

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549
FORM 20-F

(Mark One)

☐ REGISTRATION STATEMENT PURSUANT TO SECTION 12(b) OR (g) OF THE SECURITIES EXCHANGE ACT OF 1934
OR

☒ ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the fiscal year ended December 31, 2025
OR

☐ TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
OR

☐ SHELL COMPANY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

Date of event requiring this shell company report

For the transition period from to

Commission file number: 001-39703

Yatsen Holding Limited

(Exact name of Registrant as specified in its charter)
N/A

(Translation of Registrant's name into English)
Cayman Islands

(Jurisdiction of incorporation or organization)
Floor 39, Poly Development Plaza
No. 832 Yue Jiang Zhong Road, Haizhu District
Guangzhou 510335
People's Republic of China
(Address of principal executive offices)
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Name, Telephone, E-mail and/or Facsimile number and Address of Company Contact Person)

Securities registered or to be registered pursuant to Section 12(b) of the Act:

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
American Depositary Shares, each representing twenty Class A ordinary shares, par value US\$0.00001 per share	YSG	New York Stock Exchange
Class A ordinary shares, par value US\$0.00001 per share*		New York Stock Exchange

*Not for trading, but only in connection with the listing on the New York Stock Exchange of our American depositary shares, each American depositary share representing twenty Class A ordinary shares effective on March 18, 2024. Prior to March 18, 2024, each American depositary share represented four Class A ordinary shares.

Securities registered or to be registered pursuant to Section 12(g) of the Act:

None
(Title of Class)

Securities for which there is a reporting obligation pursuant to Section 15(d) of the Act:

None
(Title of Class)

Indicate the number of outstanding shares of each of the issuer's classes of capital or common stock as of the close of the period covered by the annual report.

As of December 31, 2025, there were 1,877,236,043 ordinary shares outstanding, being the sum of 1,276,663,163 Class A ordinary shares (excluding Class A ordinary shares underlying the ADSs repurchased by our company pursuant to the share repurchase programs, Class A ordinary shares issued to the depository for bulk issuance of ADSs reserved for future issuances upon the exercise or vesting of options or awards granted under the share incentive plans and Class A ordinary shares held under the trusts for the benefit of certain employees, directors and officers of our company) and 600,572,880 Class B ordinary shares.

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. ☐ Yes ☒ No

If this report is an annual or transition report, indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934. ☐ Yes ☒ No

Note—Checking the box above will not relieve any registrant required to file reports pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934 from their obligations under those Sections.

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. ☒ Yes ☐ No

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). ☒ Yes ☐ No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or an emerging growth company. See definition of "large accelerated filer," "accelerated filer" and "emerging growth company" in Rule 12b-2 of the Exchange Act:

Large accelerated filer ☐ Non-accelerated filer ☐ Accelerated filer ☒ Emerging growth company ☐

If an emerging growth company that prepares its financial statements in accordance with U.S. GAAP, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards† provided pursuant to Section 13(a) of the Exchange Act. ☐

† The term "new or revised financial accounting standard" refers to any update issued by the Financial Accounting Standards Board to its Accounting Standards Codification after April 5, 2012.

Indicate by check mark whether the registrant has filed a report on and attestation to its management's assessment of the effectiveness of its internal control over financial reporting under Section 404(b) of the Sarbanes-Oxley Act (15 U.S.C. 7262(b)) by the registered public accounting firm that prepared or issued its audit report. ☒

If securities are registered pursuant to Section 12(b) of the Act, indicate by check mark whether the financial statements of the registrant included in the filing reflect the correction of an error to previously issued financial statements. ☐

Indicate by check mark whether any of those error corrections are restatements that required a recovery analysis of incentive-based compensation received by any of the registrant's executive officers during the relevant recovery period pursuant to §240.10D-1(b). ☐

Indicate by check mark which basis of accounting the registrant has used to prepare the financial statements included in this filing:

U.S. GAAP ☒ International Financial Reporting Standards as issued by the International Accounting Standards Board ☐ Other ☐

If "other" has been checked in response to the previous question, indicate by check mark which financial statement item the registrant has elected to follow. ☐ Item 17 ☐ Item 18

If this is an annual report, indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). ☐ Yes ☒ No

(APPLICABLE ONLY TO ISSUERS INVOLVED IN BANKRUPTCY PROCEEDINGS DURING THE PAST FIVE YEARS)

Indicate by check mark whether the registrant has filed all documents and reports required to be filed by Sections 12, 13 or 15(d) of the Securities Exchange Act of 1934 subsequent to the distribution of securities under a plan confirmed by a court. ☐ Yes ☐ No

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INTRODUCTION

Unless otherwise indicated or the context otherwise requires, references in this annual report on Form 20-F to:

- “ADRs” refer to the American depositary receipts that may evidence the ADSs;
- “ADSs” refer to the American depositary shares, each of which represents twenty Class A ordinary shares;
- “China” or the “PRC” refer to the People’s Republic of China, excluding, for the purposes of this annual report only, Hong Kong, Macau and Taiwan;
- “Class A ordinary shares” refer to our Class A ordinary shares, par value US\$0.00001 per share;
- “Class B ordinary shares” refer to our Class B ordinary shares, par value US\$0.00001 per share;
- “Color Cosmetics Brands” refer to *Perfect Diary*, *Little Ondine*, *Pink Bear* and other color cosmetics brands of our company;
- “DTC” refer to direct-to-consumer business model;
- “KOL” refer to key opinion leader;
- “NYSE” refer to the New York Stock Exchange;
- “ODM” refer to Original Design Manufacturer;
- “OEM” refer to Original Equipment Manufacturer;
- “our WFOE” refer to Guangzhou Yatsen Global Co., Ltd.;
- “RMB” and “Renminbi” refer to the legal currency of China;
- “Skincare Brands” refer to *Galénic*, *DR.WU* (its mainland China business), *Eve Lom* and other skincare brands of our company;
- “US\$,” “U.S. dollars,” “\$,” and “dollars” refer to the legal currency of the United States;
- “VIE” refer to variable interest entity, and “the VIE” mainly refer to Huizhi Weimei (Guangzhou) Trading Co., Ltd.; and
- “Yatsen,” “we,” “us,” “our company,” “our” and “Group” refer to Yatsen Holding Limited, our Cayman Islands holding company and its subsidiaries, and, in the context of describing our operations and consolidated financial information, the VIE and the subsidiaries of the VIE.

Unless otherwise noted, all translations from Renminbi to U.S. dollars and from U.S. dollars to Renminbi in this annual report are made at a rate of RMB6.9931 to US\$1.00, the exchange rate in effect as of December 31, 2025 as set forth in the H.10 statistical release of The Board of Governors of the Federal Reserve System. We make no representation that any Renminbi or U.S. dollar amounts referred to in this annual report could have been, or could be, converted into U.S. dollars or Renminbi, as the case may be, at any particular rate, or at all.

Due to rounding, numbers presented throughout this annual report may not add up precisely to the totals provided and percentages may not precisely reflect the absolute figures.

On March 18, 2024, we effected an ADS ratio change to adjust our Class A ordinary share to ADS ratio from one ADS representing four Class A ordinary shares to one ADS representing twenty Class A ordinary shares. Unless otherwise stated, the ADS ratio change has been retrospectively applied for all periods presented in this annual report.

FORWARD-LOOKING INFORMATION

This annual report on Form 20-F contains forward-looking statements that reflect our current expectations and views of future events. The forward-looking statements are contained principally in the sections entitled “Item 3. Key Information—D. Risk Factors,” “Item 4. Information on the Company—B. Business Overview,” and “Item 5. Operating and Financial Review and Prospects.” Known and unknown risks, uncertainties and other factors, including those listed under “Item 3. Key Information—D. Risk Factors,” may cause our actual results, performance or achievements to be materially different from those expressed or implied by the forward-looking statements.

You can identify some of these forward-looking statements by words or phrases such as “may,” “will,” “expect,” “anticipate,” “aim,” “estimate,” “intend,” “plan,” “believe,” “is/are likely to,” “potential,” “continue” or other similar expressions. We have based these forward-looking statements largely on our current expectations and projections about future events that we believe may affect our financial condition, results of operations, business strategy and financial needs. These forward-looking statements include statements relating to:

- our goals and strategies;
- our future business development, financial condition and results of operations;
- the trends in, expected growth and the market size of the beauty industry, both in the PRC and globally;
- our expectation regarding the prospects of our business model, and demand for and market acceptance of our products;
- our ability to develop and launch beauty products and introduce new brands that appeal to the preferences of customers;
- our expectations regarding the effectiveness of our marketing initiatives and the relationship with our third-party business partners;
- competition in our industry;
- relevant government policies and regulations relating to us, and their future development;
- general economic and business conditions globally and in China; and
- assumptions underlying or related to any of the foregoing.

These forward-looking statements involve various risks and uncertainties. Although we believe that our expectations expressed in these forward-looking statements are reasonable, our expectations may later be found to be incorrect. Our actual results could be materially different from our expectations. Important risks and factors that could cause our actual results to be materially different from our expectations are generally set forth in “Item 3. Key Information—D. Risk Factors,” “Item 4. Information on the Company—B. Business Overview,” “Item 5. Operating and Financial Review and Prospects,” and other sections in this annual report. You should read thoroughly this annual report and the documents that we refer to with the understanding that our actual future results may be materially different from and worse than what we expect. We qualify all of our forward-looking statements by these cautionary statements.

The forward-looking statements made in this annual report relate only to events or information as of the date on which the statements are made in this annual report. Except as required by law, we undertake no obligation to update or revise publicly any forward-looking statements, whether as a result of new information, future events or otherwise, after the date on which the statements are made or to reflect the occurrence of unanticipated events. You should read this annual report and the documents that we refer to in this annual report and have filed as exhibits to this annual report completely and with the understanding that our actual future results may be materially different from what we expect.

PART I

ITEM 1. IDENTITY OF DIRECTORS, SENIOR MANAGEMENT AND ADVISERS

Not applicable.

ITEM 2. OFFER STATISTICS AND EXPECTED TIMETABLE

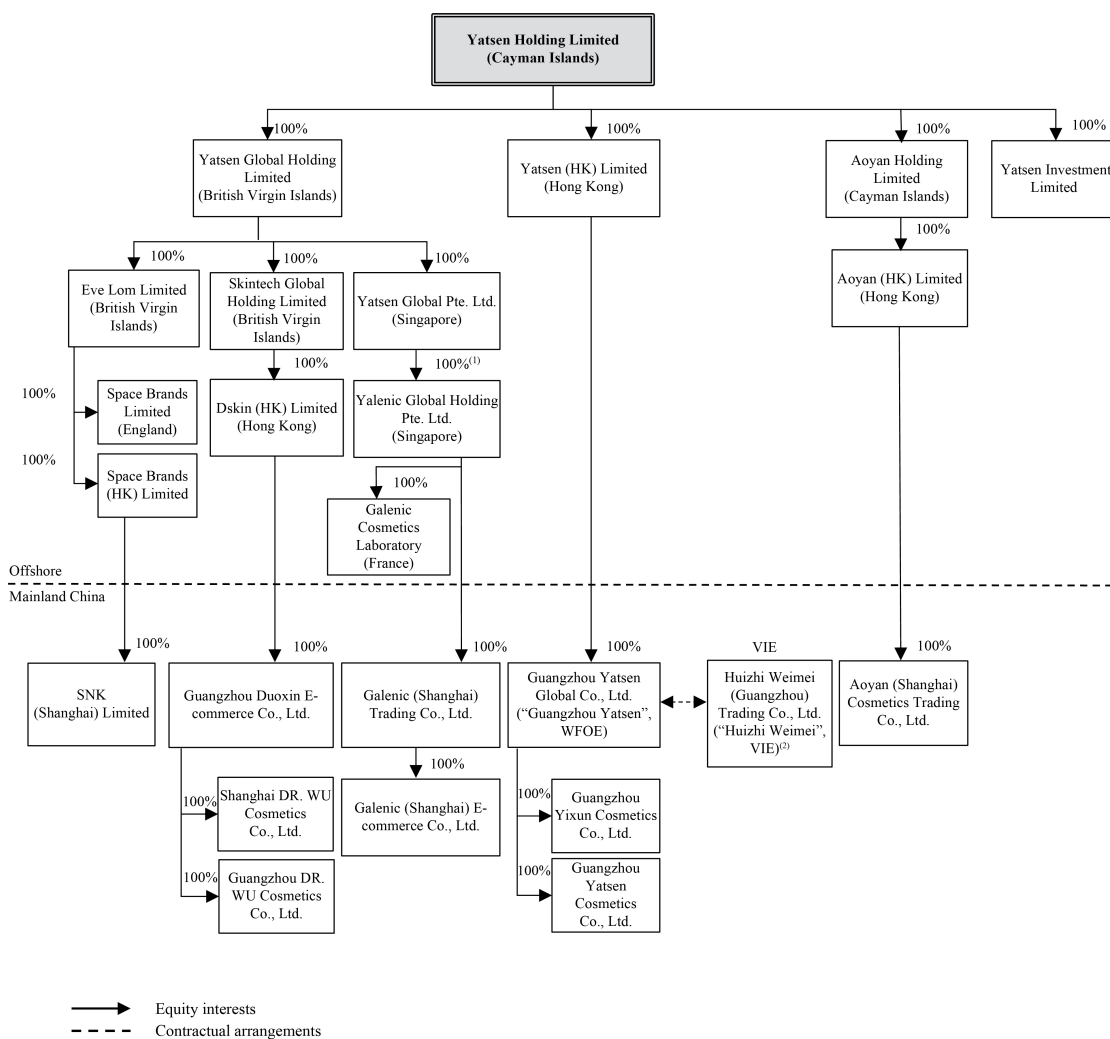
Not applicable.

ITEM 3. KEY INFORMATION

Our Holding Company Structure and Contractual Arrangements with the VIE

Yatsen Holding Limited is not an operating company in China but a Cayman Islands holding company with no equity ownership in the VIE. Our Cayman Islands holding company does not conduct business operations directly. We conduct our operations in China through (i) our PRC subsidiaries and (ii) the VIE with which we have maintained contractual arrangements. PRC laws and regulations impose certain restrictions or prohibitions on foreign ownership of companies that engage in certain value-added telecommunication services, internet audio-video program services and certain other businesses. Accordingly, if we operate or we invest in companies that operate these businesses in China, we need to operate or make such investments through the VIE and its subsidiaries, and rely on contractual arrangements among one of our PRC subsidiaries, the VIE and its nominee shareholders to control the business operations of the VIE, although our wholly foreign-owned subsidiaries still generate a significant majority of our revenues and hold a significant majority of our operational assets. The VIE structure provides contractual exposure to foreign investment in the China-based operating companies where PRC laws and regulations impose certain restrictions or prohibitions on direct foreign investment in the operating companies. Main assets held by the VIE and its subsidiaries include the majority of the social platforms and content offering platforms we operate such as Weixin public accounts and mini-programs, which are registered and held by the VIE and its subsidiaries. The VIE conducts operations in China, and its financial results have been consolidated into our consolidated financial statement for accounting purposes under U.S. GAAP. Third-party revenues contributed by the VIE and its subsidiaries accounted for 5.4%, 4.9% and 3.1% of our total revenues for the years ended December 31, 2023, 2024 and 2025, respectively. As used in this annual report, “we,” “us,” “our company” and “our” refers to Yatsen Holding Limited, its subsidiaries, and, in the context of describing our operations and consolidated financial information, the VIE in China, which mainly refers to Huizhi Weimei (Guangzhou) Trading Co., Ltd. (including its subsidiaries), or Huizhi Weimei. Holders of our ADSs hold equity interest in Yatsen Holding Limited, our Cayman Islands holding company, and do not have direct or indirect equity interest in the VIE. The VIE structure involves unique risks to investors, and holders of our ADSs may never directly hold equity interests in the VIE in China. See “Item 3. Key Information—D. Risk Factors—Risks Relating to Our Corporate Structure.”

The following diagram illustrates our corporate structure as of the date of this annual report, including our principal subsidiaries and other entities that are material to our business, as of the date of this annual report:



Note:

- (1) In April 2026, Yatsen Global Pte. Ltd. acquired the remaining 10% equity interest in Yalenic Global Holding Pte. Ltd.
- (2) Mr. Jinfeng Huang, our chief executive officer and controlling shareholder, holds 75.0% of equity interests in Huizhi Weimei. The remaining 25.0% of the equity interests in Huizhi Weimei are held by Yuemei (Guangzhou) Trading Co., Ltd., a PRC company controlled by Mr. Jinfeng Huang, who holds 90% of equity interests therein.

A series of contractual agreements, including proxy agreement and power of attorney, equity pledge agreement, exclusive business cooperation agreement and exclusive call option agreement, have been entered into by and among our subsidiary, the VIE and its shareholders. Despite the lack of legal majority ownership, our Cayman Islands holding company is considered the primary beneficiary of the VIE and consolidates the VIE and its subsidiaries as required by Accounting Standards Codification, or ASC, topic 810, *Consolidation*. Accordingly, we treat the VIE as our consolidated entity under accounting principles generally accepted in the United States of America, or U.S. GAAP, and we consolidate the financial results of the VIE in our consolidated financial statements in accordance with U.S. GAAP. For more details of these contractual arrangements, see “Item 4. Information on the Company—C. Organizational Structure—Contractual Arrangements with the VIE and Its Shareholders.”

Our corporate structure is subject to risks associated with our contractual arrangements with the VIE. The contractual arrangements may not be as effective as direct ownership in providing us with control over the VIE and we may incur substantial costs to enforce the terms of the arrangements. As of the date of this annual report, our contracts with the VIE have not been tested in a court of law. Uncertainties in the PRC legal system may limit our ability, as a Cayman Islands holding company, to enforce these contractual arrangements. It is uncertain whether any new PRC laws or regulations relating to VIE structures will be adopted or if adopted, what they would provide. If we or the VIE is found to be in violation of any existing or future PRC laws or regulations, or fail to obtain or maintain any of the required permits or approvals, the PRC regulatory authorities would have broad discretion to take action in dealing with such violations or failures. There are very few precedents as to whether contractual arrangements would be ruled to form effective control over the relevant VIE through the contractual arrangements, or how contractual arrangements in the context of a VIE should be interpreted or enforced by the PRC courts. Should legal actions become necessary, we cannot guarantee that the court will rule in favor of the enforceability of the VIE contractual arrangements. In the event we are unable to enforce these contractual arrangements, or if we suffer significant delay or other obstacles in the process of enforcing those contractual arrangements, we may not be able to exert effective control over the VIE, and our ability to conduct our business and the financial performance of the VIE and our company as a whole may be materially adversely affected. In addition, the PRC regulatory authorities could disallow the VIE structure, which would likely result in a material adverse change in our operations, and our ADSs may decline significantly in value or become worthless. See “Item 3. Key Information—D. Risk Factors—Risks Relating to Our Corporate Structure.”

We face various legal and operational risks and uncertainties related to doing business in China that could result in a material change in our operations and the value of our ADSs. The majority of our current business operations are conducted in China, and we are subject to complex and evolving PRC laws and regulations. For example, we face risks associated with regulatory approvals on offshore offerings and listings, anti-monopoly regulatory actions, and oversight on cybersecurity and data privacy. PRC government’s significant authority in regulating our operations and its oversight and control over offerings conducted overseas by, and foreign investment in, China-based issuers could significantly limit or completely hinder our ability to offer or continue to offer securities to investors. Implementation of industry-wide regulations in this nature may cause the value of such securities to significantly decline or be worthless. For more details, see “Item 3. Key Information—D. Risk Factors—Risks Relating to Doing Business in China—The PRC government’s significant oversight and discretion over our business operation could result in a material adverse change in our operations and the value of our ADSs.”

For example, the Data Security Law and the Personal Information Protection Law in 2021 posed additional challenges to our cybersecurity and data privacy compliance. The Revised Measures for Cybersecurity Review issued by the Cyberspace Administration of China and several other PRC governmental authorities in December 2021, as well as the Regulations on the Network Data Security published by the PRC State Council on September 24, 2024 and effective on January 1, 2025, imposed potential additional restrictions on China-based overseas-listed companies like us. If the Revised Measures for Cybersecurity Review and the enacted version of the Regulations on the Network Data Security mandate clearance of cybersecurity review and other specific actions to be taken by issuers like us, we face uncertainties as to whether these additional procedures can be completed by us timely, or at all, which may subject us to government enforcement actions and investigations, fines, penalties, or suspension of our non-compliant operations, and materially and adversely affect our business and results of operations and the price of our ADSs. See “Item 3. Key Information—D. Risk Factors—Risks Relating to Our Business and Industry—We collect, store, process and use a variety of customer data and information for analysis of the changing consumer preferences and fashion trends. The improper use or disclosure of data could have a material and adverse effect on our business and prospects” and “—We are required to comply with PRC laws relating to privacy, personal information, data security and cybersecurity. Failure to comply with these laws and regulations would result in claims, penalties, damages to our reputation and brand, or otherwise harm our business” for additional details.

In addition, on February 17, 2023, the China Securities Regulatory Commission, or the CSRC, promulgated Trial Administrative Measures of Overseas Securities Offering and Listing by Domestic Companies, and five relevant supporting guidelines, together referred to as the New Overseas Listing Rules, which became effective on March 31, 2023. According to the New Overseas Listing Rules, an overseas offering and listing by a domestic company, whether directly or indirectly, shall be filed with the CSRC. On the same day when the New Overseas Listing Rules were promulgated, the CSRC also held a press conference for the release of the Trial Administrative Measures of Overseas Securities Offering and Listing by Domestic Companies and issued Notice on Administration for the Filing of Overseas Offering and Listing by Domestic Companies, which clarified that starting from March 31, 2023, enterprises that have been listed overseas shall be deemed as “the Stock Enterprises” and are not required to complete the overseas listing filing immediately until they conduct refinancing or are involved in other circumstances that require filing with the CSRC. However, in the event that we conduct refinancing or are involved in other circumstances where filings are required with the CSRC and we fail to do so, or if we fail to complete the filing procedures for any future offshore offering or listing, our PRC operations may face sanctions by the CSRC or other PRC regulatory authorities, which may include warnings, orders of correction and fines between RMB1 million and RMB10 million, which could have a material and adverse effect on our business, financial condition, results of operations, reputation and prospects, as well as the trading price of our ADSs. See “Item 3. Key Information—D. Risk Factors—Risks Relating to Doing Business in China—The approval of and filing with the CSRC or other PRC government authorities may be required in connection with our offshore offerings under PRC law, and, if required, we cannot predict whether or for how long we will be able to obtain such approval or complete such filing.”

Furthermore, the PRC anti-monopoly regulators have promulgated new anti-monopoly and competition laws and regulations and strengthened the enforcement under these laws and regulations. There remain uncertainties as to how these laws, regulations and guidelines will be implemented and whether these laws, regulations and guidelines will have a material impact on our business, financial condition, results of operations and prospects. We cannot assure you that our business operations comply with such regulations and authorities’ requirements in all respects. If any non-compliance is raised by the authorities and determined against us, we may be subject to fines and other penalties.

Risks and uncertainties arising from the legal system in China, including risks and uncertainties regarding the enforcement of laws and quickly evolving rules and regulations in China, could result in a material adverse change in our operations and the value of our ADSs. For more details, see “Item 3. Key Information—D. Risk Factors—Risks Relating to Doing Business in China—Uncertainties with respect to the PRC legal system could adversely affect us” and “Item 3. Key Information—D. Risk Factors—Risks Relating to Our Business and Industry—We may be adversely affected by the complexity, uncertainties and changes in PRC regulation of internet-related business and companies, including limitations on our ability to own key assets.”

