is based on the total number of shares of the Group as of 31 January 2026, which is 141,759,235 shares, amounting to a total of approximately RMB134,671,000, and is subject to the approval by the Company's shareholders at the forthcoming annual general meeting.

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

The calculation of the basic earnings per share amount is based on the profit for the year attributable to owners of the parent, and the weighted average number of ordinary shares of 125,774,363 (2024: 125,697,835) outstanding during the year, as adjusted to reflect the share conversion (note 27). The weighted average number of shares outstanding for the years ended 31 December 2025 and 2024 presented has been adjusted retrospectively to reflect the impact of the conversion into a joint stock limited company and share subdivision as if they had occurred at the beginning of the earliest comparative period (1 January 2024).

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

	2025	2024
<b>Earnings</b>		
Profit attributable to owners of the parent (RMB'000)	360,367	186,833
<b>Shares</b>		
Weighted average number of ordinary shares outstanding during the year used in the basic earnings per share calculation	125,774,363	125,697,835 (restated)

The Group had no dilutive potential ordinary shares in issue, and accordingly, the diluted earnings per share for the year was the same as the basic earnings per share.

## NOTES TO FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2025

### 14. PROPERTY, PLANT AND EQUIPMENT

	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
<b>31 December 2025</b>							
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	172,811	13,212	24,927	2,568	1,034	14,525	229,077
At 1 January 2025, net of accumulated depreciation	172,811	13,212	24,927	2,568	1,034	14,525	229,077
Additions	4,021	33,175	8,364	9,034	1,338	7,269	63,201
Depreciation provided during the year	(8,969)	(18,713)	(4,820)	(2,285)	(471)	-	(35,258)
Disposals	-	(2,699)	(5)	(1)	-	-	(2,705)
Transfers	3,494	1,534	7,264	-	-	(12,292)	-
At 31 December 2025, net of accumulated depreciation	171,357	26,509	35,730	9,316	1,901	9,502	254,315
At 31 December 2025:							
Cost	180,898	60,782	52,552	22,706	4,366	9,502	330,806
Accumulated depreciation	(9,541)	(34,273)	(16,822)	(13,390)	(2,465)	-	(76,491)
Net carrying amount	171,357	26,509	35,730	9,316	1,901	9,502	254,315

## NOTES TO FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2025

### 14. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

	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
<b>31 December 2024</b>							
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							
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

\* At 31 December 2025, certain of the Group's property, plant and equipment situated in Shanghai with a net carrying amount of RMB171,357,000 (31 December 2024: RMB172,811,000) were pledged to secure bank loans granted to the Group (note 25).

## NOTES TO FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2025

### 15. 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 year 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 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	<b>51,114</b>	<b>4,241</b>	<b>14,710</b>	<b>70,065</b>
Additions	<b>60,115</b>	<b>54,512</b>	–	<b>114,627</b>
Depreciation charge	<b>(55,665)</b>	<b>(12,472)</b>	<b>(887)</b>	<b>(69,024)</b>
Termination	<b>(1,902)</b>	<b>(3,576)</b>	–	<b>(5,478)</b>
As at 31 December 2025	<b>53,662</b>	<b>42,705</b>	<b>13,823</b>	<b>110,190</b>

\* At 31 December 2025, certain of the Group's right-of-use assets situated in Shanghai with a net carrying amount of RMB13,823,000 (31 December 2024: RMB14,710,000) was pledged to secure bank loans granted to the Group (note 25).

## NOTES TO FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2025

### 15. LEASES (CONTINUED)

#### The Group as a lessee (continued)

##### (b) Lease liabilities

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

	2025 RMB'000	2024 RMB'000
Carrying amount at the beginning of the year	50,870	43,133
New leases	114,627	69,575
Accretion of interest recognised during the year	3,195	1,797
Payments	(70,366)	(61,050)
Termination	(6,933)	(2,585)
Carrying amount at the end of the year	91,393	50,870
Analysed into:		
Current portion	50,509	37,765
Non-current portion	40,884	13,105

The maturity analysis of lease liabilities is disclosed in note 37 to the financial statements.