These risks, if materialized, could result in a material adverse change in our operations and the value of our ADSs, significantly limit or completely hinder our ability to continue to offer securities to investors, or cause the value of such securities to significantly decline or be worthless. For a detailed description of risks related to doing business in China, see “Item 3. Key Information—D. Risk Factors—Risks Relating to Doing Business in China.”

Permissions or Filings Required from the PRC Authorities for Our Operations and Offshore Offerings

We conduct our business primarily through our subsidiaries and the VIE in China. Our operations in China are governed by PRC laws and regulations. As of the date of this annual report, our PRC subsidiaries and the VIE are required to obtain, and have obtained the following requisite permissions from the PRC government authorities that are necessary for the business operations of our holding company, our subsidiaries and the VIE in China: the Permit for Production and Operation of Radio and Television Programs, Record Filing Certificate for Operation of Class II Medical Devices for sales of medical skincare products, Record Filing for Online Sales of Medical Devices and the Permit for the Food Trade for our sale of health-care food and snacks. In addition, we have completed the Consignor/Consignee Registration for Export and Import of Goods to carry out import of goods to facilitate the operation of our portfolio brands and to implement our sales of products to overseas markets. We have filed the franchise agreement in effect with the Department of Commerce of Guangdong Province for the launch of our franchise business model for our products under the Perfect Diary brand. Given the uncertainties of interpretation and implementation of relevant laws and regulations and the enforcement practice by the government authorities, we may be required to obtain additional licenses, permits, filings or approvals for the functions and services of our business in the future, and may not be able to maintain or renew our current licenses, permits, filings or approvals. For more

detailed information, see “Item 3. Key Information—D. Risk Factors—Risks Relating to Our Business and Industry—If the content we produce and distribute through online social and content platforms, or content available on our website, is deemed to violate PRC laws or regulations, our business and results of operations may be materially and adversely affected.”

The PRC governmental authorities have promulgated PRC laws and regulations relating to cybersecurity review and overseas listings. In connection with our previous issuance of securities to foreign investors, under current PRC laws, regulations and regulatory rules, as of the date of this annual report, we, our PRC subsidiaries and the VIE, (i) are not required to obtain permissions from the CSRC, as advised by our PRC legal counsel, (ii) have not been required by competent PRC governmental authorities to go through cybersecurity review by the Cyberspace Administration of China, and a phone consultation dated February 25, 2026 conducted by our PRC legal counsel with the China Cybersecurity Review, Certification and Market Regulation Big Data Center further confirmed that the requirement for cybersecurity review before certain public offerings on a foreign stock exchange under the Revised Measures for Cybersecurity Review would not apply to previous issuances of securities to foreign investors that occurred before the adoption of the Revised Measures for Cybersecurity Review, and (iii) have not received or were denied such requisite permissions by any PRC authority. However, if the governmental authorities subsequently disagree with our conclusion that such approvals were not required, or if applicable laws, regulations or interpretations change in a way that requires us to obtain such approvals in the future, we may be unable to obtain such necessary approvals in a timely manner, or at all, and such approvals may be rescinded even if obtained. Any such circumstance could subject us to penalties, including fines, suspension of business and revocation of required licenses, significantly limit or completely hinder our ability to continue to offer securities to investors and cause the value of such securities to significantly decline or be worthless. Furthermore, in connection with any future offering and listing in an overseas market, under current PRC laws, regulations and regulatory rules, we, our PRC subsidiaries and the VIE may be required to obtain permissions from the CSRC, and may be required to go through cybersecurity review by the Cyberspace Administration of China, or the Cyberspace Administration of China. If we fail to obtain the approval or complete other review or filing procedures for any future offshore offering or listing, we may face sanctions by the CSRC or other PRC regulatory authorities, which may include fines and penalties on our operations in China, limitations on our operating privileges in China, restrictions on or prohibition of the payments or remittance of dividends by our subsidiaries in China, restrictions on or delays to our future financing transactions offshore, or other actions that could have a material and adverse effect on our business, financial condition, results of operations, reputation and prospects, as well as the trading price of our ADSs. For more detailed information, see “Item 3. Key Information—D. Risk Factors—Risks Relating to Doing Business in China—The approval of and filing with the CSRC or other PRC government authorities may be required in connection with our offshore offerings under PRC law, and, if required, we cannot predict whether or for how long we will be able to obtain such approval or complete such filing” and “Item 3. Key Information—D. Risk Factors—Risks Relating to Our Business and Industry—We collect, store, process and use a variety of customer data and information for analysis of the changing consumer preferences and fashion trends. The improper use or disclosure of data could have a material and adverse effect on our business and prospects” and “—We are required to comply with PRC laws relating to privacy, personal information, data security and cybersecurity. Failure to comply with these laws and regulations would result in claims, penalties, damages to our reputation and brand, or otherwise harm our business.”

The Holding Foreign Companies Accountable Act

Pursuant to the Holding Foreign Companies Accountable Act, if the Securities and Exchange Commission, or the SEC, determines that we have filed audit reports issued by a registered public accounting firm that has not been subject to inspections by the Public Company Accounting Oversight Board (United States), or the PCAOB, for two consecutive years, the SEC will prohibit our shares or the ADSs from being traded on a national securities exchange or in the over-the-counter trading market in the United States. On December 16, 2021, the PCAOB issued a report to notify the SEC of its determination that the PCAOB was unable to inspect or investigate completely registered public accounting firms headquartered in mainland China and Hong Kong, including our auditor. On December 15, 2022, the PCAOB issued a report that vacated its December 16, 2021 determination and removed mainland China and Hong Kong from the list of jurisdictions where it is unable to inspect or investigate completely registered public accounting firms. As of the date of this annual report, the PCAOB has not issued any new determination that it is unable to inspect or investigate completely registered public accounting firms headquartered in any jurisdiction. For this reason, we do not expect to be identified as a Commission-Identified Issuer under the HFCAA after we file this annual report on Form 20-F.

Each year, the PCAOB will determine whether it can inspect and investigate completely audit firms in mainland China and Hong Kong, among other jurisdictions. If PCAOB determines in the future that it no longer has full access to inspect and investigate completely accounting firms in mainland China and Hong Kong and we continue to use an accounting firm headquartered in one of these jurisdictions to issue an audit report on our financial statements filed with the SEC, we would be identified as a Commission-Identified Issuer following the filing of the annual report on Form 20-F for the relevant fiscal year. There can be no assurance that we would not be identified as a Commission-Identified Issuer for any future fiscal year, and if we were so identified for two consecutive years, we would become subject to the prohibition on trading under the HFCAA. See “Item 3. Key Information—D. Risk Factors—Risks Relating to Doing Business in China—The PCAOB had historically been unable to inspect our auditor in relation to their audit work performed for our financial statements and the inability of the PCAOB to conduct inspections of our auditor in the past has deprived our investors with the benefits of such inspections.” and “Item 3. Key Information—D. Risk Factors—Risks Relating to Doing Business in China—Our ADSs may be prohibited from trading in the United States under the Holding Foreign Companies Accountable Act, or the HFCAA, in the future if the PCAOB is unable to inspect or investigate completely auditors located in China. The delisting of our ADSs, or the threat of their being delisted, may materially and adversely affect the value of your investment.”

Cash and Asset Flows Through Our Organization

Yatsen Holding Limited is a holding company with no operations of its own. We conduct our operations in China primarily through our subsidiaries and the VIE in China. As a result, although other means are available for us to obtain financing at the holding company level, Yatsen Holding Limited’s ability to pay dividends to the shareholders and to service any debt it may incur may depend upon dividends paid by our PRC subsidiaries and license and service fees paid by the VIE in China. If any of our subsidiaries incurs debt on its own behalf in the future, the instruments governing such debt may restrict its ability to pay dividends to Yatsen Holding Limited. In addition, our PRC subsidiaries are permitted to pay dividends to Yatsen Holding Limited only out of their retained earnings, if any, as determined in accordance with PRC accounting standards and regulations. Further, our PRC subsidiaries and the VIE are required to make appropriations to certain statutory reserve funds or may make appropriations to certain discretionary funds, which are not distributable as cash dividends except in the event of a solvent liquidation of the companies. For more details, see “Item 5. Operating and Financial Review and Prospects—B. Liquidity and Capital Resources—Holding Company Structure.” Our subsidiaries’ ability to distribute dividends is based upon their distributable earnings.

We have established stringent controls and procedures for cash flows within our organization. Each transfer of cash between our Cayman Islands holding company and a subsidiary, the VIE or its subsidiaries is subject to internal approval. The cash inflows of the Cayman Islands holding company were primarily generated from the proceeds we received from our initial public offering of ADSs and other financing activities. For the years ended December 31, 2023, 2024 and 2025, the Cayman Islands holding company did not provide any capital contributions to our subsidiaries. For the years ended December 31, 2023 and 2024, the VIE received net debt financing of RMB75.0 million and RMB25.5 million from our WFOE, respectively. For the year ended December 31, 2025, the VIE repaid net debt financing of RMB12.8 million (US\$1.8 million) to our WFOE. For the years ended December 31, 2023, 2024 and 2025, our WFOE received RMB64.1 million, RMB31.1 million and RMB11.2 million (US\$1.6 million), respectively, from the VIE, which represented purchase of inventories, logistics services, promotion services and others. For the years ended December 31, 2023, 2024 and 2025, no assets other than cash were transferred between the Cayman Islands holding company and a subsidiary, the VIE or its subsidiaries, no subsidiaries paid dividends or made other distributions to the holding company, and no dividends or distributions were paid or made to U.S. investors. We currently intend to retain most, if not all, of our available funds and any future earnings to operate and expand our business. See “Item 8. Financial Information—A. Consolidated Statements and Other Financial Information—Dividend Policy.” However, if our PRC subsidiaries declare and distribute profits to us, such payments will be subject to withholding tax, which will increase our tax liability and reduce the amount of cash available to our company. For more information on related risks, please see “Item 3. Key Information—D. Risk Factors—Risks Relating to Doing Business in China—We may rely on dividends and other distributions on equity paid by our PRC subsidiaries to fund any cash and financing requirements we may have, and any limitation on the ability of our PRC subsidiaries to make payments to us could have a material and adverse effect on our ability to conduct our business.” For PRC and United States federal income tax considerations of an investment in our ADSs, see “Item 10. Additional Information—E. Taxation.”

The VIE may transfer cash to our WFOE by paying service fees according to the contractual arrangements. For the years ended December 31, 2023, 2024 and 2025, no service fees were paid by the VIE to our WFOE. For details of the financial position, cash flows and results of operations of the VIE, see “Item 3. Key Information—Financial Information Related to the VIE.” We plan to determine the amount of service fee with the VIE and its shareholders through bona fide negotiation, and settle fees under the contractual arrangements accordingly in the future.

Under the current laws of the Cayman Islands, Yatsen Holding Limited is not subject to tax on income or capital gains. Upon payments of dividends to our shareholders, no Cayman Islands withholding tax will be imposed. For purposes of illustration, the following discussion reflects the hypothetical taxes that might be required to be paid in mainland China and Hong Kong, assuming that: (i) we have taxable earnings in the VIE, and (ii) we determine to pay a dividend in the future:

	Tax Calculation⁽¹⁾
Hypothetical pre-tax earnings in the VIE ⁽¹⁾	100.00
Tax on earnings at statutory rate of 25% at Guangzhou Yatsen Global Co., Ltd. level	(25.00)
Amount to be distributed as dividend from Guangzhou Yatsen Global Co., Ltd. to Yatsen (HK) Limited ⁽²⁾	75.00
Withholding tax at tax treaty rate of 5%	(3.75)
Amount to be distributed as dividend at the Yatsen (HK) Limited level and net distribution to Yatsen Holding Limited ⁽³⁾	71.25

Notes:

* The table above has been prepared under the assumption that all profits of the VIE will be distributed as fees to our WFOE under tax neutral contractual arrangements. If, in the future, the accumulated earnings of the VIE exceed the service fees paid to our WFOE (or if the current and contemplated fee structure between the intercompany entities is determined to be non-substantive and disallowed by Chinese tax authorities), the VIE could make a non-deductible transfer to our WFOE for the amounts of the stranded cash in the VIE. This would result in such transfer being non-deductible expenses for the VIE but still taxable income for our WFOE. Our management believes that there is only a remote possibility that this scenario would happen.

Should all tax planning strategies fail, the VIE could, as a matter of last resort, make a non-deductible transfer to our WFOE for amounts of stranded cash in the VIE. This would result in the double taxation of earnings: once at the VIE level (non-deductible expense) and again at the WFOE level (for presumptive earnings on the transfer). This has the impact of reducing the amount available above from 71.25% to approximately 53% of pre-tax income, respectively. Our management believes that such scenario is unlikely to occur.

- (1) For purposes of this example, the tax calculation has been simplified. The hypothetical book pre-tax earnings amount, not considering timing differences, is assumed to equal taxable income in China.
- (2) PRC Enterprise Income Tax Law imposes a withholding income tax of 10% on dividends distributed by a Foreign Invested Enterprise to its immediate holding company outside of mainland China. A lower withholding income tax rate of 5% is applied if the Foreign Invested Enterprise's immediate holding company is registered in Hong Kong or other jurisdictions that have a tax treaty arrangement with mainland China, subject to a qualification review at the time of the distribution. There is no incremental tax at the Yatsen (HK) Limited level for any dividend distribution to Yatsen Holding Limited.
- (3) If a 10% withholding income tax rate is imposed, the withholding tax will be 7.5 and the amount to be distributed as dividend at the Yatsen (HK) Limited level and net distribution to Yatsen Holding Limited will be 67.5.

In addition, our PRC subsidiaries, the VIE and its subsidiaries generate their revenue primarily in Renminbi, which is not freely convertible into other currencies. As a result, any restriction on currency exchange may limit the ability of our PRC subsidiaries to pay dividends to us. For more details, see “Item 3. Key Information—D. Risk Factors—Risks Relating to Doing Business in China—We may rely on dividends and other distributions on equity paid by our PRC subsidiaries to fund any cash and financing requirements we may have, and any limitation on the ability of our PRC subsidiaries to make payments to us could have a material and adverse effect on our ability to conduct our business,” and “Item 3. Key Information—D. Risk Factors—Risks Relating to Doing Business in China—PRC regulation of loans to and direct investment in PRC entities by offshore holding companies and governmental control of currency conversion may delay or prevent us from using the proceeds from our securities offering to make loans or additional capital contributions to our PRC subsidiaries and the VIE in China, which could materially and adversely affect our liquidity and our ability to fund and expand our business.”

Financial Information Related to the VIE

The following tables present the condensed consolidating schedules for Yatsen Holding Limited, its subsidiaries, the VIE and other entities as of the dates presented.

Selected Condensed Consolidated Statements of Income Information

For the Year Ended December 31, 2025						
Yatsen Holding Limited	Other Subsidiaries	Primary Beneficiary of VIE (WFOE and its subsidiaries)	VIE and VIE's Subsidiaries	Eliminating adjustments	Consolidated Totals	
(RMB in thousands)						
Third-party revenues	—	2,848,544	1,317,229	132,351	—	4,298,124
Inter-company revenues ⁽¹⁾	—	78,829	916,721	42,852	(1,038,402)	—
Third-party costs and expense	(19,873)	(2,342,854)	(2,000,572)	(120,619)	—	(4,483,918)
Inter-company costs and expense	—	(885,941)	(99,296)	(51,619)	1,036,856	—
(Loss) income from subsidiaries and VIE	(121,136)	145,531	11,422	—	(35,817)	—
Income from non-operations	60,141	14,668	1,430	17,033	—	93,272
(Loss) income before income tax expenses	(80,868)	(141,223)	146,934	19,998	(37,363)	(92,522)
Income tax benefit (expenses)	—	8,685	(1)	(8,576)	—	108
Net (loss) income	(80,868)	(132,538)	146,933	11,422	(37,363)	(92,414)
Less: net loss attributable to non-controlling interests and redeemable non-controlling interests	—	(11,402)	(144)	—	—	(11,546)
Net (loss) income attributable to Yatsen Holding Limited's shareholders	(80,868)	(121,136)	147,077	11,422	(37,363)	(80,868)
For the Year Ended December 31, 2024						
Yatsen Holding Limited	Other Subsidiaries	Primary Beneficiary of VIE (WFOE and its subsidiaries)	VIE and VIE's Subsidiaries	Eliminating adjustments	Consolidated Totals	
(RMB in thousands)						
Third-party revenues	—	1,865,403	1,360,692	167,319	—	3,393,414
Inter-company revenues ⁽¹⁾	—	7,897	359,439	—	(367,336)	—
Third-party costs and expense	(23,204)	(2,064,396)	(2,028,584)	(102,121)	—	(4,218,305)
Inter-company costs and expense	—	(318,832)	(4,846)	(43,616)	367,294	—
(Loss) income from subsidiaries and VIE	(774,577)	(263,076)	37,463	—	1,000,190	—
Income from non-operations	89,607	(17,100)	12,568	26,509	—	111,584
(Loss) income before income tax expenses	(708,174)	(790,104)	(263,268)	48,091	1,000,148	(713,307)
Income tax benefit (expenses)	—	13,714	—	(10,628)	—	3,086
Net (loss) income	(708,174)	(776,390)	(263,268)	37,463	1,000,148	(710,221)
Less: net loss attributable to non-controlling interests and redeemable non-controlling interests	—	(1,813)	(234)	—	—	(2,047)
Net (loss) income attributable to Yatsen Holding Limited's shareholders	(708,174)	(774,577)	(263,034)	37,463	1,000,148	(708,174)

	For the Year Ended December 31, 2023					
	Yatsen Holding Limited	Other Subsidiaries	Primary Beneficiary of VIE (WFOE and its subsidiaries)	VIE and VIE's Subsidiaries	Eliminating adjustments	Consolidated Totals
	(RMB in thousands)					
Third-party revenues	—	1,683,769	1,547,268	183,737	—	3,414,774
Inter-company revenues(1)	—	4,665	470,013	—	(474,678)	—
Third-party costs and expense	(40,814)	(1,814,787)	(2,358,980)	(113,548)	—	(4,328,129)
Inter-company costs and expense	—	(386,079)	(31)	(89,816)	475,926	—
(Loss) income from subsidiaries and VIE	(738,768)	(314,153)	2,922	—	1,049,999	—
Income from non-operations	34,794	79,581	22,994	22,549	—	159,918
(Loss) income before income tax expenses	(744,788)	(747,004)	(315,814)	2,922	1,051,247	(753,437)
Income tax benefit (expenses)	—	3,296	(86)	—	—	3,210
Net (loss) income	(744,788)	(743,708)	(315,900)	2,922	1,051,247	(750,227)
Less: net loss attributable to non-controlling interests and redeemable non-controlling interests	—	(4,940)	(499)	—	—	(5,439)
Accretion to redeemable non-controlling interests	—	2,975	—	—	—	2,975
Net (loss) income attributable to Yatsen Holding Limited's shareholders	(744,788)	(741,743)	(315,401)	2,922	1,051,247	(747,763)

Selected Condensed Consolidated Balance Sheets Information

	As of December 31, 2025					
	Yatsen Holding Limited	Other Subsidiaries	Primary Beneficiary of VIE (WFOE and its subsidiaries)	VIE and VIE's Subsidiaries	Eliminating adjustments	Consolidated Totals
	(RMB in thousands)					
Cash and cash equivalents	338,493	316,721	99,717	10,448	—	765,379
Restricted cash	—	4,941	37,176	—	—	42,117
Short-term investments	246,008	—	—	—	—	246,008
Accounts receivable, net	—	152,500	63,203	5,167	—	220,870
Inventories, net	—	298,536	209,835	359	—	508,730
Prepayments and other current assets	5,099	244,754	185,953	15,164	—	450,970
Amounts due from related parties	—	—	114	—	—	114
Amounts due from Group companies ⁽²⁾	4,882,657	75,789	975,943	24,913	(5,959,302)	—
Investments	—	104,108	183,721	365,731	—	653,560
Investments in subsidiaries and VIEs	—	1,496,672	59,139	—	(1,555,811)	—
Property and equipment, net	—	31,005	45,929	80	—	77,014
Goodwill, net	—	155,029	—	—	—	155,029
Intangible assets, net	—	516,936	20,573	—	—	537,509
Deferred tax assets	—	1,435	—	—	—	1,435
Right-of-use assets, net	—	52,285	121,630	—	—	173,915
Other non-current assets	—	2,909	11,423	—	—	14,332
Total assets	5,472,257	3,453,620	2,014,356	421,862	(7,515,113)	3,846,982
Accounts and notes payable	—	50,104	96,527	2,740	—	149,371
Advances from customers	—	17,580	2,924	8,317	—	28,821
Accrued expenses and other liabilities	5,319	155,739	173,952	13,690	—	348,700
Amounts due to related parties	—	—	21,262	—	—	21,262
Income tax payables	—	(905)	13,666	929	—	13,690
Lease liabilities due within one year	—	15,314	38,121	—	—	53,435
Amounts due to Group companies	890	5,555,002	85,567	317,843	(5,959,302)	—
Deferred tax liabilities	—	88,702	—	19,204	—	107,906
Deficit of investments in subsidiaries and VIE ⁽³⁾	2,455,444	—	—	—	(2,455,444)	—
Deferred income non-current	—	—	—	—	—	—
Lease liabilities	—	37,493	85,664	—	—	123,157
Total liabilities	2,461,653	5,919,029	517,683	362,723	(8,414,746)	846,342
Redeemable non-controlling interests	—	1,337	—	—	—	1,337
Total shareholders' equity (deficit)	3,010,604	(2,466,746)	1,496,673	59,139	899,633	2,999,303
Total liabilities, redeemable non-controlling interests and shareholders' equity (deficit)	5,472,257	3,453,620	2,014,356	421,862	(7,515,113)	3,846,982

	As of December 31, 2024					
	Yatsen Holding Limited	Other Subsidiaries	Primary Beneficiary of VIE (WFOE and its subsidiaries)	VIE and VIE's Subsidiaries	Eliminating adjustments	Consolidated Totals
			(RMB in thousands)			
Cash and cash equivalents	428,267	169,814	215,347	3,967	—	817,395
Short-term investments	539,130	—	—	—	—	539,130
Accounts receivable, net	—	115,046	88,876	10,636	—	214,558
Inventories, net	—	281,337	104,432	285	—	386,054
Prepayments and other current assets	2,716	182,991	183,706	11,991	—	381,404
Amounts due from related parties	—	1,648	7,465	—	—	9,113
Amounts due from Group companies ⁽²⁾	4,704,788	21,756	696,134	2	(5,422,680)	—
Investments	—	120,075	184,402	360,102	—	664,579
Investments in subsidiaries and VIEs	—	1,291,076	47,717	—	(1,338,793)	—
Property and equipment, net	—	16,402	57,923	48	—	74,373
Goodwill, net	—	155,029	—	—	—	155,029
Intangible assets, net	—	535,939	23,769	—	—	559,708
Deferred tax assets	—	1,381	—	—	—	1,381
Right-of-use assets, net	—	16,440	131,061	—	—	147,501
Other non-current assets	—	1,969	18,673	—	—	20,642
Total assets	5,674,901	2,910,903	1,759,505	387,031	(6,761,473)	3,970,867
Accounts payable	—	30,744	37,865	3,481	—	72,090
Advances from customers	—	4,724	3,786	11,064	—	19,574
Accrued expenses and other liabilities	99,258	126,598	227,648	6,639	—	460,143
Amounts due to related parties	—	8,935	19,949	—	—	28,884
Income tax payables	—	5,493	13,666	929	—	20,088
Lease liabilities due within one year	—	5,174	34,235	—	—	39,409
Amounts due to Group companies	—	5,083,420	32,687	306,573	(5,422,680)	—
Deferred tax liabilities	—	92,678	—	10,628	—	103,306
Deficit of investments in subsidiaries and VIE ⁽³⁾	2,505,485	—	—	—	(2,505,485)	—
Deferred income non-current	14,832	—	—	—	—	14,832
Lease liabilities	—	10,734	98,792	—	—	109,526
Total liabilities	2,619,575	5,368,500	468,628	339,314	(7,928,165)	867,852
Redeemable non-controlling interests	—	50,984	—	—	—	50,984
Total shareholders' equity (deficit)	3,055,326	(2,508,581)	1,290,877	47,717	1,166,692	3,052,031
Total liabilities, redeemable non-controlling interests and shareholders' equity (deficit)	5,674,901	2,910,903	1,759,505	387,031	(6,761,473)	3,970,867

Movements of investments in subsidiaries and VIE / (deficit of investments in subsidiaries and VIE) in Yatsen Holding Limited's separate financial statements are as follows:

	RMB (in thousands)
As of January 1, 2023	(1,268,420)
Share-based compensation costs incurred on behalf of subsidiaries	77,502
Share of loss of subsidiaries and VIE	(738,768)
Share of changes in additional paid-in capital of subsidiaries	154,981
Share of changes in accumulated other comprehensive income of subsidiaries	(21,275)
Foreign currency translation	32,138
As of December 31, 2023	(1,763,842)
Share-based compensation costs incurred on behalf of subsidiaries	91,174
Share of loss of subsidiaries and VIE	(774,577)
Share of changes in accumulated other comprehensive income of subsidiaries	(76,553)
Foreign currency translation	18,313
As of December 31, 2024	(2,505,485)
Share-based compensation costs incurred on behalf of subsidiaries	59,031
Share of loss of subsidiaries and VIE	(121,136)
Share of changes in additional paid-in capital of subsidiaries	390
Share of changes in accumulated other comprehensive income of subsidiaries	139,407
Foreign currency translation	(27,651)
As of December 31, 2025	(2,455,444)

Selected Condensed Consolidated Cash Flows Information

	For the Year Ended December 31, 2025					
	Yatsen Holding Limited	Other Subsidiaries	Primary Beneficiary of VIE (WFOE and its subsidiaries)	VIE and VIE's Subsidiaries	Eliminating adjustments	Consolidated Totals
			(RMB in thousands)			
Net cash provided by (used in) Operating Activities ⁽⁴⁾	24,771	(101,077)	(37,390)	19,033	—	(94,663)
Advances to Group companies	(339,415)	—	(203,460)	—	542,875	—
Receival of advances repayment from Group companies	53,203	—	176,302	—	(229,505)	—
Purchases of short-term investments	(601,901)	—	—	—	—	(601,901)
Maturities of short-term investments	888,378	—	—	—	—	888,378
Purchases of intangible assets	—	(285)	(1,450)	—	—	(1,735)
Purchases of property and equipment	—	(25,909)	(16,135)	(21)	—	(42,065)
Other investing activities	—	2	3,846	269	—	4,117
Net cash provided by (used in) Investing Activities	265	(26,192)	(40,897)	248	313,370	246,794
Proceeds from advances from Group companies	—	528,375	—	14,500	(542,875)	—
Repayment of advances from Group companies	—	(202,205)	—	(27,300)	229,505	—
Repurchases of Ordinary Shares	(111,019)	—	—	—	—	(111,019)
Repurchase of redeemable non-controlling interests	—	(45,749)	(167)	—	—	(45,916)
Other financing activities	5,490	—	—	—	—	5,490
Net cash provided by (used in) Financing Activities	(105,529)	280,421	(167)	(12,800)	(313,370)	(151,445)

For the Year Ended December 31, 2024						
	Yatsen Holding Limited	Other Subsidiaries	Primary Beneficiary of VIE (WFOE and its subsidiaries)	VIE and VIE's Subsidiaries	Eliminating adjustments	Consolidated Totals
	(RMB in thousands)					
Net cash provided by (used in) Operating Activities ⁽⁴⁾	42,546	(151,565)	(142,888)	8,241	—	(243,666)
Capital contribution to Group companies	—	(99,823)	—	—	99,823	—
Advances to Group companies	(474,150)	—	(277,074)	—	751,224	—
Receival of advances repayment from Group companies	402,416	—	268,185	—	(670,601)	—
Purchases of short-term investments	(1,316,051)	—	—	—	—	(1,316,051)
Maturities of short-term investments	1,863,161	141,934	—	—	—	2,005,095
Purchases of intangible assets	—	(533)	(3,747)	—	—	(4,280)
Purchases of property and equipment	—	(15,865)	(36,857)	(18)	—	(52,740)
Investments on equity investments	—	—	—	(42,000)	—	(42,000)
Other investing activities	—	15	2,042	42	—	2,099
Net cash provided by (used in) Investing Activities	475,376	25,728	(47,451)	(41,976)	180,446	592,123
Capital contribution from Group companies	—	—	99,823	—	(99,823)	—
Proceeds from advances from Group companies	—	705,724	—	45,500	(751,224)	—
Repayment of advances from Group companies	—	(650,601)	—	(20,000)	670,601	—
Repurchases of Ordinary Shares	(405,792)	—	—	—	—	(405,792)
Other financing activities	11,566	—	—	—	—	11,566
Net cash provided by (used in) Financing Activities	(394,226)	55,123	99,823	25,500	(180,446)	(394,226)

For the Year Ended December 31, 2023						
	Yatsen Holding Limited	Other Subsidiaries	Primary Beneficiary of VIE (WFOE and its subsidiaries)	VIE and VIE's Subsidiaries	Eliminating adjustments	Consolidated Totals
	(RMB in thousands)					
Net cash provided by (used in) Operating Activities ⁽⁴⁾	(11,400)	239,051	(371,566)	36,473	—	(107,442)
Capital contribution to Group companies	—	—	—	—	—	—
Advances to Group companies	(245,424)	—	(359,355)	—	604,779	—
Receival of advances repayment from Group companies	1,335,355	—	607,602	—	(1,942,957)	—
Purchases of short-term investments	(1,439,145)	(902,388)	—	—	—	(2,341,533)
Maturities of short-term investments	709,230	1,413,146	100,000	—	—	2,222,376
Purchases of intangible assets	—	—	(321)	—	—	(321)
Purchases of property and equipment	—	(8,108)	(35,540)	—	—	(43,648)
Proceeds from disposal of investments	—	—	22,233	—	—	22,233
Investments on equity investments	—	(13,547)	—	(108,000)	—	(121,547)
Other investing activities	—	144	1,530	279	—	1,953
Net cash provided by (used in) Investing Activities	360,016	489,247	336,149	(107,721)	(1,338,178)	(260,487)
Capital contribution from Group companies	—	—	—	—	—	—
Proceeds from advances from Group companies	—	487,780	—	117,000	(604,780)	—
Repayment of advances from Group companies	—	(1,900,958)	—	(42,000)	1,942,958	—
Repurchases of Ordinary Shares	(212,693)	—	—	—	—	(212,693)
Repurchase of redeemable non-controlling interests	—	(134,664)	—	—	—	(134,664)
Other financing activities	4,902	—	474	(474)	—	4,902
Net cash provided by (used in) Financing Activities	(207,791)	(1,547,842)	474	74,526	1,338,178	(342,455)

Notes:

* The payment by Primary Beneficiary of VIE (WFOE and its subsidiaries) on behalf of Group companies was reclassified on consolidation level in accordance with nature.

** As of December 31, 2023, 2024 and 2025, amounts due to non-VIE subsidiaries included RMB168.0 million, RMB193.5 million and RMB180.7 million (US\$25.8 million) for net debt financing from Group companies to the consolidated VIE not yet returned.

*** Pursuant to the Exclusive Business Cooperation Agreement entered into in July 2019 between the Primary Beneficiary of VIE (WFOE and its subsidiaries) and the VIE, the VIE engages the Primary Beneficiary of VIE (WFOE and its subsidiaries) as the exclusive service provider of technical support, consulting services and other services to the VIE. In return, the VIE agrees to pay the Primary Beneficiary of VIE (WFOE and its subsidiaries) a service fee in an amount based on one of the below methods determined by the Primary Beneficiary of VIE (WFOE and its subsidiaries): a certain percentage of revenue of the VIE, a fixed licensing fee for the use of certain software, and/or other payment methods determined by the Primary Beneficiary of VIE (WFOE and its subsidiaries) from time to time according to the nature of services provided. The Primary Beneficiary of VIE (WFOE and its subsidiaries) may adjust the amount of service fee based on factors such as the complexity, time spent and the commercial value of the services.

For the years ended December 31, 2023, 2024 and 2025, the Primary Beneficiary of VIE (WFOE and its subsidiaries) decided not to charge any service fee from the VIE in relation to the Exclusive Business Cooperation Agreement, and no service fees were paid by the VIE to the Primary Beneficiary of VIE (WFOE and its subsidiaries) during the respective periods.

Besides the Exclusive Business Cooperation Agreement, all intercompany transactions between (i) Primary Beneficiary of VIE (WFOE and its subsidiaries) and (ii) VIE and VIE's subsidiaries, which are set forth in the footnotes below, were conducted in accordance with the relevant agreements for the years ended December 31, 2023, 2024 and 2025. The relevant intercompany payables and cash flows resulting from such contractual arrangements are also set forth in the footnotes below.

- (1) Represents the elimination of the intercompany transaction at the consolidation level.

The intercompany transaction being eliminated mainly represents goods and services purchased by VIE and VIE's subsidiaries from Primary Beneficiary of VIE (WFOE and its subsidiaries) and services provided by VIE and VIE's subsidiaries to Primary Beneficiary of VIE (WFOE and its subsidiaries), the details of which are set forth below:

		For the Year Ended December 31,			Basis for determination of the transaction pricing
		2023	2024	2025	
		(RMB in thousands)			
Goods and services purchased by VIE and VIE's subsidiaries from Primary Beneficiary of VIE (WFOE and its subsidiaries)					
(a)	Cosmetic Products	49,418	30,457	42,969	Cost plus method
(b)	Logistics, promotions and other services	35,764	10,108	7,937	Referencing to market price
	Total	85,182	40,565	50,906	
Services provided by VIE and VIE's subsidiaries to Primary Beneficiary of VIE (WFOE and its subsidiaries)					
(a)	Promotions and other services	-	-	21,180	Cost plus method

- (2) Represents the elimination of intercompany balances among Yatsen Holding Limited, other subsidiaries, primary beneficiary of VIE (WFOE and its subsidiaries), and VIE and VIE's subsidiaries, which related to advances borrowed, payable for product and services in the normal course of business.

As of December 31, 2023, 2024 and 2025, the intercompany balances between (i) Primary Beneficiary of VIE (WFOE and its subsidiaries) and (ii) VIE and VIE's subsidiaries mainly represent: (a) VIE and VIE's subsidiaries' payables due to Primary Beneficiary of VIE (WFOE and its subsidiaries) arising from purchases of products and services in the amount of RMB93,007 thousand, RMB107,527 thousand and RMB153,323 thousand, respectively; (b) VIE and VIE's subsidiaries' payables due to Primary Beneficiary of VIE (WFOE and its subsidiaries) arising from advances borrowed amounting to RMB168,000 thousand, RMB193,500 thousand and RMB180,700 thousand, respectively; and (c) VIE and VIE's subsidiaries' receivables from Primary Beneficiary of VIE (WFOE and its subsidiaries) arising from provided services in the amount of nil, nil and RMB21,180 thousand, respectively.

- (3) Represents the elimination of the investment among Yatsen Holding Limited, other subsidiaries, primary beneficiary of VIE (WFOE and its subsidiaries), and VIE and VIE's subsidiaries.

- (4) For the years ended December 31, 2023, 2024 and 2025, cash paid by the VIE to Primary Beneficiary of VIE (WFOE and its subsidiaries) were RMB64,052 thousand, RMB31,069 thousand and RMB11,175 thousand, respectively, which represented purchase of inventories, logistics services, promotion services and other services, the details of which are set forth below:

		For the Year Ended December 31,		
		2023	2024	2025
		(RMB in thousands)		
(a)	Cosmetic Products	46,152	25,795	5,806
(b)	Logistics, promotions and other services	17,900	5,274	5,369
	Total	64,052	31,069	11,175

A. [Reserved]

B. Capitalization and Indebtedness

Not Applicable.

C. Reasons for the Offer and Use of Proceeds

Not Applicable.

D. Risk Factors

Summary of Risk Factors

Investing in our ADSs involves significant risks. You should carefully consider all of the information in this annual report before making an investment in our ADSs. Below please find a summary of the principal risks we face, organized under relevant headings. These risks are discussed more fully in the section titled “Item 3. Key Information—D. Risk Factors.”

Risks Relating to Our Business and Industry

Risks and uncertainties related to our business and industry include, but are not limited to, the following:

- We may not be successful in executing our growth strategy or otherwise achieving revenue growth in the future;
- The beauty industry is highly competitive. If we are unable to compete effectively, we may lose our market share and our business, results of operations and financial condition may be materially and adversely affected;
- Our success is dependent on the continued popularity of our products and our ability to anticipate and respond to changes in industry trends and consumer preferences and behavior in a timely manner;
- Our new product introductions may not be as successful as we anticipate, which could have a material adverse effect on our business, prospects, financial condition and results of operations;
- Our business depends, in part, on the quality, effectiveness and safety of our products;
- We may not be able to successfully or effectively implement our business strategy;
- We have a history of net losses, and we may not be able to achieve profitability in the future;
- We rely on third-party e-commerce platforms to sell our products online. If such platforms’ services or operations are interrupted or if our cooperation with such platforms terminates, deteriorates or becomes more costly, our business and results of operations may be materially and adversely affected;
- We engage distributors to sell our products. Our brand, business and results of operations may be materially and adversely affected if the distributors fail to operate successfully or if we are unable to broaden our distribution network; and
- Our operating results could be materially harmed if we are unable to accurately forecast consumer demand for our products or adequately manage our inventory.

Risks Relating to Our Corporate Structure

Risks and uncertainties related to our corporate structure include, but are not limited to, the following:

- We are a Cayman Islands holding company with no equity ownership in the VIE and we conduct our operations in China primarily through (i) our subsidiaries in China and (ii) the VIE with which we have maintained contractual arrangements. Holders of our ADSs hold equity interest in Yatsen Holding Limited, our Cayman Islands holding company, and do not have direct or indirect equity interest in the VIE. If the PRC government determines that the contractual agreements constituting part of the VIE structure do not comply with PRC laws and regulations, or if these regulations or their interpretations change in the future, we could be subject to severe penalties or be forced to relinquish our interests in those operations. If any of these developments result in our inability to assert contractual control over the VIE, which contributed to 3.1% of our third-party revenues in 2025, our ADSs may decline in value or become worthless. Our holding company, the VIE, and investors of our company face uncertainty about

potential future actions by the PRC government that could affect the enforceability of the contractual arrangements with the VIE and, consequently, significantly affect the financial performance of the VIE and our company as a whole;

- We rely on contractual arrangements with the VIE and its shareholders for our operations and investments in China, which may not be as effective in providing operational control as direct ownership;
- Any failure by the VIE or its shareholders to perform their obligations under our contractual arrangements with them would have a material and adverse effect on our business; and
- The shareholders of the VIE may have potential conflicts of interest with us, which may materially and adversely affect our business.

Risks Relating to Doing Business in China

We are also subject to risks and uncertainties relating to doing business in China in general, including, but not limited to, the following:

- Changes in China's economic, political or social conditions or government policies could have a material adverse effect on our business and operations;
- Risks and uncertainties arising from the legal system in China, including risks and uncertainties regarding the enforcement of laws and quickly evolving rules and regulations in China, could result in a material adverse change in our operations and the value of our ADSs;
- The PRC government has significant oversight and discretion over the conduct of our business, and may influence our operations as the government deems appropriate to advance regulatory and societal goals and policy positions, which could result in a material adverse change in our operation and/or the value of our ADSs. The PRC government's significant authority in regulating our operations and its oversight and control over offerings conducted overseas by, and foreign investment in, China-based issuers could significantly limit or completely hinder our ability to offer or continue to offer securities to investors. Implementation of industry-wide regulations in this nature may cause the value of such securities to significantly decline or be worthless;
- The PCAOB had historically been unable to inspect our auditor in relation to their audit work performed for our financial statements and the inability of the PCAOB to conduct inspections of our auditor in the past has deprived our investors with the benefits of such inspections;
- Our ADSs may be prohibited from trading in the United States under the Holding Foreign Companies Accountable Act, or the HFCAA, in the future if the PCAOB is unable to inspect or investigate completely auditors located in China. The delisting of our ADSs, or the threat of their being delisted, may materially and adversely affect the value of your investment; and
- The approval of and filing with the CSRC or other PRC government authorities may be required in connection with our offshore offerings under PRC law, and, if required, we cannot predict whether or for how long we will be able to obtain such approval or complete such filing.

Risks Relating to Our ADSs

In addition to the risks described above, we are subject to general risks relating to our ADSs, including, but not limited to, the following:

- If we do not satisfy the NYSE requirements for continued listing, our ADSs could be delisted from the NYSE; and
- The trading price of the ADSs is likely to be volatile, which could result in substantial losses to investors.

Risks Relating to Our Business and Industry

We may not be successful in executing our growth strategy or otherwise achieving revenue growth in the future.

We recorded total net revenues of RMB3.41 billion in 2023, RMB3.39 billion in 2024 and RMB4.30 billion (US\$614.6 million) in 2025. We may not be successful in executing our growth strategy or otherwise achieving revenue growth in the future. We may also incur significant losses in the future for a number of reasons, including as a result of the materialization of the following risks and the other risks described in this annual report, and we may encounter unforeseen difficulties, complications, delays and other unknown factors:

- we may be unsuccessful in predicting and capturing industry trends and consumer preferences;
- we may be unable to introduce new products that appeal to consumers;
- we may be unsuccessful in protecting or enhancing the recognition and reputation of our brands;
- we may be unsuccessful in competing for market share with our existing or new competitors;
- the ability of our third-party suppliers, manufacturers and logistics providers to produce and deliver our products in a timely way and in accordance with ever changing customer expectations could be disrupted;
- we may fail to adjust our sales and marketing strategies fast enough to stay current with consumers' behavioral changes in using the internet and mobile devices;
- we may not be able to maintain and improve our customer experience;
- we may experience service interruptions, data corruption, cyber-based attacks or network security breaches which may result in the disruption of our operating systems or the loss of confidential information of our consumers;
- we may be unable to retain key members of our senior management team or attract and retain other qualified personnel;
- we may fail to successfully implement our new business initiatives, especially expansion into new offerings or new business lines in which we have limited or no prior experience, including sustaining continued expansion of *Perfect Diary*, *Little Ondine*, *Pink Bear*, *Galénic*, the mainland China business of *DR.WU* and *Eve Lom* as well as any new brand we may launch or acquire in the future;
- we may fail to successfully operate our offline experience store network; and
- we may be affected by international trade tension and any adverse economic conditions in China or internationally.

We cannot be sure that we will be successful in addressing these and other risks and challenges we may face in the future. Any of these occurrences could have a material and adverse impact on our business, results of operations and financial condition. Our customer base may decline or grow at a slower pace than we expect as a result of such risks. Any of these risks could cause our revenues to decline or grow at a slower pace than we expect and may adversely affect our margins and results of operations. Failure to grow our revenues or improve margins could have a material adverse effect on our business, financial condition, and results of operations. You should not rely on our historical results of operations and financial performance as an indication of our future performance.

The beauty industry is highly competitive. If we are unable to compete effectively, we may lose our market share and our business, results of operations and financial condition may be materially and adversely affected.

We face vigorous competition from both domestic and international players in China in the beauty industry, including large multinational consumer products companies that own or operate multiple beauty brands. Competition in the beauty industry is intense and is affected by multiple factors, including the ability to launch new products, pricing of products, quality of products and packaging, brand awareness, perceived value and quality, innovation, offline sales and distribution capabilities, customers' functional and emotional satisfaction, promotional activities, advertising, editorials, e-commerce and mobile-commerce initiatives and other activities. We must compete with a high volume of new product introductions and a large number of existing products sold by diverse companies across several different distribution channels.

Many domestic and multinational consumer goods companies have greater financial, technical or marketing resources, longer operating histories, greater brand recognition or larger customer bases than we do and may be able to respond more effectively to changing business and economic conditions than we can. Despite our differentiated business model, existing and new players in the industry may also transform their business models and directly compete with us. They may also roll out products targeting young generations at a customer-friendly price or adopt a price-cutting strategy for their current products to directly compete with us. Given the established sales network these large consumer goods companies maintain and the greater brand power they have, we cannot ensure that our existing customers will not allocate more wallet share to their products or cease to purchase products from us completely. Further, our competitors may attempt to gain market share by offering products at prices at or below the prices at which our products are typically offered. Competitive pricing may require us to reduce our prices, which would result in lost sales or affect our business performance otherwise. Our competitors, many of whom have greater resources than we do, may be better able to withstand these price reductions and loss of sales.

It is difficult for us to predict the timing and scale of our competitors' activities in these areas or whether new competitors will emerge in the beauty industry. In addition, further technological breakthroughs, including new and enhanced technologies that increase competition in the online retail market, new product offerings by competitors and the strength and success of our competitors' marketing programs may impede our growth and the implementation of our business strategy.

Our ability to compete also depends on the continued strength of our brand and products, our ability to predict and capture industry trends and consumer preferences, the success of our marketing, innovation and execution strategies, the continued diversification of our product offerings, the successful management of new product introductions and innovations, strong operational execution, including in order fulfilment and supply chain management, and our success in entering new markets and expanding our business in existing geographies. If we are unable to continue to compete effectively, we may lose our market share and our business, results of operations and financial condition may be materially and adversely affected.

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

The success of our business and operations depends on our ability to continually offer quality products that are attractive to consumers. The beauty industry is driven in part by fashion and beauty trends and consumer preferences and behavior, which may shift quickly and have been heavily affected by the rapidly increasing use and proliferation of social and digital media by consumers, and the speed with which information and opinions are shared. As industry trends and consumers' preferences and behavior continue to change, we must also continually work to develop, produce and market new products, maintain and enhance the recognition of our brands, achieve a favorable mix of products and refine our approach as to how and where we market and sell our products. Our success depends on our products' appeal to a broad range of consumers whose preferences and behavior cannot be predicted with certainty and may change rapidly, and on our ability to anticipate and respond in a timely and cost-effective manner to industry trends and consumer preferences and behavior through product innovations, product line extensions and marketing and promotional activities, among other things. We cannot assure you that we will be able to successfully anticipate and respond to consumers' preferences and behavior at all times, especially as we continue to maintain or broaden our customer base and diversify our product offerings aimed at customers with differing characteristics. If we are unable to anticipate and respond to the changes in industry trends and consumer preferences and behavior, we may fail to continually develop products with wide market acceptance, capture emerging growth opportunities, adopt competitive sales strategies for our existing products, or properly predict and manage our inventory. Such failure could also negatively impact our brand image and result in diminished customer experience and brand loyalty. Any of these occurrences could materially and adversely affect our business, prospects and results of operations.