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

	2025 RMB'000	2024 RMB'000
Interest on lease liabilities	3,195	1,797
Depreciation charge of right-of-use assets	69,024	60,510
Gain on termination of leases	(1,455)	(27)
Variable lease payments not included in the measurement of lease liabilities	3,326	1,767
Expenses relating to short-term leases and low-value leases	2,446	594
Total	76,536	64,641

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

## NOTES TO FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2025

### 16. OTHER INTANGIBLE ASSETS

	Software RMB'000
<b>31 December 2025</b>	
At 1 January 2025:	
Cost	14,229
Accumulated amortisation	(6,577)
Net carrying amount	7,652
Cost at 1 January 2025, net of accumulated amortisation	7,652
Additions	2,597
Amortisation provided during the year	(1,897)
Disposals	(347)
At 31 December 2025	8,005
At 31 December 2025:	
Cost	16,226
Accumulated amortisation	(8,221)
Net carrying amount	8,005
<b>31 December 2024</b>	
At 1 January 2024:	
Cost	12,743
Accumulated amortisation	(4,911)
Net carrying amount	7,832
Cost at 1 January 2024, net of accumulated amortisation	7,832
Additions	1,486
Amortisation provided during the year	(1,666)
At 31 December 2024	7,652
At 31 December 2024 and at 1 January 2025:	
Cost	14,229
Accumulated amortisation	(6,577)
Net carrying amount	7,652

## NOTES TO FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2025

### 17. OTHER NON-CURRENT ASSETS

	2025 RMB'000	2024 RMB'000
Prepayments for property, plant and equipment and intangible assets	2,806	897
Total	2,806	897

### 18. INVENTORIES

	2025 RMB'000	2024 RMB'000
Raw materials	54,566	57,778
Finished goods	231,237	70,205
Work in progress	20,334	15,920
Write-down of inventories	306,137 (1,405)	143,903 (2,664)
Total	304,732	141,239

### 19. TRADE RECEIVABLES

	2025 RMB'000	2024 RMB'000
Trade receivables	101,789	48,642
Impairment	(5,143)	(2,739)
Net carrying amount	96,646	45,903

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 approximately 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 reporting period, there were no receivables from related parties.

## NOTES TO FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2025

### 19. TRADE RECEIVABLES (CONTINUED)

An ageing analysis of the trade receivables as at the end of each reporting period, based on the invoice date and net of loss allowance, is as follows:

	2025 RMB'000	2024 RMB'000
Within 1 month	79,214	33,186
1 to 3 months	16,814	11,889
3 to 6 months	283	519
6 to 12 months	166	133
1 to 2 years	165	128
2 to 3 years	4	48
Total	96,646	45,903

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

	2025 RMB'000	2024 RMB'000
At beginning of year	2,739	3,286
Impairment losses, net	2,419	(540)
Amount written off as uncollectible	(15)	(7)
At end of year	5,143	2,739

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. The majority of the receivables were neither past due nor impaired and related 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 rate was 5.05% as at 31 December 2025 (31 December 2024: 5.63%).

## NOTES TO FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2025

### 20. PREPAYMENTS, OTHER RECEIVABLES AND OTHER ASSETS

	2025 RMB'000	2024 RMB'000
Prepayments	49,701	38,584
Deposits and other receivables	28,751	23,452
Recoverable VAT	21,988	2,763
	100,440	64,799
Impairment allowance	(207)	(197)
Total	100,233	64,602

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 37 to the financial statements.