Our new product introductions may not be as successful as we anticipate, which could have a material adverse effect on our business, prospects, financial condition and results of operations.

The fast-evolving fashion and beauty trends and consumer preferences have shortened the life cycles of beauty products and required us to continually work to develop, produce and market new products, maintain and enhance the recognition of our brands and shorten our product development and supply chain cycles. Our continued success depends on our ability to develop and launch products in a timely and cost-effective manner in response to beauty industry trends, consumer preferences for beauty products and consumer attitudes toward our industry and brand. If we do not successfully and consistently develop new products that appeal to our customers our net revenues and margins could suffer.

We have an established process for the development, evaluation and validation of our new product concepts. Nonetheless, each new product launch involves risks, as well as the possibility of unexpected consequences. For example, the acceptance of new product launches and sales to our customers may not be as high as we anticipate, due to a lack of acceptance of the products themselves or their price, or limited effectiveness of our marketing strategies. Introduction of new products targeted at expanding our product reach beyond our current customer base may not be as successful as we anticipate due to insufficient data insights on and understanding about the preferences, trends and behaviors of such new customer group. Our ability to launch new products may be limited by delays or difficulties affecting the ability of our suppliers or manufacturers to timely manufacture new products. In addition, we may experience a decrease in sales of certain existing products as a result of newly launched products. Also, product innovation may place a strain on our employees and our financial resources, including incurring expenses in connection with product innovation and development, marketing and advertising that are not subsequently supported by a sufficient level of sales. Further, sales of new products may be affected by the efficacy of our inventory management and quality of delivery and order fulfilment services provided by our logistics providers, and we may experience product shortages and delayed or defective or improper product delivery. Any of these occurrences could delay or impede our ability to achieve our sales objectives, which could have a material adverse effect on our business, financial condition and results of operations.

As part of our ongoing business strategy, we expect we will continue to introduce new products in the skincare and color cosmetics categories, while expanding our product launches into adjacent categories in which we may have little to no prior operating experience. The success of product launches in adjacent product categories could be hampered by our relative inexperience operating in such categories, the strength of our competitors or any of the other risks referred to above. Furthermore, any expansion into new product categories may subject us to additional operational and financial constraints which could inhibit our ability to successfully accomplish such expansion. If we fail to continue to roll out commercially successful products in our traditional categories or in adjacent categories, our business, financial condition and results of operations may be materially and adversely affected.

Our business depends, in part, on the quality, effectiveness and safety of our products.

Any loss of confidence on the part of consumers in the ingredients used in our products, whether related to product contamination or product safety or quality failures, actual or perceived, or inclusion of prohibited or restricted ingredients or improper mixture of ingredients, could tarnish the image of our brands and could cause consumers to choose other products. Allegations of contamination or other adverse effects on product safety or suitability for use by a particular consumer, even if untrue, may require us to expend significant time and resources responding to such allegations and could, from time to time, result in suspension of sales or a recall of a product from any or all of the markets in which the affected product was distributed. Any such issues or recalls could negatively affect our business performance and brand image.

If our products are found to be, or perceived to be, defective or unsafe, or if they otherwise fail to meet our consumers' expectations, our relationships with consumers could suffer, the appeal of our brand could be diminished, we may need to recall some of our products and/or become subject to regulatory action, and we could lose sales or market share or become subject to boycotts or liability claims. In addition, safety or other defects in our competitors' products could reduce consumer demand for our own products if consumers view them to be similar. Any of these outcomes could result in a material adverse effect on our business, financial condition and results of operations.

We may not be able to successfully or effectively implement our business strategy.

Our future results of operations and cash flows depend upon our ability to successfully implement our business strategy, which, in turn, is dependent upon a number of factors, including our ability to:

- build a strong portfolio of brands;
- further penetrate our targeted markets by attracting new consumers and retaining and further engaging our existing customers;
- capture the industry trends and develop and launch new products and expand into relevant adjacencies in answer to such trends;
- integrate offline and online shopping experience to provide a seamless omni-channel environment for our customers;
- continue to use innovation to drive sales, improve technological and operational efficiencies and improve profit margin;
- enhance our technology and data capabilities, especially in artificial intelligence and big data analytics fields, so as to enhance our ability to predict and follow customers' preferences, trends and behaviors;
- effectively manage the quality and efficiency of our ODM/OEM and packaging supply partners and logistics and other third-party service providers' performance;
- continue to broaden and diversify our online and offline distribution channels;
- pursue strategic investments and collaborations to complement our existing capabilities and expand our brand portfolio and geographic reach; and
- leverage our high-performance team culture to drive margins.

There can be no assurance that we can successfully or effectively achieve any or all of the above initiatives in the manner or time period that we expect. Executing our business strategies requires significant attention from our management team and allocation of financial, supply chain, distribution and other resources. To achieve our business initiatives effectively, we must continue to enhance our operational, financial and management systems, including our inventory management and control; maintain and improve our internal controls and disclosure controls and procedures; maintain and improve our information technology systems and procedures; and train and manage our employee base. We may not be able to achieve enhancements in any one or more of these areas. Further, achieving our business initiatives will require investments that may result in short-term costs without generating any additional revenues and therefore may be dilutive to our earnings. We cannot provide any assurance that we will realize, in full or in part, the anticipated benefits we expect our strategy will achieve. The failure to realize those benefits could have a material adverse effect on our business, financial condition and results of operations.

We have a history of net losses, and we may not be able to achieve profitability in the future.

We incurred a net loss of RMB750.2 million in 2023, RMB710.2 million in 2024, and RMB92.4 million (US\$13.2 million) in 2025. We had negative cash flows from operating activities of RMB107.4 million, RMB243.7 million and RMB94.7 million (US\$13.5 million) for the fiscal years ended December 31, 2023, 2024 and 2025, respectively. We cannot assure you that we will be able to generate net profits or positive cash flow from operating activities in the future. Our ability to achieve profitability will depend in large part on our ability to maintain or increase our operating margin, either by growing our revenues at a rate faster than our costs and operating expenses increase, or by reducing our costs and operating expenses as a percentage of our net revenues. We also expect to continue to make significant future expenditures related to the development and expansion of our business, including:

- investments in our product development team and research and development team and in the development of new products;
- investments in sales and marketing, enlarging our customer base and promoting market awareness of our brands and products;

- investments in expansion or maintenance of our online and offline distribution channels in a measured manner; and
- investment in enhancing data and information technology and improving operating efficiency, including improving the efficiency in supply chain management and inventory control.

As a result of these significant expenses, we will have to generate sufficient revenue to become profitable in future periods. We may not generate sufficient revenue for a number of reasons, including potential lack of demand for our products, increasing competition, challenging macro-economic environment, as well as other risks discussed elsewhere in this annual report. If we fail to achieve profitability, our business and results of operations could be adversely affected.

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

Currently, we rely on third-party e-commerce platforms for online sales of our products and derive a material portion of our online sales revenue through and from such platforms. In 2023, 2024 and 2025, a majority of our net revenues were generated through our store on third-party e-commerce 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 flagship stores 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 third-party e-commerce 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, most of which are beyond our control, may deter visits to the platforms and result in less customer traffics to our flagship stores or fewer sales of our products through other sales channels, which may negatively impact our business and results of operations.

Operations on e-commerce platforms are subject to various PRC laws and regulations. The PRC E-Commerce Law, promulgated by the Standing Committee of the National People's Congress on August 31, 2018 and effective on January 1, 2019 imposes a number of requirements on e-commerce operators, including entities which sell commodities or provide services through an e-commerce platform. The E-Commerce Law stipulates that e-commerce operators must obtain administrative licenses if their business activities are subject to licensing requirements under applicable laws and regulations. Furthermore, the E-commerce Law requires e-commerce operators to protect the lawful rights and interests of consumers; to provide comprehensive, accurate, truthful, and timely disclosures about goods or services; not to set the tie-in sale as a default option; not to abuse their dominant market position, if any, to exclude or restrict competition; and to collect or use the personal information pursuant to applicable laws and regulations, among other requirements. We have been monitoring our operations on e-commerce platforms to ensure compliance. However, because detailed interpretative guidelines and implementation rules, such as the Measures for the Supervision and Administration of Livestreaming E-Commerce and the Provisions on the Reporting of Tax-Related Information by Internet Platform Enterprises, have been progressively promulgated and issued, we cannot assure you that the PRC authorities will not take any actions challenging our compliance with all stipulated obligations under the E-commerce Law. To the extent that any non-compliance is raised by the PRC authorities and determined against us, our business, financial conditions, and results of operations may be materially affected. See "Item 4. Information on the Company—B. Business Overview—Regulations—Regulations Relating to Online Trading and E-Commerce."

We engage distributors to sell our products. Our brand, business and results of operations may be materially and adversely affected if the distributors fail to operate successfully or if we are unable to broaden our distribution network.

In addition to e-commerce platforms that we sell directly to end customers and offline experience stores, we sell our products to distributors who then sell to end customers. In 2023, 2024 and 2025, 15.1%, 16.9% and 14.9% of our net revenues in each of the respective year were generated through our sales to distributor customers. The effectiveness of the distributors in selling and distributing our products may be affected by a number of factors, many of which are beyond our control, including the existence and availability of suitable regions or locations for expansion of our sales and distribution network, our ability to negotiate favorable cooperation terms with the distributors, the distributors' willingness to adhere to our recommended retail pricing guidelines, the distributors' strategies in promoting our products, our ability to maintain and expand our distribution network, the distributors' business and financial performance, and our ability to effectively manage the number of distributors in each geographical market to reduce risk of cannibalization. If such distributors fail to successfully operate the stores that sell our products, fail to provide satisfactory customer experience or fail to attract new and retain existing customers, or if we fail to maintain the relationship with these distributors or fail to attract new distributors to diversify and broaden our distribution channels, our brand, business, results of operations and financial condition could be materially and adversely affected.

We are also exposed to the risk that distributors may seek to impose unfavorable terms on us in the future, such as longer credit periods. Credit arrangement with our distributors adds pressure on our working capital and exposes us to the risks of default and bad debts. Any disruption in our relationships with our distributors could affect our ability to maintain and grow our sales, which could materially and adversely affect our business, results of operations and financial position. We cannot give assurance that we will be able to grow our sales and distribution network effectively. If we encounter difficulties in maintaining, expanding or optimizing our sales and distribution network, our growth prospects may be constrained, which could in turn adversely affect our business, financial condition, results of operations and prospects.

Furthermore, some of our distributors engage sub-distributors. We do not have a direct contractual relationship with the sub-distributors. Illegal actions or misconduct of distributors or sub-distributors, or any failure by them to provide satisfactory products or services could materially and adversely affect our business, reputation, financial condition and results of operations. We cannot guarantee that we will be able to oversee or take effective measures to supervise the business activities of the distributors that sell our products.

Our operating results could be materially harmed if we are unable to accurately forecast consumer demand for our products or adequately manage our inventory.

Our business requires us to manage a large volume of inventory effectively. We depend on our forecasts of demand for, and popularity of, various products to make purchase decisions and to manage our inventory of stock-keeping units. Demand for products, however, can change significantly between the time inventory, components, ingredients or raw materials are ordered and the date of sale. Demand may be affected by seasonality, new product launches, rapid changes in product cycles and pricing, product defects, promotions, changes in consumer spending patterns, changes in consumer tastes with respect to our products and other factors, and our consumers may not purchase products in the quantities that we expect. It may be difficult to accurately forecast demand and determine appropriate levels of product or componentry. We generally do not have the right to return unsold products to our ODM/OEM and packaging supply partners. If we fail to manage our inventory effectively or negotiate favorable credit terms with third-party manufacturers and suppliers, we may be subject to a heightened risk of inventory obsolescence, a decline in inventory values, and significant inventory write-downs or write-offs in the case of overestimation of consumer demand, or increased costs to secure necessary production and delivery delays in the case of underestimation of consumer demand. An inability to meet consumer demand and delays in the delivery of our products to our customers could result in reputational harm and damaged customer relationships. In addition, if we are required to lower sale prices in order to reduce inventory level or to pay higher prices to our manufacturers and suppliers, our profit margins might be negatively affected. Any of the above may materially and adversely affect our business, financial condition and results of operations.

Our business and prospects depend on our ability to build our brands and reputation, which could be harmed by negative publicity with respect to us, our products and operations, our management, brand ambassadors, KOLs, or other business partners.

We believe that maintaining and enhancing the reputation of our brands is of significant importance to the success of our business and that our financial success is directly dependent on consumer perception of our brands. Well-recognized brands are important to enhancing our attractiveness to consumers. Since we operate in a highly competitive market, brand maintenance and enhancement directly affect our ability to maintain our market position. As a young company, our brand awareness among consumers may not be as strong as the more established beauty brands, and maintaining and enhancing the recognition and reputation of our brand is critical to our business and future growth.

Our ability to maintain our reputation and brand is affected by many factors, some of which are beyond our control. These factors include our ability to provide a satisfactory consumer experience, which in turn depends on our ability to bring innovative products to the market at competitive prices that respond to consumer demands and preferences, our ability and that of our manufacturing and service partners to comply with ethical and social standards, such as those concerning animal testing, and various and evolving rules and standards related to product quality and safety, labor and environmental protection, our ability to produce safe and high-quality products, our ability to provide satisfactory order fulfillment services, and our ability to provide responsive and superior customer services. Failure to succeed in any of these areas could damage our customer experience, our reputation and brand image and our ability to retain and attract customers. The success of our brand may also suffer if our marketing plans or product initiatives do not have the desired impact on our brand's image or its ability to attract consumers. In the past three years, we have invested substantial efforts in promoting our brands. See also "We have incurred significant costs for a variety of sales and marketing efforts, including mass advertising and heavy promotions to attract customers through multiple channels. If we are unable to conduct our sales and marketing efforts in a cost-effective and efficient manner, our results of operations and financial conditions may be materially and adversely affected." We cannot assure you, however, that these activities are and will be successful or that we can achieve the brand promotion effect as we expect. If we are unable to preserve our reputation, enhance our brand recognition or increase positive awareness of our products, it may be difficult for us to maintain and grow our customer base, and our business, financial condition and results of operations may be materially and adversely affected.

In addition, any failure by our third-party manufacturers or raw material suppliers to comply with ethical, social, product, labor and environmental laws, regulations or standards, or any of their engagement in politically or socially controversial conduct, such as animal testing, could negatively impact our reputations and lead to various adverse consequences, including decreased sales and consumer boycotts. Also, we may face customer complaints or negative publicity about us, our products, our management, our business partners, our brand ambassadors or the KOLs we collaborate with from time to time, which may adversely affect our brand, reputation and business and diminish the appeal of our brand to consumers. Certain of such negative publicity may come from malicious harassment or unfair acts by third parties or our competitors, which are beyond our control. See also "—Negative publicity about our brand ambassadors or KOLs may adversely affect our reputation, our business and our results of operations."

Damage to our reputation or the reputations of our business partners or loss of consumer confidence for any of these or other reasons could have a material adverse effect on our results of operations and financial condition, as well as require additional resources to rebuild our brand and reputation.

If we are unable to provide superior customer experiences, our business and reputation may be materially and adversely affected.

The success of our business hinges on our ability to provide superior customer experience, which in turn depends on a variety of factors. These factors include our ability to bring innovative products to the market at competitive prices that respond to consumer demands and preferences, our ability to fit in the lifestyle of our customers and deeply engage with our customers and our ability to maintain the quality of our products and services, provide timely and reliable delivery and responsive and superior before- and after-sales service. To maintain a superior customer experience, we have devoted efforts and invested substantially in ensuring product quality and offering products responsive to industry trends and customers' preferences.

We have beauty advisors at our offline experience stores. Although we provide standardized employee conduct training and beauty product training for all our beauty advisors and maintain a detailed employee handbook regulating employee conduct, there is no assurance that our beauty advisors will provide consistently satisfactory customer service to our customers. Any negative customer service experience with our beauty advisors either offline in our physical stores or online through our customer communities or one-on-one chats may discourage customers from purchasing our products and adversely affect our reputation and brand image.

We also operate two customer service centers which provide service daily from 8:00 a.m. to midnight, handling all kinds of customer queries and complaints regarding our products and services. As of December 31, 2025, we had a group of customer service representatives at our customer service centers, consisting of our own employees and representatives from third-party service providers. If our customer service representatives fail to provide satisfactory service, or if waiting times are too long due to the high volume of calls from customers at peak times, our brand and customer loyalty may be adversely affected. There is no assurance that we will be able to maintain a low turnover rate of existing employees and provide sufficient training to new employees to meet our standards of customer service or that an influx of less experienced personnel will not dilute the quality of our customer service. In addition, any negative publicity or poor feedback regarding our customer service may harm our brand and reputation and in turn cause us to lose customers and market share.

The market for beauty products in China is evolving and may not grow as quickly as expected, or at all, which could negatively affect our business and prospects.

Our business and prospects depend on the continual development and growth of the market for beauty products in China. The growth and development of the market for beauty products is impacted by numerous factors and subject to uncertainties that are beyond our control, such as the macroeconomic environment, per capita spending, consumers' interest in beauty, consumers' purchasing frequency, demand for beauty products from consumers in lower tier cities, regulatory changes, technological innovations, cultural influences and changes in tastes and preferences. We cannot assure you that the market will grow as rapidly as it has in the past, in ways that are consistent with other markets, such as that of the United States, or at all. If the market for beauty products in China does not grow as quickly as expected or at all, or if we fail to benefit from such growth by successfully implementing our business strategies, our business and prospects may be negatively affected.

Changes to the pricing of our products could adversely affect our results of operations.

We aim to bring to consumers affordable high-quality beauty products and experiences. The pricing of our products is based on multiple factors, including, without limitation, the pricing of the components, ingredients and raw materials, costs of product development, anticipated sales volume, manufacturing costs and logistics service expenditures. Benefiting from our deep engagement with our customers and our data analytic technologies, we are in a good position to analyze consumers' preferences and demands, evaluate the market acceptance and potential sales volume of our new products to be launched, which enables us to price our products at a competitive rate. Nevertheless, we cannot ascertain that we will adopt a competitive pricing strategy for our products at all times. If we price our products too low, our profit margin will suffer. If we price our products higher than consumers' expected price, we may not achieve the sales volume we expect, in which case revenues from the corresponding products may be negatively affected.

Even if we properly price our products at their launch time, we may need to offer substantial discounts, especially during the major shopping festivals such as "618," "Double 11" and "Double 12," to promote our brand awareness and to drive sales volume, or cut down the price as our products advance in their life cycles to maintain such products' attractiveness to consumers. We may also need to reduce the prices to sell excess inventory in the event that we fail to accurately forecast demands. Any such price cuts may not lead to the sales volume we expect and may negatively impact the demand for our other newly launched or higher-end products, in which case our revenues could be negatively impacted. Furthermore, some customers may purchase our products in bulk when we offer substantially discounted or promotional prices and then re-sell them through their proprietary or third-party channels. The market and pricing for our products may be interrupted by the secondary sale pricing strategies adopted by such resellers and the possible negative shopping experience they provide to consumers, which may negatively impact our brand image and our business.

KOLs play an important role in promoting our products and driving traffic to our online and experience stores. If we fail to attract new KOLs or retain our existing ones, our sales volume and our business may be negatively impacted.

We cooperate with popular KOLs to promote our brand awareness and drive traffic to our online and experience stores. We collaborated with KOLs of varying popularity with different follower bases to promote our products and drive traffic to our online and experience stores. If we are unable to attract new popular KOLs or retain existing ones to partner with us in promoting our brands and products, especially those with a large number of followers that we rely on to promote our brands and products, our ability to influence the purchase decisions of our targeted consumers may be impaired. In addition, we occasionally cooperate with some of the KOLs based on oral agreements or in other informal manners to accommodate our fast-paced sales and marketing activities, which may expose us to higher risk of disputes with these KOLs over the terms and conditions of the cooperation. In case disputes arise out of our cooperation with KOLs based on oral or informal agreements, we may be left in a weaker position to prove our case compared to cooperation based on formal written agreements entered into.

Negative publicity about our brand ambassadors or KOLs may adversely affect our reputation, our business and our results of operations.

Our brand and reputation may be perceived to be connected with the reputation of the KOLs we collaborate with and our brand ambassadors. Therefore, our brand image and reputation could be hurt by negative publicity about the KOLs we collaborate with or our brand ambassadors. Negative publicity about them could occur in many circumstances that are beyond our control. For example, the KOLs we collaborate with may post unlawful, false, offensive or controversial content on their social media pages, notwithstanding any terms of use of the social media platforms and our guidelines, which may result in negative comments and complaints or even cause their accounts to be closed by social media platforms. Although we have requested the KOLs we collaborate with and our brand ambassadors to observe certain behavioral covenants and to refrain from conduct that is detrimental to our reputation and brand image, we cannot ensure that they will strictly follow the requirements. In addition, they may also receive negative publicity if they are involved in any illegal activities, scandals or rumors. Any such negative publicity, regardless of veracity, could hurt our reputation and may result in costs incurred to offset such reputation damage and have a negative impact on our business, results of operations and financial condition.

We have incurred significant costs for a variety of sales and marketing efforts, including mass advertising and heavy promotions to attract customers through multiple channels. If we are unable to conduct our sales and marketing efforts in a cost-effective and efficient manner, our results of operations and financial conditions may be materially and adversely affected.

We have invested a large amount of financial and other resources in sales and marketing activities, including maintaining our marketing and sales teams, retaining KOLs and purchasing advertisements. We intend to continue to invest in promoting our brand awareness and acquiring customers. In the fiscal years ended December 31, 2023, 2024 and 2025, we incurred RMB2.23 billion, RMB2.27 billion and RMB2.85 billion (US\$407.9 million) in selling and marketing expenses, accounting for 65.3%, 66.9% and 66.3% of our total net revenues, respectively. Our marketing and branding activities may not be well received, successful or cost-effective, which may lead to significantly higher marketing expenses in the future. We may also not be able to continue our existing marketing and branding activities, or successfully identify and utilize the new trends in marketing strategies, channels and approaches that appeal to or fit in the lifestyle of our targeted customers. We may also fail to adjust our sales and marketing strategies fast enough to stay current with consumers' behavioral changes in using the internet and mobile devices. Failure to refine our existing marketing strategies or introduce new effective marketing strategies in a cost-effective manner could negatively impact our business, results of operations and financial condition. In addition, failure to comply with the laws and regulations including the Advertising Law of the PRC, Regulations on the Supervision and Administration of Cosmetics, Measures for the Administration of the Online Trading of Cosmetics, Measures for the Administration on Inspection of Cosmetics, and Regulations on the Implementation of the Law on the Protection of Consumer Rights and Interests, will result in the restriction, inhibition or delay of our ability to sell products. See "Item 4. Information on the Company—B. Business Overview—Regulations—Regulations Relating to Cosmetic Products, Regulations Relating to Food Business, Regulations Relating to Product Quality and Consumers Protection, and Regulations Relating to Advertising."

We rely on certain ODM/OEM and packaging supply partners to produce our products. The loss of one or more of these ODM/OEM and packaging supply partners, business challenges at one or more of these ODM/OEM and packaging supply partners, or any failure on their part to produce products that are consistent with our standards or in accordance with contractual or regulatory requirements could harm our brand, cause consumer dissatisfaction, and result in material adverse impact on our business and results of operations.

We currently rely on certain ODM/OEM and packaging supply partners based in China to produce most of our products, while we also collaborate with top-class suppliers overseas to support the production of our global premium and luxury beauty brands. In some cases, we retain only a single contract manufacturer for the production of some of our products. Our top five ODM/OEM, including the manufacturing hub we established with Cosmax and packaging supply partners, collectively accounted for a considerable purchase amount from all OEM/ODMs in 2023, 2024 and 2025, respectively. Our reliance on a limited number of ODM/OEM and packaging supply partners for each of our products exposes us to a number of risks, since we may not have alternative or replacement ODM/OEM and packaging supply partners beyond these key parties.

We usually enter into framework engagement contracts with our ODM/OEM and packaging supply partners and then place orders to the ODM/OEM and packaging supply partners when manufacturing needs arise. We may experience operational difficulties with our ODM/OEM and packaging supply partners, including reductions in the availability of production capacity of our ODM/OEM and packaging supply partners due to reasons such as competing orders or sudden increases in demand, failure to comply with product specifications, insufficient quality control, unauthorized disclosure of sensitive information such as product formulation, failure to meet quality control standards and production deadlines, delays in delivery of products, increases in manufacturing costs and longer lead time. Our ODM/OEM and packaging supply partners may experience disruptions in their manufacturing operations due to equipment breakdowns, labor strikes or shortages, natural disasters, component, ingredient or raw material shortages, fire, cost increases, violation of environmental, health or safety laws and regulations and national and industrial standards in terms of product safety, health epidemics, or other problems. We may be unable to pass potential cost increases associated with operational difficulties to our customers. In the event of interruption from any of our ODM/OEM and packaging supply partners, we may not be able to increase capacity from other sources or develop alternate or secondary sources without incurring material additional costs and substantial delays. We cooperate with these third party ODM/OEM and packaging supply partners mainly on a non-exclusive basis, we cannot ensure that such contract manufacturers will not prioritize orders of other principals, including our competitors, in the case of supply shortages. We may also have disputes with our ODM/OEM and packaging supply partners, which may result in litigation expenses, divert our management's attention and cause supply shortages to us. Further, we may not be able to renew contracts with our ODM/OEM and packaging supply partners for our existing products on acceptable terms, or at all, or identify ODM/OEM and packaging supply partners who are capable of producing our existing and new products we target to launch in the future. Our competitors could enter into restrictive or exclusive arrangements with our ODM/OEM and packaging supply partners that could impair or eliminate our access to such manufacturing capacity. It may take a significant amount of time to identify ODM/OEM and packaging supply partners that have the capability and resources to produce our products to our specifications in sufficient volume. Identifying suitable ODM/OEM and packaging supply partners is an extensive process that requires us to become satisfied with their quality control, technical capabilities, responsiveness and service, financial stability, regulatory compliance, and labor and other practices. Accordingly, a partial or complete loss of any of our significant contract manufacturers, or a significant adverse change in our relationship with any of our ODM/OEM and packaging supply partners, could have an adverse effect on our business, financial condition and operating results.

Any failure of such partners to perform with regards to quantity, quality, timely supply of products or other obligations under our agreements may have a material negative impact on our business and results of operations. Furthermore, we also work with these third-party manufacturers to formulate certain of our products. We cannot assure you that they do not ever and will not deviate from their covenants. Any leakage, plagiarism or disclosure of the formulas for manufacturing our products could be detrimental to our business prospects and results of operations. In the event they violate confidentiality agreements with other parties when developing formulas for us, we could be negatively affected.

To optimize our supply chain, we, as a minority shareholder, and Cosmax, the majority shareholder, established a beauty manufacturing and R&D hub in Guangzhou, comprising 66,462 square meters. The facility officially commenced operations in August 2023. Although our collaboration with Cosmax and our minority investment in the facility in Guangzhou mitigates the risks associated with our engagement of ODM/OEM and packaging supply partners to some extent, it may expose us to a number of other risks, many of which are beyond our control, including but not limited to our limited influence over Cosmax, our lack of control over the board of directors of the joint venture and limited ability in monitoring and controlling the actions of the joint venture, potential dispute between us and Cosmax over corporate governance matters, and risks associated with possible deviations from the requirements under, or the non-performance of, the joint venture agreement by Cosmax. If any of the risks materialize, our business, results of operations and financial condition may be adversely affected.

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

Our product portfolio includes various product categories and product lines. Mass production of our products requires timely and adequate supply of various types of raw materials, components and ingredients. Some of the components, ingredients and raw materials used to produce our products are sourced from third-party suppliers through our ODM/OEM and packaging supply partners, and some of these components, ingredients and raw materials are sourced from a limited number of suppliers or a single supplier or certain foreign suppliers. Therefore, we are subject to risks of shortages or discontinuation in supply, long lead times, cost increases and quality control issues with our suppliers, as well as unfavorable international trade policies, heightened tariffs and fluctuation in currency exchanges. See also “—Fluctuations in exchange rates could have a material and adverse effect on the value of your investment and our results of operations” and “—The current tensions in international trade and rising international political tensions may adversely affect our business, financial condition, and results of operations.” In addition, some of our suppliers may have more established relationships with our competitors and the ODM/OEM and packaging supply partners that our competitors utilize, and as a result of these relationships, we cannot assure that such suppliers will not choose to limit or terminate their relationships with us or our ODM/OEM and packaging supply partners or prioritize our competitors’ orders in the case of supply shortages.

In the event of a component, ingredient or raw material shortage or supply interruption from suppliers, we and our ODM/OEM and packaging supply partners will need to identify alternative sources of supply, which can be time-consuming, difficult to locate, and costly. We and our ODM/OEM and packaging supply partners may not be able to source these components, ingredients or raw materials on terms that are acceptable, or at all, which may result in delays in deliveries of our products by our manufacturers or increased costs and undermine our ability to fill customer orders in a timely manner. This could cause delays in shipment of our products, harm our customers’ experience on our products, and adversely affect our reputation and results of operations.

Moreover, the market prices for certain raw materials, components and ingredients have been volatile. If we experience significant increases in the market price for components, ingredients or raw materials for our products, we may not be able to recover these costs through increasing sales price to our customers, in which case our results of operations and financial condition may be adversely affected.

Our business is subject to complex and evolving product safety laws, regulations and standards. If we fail to comply with these laws, regulations and safety standards or our products otherwise have defects, we may be required to recall products and may face penalties and product liability claims, either of which could result in unexpected costs and damage our reputation.

The manufacturing, distribution, packaging, importation and exportation of beauty products and their components, ingredients and raw materials are subject to complex product safety-related laws, regulations and national and industrial standards. See “Item 4. Information on the Company—B. Business Overview—Regulations—Regulations Relating to Cosmetic Products.” To maintain compliance and promote product safety, we have established a team dedicated to product quality inspection, product sampling and quality issues resolution and cooperate with the world’s leading testing centers to continually oversee the quality and safety of our products. In addition, we closely work with our counsel on the development in laws, regulations and standards applicable to our business. However, as these laws, regulations and standards are relatively new and their interpretation and implementation have been

constantly evolving, we cannot assure that the competent authorities will always hold the same view as our counsel team does in terms of the compliance of our business operations.

We currently outsource our product manufacturing to ODM/OEM, including the manufacturing hub we established with Cosmax, and packaging supply partners, and in many cases rely on them to procure raw materials, components and ingredients. Thus, we do not have sufficient control over the raw material procurement and manufacturing process. We cannot be sure that all suppliers of raw materials, components and ingredients chosen by our contract manufacturers would have met our standards and expectations had they been selected by us if we do the procurement ourselves, neither could we guarantee that no contaminations, defects or other safety issues would happen with respect to the raw materials, components and ingredients or during the manufacturing process. We have required our ODM/OEM and packaging supply partners to deliver reports evidencing the safety of the products and imposed compliance covenants on the ODM/OEM and packaging supply partners. However, we cannot be sure that these measures are or will be effective in preventing all defects or safety issues or otherwise maintaining full compliance of our products with product safety related laws, regulations and standards. Our exposure to product liability risk may increase as our manufacturing and sales volume increases. The situation is further complicated by the fact that a product may be safe for the general population when used as directed but could cause an adverse reaction for a person who has a health condition or allergies, or who is taking a prescription medication. While we include what we believe are adequate instructions and warnings, previously unknown adverse reactions could occur. If we discover that any of our products are causing adverse reactions, we could suffer adverse publicity or administrative sanctions. If any batch of our products contains contaminants, fails to meet national safety standards or otherwise has defects or safety issues, we may need to suspend the sale or, in severe cases, order recalls of such batch or all of the products in question. Any failure or perceived failure to comply with laws, regulations or standards with respect to product safety, or any sale suspension or product recall may lead to government investigations, penalties and lawsuits and may result in adverse publicity, potential significant costs in connection with the suspension of sales or recall, and could have a material and adverse effect on our business, financial condition and results of operations.

We rely on third-party service providers for logistics services. If these service providers fail to provide reliable services, our business and reputation may be adversely affected.

We rely on third-party couriers and logistics providers for order fulfilment and delivery services, including, among others, collection of products, warehousing services, shipping products to our customers, our experience stores and our third-party warehousing facilities and handling product returns. While these arrangements allow us to focus on our main business, they reduce our direct control over the logistics services provided to our customers. Logistics in our primary locations or transit to final destinations may be disrupted for a variety of reasons, including events that are beyond our control or the control of these service providers, such as inclement weather, natural and man-made disasters, health epidemics, information technology system failures, transportation disruptions, labor unrest, commercial disputes, military actions or economic, business, labor, environmental, public health, or political issues. In addition, if our third-party logistics service providers fail to comply with applicable rules and regulations in China, our delivery services may be materially and adversely affected. If any of our service providers' operations or services are disrupted or terminated, we may not be able to find alternative service providers with quality and on commercial terms to our satisfaction in a timely and reliable manner, or at all. Furthermore, delivery personnel of contracted third-party logistics service providers act on our behalf and interact with our customers personally. We need to effectively manage these third-party logistics service providers to ensure the quality of customer services. If our products are not delivered in proper condition or in a timely manner or there is any other failure to provide high-quality delivery services to our customers, our products may be compromised, customer experience may be impaired and, as a result, our business and reputation could suffer. Further, if our logistics providers raise their fee rate, we may incur additional costs and may not be able to pass such costs to our customers.

Our delivery, return and exchange policies may adversely affect our results of operations.

We have adopted shipping policies that do not necessarily pass the full cost of shipping onto our customers. We also have adopted customer-friendly return and exchange policies that make it convenient and easy for customers to change their minds within at least seven days after completing direct online purchases from us. We may also be legally required to adopt new or amend existing return and exchange policies from time to time. These policies improve customers' shopping experience and promote customer loyalty, which in turn help us acquire and retain customers. However, these policies also subject us to additional costs and expenses which we may not recoup through increased

revenues. If our delivery, return and exchange policies are misused by a significant number of customers or if the return or exchange rates increase beyond historical records or otherwise substantially, our costs may increase significantly and our results of operations may be materially and adversely affected. If we revise these policies to reduce our costs and expenses, our customers may be dissatisfied, which may result in loss of existing customers or failure to acquire new customers at a desirable pace, which may materially and adversely affect our results of operations.

Failure to successfully manage our fulfilment infrastructure or any interruption in the operation of the warehouse facilities for an extended period may negatively affect our business and results of operations.

We believe that our fulfilment infrastructure, consisting of strategically located warehouses, is essential to our supply chain management. Substantially all of the warehouses we use are operated by third-party vendors over which we have limited control. We provide our operating standards under our operating agreements with third-party vendors and typically renew these agreements on an annual basis. Our ability to process and fulfill orders accurately and provide high quality customer service depends on the smooth operation of the warehouse facilities. Any decrease in the quality of service offered by these third-party vendors will adversely affect our reputation and business operations. The warehouse facilities may be vulnerable to damage caused by fire, flood, power outage, telecommunications failure, break-ins, earthquake, health epidemics, human error and other events. If any of the warehouse facilities were rendered incapable of operations, then we may be unable to fulfill our orders on a timely basis, which could result in canceled sales and a loss of customer loyalty and have a material adverse impact on our business, financial condition and results of operations. For example, business operations at warehouse facilities could be disrupted if any of the employees working therein are suspected of getting contagious diseases since it could require the employees to be quarantined and/or the facilities to be disinfected. We do not carry business interruption insurance, and the occurrence of any of the foregoing risks could have a material adverse effect on our business, prospects, financial condition and results of operations.

The operation of our experience stores has required investments and commitments of resources and is subject to numerous risks and uncertainties.

Our experience stores have required investments in equipment and leasehold improvements, information systems, inventory and personnel, often times even prior to generating any sales in these stores. We also have entered into operating lease commitments for store space. A decline in sales or the closure or poor performance of individual or multiple stores could result in significant lease termination costs, write-offs of equipment and leasehold improvements and severance costs.

The success of our experience store operations depends in part on our ability to manage the financial and operational aspects of our experience stores operation strategy, our ability to properly assess the potential profitability and payback period of potential new experience store locations, our ability to hire and train skilled store operating personnel, especially management personnel, our ability to immerse such personnel in our culture, and our ability to guarantee timely supply of inventory for experience stores. We cannot assure you that we will succeed in all of these areas. In addition, many factors unique to offline retail operations, some of which are beyond our control, pose risks and uncertainties to the success of our experience store operations. These risks and uncertainties include, but are not limited to, macro-economic factors that could have an adverse effect on general retail activity, health epidemics, the overall customer traffic in and around the location of our experience stores, the opening of stores of competitors in the same area or location of our experience stores, the opening of a new store of ours in the same city as our existing experience stores, our failure in identifying appropriate locations for opening up new experience stores and accurately predicting customer traffic at such new stores, our inability to attract high customer traffic to our experience stores, our inability to manage costs associated with store construction and operation, more challenging environments in managing offline retail operations, costs associated with unanticipated fluctuations in the value of retail inventory, and our inability to obtain and renew leases in quality retail locations at a reasonable cost. If we are unable to open experience stores at convenient locations in such cities that have large number of customers of our online product sales and offer similar competitive price at our experience stores as our online stores, our ability to retain these customers, foster strong brand loyalty and enlarge our customer base may be negatively impacted. Meanwhile, if we are unable to generate sufficient sales from these stores, we may fail to recover the advanced costs and investments in connection with such experience store and our business and profitability may suffer. The substantial management time

and resources which our future experience store operation strategy may require could also result in disruption to our existing business operations, which may decrease our net revenue or otherwise affect our results of operations.

Failure to maintain or renew our current leases or locate desirable alternatives for our facilities could materially and adversely affect our business.

We primarily lease properties for our offices and experience stores. We usually enter into lease agreements with real estate owners for a period of around one to five years. To the extent we need to terminate the lease and relocate prior to the expiration of the lease term, we may face termination fees or be liable for breach of contracts. Meanwhile, for those locations that we want to continue our presence, we may not be able to successfully extend or renew such leases upon expiration of the current term on commercially reasonable terms, or at all. Certain leases we entered into with real estate owners contain covenants relating to periodical turnover commitments or certain minimum operation results commitments. We cannot assure you that we will be able to fulfill such covenants at all times. Our failure to comply with relevant covenants may result in the real estate owners' unilateral right to terminate the leases and may therefore be forced to relocate our affected operations. Any of these occurrences could disrupt our operations and result in significant relocation expenses, which could, adversely affect our business, financial condition and results of operations. Further, we compete with other businesses for premises at certain locations or of desirable sizes. As a result, even though we could maintain, extend or renew our leases, rental payments may significantly increase as a result of the high demand for the leased properties. Further, we may not be able to locate desirable alternative sites for our facilities as our business continues to grow and failure in relocating our affected operations could adversely affect our business and operations.

Expansion into international markets will expose us to significant risks.

Building on our success in China, we have started to expand globally, starting in Southeast Asia, where we have already established operations. We have also acquired *Galénic* and *Eve Lom* which have business operations, personnel and physical assets in Europe, U.S. and other geographies. Expansion into international markets requires significant resources and management attention and subjects us to regulatory, economic, and political risks in addition to those we already face in China. There are significant risks and costs inherent in doing business in international markets, including:

- difficulty in establishing and managing international operations and the increased operations, travel, infrastructure, including establishment of local delivery service and customer service operations, and legal compliance costs associated with locations in different countries or regions;
- the ability to retain and effectively manage senior management and key personnel of our acquired businesses against the backdrop of the intense international competition for high quality management personnel;
- the need to adjust pricing and margins to effectively compete in international markets;
- the need to adapt and localize products for specific countries and the potential differences in customer preferences, including obtaining rights to third-party intellectual property used in each country;
- increased competition from local providers of similar products and services;
- the ability to protect and enforce intellectual property rights abroad;
- the need to offer content and customer support in various languages;
- difficulties in understanding and complying with local laws, regulations, and observation of religious and cultural customs and conventions in other jurisdictions;
- compliance with anti-bribery laws, such as the U.S. Foreign Corrupt Practices Act, by us, our employees, and our business partners;
- complexity and other risks associated with current and future legal requirements in other countries, including legal requirements related to consumer protection, consumer product safety, and data privacy frameworks, such as the European Union General Data Protection Regulation;

- varying levels of internet technology adoption and infrastructure, and increased or varying network and hosting service provider costs;
- tariffs and other non-tariff barriers, such as quotas and local content rules, as well as tax consequences;
- fluctuations in currency exchange rates and the requirements of currency control regulations; and
- political or social unrest or economic instability in a specific country or region in which we operate.

We have limited experience with international regulatory environments and market practices and may not be able to penetrate or successfully operate in the markets we choose to enter. In addition, we may incur significant expenses as a result of our international expansion, and we may not be successful in such expansion. Our products and services may not be accepted as fast as we expect, or at all, by consumers in new markets due to our limited brand recognition in certain parts of the world, or if our third-party manufacturers or raw materials suppliers are alleged to be not in compliance with ethical, social, product, labor and environmental standards of such markets, such as those related to animal testing, which are usually more stringent than those of China. We may also face challenges to acceptance of our beauty-related content in new markets. Our failure to successfully manage these risks could harm our international operations and have an adverse effect on our business, financial condition and results of operations.

An economic downturn may adversely affect consumer discretionary spending and demand for our products and services.

Our beauty products may be considered discretionary items for consumers. Factors affecting the level of consumer spending for such discretionary items include general economic conditions and other factors, such as consumer confidence in future economic conditions, consumer sentiment, the availability and cost of consumer credit, levels of unemployment, and tax rates. Unfavorable economic conditions may lead consumers to delay or reduce purchases of our products and consumer demand for our products may not grow as we expect.

A significant majority of our net revenues are derived from sales of beauty products in China. Many factors outside of our control, including inflation and deflation, currency exchange rate fluctuation, volatility of stock and property markets, interest rates, tax rates and other government policies and unemployment rates can adversely affect consumer confidence and spending, which could in turn materially and adversely affect our business and results of operations. Unfavorable developments in domestic and international politics, including military conflicts, political turmoil and social instability, may also adversely affect consumer confidence and reduce spending. Our sensitivity to economic cycles and any related fluctuation in consumer demand for our products and services may also have an adverse effect on our results of operations and financial condition.

We collect, store, process and use a variety of customer data and information for analysis of the changing consumer preferences and fashion trends. The improper use or disclosure of data could have a material and adverse effect on our business and prospects.

We collect, store, process and use a variety of customer data and information for analysis of the changing consumer preferences and fashion trends to guide our product development and to improve our products and customer experience. We face risks inherent in handling and protecting customer data and information. In particular, we face a number of challenges relating to data from transactions and other activities on our platforms, including:

- protecting the data in and hosted on our system, including against attacks on our system by outside parties or fraudulent behavior or improper use by our employees and third parties;
- addressing concerns related to personal information, data protection, cybersecurity and other factors; and
- complying with applicable laws, rules and regulations relating to the collection, use, storage, processing, transfer, provision, disclosure, deletion and security of data, including any requests from regulatory and government authorities relating to these data.

Based on our internal data compliance assessment conducted with the assistance of our PRC legal counsel in 2022 and considering that relevant regulations have not been updated and no material change has occurred in our business operations since then, as of the date of this annual report, our business operations are compliant with the regulations that have been issued by the Cyberspace Administration of China in all material respects. There have not been any material changes in our business operations concerning data security and personal information protection since then. We have been taking, and will continue to take, reasonable measures to comply with laws and regulations relating to privacy, personal information, data security and cybersecurity. Pursuant to PRC laws and regulations regarding data security and personal information protection, and in response to the current supervisory tendency from the Cyberspace Administration of China, we have taken certain internal and external measures to ensure compliance with the legal obligation required by the supervisory authorities and to ensure data security concerning customers. With respect to external management, on the one hand, we have timely updated our personal information processing rules, and we have disclosed the updated personal information processing rules to our customers and obtained their consent to such update; on the other hand, we have executed data processing agreements with external logistic companies to clarify each party's rights and obligations when assigning personal information processing tasks to such logistic companies. With respect to internal management, we have established an integrated data compliance management structure and enacted a series of data compliance policies such as the data security management policy (including the requirements for data compliance audit), the data classification and grading policy, the personal information protection impact assessment policy, the data storage and management policy, information security incidents and emergency response measures. We have also utilized a series of compliance tools to ensure proper implementation of the aforementioned policies. However, as the PRC governmental authorities have wide discretion in interpretation and implementation of the cybersecurity laws and regulations, it is uncertain whether the efforts undertaken by us so far will be sufficient to ensure full compliance with all applicable cybersecurity laws and regulations in the future. In addition, substantial uncertainties exist with respect to the enactment timetable, final content, interpretation and implementation of such regulations. As of the date of this annual report, we have not been involved in any formal investigations on cybersecurity review made by the Cyberspace Administration of China. Based on the foregoing, our PRC legal counsel does not expect that, as of the date of this annual report, the current applicable PRC laws on data security and personal information protection would have a material adverse impact on our business.

In general, we expect that data security and data protection compliance will receive greater attention and focus from regulators, both domestically and globally, as well as attract continued or greater public scrutiny and attention going forward, which could increase our compliance costs and subject us to heightened risks and challenges associated with data security and protection. If we are unable to manage these risks, we could become subject to penalties, including fines, suspension of business and revocation of required licenses, and our reputation and results of operations could be materially and adversely affected. For more information on the compliance risks, see “—We are required to comply with PRC laws relating to privacy, personal information, data security and cybersecurity. Failure to comply with these laws and regulations would result in claims, penalties, damages to our reputation and brand, or otherwise harm our business.” and “—We may be subject to data protection laws and regulations of jurisdictions other than China.”

We are required to comply with PRC laws relating to privacy, personal information, data security and cybersecurity. Failure to comply with these laws and regulations would result in claims, penalties, damages to our reputation and brand, or otherwise harm our business.