### 21. CASH AND CASH EQUIVALENTS, AND RESTRICTED CASH

	2025 RMB'000	2024 RMB'000
Cash and bank balances	1,542,554	442,353
Less: Restricted cash	1,007	2,031
Cash and cash equivalents	1,541,547	440,322
Denominated in:		
HK\$	951,461	–
RMB	578,828	429,172
US\$	11,258	11,150

The RMB is not freely convertible into other currencies, however, under the Chinese mainland's Foreign Exchange Control Regulations and Administration of Settlement, and Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

Cash at banks earns interest at floating rates based on daily bank deposit rates. Short term time deposits are made for varying periods of between one day and three months depending on the immediate cash requirements of the Group, and earn interest at the respective short term time deposit rates. The bank balances are deposited with creditworthy banks with no recent history of default.

As of 31 December 2025, the bank balances of RMB1,007,000 were restricted from use, primarily comprising funds pending verification for capital contribution into a newly established subsidiary. As of 31 December 2024, the bank balances of RMB2,031,000 were restricted from use, mainly because certain branches were in the deregistration process due to closures of offline stores.

## NOTES TO FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2025

### 22. TRADE AND BILLS PAYABLES

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

	2025 RMB'000	2024 RMB'000
Within 1 month	94,339	54,120
1 to 3 months	71,121	47,470
3 to 6 months	534	3,457
6 months to 1 year	792	697
Over 1 year	713	270
Total	167,499	106,014

The trade and bills payables are non-interest-bearing and are normally settled on 90-day terms after issuance of the invoices.

### 23. OTHER PAYABLES AND ACCRUALS

	2025 RMB'000	2024 RMB'000
Payroll and welfare payable	86,911	38,214
Payables for purchase of long-term assets	16,333	18,354
Deposit payable	27,477	20,012
Accruals	108,561	70,275
Other payables	4,063	4,545
Other tax payable	18,234	17,337
Total	261,579	168,737

Other payables and accruals are non-interest-bearing and repayable on demand.

## NOTES TO FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2025

### 24. CONTRACT LIABILITIES

Details of contract liabilities are as follows:

	31 December 2025 RMB'000	31 December 2024 RMB'000	1 January 2024 RMB'000
Sale of products	23,140	13,319	10,118
Loyalty points	16,594	12,246	11,551
Others	1,095	689	772
<b>Total</b>	<b>40,829</b>	<b>26,254</b>	<b>22,441</b>

### 25. INTEREST-BEARING BANK BORROWINGS

As at 31 December 2025			
	Effective interest rate (%)	Maturity	RMB'000
<b>Current</b>			
Current portion of long term bank loans – secured	3.12	2026	23,432
<b>Non-current</b>			
Bank loans – secured	3.12	2027-2028	38,952

As at 31 December 2024			
	Effective interest rate (%)	Maturity	RMB'000
<b>Non-current</b>			
Bank loans – secured	3.46	2028	77,955

	2025 RMB'000	2024 RMB'000
Analysed into:		
Interest-bearing bank borrowings:		
Within one year or on demand	23,432	–
In the second year	23,371	–
In the third to fifth years, inclusive	15,581	77,955
<b>Total</b>	<b>62,384</b>	<b>77,955</b>

The Group's bank loans are secured by:

- (i) mortgages on certain of the Group's property, plant and equipment, which had an aggregate carrying amount of RMB171,357,000 at 31 December 2025 (31 December 2024: RMB172,811,000); and
- (ii) mortgages on certain of the Group's right-of-use assets, which had an aggregate carrying amount of RMB13,823,000 at 31 December 2025 (31 December 2024: RMB14,710,000).

## NOTES TO FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2025

### 26. DEFERRED TAX

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

#### Deferred tax assets

	Lease liabilities RMB'000	Impairment of assets RMB'000	Losses available for offsetting against future taxable profits RMB'000	Unrealised gains arising from intra-group transactions RMB'000	Accruals and others RMB'000	Total RMB'000
At 1 January 2024	10,073	1,110	36,108	15,797	2,591	65,679
Deferred tax credited/ (charged) to profit or loss during the year (note 11)	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 profit or loss during the year (note 11)	7,889	420	(10,408)	(3,548)	25,176	19,529
Gross deferred tax assets at 31 December 2025	20,332	1,542	11,195	35,562	38,487	107,118

## NOTES TO FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2025

### 26. DEFERRED TAX (CONTINUED)

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

#### Deferred tax liabilities

	Depreciation allowance in excess of related depreciation RMB'000	Right-of-use assets RMB'000	Total RMB'000
At 1 January 2024	358	11,414	11,772
Deferred tax charged to 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	<b>1,754</b>	<b>13,669</b>	<b>15,423</b>
Deferred tax charged to profit or loss during the year ( <i>note 11</i> )	<b>2,919</b>	<b>7,982</b>	<b>10,901</b>
Gross deferred tax liabilities at 31 December 2025	<b>4,673</b>	<b>21,651</b>	<b>26,324</b>

For presentation purposes, certain deferred tax assets and liabilities have been offset in the consolidated statement of financial position. The following is an analysis of the deferred tax balances of the Group for financial reporting purposes:

	2025 RMB'000	2024 RMB'000
Net deferred tax assets recognised in the consolidated statement of financial position	<b>80,794</b>	72,166

## NOTES TO FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2025

### 27. SHARE CAPITAL

	2025 RMB'000	2024 RMB'000
Issued and fully paid	27,933	25,140

A summary of movements in the Company's share capital is as follows:

	Number of shares in issue	Share capital RMB'000
At 31 December 2024	25,139,567	25,140
Share subdivision	100,558,268	–
Issue of shares from initial public offering	13,966,450	2,793
At 31 December 2025	139,664,285	27,933

On 24 December 2024, the Company convened the inaugural meeting, and passed the 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.

On 30 December 2025, the Company resolved to divide the shares according to a ratio of 1:5, and the par value of the shares was divided from RMB1.00 per share to RMB0.20 per share at the time of issuance and listing.

On 30 December 2025, 13,966,450 ordinary shares of par value of RMB0.20 each were issued at a price of HK\$77.77 per share in connection with the Company's initial public offering. The proceeds of HK\$3,088,317 (equivalent to RMB2,793,290) representing the par value, were credited to the Company's share capital. The remaining proceeds of approximately HK\$1,050,251,000 (equivalent to RMB949,921,000) after issue expenses were credited to the capital reserve account.

### 28. 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 June 2024 and January 2025, 14 and 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.

## NOTES TO FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2025

### 28. SHARE-BASED PAYMENT (CONTINUED)

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, respectively.

The fair values of the granted shares in June 2024 and January 2025 were determined at RMB7,043,000 and RMB8,117,000, respectively. The Group recognised the equity-settled share-based payment expenses of RMB5,125,000 and RMB10,166,000 in profit or loss during 2024 and 2025, respectively.

The following equity-settled share-based payment was outstanding under the share award arrangement during the year:

	Weighted average subscription price RMB per share	Number of shares '000
At 1 January 2024	16.18	1,236
Granted	39.78	103
Forfeited	20.40	(78)
At 31 December 2024	17.85	1,261
At 1 January 2025	<b>17.85</b>	<b>1,261</b>
Granted	<b>39.78</b>	<b>119</b>
Forfeited	<b>37.33</b>	<b>(116)</b>
At 31 December 2025	<b>18.13</b>	<b>1,264</b>

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:

	2025	2024
Expected volatility (%)	<b>37.55</b>	37.55
Historical volatility (%)	<b>37.55</b>	37.55
Risk-free interest rate (%)	<b>1.59</b>	1.59
Expected life of options (year)	<b>1.50</b>	1.50
Weighted average share price (RMB per share)	<b>107.75</b>	107.75

## NOTES TO FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2025

### 29. RESERVES

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

#### (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; (ii) over the previous nominal value of the Company's shares issued in exchange therefor, and (iii) the acquisition of minority interests of the Group's subsidiaries. Details of the movements in capital reserve are set out in the consolidated statement of changes in equity of the financial statements.