In recent years, the PRC government authorities have increasingly focused on safeguarding information and data security. The Cyber Security Law of the PRC provides that network operators must fulfill their obligations to safeguard network security during the course of conducting business and providing services. Network service providers must take technical and other necessary measures as required by laws, regulations and mandatory requirements to safeguard the operation of networks, respond to network security effectively, prevent illegal and criminal activities and maintain the integrity, confidentiality and usability of network data. Pursuant to the Security Protection Regulations for Critical Information Infrastructure, which became effective in September 2021, critical information infrastructure means key network facilities or information systems of critical industries or sectors, such as public communication and information service, energy, transportation, water conservation, finance, public services, e-government affairs and national defense science, the damage, malfunction or data leakage of which may endanger national security, people's livelihoods and the public interest. If a company is designated as a critical information infrastructure operator, it must comply with specific obligations mandated by applicable cybersecurity laws and

regulations, which include, among others, that any personal information and important data collected and generated in operations within China must be stored within the territory of China. However, these PRC laws and regulations relating to cybersecurity are relatively new, and the applicable scope of these laws and regulations, including the applicable scope of “critical information infrastructure” under the current regulatory regime, remains unclear and shall be subject to more interpretation from the competent government authorities.

Since 2021, the PRC government authorities have also promulgated a series of laws and regulations to build a system for cybersecurity review. The Data Security Law of the PRC, which took effect in September 2021, provides for a national security review procedure for data processing activities that affect or may affect national security. Pursuant to the Revised Measures for Cybersecurity Review, which was published by the Cyberspace Administration of China and became effective in February 2022, critical information infrastructure operators that procure internet products and services, as well as network platform operators engaging in data processing activities, must be subject to a cybersecurity review if their activities affect or may affect national security. A cybersecurity review could result in significant costs and expose such critical information infrastructure operators to various challenges, both throughout the review process and in the course of implementing the required improvements to their cybersecurity protocols. Since the Revised Measures for Cybersecurity Review provide no further explanation or interpretation on the determination of “affecting national security,” there remain uncertainties as to whether our data processing activities may be deemed to affect national security. In addition, network platform operators holding over one million users’ personal information must apply for a cybersecurity review with the Cybersecurity Review Office before any public offering in a foreign country. As of the date of this annual report, we have not been informed that we are a critical information infrastructure operator by any government authorities. Moreover, the State Council of the PRC published the Regulation on Network Data Security Management on September 24, 2024, which became effective on January 1, 2025. The regulation provides detailed guidelines for the implementation of the Cyber Security Law of the PRC, the Data Security Law of the PRC, and the Personal Information Protection Law of the PRC. The regulation stipulates a series of requirements for network data processors, including to identify, report and take specific measures to protect important data involved in their business. Failure to comply with these obligations may result in administrative penalties, including fines, suspension of business operations, and revocation of business licenses. The Measures for the Administration of Personal Information Protection Compliance Audits, which became effective on May 1, 2025, require processors handling personal information of more than 10 million individuals to conduct compliance audits at least once every two years.

Moreover, the PRC government authorities are also improving the legal system on the protection of the personal information. In August 2021, the Standing Committee of the National People’s Congress promulgated the PRC Personal Information Protection Law, which integrates the scattered rules with respect to personal information rights and privacy protection and took effect on November 1, 2021. The Regulation on Network Data Security Management requires network data processors processing the personal information of 10 million or more individuals to implement additional measures on personal information protection, including but not limited to, specifying the person in charge and the management body to perform corresponding responsibilities for network data security protection. We only collect basic user personal information that is necessary to provide the corresponding services. We update our privacy policies from time to time to meet the latest regulatory requirements of the Cyberspace Administration of China and other authorities and adopt technical measures to protect personal information and ensure cybersecurity in a systematic way.

The PRC government authorities also further enhanced the supervision and regulation of cross-border data transmission. Pursuant to the Measures for the Security Assessment of Cross-border Data Transfer, which became effective in September 2022, data processors will be subject to security assessment conducted by the Cyberspace Administration of China prior to any cross-border transfer of data if the transfer involves certain types of data such as important data. In March 2024, the Cyberspace Administration of China issued the Provisions on Facilitating and Regulating Cross-border Data Transfer and updated the Guidelines to Applications for Security Assessment of Outbound Data Transfers and the Guidelines for Filing the Standard Contract for Outbound Cross-Border Transfer of Personal Information, providing additional guidance on the regulation of cross-border transfer of personal information. On October 14, 2025, the Cyberspace Administration of China and the State Administration for Market Regulation jointly promulgated the Measures for the Certification of the Outbound Transfer of Personal Information, which took effect on January 1, 2026, establishing a certification pathway for non-critical information infrastructure operator transferring personal information overseas within specified volume thresholds. For more details on the PRC laws relating to privacy, personal information, data security and cybersecurity, see “Item 4. Information on the Company—B. Business Overview—Regulations—Regulations Relating to Internet Information Security and Privacy Protection.”

Compliance with the existing PRC laws and regulations, as well as additional laws and regulations that PRC regulatory bodies may enact in the future, related to data security and personal information protection, may be costly and result in additional expenses to us, and subject us to negative publicity, which could harm our reputation and business operations. There are also uncertainties with respect to how such laws and regulations will be implemented and interpreted in practice.

We may be subject to data protection laws and regulations of jurisdictions other than China.

Regulatory authorities around the world have adopted or are considering a number of legislative and regulatory proposals concerning data protection. These legislative and regulatory proposals, if adopted, and the uncertain interpretations and application thereof could, in addition to the possibility of fines, result in an order requiring that we change our data practices and policies, which could have an adverse effect on our business and results of operations. The European Union General Data Protection Regulation, which came into effect on May 25, 2018, includes operational requirements for companies that receive or process personal data of residents of the European Economic Area. The European Union General Data Protection Regulation establishes new requirements applicable to the processing of personal data, affords new data protection rights to individuals and imposes penalties for serious data breaches. Individuals also have a right to compensation under the European Union General Data Protection Regulation for financial or non-financial losses. In the event that residents of the European Economic Area access our website or our mobile platform and input protected information, we may become subject to provisions of the European Union General Data Protection Regulation. Failure or perceived failure to comply with the European Union General Data Protection Regulation or data protection laws and regulations of other jurisdictions could have an adverse impact on our reputation, brand and results of operations.

Any security and privacy breach may lead to leak and unauthorized disclosure of data and information we aggregate, which may hurt our brand image, our business and results of operations.

We store and analyze customer and operations data, and security breaches expose us to a risk of loss of such data, litigation and potential liability. Our data is encrypted and saved on cloud-based servers, segregated from the internet, protected by access control, and further backed up in long-distance servers, so as to minimize the possibility of data loss or breach.

Despite the security measures we have implemented, we may experience cyber-attacks of varying degrees, including attempts to hack into our cloud or our intranet and steal customer and business information or obtain economic benefit from us. Our security measures may also be breached due to employee error, malfeasance or otherwise. Additionally, outside parties may attempt to fraudulently induce our employees to disclose sensitive information in order to gain access to our data, or may otherwise obtain access to such data. Any such breach or unauthorized access could result in significant legal and financial exposure, damage to our reputation and a loss of confidence in the security of our information system that could deter our customers from engaging with us, and have an adverse effect on our business and results of operations. Because the techniques used to obtain unauthorized access, disable or degrade service or sabotage systems change frequently and often are not recognized until launched against a target, we may be unable to anticipate these techniques or to implement adequate preventative measures. If an actual or perceived breach of our security occurs, our customers' and business partners' perception of the effectiveness of our security measures could be harmed, we could lose customers and business partners, may not be able to maintain the level of engagement with customers and business partners and we may be exposed to significant legal and financial risks, including legal claims and regulatory fines and penalties. Any of these actions could have a material and adverse effect on our business and results of operations.

User misconduct on and misuse of the online consumer communities we organize may adversely impact our brand and reputation, and may subject us to liabilities.

In addition to interactions with our customers at our experience stores, we organize customer communities on Weixin, through which we establish closer relationships with, and develop better understanding of, our customers through deep engagement with them. Such communities also allow customers to share shopping experience and freely communicate with each other. However, we do not have full control over how and what our customers will communicate, and our communities could be misused by some of our customers. For example, some of our customers may use our communities as a platform to distribute content that could be deemed as spam by other customers, such

as marketing materials for his or her own businesses or businesses he or she is employed to promote, which could impair our customers' experience. In addition, once invited into our online communities, our customers can add each other as contacts and communicate and interact privately. We have no control over our customers' behaviors off our online communities and cannot rule out the possibility that some of them may engage in immoral, disrespectful, fraudulent or illegal activities. To the extent such behaviors or activities are associated with our communities, the public perception of our reputation and brand image could be harmed and prospective customers may be deterred from joining our online communities, which could have a material and adverse effect on our business and reputation.

We are dependent on information technology, and if we are unable to protect against service interruptions, data corruption, cyber-based attacks or network security breaches, our operations could be disrupted.

We rely on information technology networks and systems to market and sell our products, to process, transmit and store electronic and financial information, to manage and monitor a variety of business processes and activities and to comply with regulatory, legal and tax requirements. We are dependent on a variety of information systems to effectively process and fulfill customer orders. We also depend on our information technology infrastructure for digital marketing activities, for managing our various distribution channels, for electronic communications among our personnel, customers, manufacturers and suppliers and for synchronization with our manufacturers and logistics providers on demand forecast, order placements and manufacturing and service status and capacity. These information technology systems, some of which are managed by third parties, may be susceptible to damage, disruptions or shutdowns due to failures during the process of upgrading or replacing software, databases or components, power outages, hardware failures, computer viruses, attacks by computer hackers, telecommunication failures, user errors or catastrophic events. Any material disruption of our systems, or the systems of our third-party manufacturers, e-commerce platforms or service providers, could disrupt our ability to track, record and analyze the products that we sell and could negatively impact our operations, shipment of goods, ability to meet customer requests, ability to process financial information and transactions, and ability to receive and process orders or engage in normal business activities. If our information technology systems suffer damage, disruption or shutdown, we may incur substantial cost in repairing or replacing these systems, and if we do not effectively resolve the issues in a timely manner, our business, financial condition and results of operations may be materially and adversely affected, and we could experience delays in reporting our financial results.

If we fail to maintain and upgrade our information technology systems, it may have a material adverse effect on our business, financial condition and results of operations.

As we grow our business, we expect to continue to invest in and implement upgrades to our information technology systems and procedures. Without these improvements, our operations might suffer from unanticipated system disruptions, slow data processing, unreliable service levels, impaired quality or delays in reporting accurate information, any of which could negatively affect our reputation and ability to attract and retain customers. However, such upgrades may subject us to inherent costs and risks associated with changes to these systems, including potential disruption of our internal control structure, additional administration and operating expenses, failure to acquire or retain sufficiently skilled personnel to implement and operate the new systems, demands on management time and other risks and costs of delays or difficulties in transitioning to or integrating new systems into our current systems. In addition, the upgrade and improvement of our information technology systems and infrastructure may require us to commit substantial financial, operational and technical resources, with no assurance our business will increase. If we fail to respond to technological change or to adequately maintain and upgrade our systems and infrastructure in response to changing business needs in a timely, effective and cost-efficient fashion, our business could be adversely affected.

Real or perceived inaccuracies in our operating metrics may harm our reputation and negatively affect our business.

We regularly review our operating metrics in relation to our customers to evaluate growth trends, measure our performance, and make strategic decisions. These metrics are calculated using our internal data as well as third-party platforms' data, have not been validated by an independent third party, and may not be indicative of our future operation results. Our operating metrics may differ from estimates published by third parties or from similarly titled metrics used by other companies due to differences in methodology. If we discover material inaccuracies in the

operating metrics we use, or if they are perceived to be inaccurate, our reputation may be harmed and our evaluation methods and results may be impaired, which could negatively affect our business.

The payment methods that we accept subject us to third-party payment-related risks and other risks.

We accept payments from our customers using a variety of methods, including online payments with credit cards and debit cards issued by major banks and payment through third-party online payment platforms such as Weixin Pay and Alipay. We also rely on third parties to provide payment processing services. For certain payment methods, including credit and debit cards, we pay interchange and other fees, which may increase over time and raise our operating costs and lower our profit margins. We may also be subject to fraud and other illegal activities in connection with the various payment methods we offer, including online payment options. We may also be subject to various rules, regulations, and requirements, regulatory or otherwise, governing electronic fund transfers and online payment, which could change or be reinterpreted to make it difficult or impossible for us to comply with. If we fail to comply with these rules or requirements, we may be subject to fines and higher transaction fees and lose our ability to accept credit and debit card payments from our customers, process electronic fund transfers, or facilitate other types of online payments, and our business, financial condition, and results of operations could be materially and adversely affected.

Our ability to enrich our content offerings could be substantially impaired if we fail to cooperate with third-party content providers or fail to attract or retain high quality in-house writers and editors.

We currently generate content primarily through our in-house editorial team. We also collaborate with third-party professional content providers to extend the breadth and depth of our content offerings. The demand and competition for skilled and experienced writers and editors are intense. We may not be able to compete effectively for talents, neither can we guarantee we will not lose existing editors or writers. We may also incur increased compensation expenditures as we upscale our editorial team or increase compensation and benefits to retain our skilled writers and editors. In addition, if we fail to maintain our cooperation with third-party professional content providers upon terms commercially acceptable to us, we may lose a portion of high-quality content offerings. Any of these occurrences may adversely affect our ability to produce high-quality content in an effective manner, resulting in deterioration of user experience and harm to our brand, and our financial condition and results of operations may be materially and adversely affected as a result.

If the content we produce and distribute through online social and content platforms, or content available on our website, is deemed to violate PRC laws or regulations, our business and results of operations may be materially and adversely affected.

We produce and distribute professionally generated beauty and wellness related content on third party online social and content platforms such as Douyin and RedNote to promote beauty related knowledge, to improve our brand awareness and to generate consumer interest in our products. Under PRC laws, we are required to monitor content we produce and distribute for items that are factually incorrect, socially destabilizing, obscene or defamatory, and promptly take actions with respect to such content items. Sometimes, it is arguable as to whether a piece of information is factually incorrect or involved other types of illegality, and it may be difficult to determine the type of content that may result in liability to us. Our burden to administer the content, and costs associated therewith, may be exacerbated if we develop our own app with user discussion panel or other interactive functions or features in the future, or introduce such interactive features and functions to our website and Weixin mini-program. If we are found to be liable, we may be subject to fines, revocation of our relevant licenses and other administrative and civil actions, which may interrupt our business. We have implemented measures to review content in light of the laws and regulations before any of them is published. However, such procedures may not prevent all illegal or inappropriate content from being distributed, especially content created during live streaming by KOLs we collaborate with.

If our cash from operations is not sufficient to meet our current or future operating needs and expenditures, our business, financial condition and results of operations may be materially and adversely affected.

For the fiscal years ended December 31, 2023, 2024 and 2025, we had negative cash flows from operating activities of RMB107.4 million, RMB243.7 million and RMB94.7 million (US\$13.5 million), respectively. We may require additional cash resources due to changed business conditions or other future developments, including any marketing initiatives, investments or acquisitions we may decide to pursue. To the extent we are unable to generate sufficient cash flow, we may be forced to cancel, reduce or delay these activities. Our ability to generate cash to meet our operating needs and expenditures will depend on our future performance and financial condition, which will be affected by financial, business, economic, legislative, regulatory and other factors, including potential changes in costs, pricing, the success of product innovation and marketing, competitive pressure and consumer preferences. If our cash flows and capital resources are insufficient to fund our cash needs, we could face substantial liquidity problems and could be forced to reduce or delay investments and capital expenditures or to dispose of material assets or operations. Alternatively, if our sources of funding are insufficient to satisfy our cash requirements, we may seek to obtain credit facilities or sell equity or debt securities. The sale of equity securities would result in dilution of our existing shareholders, including holders of our ADSs. The incurrence of indebtedness would result in debt service obligations and operating and financing covenants that could restrict our operations. Furthermore, it is uncertain whether financing will be available in amounts or on terms acceptable to us, if at all. Our ability to obtain financing may be affected by factors beyond our control, including general economic, market and other conditions, and there is no assurance that our efforts to obtain external financing will succeed.

On March 11, 2026, we entered into a Note Purchase Agreement with a purchaser affiliated with Trustar Capital and Mr. Jinfeng Huang, our founder, chairman of the board of directors and chief executive officer. Pursuant to this agreement, the purchaser agreed to subscribe for certain RMB-denominated convertible senior notes in an aggregate principal amount equivalent to approximately US\$120 million, to be issued in two equal tranches, together with warrants to purchase our Class A ordinary shares.

Following our announcement of the transaction, a significant shareholder of ours raised objections to, and concerns regarding, the consummation of the transaction as contemplated under the Note Purchase Agreement, and sought to participate in the transaction. We have been engaging in communications with the purchaser and such shareholder in an effort to resolve this matter, including the potential participation of such shareholder in the transaction through an investment in the purchaser. Such discussions remain ongoing. As a result of this development, the closing of the first tranche of the notes and warrants contemplated by the Note Purchase Agreement has not yet occurred as of the date of this annual report.

There can be no assurance that the parties will reach a resolution, that the closing conditions under the Note Purchase Agreement will be satisfied, or that the transaction will be consummated on the terms currently contemplated, or at all. If the transaction is further delayed, materially modified or not completed, we may need to seek alternative sources of financing, revise our liquidity planning, reduce or defer capital expenditures, investments, acquisitions, share repurchases or other capital allocation initiatives, or otherwise adjust our business plans. Any such developments could materially and adversely affect our business, financial condition and results of operations.

We may be subject to infringement claims of intellectual property rights or other rights of third parties, which may be expensive to defend and may disrupt our business and operations.

Our commercial success depends in part on our ability to operate without infringing, misappropriating or otherwise violating the trademarks, patents, copyrights, trade secrets and other proprietary rights of others. We have adopted and implemented internal procedures and licensing practices to prevent unauthorized use of such intellectual properties or the infringement by us of other rights of third parties. However, we cannot be certain that these measures can be effective in completely preventing all possible infringement, misappropriation and other violations of third-party's intellectual property rights or other rights during the course of our business. As we face increasing competition and as litigation becomes a more common way to resolve disputes in China, we face a higher risk of being the subject of intellectual property infringement claims.

We cannot be certain that our operations or any aspects of our business do not or will not infringe upon or otherwise violate patents, copyrights or other intellectual property rights held by third parties. This is especially the case as our sales and marketing activities may use photos or video clips that contain portraits of individuals and shows performed by others such as recorded product promotion live-streaming held by our cooperating KOLs. We cannot

rule out the possibility that some of these use cases are not properly authorized by the relevant performers and/or proprietary right holders, which may expose us to potential liabilities for infringement of portrait rights or rights to network dissemination of information under Chinese laws. In addition, although we enter into license agreements with third party proprietary right holders, we cannot rule out the possibility that some uses of such licensed rights might exceed the authorized scope or permitted license time period specified in such license agreements. There could also be existing intellectual property of which we are not aware that our operations and business may inadvertently infringe upon. Further, our internal procedures and licensing practices may not be effective in completely preventing the unauthorized use of copyrighted materials or the infringement of other rights of third parties by us and/or our employees. We have received and may continue to receive claims by third parties that we and/or our employees have infringed or otherwise violated their software copyright. We license and use software and other technologies from third parties in our ordinary course of business. These third-party software or technology licenses may not continue to be available to us on acceptable terms or at all, and may expose us to potential infringement liability. Any such liability, or our inability to use any of these third-party software or technologies on acceptable terms or at all, could harm our reputation, result in increased operating costs, and/or disruptions to our business that may materially and adversely affect our operating and financial results.

We may from time to time in the future be subject to legal proceedings and claims relating to the intellectual property rights of others. Also, although we have not been subject to material claims or lawsuits relating to the intellectual property rights outside China, we cannot assure you that we will not become subject to intellectual property laws in other jurisdictions, such as the United States. If a claim of infringement brought against us in China, the United States or another jurisdiction is successful, we may be required to pay substantial penalties or other damages and fines, enter into license agreements which may not be available on commercially reasonable terms or at all or be subject to injunctions or court orders. Even if allegations or claims lack merit, defending against them could be both costly and time consuming and could significantly divert the efforts and resources of our management and other personnel. Competitors and other third parties may claim as well that our officers or employees or our ODM/OEM and packaging supply partners have infringed, misappropriated or otherwise violated their product formulas, confidential information, trade secrets or other proprietary information or technology in the course of their employment with us or in their designing and manufacturing products for us, as the case may be. Although we take steps to prevent the unauthorized use or disclosure of such third-party information, intellectual property or technology by our officers, employees or ODM/OEM and packaging supply partners, we cannot guarantee that our internal intellectual property policy, any other policies or contractual provisions that we have implemented or may implement will be effective. If a claim of infringement, misappropriation or violation is brought against us or one of our officers or employees, we may suffer reputational harm and may be required to pay substantial damages, subject to injunction or court orders or be required to suspend sales of our products or to remit to the plaintiff the revenues we derive from the sales, any of which could adversely affect our business, financial condition and results of operations.

If we are unable to protect our intellectual property, the value of our brands and other intangible assets may be diminished, and our business may be adversely affected.

We rely on a combination of trademark, copyright, trade secret, patent and other laws protecting proprietary rights, nondisclosure and confidentiality agreements and other practices, to protect our brands and proprietary information, know-hows, technologies and processes. Our principal intellectual property assets include the registered trademarks for our brands, the design and invention patents and copyrights for our products and logos. Our copyrights, trademarks and design and invention patents are valuable assets that support our brands and consumers' perception of our products. Although we have existing and pending trademark and patent registrations in China, there can be no assurance that all of them will be issued or registered. Historically, some of our trademark applications on certain key categories were rejected, which result in difficulties in our ability to protect our use of brand name or logo on products of such categories, and may subject us to possible intellectual property disputes with third parties over such uses. Third parties may also oppose our trademark or patent applications domestically or abroad, or otherwise challenge our use of the trademarks or patents. In the event that our trademarks or patents are successfully challenged, we could be forced to rebrand our products or to refrain from using certain designs, which could result in the loss of brand recognition, impair the attractiveness of our products and could require us to devote resources to advertising and marketing new brands and product designs.

Despite our efforts to protect our intellectual property rights and proprietary information, unauthorized parties may attempt to copy or otherwise obtain and use our intellectual properties or know-hows. Monitoring for

infringement or other unauthorized use of our intellectual property rights and know-hows is difficult and costly, and such monitoring may not be effective. From time to time, we may have to resort to courts or administrative proceedings to enforce our intellectual property rights, which may result in substantial cost and diversion of resources. The PRC has historically afforded less protection to a company's intellectual property than the United States and, therefore, companies such as ours operating in the PRC face an increased risk of intellectual property piracy.

Our employees or business partners or other parties with whom we maintain business relationship may engage in misconduct or other improper activities, which may disrupt our business, hurt our reputation and results of operations.

Our employees or business partners, including third-party manufacturers and logistics service providers, may be subject to regulatory penalties or punishments or other legal proceedings because of their wrongdoings or regulatory compliance failures, which may disrupt our business. For example, we currently rely on ODM/OEM, including the manufacturing hub we established with Cosmax, to produce our products. Although we usually require them to provide compliance representations and covenants, we cannot assure that they will not engage in any noncompliant practices such as environmental or product safety requirement violations. If they engage in any noncompliance or face regulatory sanctions or operation suspensions, our business may as a result be disrupted and our reputation may be harmed.

We are exposed to the risk of fraud or other misconduct by our employees or third-party partners with whom we have business arrangements. Misconduct by employees or third-party partners could include inadvertent or intentional failures to comply with the laws and regulations to which we are subject or with our policies, provide accurate information to regulatory authorities, comply with ethical, social, product, labor and environmental standards, comply with fraud and abuse laws and regulations, report financial information or data accurately, or disclose unauthorized activities to us. We have no control over the off-work time and behaviors of our employees and the operations of our third-party partners. Any legal liabilities of, or regulatory actions against, our employees, especially key employees, or business partners may affect our business activities and reputation and, in turn, our results of operations.

We may be adversely affected by the complexity, uncertainties and changes in PRC regulation of internet-related business and companies, including limitations on our ability to own key assets.

We leverage the internet for many of our sales, consumer acquisitions and engagement and daily operations. Foreign ownership of and the licensing and permit requirements pertaining to companies operating in the internet industry are subject to government scrutiny. These internet-related laws and regulations are relatively new and evolving, and their interpretation and enforcement involve significant uncertainties. As a result, in certain circumstances it may be difficult to determine what actions or omissions may be deemed to be in violation of applicable laws and regulations. Issues, risks and uncertainties relating to PRC government regulation of such industries include, but are not limited to, the following:

- Uncertainties relating to the regulation of the internet business in China, including evolving licensing practices, give rise to the risk that some of our permits, licenses or operations may be subject to challenge, which may be disruptive to our business, subject us to sanctions or require us to increase capital, compromise the enforceability of relevant contractual arrangements, or have other adverse effects on us. The numerous and often vague restrictions on the collection and usage of customer data and on content distributed online in China may subject us to potential liability.
- Although we have not received notice of violation or faced administrative actions in connection with our operation of business via the VIE and its affiliates, we cannot assure that the PRC government will not find such practice noncompliant with PRC laws and regulations or the interpretation thereof, in which case we could be subject to severe penalties or be forced to relinquish our interests in those operations.

Due to the increasing popularity and use of the internet and other online services, with respect to online sales, advertising, customer acquisition, data acquisition and usage, or otherwise related to internet industries, a number of laws and regulations have been adopted, and it is possible that more will be adopted in the future. The adoption of additional laws or regulations, the application to our business of laws and regulations from jurisdictions whose laws do not currently apply to our business, or the application to our business of existing laws and regulations that are traditionally not applicable to digital forms of services, may heighten requirements for us to conduct our operations, which could, in turn, increase our cost of doing business, disrupt our operations and impede the development or growth of the internet industry generally.

We cannot assure you that subsequent laws and regulations or interpretation of existing ones would not render our operations noncompliant or that we would always be in full compliance with applicable laws and regulations. In the event that we must remedy any violations, we may be required to modify our business models in a manner that undermines the experience of our customers. We may also become subject to fines or other penalties and, if we determine that the requirements to operate in compliance are overly burdensome, we may elect to terminate the non-compliant operations. In each case, our business, financial condition and results of operations may be materially and adversely affected.

If we fail to obtain and maintain the requisite licenses, permits, registrations and filings applicable to our business, or fail to obtain additional licenses, permits, registrations or filings that become necessary as a result of new enactment or promulgation of government policies, laws or regulations or the expansion of our business, our business and results of operations may be materially and adversely affected.

Internet and beauty industry and certain business models and practices such as the operation of franchise business and export-oriented e-commerce business in China are highly regulated, and require multiple licenses, permits, filings and approvals to conduct and develop business. Currently, we have obtained the following valid licenses through our subsidiaries and the VIE: the Permit for Production and Operation of Radio and Television Programs, Record Filing Certificate for Operation of Class II Medical Devices for sales of medical skincare products, Record Filing for online sales for Medical Devices and the Permit for the Food Trade for our sale of health-care food and snacks. In addition, we have completed the consignor/consignee registration for export and import of goods to carry out import of goods to facilitate the operation of our portfolio brands and to implement our sales of products to overseas markets. We have filed the franchise agreement in effect with the Department of Commerce of Guangdong Province for the launch of our franchise business model for our products under the *Perfect Diary* brand. However, as the beauty market is rapidly evolving and highly competitive and we are continually exploring more approaches to conduct sales and marketing cost-effectively and capture points of growth, we may not be able to obtain some of the licenses, registrations and filings necessary or advisable for certain of our operations, especially the newly launched ones. We post short video clips on certain third-party platforms including Weixin mini-program, Weixin Channel, Douyin and RedNote and enable our customers to post video clips and photos on our Weixin mini-program, which may require us to obtain a License for Online Transmission of Audiovisual Programs pursuant to the Administrative Provisions on Internet Audio-visual Program Service. As of the date of this annual report, we have not obtained the License for Online Transmission of Audiovisual Programs, which may subject us to warnings, orders of correction, pecuniary penalties or other administrative proceedings. Pursuant to a phone consultation dated March 11, 2025 conducted by our PRC legal counsel with the Radio and Television Administration of Guangdong Province, in practice, as long as the operators of third-party platforms have obtained the License for Online Transmission of Audiovisual Programs, we, as brands posting audio and video content on third-party platforms, are not directly supervised by the Radio and Television Administration of Guangdong Province regarding the holding of such license. Additionally, pursuant to responses made by Radio and Television Administration of Guangdong Province posted on the Interactive Exchange Section of its official website, audiovisual content regarding product introduction, service promotion, corporate image promotion does not constitute the “Online Audiovisual Programs” that requires the License for Online Transmission of Audio-visual Programs. Based on the foregoing, we believe that in practice we are not required to obtain a License for Online Transmission of Audiovisual Programs. As of the date of this annual report, we have not received any notice of warning or been subject to any administrative penalties or other disciplinary actions from the governmental authorities for lack of licenses, permits, registrations or filings. However, as the interpretation and enforcement of relevant laws and regulations are evolving, we cannot assure you that we will not be subject to any warnings, orders of correction, pecuniary penalties or other administrative proceedings in the future, which may materially and adversely affect our business, financial condition and results of operations.

In addition, certain licenses, permits or registrations we hold are subject to periodic renewal. If we fail to maintain or renew one or more of our licenses and certificates when their current term expires, or obtain such renewals in a timely manner, our operations could be disrupted. In addition, under relevant PRC laws and regulations, the VIE as license holders are required to update certain licenses if any change to their respective name, registered capital or legal representative during the validity period of such license. If we fail to properly renew and maintain all such requisite licenses on time, we may face penalties and in extreme circumstances, order to suspend or terminate our website and online business.

Further, due to uncertainties of interpretation and implementation of existing laws and the adoption of additional laws and regulations, the licenses, permits, registrations or filings we held may be deemed insufficient by PRC governments, which may restrain our ability to expand our business scope and may subject us to fines or other regulatory actions. Furthermore, as we develop and expand our business scope, we may need to obtain additional permits and licenses and we cannot assure that we will be able to obtain such permits on time or at all.

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

We have in the past pursued investments and acquisitions and may continue to seek investment or acquisition opportunities that we believe strengthen our competitive position in our key segments and geographies or accelerate our ability to grow into adjacent product categories and channels and emerging markets or which otherwise fit our strategies. The cost of identifying and consummating investments or acquisitions could be high and there can be no assurance that we will be able to identify suitable investments or acquisition candidates, be the successful bidder or consummate acquisitions on favorable terms, or have the funds to acquire desirable investments or acquisitions. Such investments or acquisitions may also require approval from the PRC governmental authorities, which may result in high compliance costs and add uncertainty to the transaction despite the commercial efforts made.

In addition, investments and acquisitions could result in distraction of management from current operations, greater than expected liabilities and expenses, unidentified issues not discovered in our due diligence, the use of substantial amounts of cash, potentially dilutive issuances of equity securities, significant amortization expenses related to goodwill or intangible assets and exposure to potential unknown liabilities of the acquired business. If the goodwill or intangible assets become impaired, we may be required to record a significant charge to our results of operations. We recorded impairment of goodwill of RMB354.0 million and RMB403.1 million in 2023 and 2024, respectively. The impairment represents the amount by which the carrying value of the Eve Lom reporting unit exceeded its fair value, based on quantitative goodwill impairment test, primarily due to weaker operating results than expected.

Further, the assumptions we use to evaluate investment or acquisition opportunities may not prove to be accurate and our investments or acquisitions may not yield the results we expect. Even if our assumption is accurate, the integration of acquired businesses into ours may be costly and disruptive to our existing business operations. The integration process involves certain risks and uncertainties, some of which are outside our control, and there can be no assurance that we will be able to realize the anticipated benefits, synergies, cost savings or efficiencies. In the event that our investments and acquisitions are not successful, our results of operations and financial condition may be materially and adversely affected.

Our quarterly operating results may fluctuate due to seasonality and other factors, which makes our results of operations difficult to predict and may cause our quarterly results of operations to fall short of expectations.

Our quarterly operating results have fluctuated in the past and may continue to fluctuate depending upon a number of factors, many of which are beyond our control. Our operating results tend to be seasonal. For instance, we generate a notable portion of our net revenues in the second and the fourth calendar quarters as a result of higher sales volume during a series of shopping festivals across e-commerce platforms, such as “618,” “Double 11” and “Double 12.” In addition, in order to prepare for such shopping festivals, we must order and keep in stock significantly more merchandise than we would carry at other times of the year. Our selling and marketing expenses as a percentage of net revenues are also typically lower in the second and fourth calendar quarters as a result of higher online traffic during such periods due to promotional activities by e-commerce platforms during shopping festivals such as “618”

in the second calendar quarter, as well as “Double 11” and “Double 12” in the fourth calendar quarter, which leads to greater sales volumes. Overall, the historical seasonality of our business has been relatively mild but our business may be impacted by seasonality more severely in the future. As a result of the seasonal fluctuations in our operating results, comparing our operating results on a period-to-period basis may not be meaningful, and you should not rely on our past results as an indication of our future performance. Our quarterly and annual revenues and costs and expenses as a percentage of our revenues in a given period may be significantly different from our historical or projected rates and our operating results in future quarters may fall below expectations.

If we do not appropriately maintain effective internal control over financial reporting in accordance with Section 404 of the Sarbanes-Oxley Act of 2002, we may be unable to accurately report our financial results and the market price of our Class A ordinary shares and/or ADSs may be adversely affected.

We are subject to reporting obligations under the U.S. securities laws. The SEC, as required by Section 404 of the Sarbanes-Oxley Act of 2002, adopted rules requiring every public company to include a management report on the company’s internal control over financial reporting in its annual report, which contains management’s assessment of the effectiveness of its internal control over financial reporting. In addition, an independent registered public accounting firm must attest to and report on the effectiveness of the company’s internal control over financial reporting. Our management has concluded that our internal control over financial reporting was effective as of December 31, 2025.

However, if we fail to maintain an effective system of internal control over financial reporting in the future, our management and our independent registered public accounting firm may not be able to conclude that we have effective internal control over financial reporting at a reasonable assurance level. This could in turn result in loss of investor confidence in the reliability of our financial statements and negatively impact the trading price of our ordinary shares or ADSs. Furthermore, we have incurred and anticipate that we will continue to incur considerable costs, management time and other resources in an effort to comply with Section 404 of the Sarbanes-Oxley Act and other requirements.

We are subject to changing law and regulations regarding regulatory matters, corporate governance and public disclosure that have increased both our costs and the risk of non-compliance.

We are subject to rules and regulations by various governing bodies, including, for example, the SEC, which is charged with the protection of investors and the oversight of companies whose securities are publicly traded, and the various regulatory authorities in mainland China and the Cayman Islands, and to new and evolving regulatory measures under applicable law. Our efforts to comply with new and changing laws and regulations have resulted in and are likely to continue to result in, increased general and administrative expenses and a diversion of management time and attention from revenue-generating activities to compliance activities.

Moreover, because these laws, regulations and standards are subject to varying interpretations, their application in practice may evolve over time as new guidance becomes available. This evolution may result in continuing uncertainty regarding compliance matters and additional costs necessitated by ongoing revisions to our disclosure and governance practices. If we fail to address and comply with these regulations and any subsequent changes, we may be subject to penalty and our business may be harmed. For example, on December 29, 2023, the Standing Committee of the National People's Congress promulgated the amended PRC Company Law, which superseded the existing PRC Company Law. The amended PRC Company Law provides stricter requirements on capital contribution of a company established in mainland China. On July 1, 2024, the Provisions on Implementing the Registered Capital Registration and Management System under the PRC Company Law issued by the State Council of the PRC further specifies the detailed requirements and measures of the registration and management of registered capital under the amended PRC Company Law. See "Item 4. Information on the Company—B. Business Overview—Regulations—Regulations on Corporate Governance" for details. According to the amended PRC Company Law, we may be required to fulfill the obligations of capital contribution to our subsidiaries or to provide financial support to the nominee shareholders of the VIE within a much shorter period than the currently effective period. However, since the amended PRC Company Law is still relatively new, there is still uncertainty regarding the implementation and interpretation of the amended PRC Company Law. We will closely monitor the legislative developments related to the amended PRC Company Law and its implementation measures, such that we can assess the possible impact on us in a timely manner.

We have limited business insurance coverage which could expose us to significant costs and business disruption.

Insurance companies in China currently do not offer as extensive an array of insurance products as insurance companies do in more developed economies. We do not have business liability or disruption insurance to cover all of our operations. We have determined that the costs of insuring for these risks and the difficulties associated with acquiring such insurance on commercially reasonable terms make it impractical for us to have such insurance. Any uninsured occurrence may disrupt our business operations, require us to incur substantial costs and divert our resources, which could have an adverse effect on our results of operations and financial condition.

We have granted, and may continue to grant, share incentives, which may result in increased share-based compensation expenses and negatively impact our results of operations.

On September 5, 2018, our board of directors approved the establishment of the Share Option Plan, which plan was later amended and restated on July 26, 2019, March 25, 2020 and September 11, 2020, or the 2018 Share Option Plan. The 2018 Share Option Plan shall be valid and effective for ten years from September 11, 2020. The maximum number of shares that may be issued pursuant to all awards under the 2018 Share Option Plan shall be 249,234,508 shares.

On December 30, 2022, our board of directors and the compensation committee of our board have approved and authorized the adoption of the 2022 Share Incentive Plan, effective on January 1, 2023. The 2022 Share Incentive Plan will expire on the tenth anniversary of its effective date. Under the 2022 Share Incentive Plan, the maximum aggregate number of ordinary shares of our company available for issuance is 1.5% of the total number of issued and outstanding shares (on an as-converted fully-diluted basis) as of December 31, 2022, plus an annual increase by (i) (A) 1.5% of the total number of issued and outstanding shares (on an as-converted fully-diluted basis) as of the last day of the immediately preceding fiscal year for each of the first two fiscal years of our company beginning January 1, 2024, and (B) 1.0% of the total number of issued and outstanding shares (on an as-converted fully-diluted basis) as of the last day of the immediately preceding fiscal year for each subsequent fiscal year of our company during the term of the 2022 Share Incentive Plan, or (ii) such fewer number of shares as may be determined by our board of directors. See "Item 6. Directors, Senior Management and Employees—B. Compensation—Share Incentive Plan." For the years ended December 31, 2023, 2024 and 2025, we recorded an aggregate of RMB77.5 million, RMB91.2 million and RMB59.0 million (US\$8.4 million), respectively, in share-based compensation expenses. The share-based compensation expenses recorded in 2025 were lower as compared with those recorded in 2024, primarily attributable to front-loaded expense recognition under the graded-vesting method over the vesting term and lower outstanding options due to a reduction in headcount.

We believe the granting of share-based compensation is of significant importance to our ability to attract and retain key personnel and employees, and we will continue to grant share-based compensation to employees in the future. As a result, we will continue to incur share-based compensation expenses which may have an adverse impact on our results of operations.

Failure to fully comply with PRC labor-related laws may expose us to potential penalties.

Under the PRC Social Insurance Law and the Regulations on the Administration of Housing Provident Fund, employees are required to participate in pension insurance, work-related injury insurance, medical insurance, unemployment insurance, maternity insurance, and housing provident funds. In this connection, employers are required, together with their employees or separately, to pay the contributions to social insurance and housing provident funds for their employees. The government agencies may examine whether an employer has made adequate payments of the requisite statutory employee benefits, and employers who fail to make adequate payments may be subject to late payment fees, fines and/or other penalties. Historically, certain of our PRC subsidiaries had failed to make housing fund contributions in full for their employees, and we have cured such non-compliance since July 2020. The PRC laws have provided for a two-year statute of limitation for administrative penalty against non-compliance with housing fund contributions. We were not subject to any penalty in connection with housing fund contributions within such period. As of the date of this annual report, our PRC subsidiaries make social insurance and housing fund contributions in full for their employees and have not been subject to any administrative penalties or other disciplinary action from the PRC authorities.

In addition, under the Labor Law and the Notice on Issuing the Measures for the Examination and Approval of Flexible Working Hours Arrangement and Comprehensive Working Hours Scheme Adopted by Enterprises, enterprises that are not in a position to implement standard working hours arrangement may adopt special working hours arrangement, including flexible working hours arrangement and comprehensive working hours arrangement. Entities adopting the aforementioned special working hours arrangement shall apply for approval with the governmental authorities, otherwise in case of labor disputes, the entities may be required to pay additional compensation to their employees. If the PRC authorities find that our working hour practice constitutes a special working hours arrangement which requires governmental approval, we may be required to pay additional compensation to our employees in case of labor disputes. Also, if we fail to make corrections in time, we may be subject to fines which may adversely affect our business, financial condition and results of operations.

Furthermore, pursuant to the Labor Contract Law and the Interim Provisions on Labor Dispatch, responsibilities assigned to dispatched workers shall be temporary and ancillary in nature and the number of dispatched workers of any given employer shall not exceed 10% of the employer's total labor force. See "Item 4. Information on the Company—B. Business Overview—Regulations—Regulations Relating to Employment." Certain of our PRC subsidiaries hired dispatched workers from dispatch agencies in the past and the number of dispatched workers exceeded 10% of the total number of staff of the subsidiary historically and we have already cured such non-compliance. Although we aimed to not assign dispatched workers on significant tasks, there is no assurance that the assignments performed by them were always temporary and ancillary in nature. We hire dispatched workers as of the date of this annual report and have not received any notice of warning or been subject to any administrative penalties or other disciplinary actions from the PRC authorities. However, we cannot assure you that the PRC authorities will not take administrative actions against such PRC subsidiaries of ours for their past practice. To the extent administrative actions are imposed, our business, financial condition and results of operations may be negatively impacted.

Meanwhile, as the PRC labor laws and regulations are evolving and there remain uncertainties with respect to their interpretation and implementation, we cannot assure you that we will be able to maintain full compliance at all times or that we will not be subject to labor disputes or government investigations. If we are deemed to have violated the labor laws and regulations at any time, we could be required to provide additional compensation to our employees or face administrative proceedings or civil actions and our business, financial condition and results of operations could be materially and adversely affected.

Our revenues and financial results may be adversely affected by any economic slowdown in China as well as globally.

The success of our business ultimately depends on consumer spending. We derive a significant majority of our revenues from China. As a result, our revenues and financial results are impacted to a significant extent by economic conditions in China and globally, as well as economic conditions specific to consumer products. The global macroeconomic environment is facing numerous challenges. The growth rate of the Chinese economy has been slowing since 2010 and the Chinese population began to decline in 2022. In addition, there is considerable uncertainty over the long-term effects of the expansionary monetary and fiscal policies adopted by the central banks and financial authorities of some of the world's leading economies, including the United States and China. The Russia-Ukraine conflict, the Hamas-Israel conflict, the conflict in the Persian Gulf and surrounding areas as far west as Israel and Lebanon, and the restrictions at various times on shipping through the Strait of Hormuz and the Red Sea have heightened geopolitical tensions across the world. The impact of the regional conflicts has contributed to increases in food prices and thus to inflation more generally, with the potential for even more serious consequences if oil and gas facilities are destroyed or shipping is affected for an extended period of time. There have also been concerns about the relationship between China and other countries, including the surrounding Asian countries, which may potentially have economic effects. In particular, there is significant uncertainty about the future relationship between the United States and China with respect to trade policies, treaties, government regulations and tariffs. Economic conditions in China are sensitive to global economic conditions, as well as changes in domestic economic and political policies and the expected or perceived overall economic growth rate in China. Our customers may reduce or delay spending with us, while we may have difficulty expanding our customer base fast enough, or at all, to offset the impact of decreased spending by our existing customers. In addition, to the extent we offer credit to any customer and the customer experiences financial difficulties due to the economic slowdown, we could have difficulty collecting payment from such customers. Any severe or prolonged slowdown in the global or Chinese economy may materially and adversely affect our business, results of operations and financial condition.

Disruptions in the financial markets and economic conditions could affect our ability to raise capital.

Global economies could suffer dramatic downturns as the result of a deterioration in the credit markets and related financial crisis as well as a variety of other factors including, extreme volatility in security prices, severely diminished liquidity and credit availability, ratings downgrades of certain investments and declining valuations of others. Certain governments have taken unprecedented actions in an attempt to address and rectify these extreme market and economic conditions by providing liquidity and stability to the financial markets. If these actions are not successful, the return of adverse economic conditions may cause a significant impact on our ability to raise capital, if needed, on a timely basis and on acceptable terms or at all.

We face risks related to natural disasters, health epidemics and other outbreaks.

Our business could be materially and adversely affected by natural disasters, health epidemics or other public safety concerns affecting the PRC, and particularly Guangdong. Natural disasters may give rise to server interruptions, breakdowns, system failures, technology platform failures, internet failures or otherwise operation interruptions of ours and our manufacturers, suppliers and service providers, which could cause the loss or corruption of data or malfunctions of software or hardware as well as adversely affect the ability of ours and our manufacturers, suppliers and service providers to conduct the daily operations and to manufacture and deliver our products. Our business could also be adversely affected by the effects of epidemics, including COVID-19, avian influenza, severe acute respiratory syndrome, (SARS), influenza A (H1N1), Ebola or another epidemic. Any such occurrences could cause severe disruption to our daily operations, such as quarantine of employees, and may even require a temporary closure of our facilities. Our results of operations could be adversely affected to the extent that any health epidemic harms the Chinese economy in general. To the extent that any health epidemic adversely affects our business and financial results, it may also have the effect of heightening many of the other risks described in this annual report.

Our headquarters are located in Guangzhou, where most of our management and the majority of our employees currently reside. Consequently, if any natural disasters, health epidemics or other public safety concerns were to affect Guangzhou or Guangdong province as a whole, our operation may experience material disruptions, which may materially and adversely affect our business, financial condition and results of operations.

The continued and collaborative efforts of our senior management and key employees are crucial to our success, and our business may be harmed if we lose their services.

Our success depends on the continued and collaborative efforts of our senior management and key employees. If our senior management cannot work together effectively or efficiently, our business may be severely disrupted. If, however, one or more of our executives or other key personnel are unable or unwilling to continue to provide services to us, we may not be able to find suitable replacements easily or at all. Competition for management and key personnel is intense and the pool of qualified candidates is limited. We may not be able to retain the services of our executives or key personnel, or attract and retain experienced executives or key personnel in the future.

Our future success will also depend on our ability to attract and retain highly skilled technical, managerial, editorial, finance, marketing, sales and customer service employees. Qualified individuals are in high demand and competition for talents could cause us to offer higher compensation and other benefits to attract and retain them. Even if we were to offer higher compensation, we may not be able to successfully attract, assimilate or retain the personnel we need to succeed.

If any of our executive officers or employees joins a competitor or forms a competing business, they may divulge business secrets, know-how, customer lists and other valuable resources. Our senior management and key employees have entered into employment agreements and confidentiality and non-competition agreements with us. However, if any dispute arises between any of them and us, we may have to incur substantial costs and expenses in order to enforce such agreements in China or we may be unable to enforce such agreements at all. Any failure to attract or retain key management and personnel could severely disrupt our business and growth.