#### (c) Equity-settled share-based payment reserve

The equity-settled share-based payment reserve comprises the fair value of equity-settled share-based payments, as further explained in note 28.

### 30. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

#### (a) Major non-cash transactions

The Group had non-cash additions to right-of-use assets and lease liabilities of RMB114,627,000 for the year ended 31 December 2025 (31 December 2024: RMB69,575,000), 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 2025

	Interest-bearing bank borrowings RMB'000	Lease liabilities RMB'000
At 1 January 2025	77,955	50,870
Changes from financing cash flows	(17,843)	(70,366)
New leases	–	114,627
Interest expenses	2,272	3,195
Termination of lease contracts	–	(6,933)
At 31 December 2025	62,384	91,393

## NOTES TO FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2025

### 30. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)

#### (b) Changes in liabilities arising from financing activities (continued) As at 31 December 2024

	Interest-bearing bank borrowings RMB'000	Lease liabilities RMB'000
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)
At 31 December 2024	77,955	50,870

#### (c) Total cash outflow for leases

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

	2025 RMB'000	2024 RMB'000
Within operating activities	5,772	2,361
Within financing activities	70,366	61,050
Total	76,138	63,411

### 31. CONTINGENT LIABILITIES

As at 31 December 2025, the Group didn't have any significant contingent liabilities.

### 32. PLEDGE OF ASSETS

Details of the Group's assets pledged for the Group's interest-bearing bank borrowings are included in notes 14, 15 and 25, respectively, to the financial statements.

### 33. COMMITMENTS

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

	2025 RMB'000	2024 RMB'000
Contracted, but not provided for:		
Property, plant and equipment	5,077	10,152
Other intangible assets	1,980	1,002
Total	7,057	11,154

## NOTES TO FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2025

### 34. RELATED PARTY TRANSACTIONS

The Group had the following material transactions with related parties during the year:

#### (a) Transactions with related parties:

	2025 RMB'000	2024 RMB'000
<b>Sale of products to related parties</b>		
Company controlled by Ms. Jing Aimei*	200	196
<b>Lease from related parties</b>		
Mr. Sun Laichun	22	22
Company controlled by Ms. Jing Aimei*	23	3

\* Ms. Jing Aimei was appointed as a non-executive director in June 2024, and therefore the company controlled by Ms. Jing Aimei has become a related party of the Group since June 2024.

#### (b) Outstanding balances with related parties:

	2025 RMB'000	2024 RMB'000
Due from Mr. Sun Laichun	10	10
Due from a company controlled by Ms. Jing Aimei*	–	47

\* Ms. Jing Aimei was appointed as a non-executive director in June 2024, and therefore the company controlled by Ms. Jing Aimei has become a related party of the Group since June 2024.

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

	2025 RMB'000	2024 RMB'000
Salaries, allowances and benefits in kind	5,758	2,538
Performance related bonuses	5,797	4,324
Pension scheme and social welfare	873	570
Equity-settled share-based payment expenses	2,737	1,848
<b>Total</b>	<b>15,165</b>	<b>9,280</b>

Further details of directors' and the chief executive's emoluments are included in note 9 to the financial statements.

#### (d) Due from related parties:

As at 31 December 2025, 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.

## NOTES TO FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2025

### 35. FINANCIAL INSTRUMENTS BY CATEGORY

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

#### As at 31 December 2025

##### Financial assets

	Financial assets at amortised cost RMB'000
Trade receivables	96,646
Financial assets included in prepayments, other receivables and other assets	28,544
Restricted cash	1,007
Cash and cash equivalents	1,541,547
Total	1,667,744

##### Financial liabilities

	Financial liabilities at amortised cost RMB'000
Trade and bills payables	167,499
Financial liabilities included in other payables and accruals	47,873
Interest-bearing bank borrowings	62,384
Lease liabilities	91,393
Total	369,149

#### 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
Total	511,511

## NOTES TO FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2025

### 35. FINANCIAL INSTRUMENTS BY CATEGORY (CONTINUED)

As at 31 December 2024 (continued)

#### Financial liabilities

	Financial liabilities at amortised cost RMB'000
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
Total	277,750

### 36. 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, and 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 the Chinese mainland 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.

The fair values of the non-current portion of interest-bearing bank borrowings and lease liabilities have been calculated by discounting the expected future cash flows using rates currently available for instruments with similar terms, credit risk and remaining maturities. The changes in fair value as a result of the Group's own non-performance risk for interest-bearing bank borrowings as at 31 December 2025 were assessed to be insignificant.

## NOTES TO FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2025

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

#### Foreign currency risk

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

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

	(Decrease)/ increase in rate of foreign currency %	(Decrease)/ increase in profit after tax RMB'000	(Decrease)/ increase in equity RMB'000
2025			
If the US\$ weakens against the RMB	(5)	(478)	(478)
If the US\$ strengthens against the RMB	5	478	478
If the HK\$ weakens against the RMB	(5)	(40,437)	(40,437)
If the HK\$ strengthens against the RMB	5	40,437	40,437
2024			
If the US\$ weakens against the RMB	(5)	(474)	(474)
If the US\$ strengthens against the RMB	5	474	474

## NOTES TO FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2025

### 37. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

#### Credit risk

The Group trades mainly with recognised and creditworthy third parties. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis.

#### Maximum exposure and year-end staging

The 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.

The amounts presented are gross carrying amounts for financial assets.

#### As at 31 December 2025

	12-month ECLs		Lifetime ECLs		Simplified approach RMB'000	Total RMB'000
	Stage 1	Stage 2	Stage 3			
	RMB'000	RMB'000	RMB'000			
Trade receivables*	–	–	–	101,789	101,789	
Financial assets included in prepayments, other receivables and other assets						
– Normal**	28,751	–	–	–	28,751	
Restricted cash						
– Not yet past due	1,007	–	–	–	1,007	
Cash and cash equivalents						
– Not yet past due	1,541,547	–	–	–	1,541,547	
<b>Total</b>	<b>1,571,305</b>	<b>–</b>	<b>–</b>	<b>101,789</b>	<b>1,673,094</b>	

## NOTES TO FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2025

### 37. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

#### Maximum exposure and year-end staging (continued) As at 31 December 2024

	12-month ECLs		Lifetime ECLs		Simplified approach RMB'000	Total RMB'000
	Stage 1 RMB'000	Stage 2 RMB'000	Stage 3 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
<b>Total</b>	<b>465,805</b>	<b>–</b>	<b>–</b>		<b>48,642</b>	<b>514,447</b>

\* For trade receivables to which the Group applies the simplified approach for impairment, information based on the provision matrix is disclosed in note 19 to the financial statements.

\*\* The credit quality of 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”.

#### 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 the reporting period, based on the contractual undiscounted payments, is as follows:

#### At 31 December 2025

	Within 1 year RMB'000	1 to 5 years RMB'000	Total RMB'000
Lease liabilities	51,787	42,775	94,562
Interest-bearing bank borrowings	25,813	42,893	68,706
Trade and bills payables	167,499	–	167,499
Financial liabilities included in other payables and accruals	47,873	–	47,873
<b>Total</b>	<b>292,972</b>	<b>85,668</b>	<b>378,640</b>

## NOTES TO FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2025

### 37. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

#### Liquidity risk (continued)

At 31 December 2024

	Within 1 year RMB'000	1 to 5 years RMB'000	Total RMB'000
Lease liabilities	38,877	13,886	52,763
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
<b>Total</b>	<b>190,704</b>	<b>99,220</b>	<b>289,924</b>

#### Capital management

The primary objectives of the Group's capital management are to safeguard the Group's ability to continue as a going concern and to maintain healthy capital ratios in order to support its business and maximise shareholders' value.

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. The Group is not subject to any externally imposed capital requirements. No changes were made in the objectives, policies or processes for managing capital during the year.

The Group monitors capital using a gearing ratio, which is total liabilities divided by total assets. The gearing ratios as at the end of reporting periods were as follows:

	2025 RMB'000	2024 RMB'000
Total assets	2,500,275	1,073,954
Total liabilities	665,230	461,880
<b>Gearing ratio</b>	<b>27%</b>	<b>43%</b>

## NOTES TO FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2025

### 38. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	2025 RMB'000	2024 RMB'000
<b>NON-CURRENT ASSETS</b>		
Property, plant and equipment	212,697	198,406
Investment property	18,012	18,915
Right-of-use assets	39,205	18,149
Other intangible assets	7,757	7,289
Investments in subsidiaries	17,665	3,887
Deferred tax assets	–	604
Other non-current assets	2,806	897
<b>Total non-current assets</b>	<b>298,142</b>	<b>248,147</b>
<b>CURRENT ASSETS</b>		
Inventories	242,652	79,670
Due from related parties	434,710	409,259
Trade receivables	2	3
Prepayments, other receivables and other assets	14,819	19,125
Restricted cash	–	10
Cash and cash equivalents	1,392,493	351,088
<b>Total current assets</b>	<b>2,084,676</b>	<b>859,155</b>
<b>CURRENT LIABILITIES</b>		
Due to related parties	53,469	2,948
Trade and bills payables	156,093	103,595
Other payables and accruals	99,281	56,781
Contract liabilities	17,715	13,094
Interest-bearing bank borrowings	23,432	–
Lease liabilities	8,450	2,771
Tax payable	7,774	15,190
<b>Total current liabilities</b>	<b>366,214</b>	<b>194,379</b>
<b>NET CURRENT ASSETS</b>	<b>1,718,462</b>	<b>664,776</b>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>	<b>2,016,604</b>	<b>912,923</b>

## NOTES TO FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2025

### 38. STATEMENT OF FINANCIAL POSITION OF THE COMPANY (CONTINUED)

	2025 RMB'000	2024 RMB'000
<b>NON-CURRENT LIABILITIES</b>		
Interest-bearing bank borrowings	38,952	77,955
Lease liabilities	17,218	1,191
Deferred tax liabilities	1,883	–
<b>Total non-current liabilities</b>	<b>58,053</b>	79,146
<b>NET ASSETS</b>	<b>1,958,551</b>	833,777
<b>EQUITY</b>		
<b>Equity attributable to owners of the parent</b>		
Share capital	27,933	25,140
Reserves (note)	1,930,618	808,637
<b>Total equity</b>	<b>1,958,551</b>	833,777

Note:

A summary of the Company's reserves is as follows:

	Capital reserve RMB'000	Statutory reserve RMB'000	Equity-settled share-based payment reserve RMB'000	Retained profits RMB'000	Total RMB'000
Balance at 1 January 2024	326,181	12,570	11,659	319,039	669,449
Profit 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 and 1 January 2025	698,852	11,129	3,014	95,642	808,637
Profit for the year	–	–	–	262,170	262,170
Issuance of new shares upon the initial public offering (the "IPO")	944,673	–	–	–	944,673
Equity-settled share-based payment arrangements	–	–	10,166	–	10,166
Dividends paid to shareholders	–	–	–	(95,028)	(95,028)
Transfer from retained profits	–	2,838	–	(2,838)	–
At 31 December 2025	1,643,525	13,967	13,180	259,946	1,930,618

## NOTES TO FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2025

### 39. EVENTS AFTER THE REPORTING PERIOD

The Company announces that the over-allotment option has been fully exercised on 22 January 2026, in respect of an aggregate of 2,094,950 shares, representing approximately 15% of the total number of the offer shares available under the global offering at HK\$77.77 per share. The additional net proceeds of approximately HK\$158,511,000 (equivalent to RMB142,014,000) have been received by the Company from the allotment and issue of the over-allotment shares after deducting the underwriting fees and commission on 27 January 2026.

### 40. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 24 March 2026.