Fluctuations in exchange rates could have a material and adverse effect on the value of your investment and our results of operations.

The conversion of Renminbi into foreign currencies, including the U.S. dollar, is based on rates set by the People's Bank of China. The Renminbi has fluctuated against other currencies, at times significantly and unpredictably. The value of Renminbi against other currencies is affected by changes in China's political and economic conditions and by China's foreign exchange policies, among other things. It is difficult to predict how market forces or government policies may impact the exchange rate between Renminbi and other foreign currencies in the future.

A significant majority of our incomes and expenses are denominated in Renminbi and our reporting currency is the Renminbi. Significant revaluation of the Renminbi may have a material and adverse effect on your investment. For example, to the extent that we need to convert U.S. dollars into Renminbi for our operations, appreciation of the Renminbi against the U.S. dollar would have an adverse effect on the Renminbi amount we would receive from the conversion. Conversely, if we decide to convert our Renminbi into U.S. dollars for the purpose of making payments for dividends on our ordinary shares or ADSs or for other business purposes, appreciation of the U.S. dollar against the Renminbi would have a negative effect on the U.S. dollar amount available to us. Significant revaluation of the Renminbi may also have a material and adverse effect on our results of operations as a portion of the components, ingredients and raw materials used for the manufacturing of our products are sourced by our third-party manufacturers from foreign companies, the payment of which is denominated in foreign currencies. Therefore, any significant revaluation of Renminbi may result in the rise of production cost, which in turn may lead to the hike of our procurement price.

Very limited hedging options are available in China to reduce our exposure to exchange rate fluctuations. As of the date of this annual report, we have not entered into any hedging transactions in an effort to reduce our exposure to foreign currency exchange risk. While we may decide to enter into hedging transactions in the future, the availability and effectiveness of these hedges may be limited and we may not be able to adequately hedge our exposure, or at all. In addition, our currency exchange losses may be magnified by PRC exchange control regulations that restrict our ability to convert Renminbi into foreign currency.

The current tensions in international trade and rising international political tensions may adversely affect our business, financial condition, and results of operations.

In recent years, there have been heightened trade and political tensions in international relations, particularly between the United States and China. These tensions have affected both diplomatic and economic ties between the two countries and created uncertainties regarding the international economy as a whole. Heightened tensions could reduce levels of trade, investments, technological exchanges, and other economic activities between major economies. The existing tensions and any further deterioration in the relationship between the United States and China and between other countries may have a negative impact on the general, economic, political, and social conditions around the globe, United States and China in particular, and thus adversely impact our business, financial condition, and results of operations.

The U.S. government has implemented policies restricting international trade and investment, such as tariffs, export controls, economic or trade sanctions, and foreign investment filing and approval requirements. These actions may materially and adversely affect international trade, global financial markets, and the stability of the global economic condition. For example, since early 2025, the United States has implemented significant changes to U.S. trade policy with China, including by imposing additional tariffs on Chinese imports. China has responded by imposing, and proposing to impose additional or higher tariffs on products imported from the United States, among other measures. There remains considerable uncertainties regarding future tariff rates and the trajectory of U.S.-China trade relations. If increased tariffs and trade tensions create further disruptions and uncertainties to international trade, the global economy could be adversely affected, and our business, financial conditions, and results of operations will be impacted as well.

In addition, the U.S. government has taken steps to restrict outbound U.S. investments to China. On January 2, 2025, a final rule issued by the U.S. Department of the Treasury became effective, imposing investment prohibition and notification requirements on U.S. persons for certain investments in entities associated with China that are engaged in certain prohibited activities. On February 21, 2025, the White House released the “America First Investment Policy” memorandum, outlining initiatives to further expand the industry sectors covered by U.S. outbound investment regulations. On December 18, 2025, the Comprehensive Outbound Investment National Security Act of 2025, or the COINS Act, was signed into law, which will further expand the scope and coverage of the existing outbound investment restrictions once implementing regulations are issued by the Department of the Treasury. The evolving regulatory landscape and the potential expansion of covered sectors create uncertainties for China-based issuers and increase political tensions between the U.S. and China. This could adversely affect the global economy and the economic condition of China, which in turn may adversely affect our business, financial condition, and results of operations.

We have started to expand globally, starting from Southeast Asia, where we have established and maintained business operations. We have also expanded to other geographies including Europe and the U.S. through acquired targets. A portion of materials, components and ingredients used for the manufacturing of our products are sourced by our third-party manufacturers around the globe. Therefore, government policies restricting international trade and investments may affect our international operations, our procurement costs for products relying on materials, components and ingredients sourced from overseas, affect the price and demand for our products, impact the competitive position of our products or prevent us from selling products in certain countries.

Rising political tensions could reduce levels of trades, investments, technological exchanges, and other economic activities across the globe, which would have a material adverse effect on global economic conditions and the stability of global financial markets. Any of these factors could have a material adverse effect on the demand of our products, and thus negatively affect our business, prospects, financial condition, and results of operations.

We may from time to time become a party to litigation, legal disputes, claims or administrative proceedings that may materially and adversely affect us.

We may from time to time become a party to various litigation, legal disputes, claims or administrative proceedings arising in the ordinary course of our business. Such litigation, legal disputes, claims or administrative proceedings may involve our business partners, employees, shareholders, competitors, governmental or regulatory authorities, and various other parties. For example, we and certain of our current and former directors or officers, our

authorized U.S. representative, a shareholder, and the underwriters for our November 2020 initial public offering were named as defendants in a putative securities class action filed with the U.S. District Court for the Southern District of New York. On July 22, 2024, the court granted the defendants' motion to dismiss all claims in the class action. On August 30, 2024, the plaintiffs filed a motion for leave to file a second amended complaint. In July 2025, the court denied the plaintiffs' request for leave to amend and ordered that the case be dismissed with prejudice. The plaintiffs did not appeal, and the case is now over. See "Item 8. Financial Information—A. Consolidated Statements and Other Financial Information—Legal Proceedings." We may face new legal proceedings, claims and investigations in the future. The outcome of any litigation, legal disputes, claims or administrative proceedings is hard to predict. If any verdict or award is rendered against us or if we decide to settle the disputes, we may be required to incur monetary damages or other liabilities. Even if we can successfully defend ourselves, we may have to incur substantial costs and spend substantial time and effort in these lawsuits. Negative publicity relating to such litigation, legal disputes, claims or administrative proceedings may damage our reputation and adversely affect the image of our brand and services. Furthermore, any litigation, legal disputes, claims or administrative proceedings which are not of material importance may escalate due to the various factors involved, such as the facts and circumstances of the cases, the likelihood of winning or losing, the monetary amount at stake, and the parties concerned continue to evolve in the future, and such factors may result in these cases becoming of material importance to us. Consequently, any ongoing or future litigation, legal disputes, claims or administrative proceedings could materially and adversely affect our business, financial condition and results of operations.

Risks Relating to Our Corporate Structure

If the PRC government finds that the agreements that establish the structure for operating some of our operations in China do not comply with PRC regulations relating to the relevant industries, or if these regulations or the interpretation of existing regulations changes in the future, we could be subject to severe penalties or be forced to relinquish our interests in those operations.

Foreign ownership in entities that provide internet and other related businesses is subject to restrictions under current PRC laws and regulations, unless certain exceptions are available. We are an exempted company incorporated in the Cayman Islands and our PRC subsidiaries are considered foreign-invested enterprises. To ensure compliance with the PRC laws and regulations, we conduct our principal business in China through our WFOE, the VIE and its subsidiaries incorporated in China. We have entered into contractual arrangements with the VIE and its shareholders, through which we obtain effective control over the VIE and substantially all of the economic benefits arising from the VIE and are able to consolidate the financial results of the VIE in our results of operations.

Our PRC legal counsel, Zhong Lun Law Firm, has advised us that subject to the risks as disclosed in "—Risks Relating to Our Corporate Structure," (i) the ownership structures of our WFOE and the VIE in China are not in violation of mandatory provisions of applicable PRC laws and regulations currently in effect; and (ii) the contractual arrangements among our WFOE, the VIE and its shareholders governed by PRC law are not in violation of mandatory provisions of applicable PRC laws or regulations currently in effect, and valid and binding upon each party to such arrangements and enforceable against each party thereto in accordance with their terms and applicable PRC laws and regulations currently in effect.

However, we are a Cayman Islands holding company with no equity ownership in the VIE and we conduct our operations in China through our subsidiaries and the VIE with which we have maintained contractual arrangements. Holders of our ADSs hold equity interest in Yatsen Holding Limited, our Cayman Islands holding company, and do not have direct or indirect equity interest in the VIE. If the PRC government deems that our contractual arrangements with the VIE do not comply with PRC regulatory restrictions on foreign investment in the relevant industries, or if these regulations or the interpretation of existing regulations change or are interpreted differently in the future, we could be subject to severe penalties or be forced to relinquish our interests in those operations. Our shares may decline in value if we are unable to assert our contractual control rights over the VIE, which contributed to 3.1% of our third-party revenues in 2025. Our holding company in the Cayman Islands, the VIE, and investors of our company face uncertainty about potential future actions by the PRC government that could affect the enforceability of the contractual arrangements with the VIE and, consequently, significantly affect the financial performance of the VIE and our company as a group.

We have been further advised by our PRC legal counsel that there are substantial uncertainties regarding the interpretation and application of current and future PRC laws, regulations and rules. Thus, the PRC governmental authorities may take a view contrary to the opinion of our PRC legal counsel. It is uncertain whether any new PRC laws or regulations relating to variable interest entity structure will be adopted or if adopted, what they would provide. If we or the VIE are found to be in violation of any existing or future PRC laws or regulations, or fail to obtain or maintain any of the required permits or approvals to operate our business, the PRC governmental authorities would have broad discretion to take action in dealing with such violations or failures, including:

- revoking the business licenses and/or operating licenses of such entities;
- imposing fines on us;
- confiscating any of our income that they deem to be obtained through illegal operations;
- discontinuing or placing restrictions or onerous conditions on our operations;
- placing restrictions on our right to collect revenues;
- shutting down our servers or blocking our app/websites; or
- requiring us to restructure our ownership structure or operations.

The imposition of any of these penalties would result in a material and adverse effect on our ability to conduct our business. In addition, it is unclear what impact the PRC government actions would have on us and on our ability to consolidate the financial results of the VIE in our consolidated financial statements, if the PRC government authorities were to find our legal structure and contractual arrangements to be in violation of PRC laws and regulations. If the imposition of any of these government actions causes us to lose our right to direct the activities of the VIE or our right to receive substantially all the economic benefits and residual returns from the VIE and we are not able to restructure our ownership structure and operations in a satisfactory manner, we would no longer be able to consolidate the financial results of the VIE in our consolidated financial statements. Either of these results, or any other significant penalties that might be imposed on us in this event, would have a material adverse effect on our financial condition and results of operations.

Although we believe Yatsen Holding Limited, our PRC subsidiaries and the VIE comply with current PRC laws and regulations, we cannot assure you that the PRC government would agree that our contractual arrangements comply with PRC licensing, registration or other regulatory requirements, with existing policies or with requirements or policies that may be adopted in the future. The PRC government has broad discretion in determining rectifiable or punitive measures for non-compliance with or violations of PRC laws and regulations. If the PRC government determines that we or the VIE do not comply with applicable law, it could revoke the VIE's business and operating licenses, require the VIE to discontinue or restrict the VIE's operations, restrict the VIE's right to collect revenues, block the VIE's websites, require the VIE to restructure our operations, impose additional conditions or requirements with which the VIE may not be able to comply, impose restrictions on the VIE's business operations or on its customers, or take other regulatory or enforcement actions against the VIE that could be harmful to its business. Any of these or similar occurrences could significantly disrupt our or the VIE's business operations or restrict the VIE from conducting a substantial portion of its business operations, which could materially and adversely affect the VIE's business, financial condition and results of operations. If any of these occurrences results in our inability to direct the activities of any of the VIE that most significantly impact its economic performance, and/or our failure to receive the

economic benefits from any of the VIE, we may not be able to consolidate such entity in our consolidated financial statements in accordance with U.S. GAAP.

We rely on contractual arrangements with the VIE and its shareholders for our operations and investments in China, which may not be as effective in providing operational control as direct ownership.

We have to rely on the contractual arrangements with the VIE and its shareholders to operate or invest in companies that operate the business in areas where foreign ownership is restricted. These contractual arrangements, however, may not be as effective as direct ownership in providing us with control over the VIE. For example, the VIE and its shareholders could breach their contractual arrangements with us by, among other things, failing to conduct the operations of the VIE in an acceptable manner or taking other actions that are detrimental to our interests.

If we had direct ownership of the VIE in China, we would be able to exercise our rights as a shareholder to effect changes in the board of directors of the VIE, which in turn could implement changes, subject to any applicable fiduciary obligations, at the management and operational level. However, under the current contractual arrangements, we rely on the performance by the VIE and its shareholders of their obligations under the contracts to exercise control over the VIE. The shareholders of the VIE may not act in the best interests of our company or may not perform their obligations under these contracts. Such risks exist throughout the period in which we intend to operate a large portion of our business through the contractual arrangements with the VIE. If any dispute relating to these contracts remains unresolved, we will have to enforce our rights under these contracts through the operations of PRC law and arbitration, litigation and other legal proceedings and therefore will be subject to uncertainties in the PRC legal system. See “—Any failure by the VIE or its shareholders to perform their obligations under our contractual arrangements with them would have a material and adverse effect on our business.”

Any failure by the VIE or its shareholders to perform their obligations under our contractual arrangements with them would have a material and adverse effect on our business.

If the VIE or its shareholders fail to perform their respective obligations under the contractual arrangements, we may have to incur substantial costs and expend additional resources to enforce such arrangements. We may also have to rely on legal remedies under PRC law, including seeking specific performance or injunctive relief, and contractual remedies, which we cannot assure you will be sufficient or effective under PRC law. For example, if the shareholders of the VIE were to refuse to transfer their equity interests in the VIE to us or our designee if we exercise the purchase option pursuant to these contractual arrangements, or if they were otherwise to act in bad faith toward us, then we may have to take legal actions to compel them to perform their contractual obligations.

All the agreements under our contractual arrangements are governed by PRC law and provide for the resolution of disputes through arbitration in China. Accordingly, these contracts would be interpreted in accordance with PRC law and any disputes would be resolved in accordance with PRC legal procedures. The legal system in the PRC is not as developed as in some other jurisdictions, such as the United States. As a result, uncertainties in the PRC legal system could limit our ability to enforce these contractual arrangements. See “—Risks Relating to Doing Business in China—Uncertainties with respect to the PRC legal system could adversely affect us.” Meanwhile, there are very few precedents and little formal guidance as to how contractual arrangements in the context of a consolidated variable interest entity should be interpreted or enforced under PRC law. There remain significant uncertainties regarding the ultimate outcome of such arbitration if legal action becomes necessary. In addition, under PRC law, rulings by arbitrators are final, parties cannot appeal the arbitration results in courts, and if the losing parties fail to carry out the arbitration awards within a prescribed time limit, the prevailing parties may only enforce the arbitration awards in PRC courts through arbitration award recognition proceedings, which would require additional expenses and delay. In the event we are unable to enforce these contractual arrangements, or if we suffer significant delay or other obstacles in the process of enforcing these contractual arrangements, we may not be able to exert effective control over the VIE, and our ability to conduct our business may be negatively affected.

The shareholders of the VIE may have potential conflicts of interest with us, which may materially and adversely affect our business.

The shareholders of the VIE, including Mr. Jinfeng Huang, our chief executive officer and controlling shareholder, may have actual or potential conflicts of interest with us. These shareholders may breach, or cause the

VIE to breach, or refuse to renew, the existing contractual arrangements we have with them and the VIE, which would have a material and adverse effect on our ability to effectively control the VIE and receive economic benefits from it. For example, the shareholders may be able to cause our agreements with the VIE to be performed in a manner adverse to us by, among other things, failing to remit payments due under the contractual arrangements to us on a timely basis. We cannot assure you that when conflicts of interest arise any or all of these shareholders will act in the best interests of our company or such conflicts will be resolved in our favor.

Currently, we do not have any arrangements to address potential conflicts of interest between these shareholders and our company, except that we could exercise our purchase option under the exclusive option agreements with these shareholders to request them to transfer all of their equity interests in the VIE to a PRC entity or individual designated by us, to the extent permitted by PRC law. For individuals who are also our directors and officers, we rely on them to abide by the laws of the Cayman Islands, which provide that directors and officers owe a fiduciary duty to the company that requires them to act in good faith and in what they believe to be the best interests of the company and not to use their position for personal gains. The shareholders of the VIE have executed powers of attorney to appoint our WFOE or a person designated by our WFOE to vote on their behalf and exercise voting rights as shareholders of the VIE. If we cannot resolve any conflict of interest or dispute between us and the shareholders of the VIE, we would have to rely on legal proceedings, which could result in disruption of our business and subject us to substantial uncertainty as to the outcome of any such legal proceedings.

Contractual arrangements we have entered into with the VIE may be subject to scrutiny by the PRC tax authorities. A finding that we owe additional taxes could negatively affect our financial condition and the value of your investment.

Under applicable PRC laws and regulations, arrangements and transactions among related parties may be subject to audit or challenge by the PRC tax authorities. We could face material and adverse tax consequences if the PRC tax authorities determine that the contractual arrangements in relation to the VIE were not entered into on an arm's length basis in such a way as to result in an impermissible reduction in taxes under applicable PRC laws, rules and regulations, and adjust income of the VIE in the form of a transfer pricing adjustment. A transfer pricing adjustment could, among other things, result in a reduction of expense deductions recorded by the VIE for PRC tax purposes, which could in turn increase its tax liabilities without reducing our PRC subsidiaries' tax expenses. In addition, the PRC tax authorities may impose late payment fees and other penalties on the VIE for the adjusted but unpaid taxes according to the applicable regulations. Our financial position could be materially and adversely affected if the VIE's tax liabilities increase or if it is required to pay late payment fees and other penalties.

Our current corporate structure and business operations may be affected by the Foreign Investment Law.

On March 15, 2019, the National People's Congress promulgated the Foreign Investment Law, which took effect on January 1, 2020. There remain uncertainties in relation to its interpretation and implementation. The Foreign Investment Law does not explicitly classify whether variable interest entities that are controlled through contractual arrangements would be deemed as foreign invested enterprises if they are ultimately "controlled" by foreign investors. However, it has a catch-all provision under definition of "foreign investment" that includes investments made by foreign investors in China through other means as provided by laws, administrative regulations or the State Council. Therefore, it still leaves leeway for future laws, administrative regulations or provisions of the State Council to provide for contractual arrangements as a form of foreign investment, until when it remains uncertain whether our contractual arrangements will be deemed to be in violation of the market access requirements for foreign investment in the PRC and if yes, how our contractual arrangements should be dealt with.

The Foreign Investment Law grants national treatment to foreign-invested entities, except for those foreign-invested entities that operate in industries specified as either "restricted" or "prohibited" from foreign investment in the Special Administrative Measures (Negative List) for Foreign Investment Access (2024 Version) jointly promulgated by the Ministry of Commerce and the National Development and Reform Commission and took effect on November 1, 2024. The Foreign Investment Law provides that foreign-invested entities operating in "restricted" or "prohibited" industries will require market entry clearance and other approvals from the PRC government authorities. On December 26, 2019, the Supreme People's Court issued the Interpretations on Certain Issues Regarding the Applicable of Foreign Investment Law, which came into effect on January 1, 2020. In accordance with these interpretations, any claim to invalidate an investment agreement will be supported by courts if such agreement is found

to be entered into for purposes of making investments in the “prohibited industries” under the negative list or for purposes of investing in “restricted industries” while failing to satisfy the conditions set out in the Negative List. If our control over the VIE through contractual arrangements is deemed as foreign investment in the future, and any business of the VIE is “restricted” or “prohibited” from foreign investment under the “negative list” effective at the time, we may be deemed to be in violation of the Foreign Investment Law, the contractual arrangements that allow us to have control over the VIE may be deemed as invalid and illegal, and we may be required to unwind such contractual arrangements and/or restructure our business operations, any of which may have a material adverse effect on our business operation.

Furthermore, if future laws, administrative regulations or provisions mandate further actions to be taken by companies with respect to existing contractual arrangements, we may face substantial uncertainties as to whether we can complete such actions in a timely manner, or at all. Failure to take timely and appropriate measures to cope with any of these or similar regulatory compliance challenges could materially and adversely affect our current corporate structure and business operations.

We may lose the ability to use and enjoy assets held by the VIE that are critical to the operation of our business if the VIE declares bankruptcy or becomes subject to a dissolution or liquidation proceeding.

Although our wholly foreign-owned subsidiaries produce a significant majority of our revenues and hold a significant majority of our operational assets, the VIE holds certain assets that may be critical to the operation of our business. Main assets held by the VIE and its subsidiaries include the majority of the social platforms and content offering platforms we operate such as Weixin public accounts and mini-programs, which are registered and held by the VIE and its subsidiaries. If the shareholders of the VIE breach the contractual arrangements and voluntarily liquidate the VIE or its subsidiaries, or if the VIE or its subsidiaries declare bankruptcy and all or part of their assets become subject to liens or rights of third-party creditors or are otherwise disposed of without our consent, we may be unable to continue some or all of our business activities, which could materially and adversely affect our business, financial condition and results of operations. In addition, if the VIE or its subsidiaries undergo an involuntary liquidation proceeding, third-party creditors may claim rights to some or all of their assets, thereby hindering our ability to operate our business, which could materially or adversely affect our business, financial condition and results of operations.

Risks Relating to Doing Business in China

Changes in China’s economic, political or social conditions or government policies could have a material adverse effect on our business and operations.

A large portion of our assets and operations are located in China. Accordingly, our business, financial condition, results of operations and prospects may be influenced to a significant degree by economic, political and social conditions in China generally.

The PRC economy differs from the economies of most developed countries in many respects, including the level of development, growth rate, level of government involvement and control of foreign exchange and allocation of resources. The PRC government exercises significant control over China’s economic growth through allocating resources, controlling payment of foreign currency-denominated obligations, setting monetary policy, and providing preferential treatment to particular industries or companies. In addition, the PRC government continues to play a significant role in regulating industry development by imposing the industrial policies.

While the PRC economy has experienced significant growth over the past decades, growth has been uneven, both geographically and among various sectors of the economy. The PRC government has implemented various measures to encourage economic growth and guide the allocation of resources. Some of these measures may benefit the overall PRC economy, but may have a negative effect on us. For example, our financial condition and results of operations may be adversely affected by government control over capital investments or changes in tax regulations. In addition, in the past the PRC government has implemented certain measures, including interest rate adjustment, to control the pace of economic growth. These measures may cause decreased economic activity in China, which may adversely affect our business and results of operations.

Uncertainties with respect to the PRC legal system could adversely affect us.

Our operations in China are governed by PRC laws and regulations. Our PRC subsidiaries are subject to laws and regulations applicable to foreign investment in China. The PRC legal system is a civil law system based on written statutes, where prior court decisions have limited precedential value. The PRC legal system is evolving rapidly, and the interpretations of many laws, regulations and rules may contain inconsistencies and enforcement of these laws, regulations and rules involves uncertainties.

From time to time, we may have to resort to administrative and court proceedings to enforce our legal rights. However, since PRC judicial and administrative authorities have significant discretion in interpreting and implementing statutory and contractual terms, it may be more difficult to predict the outcome of a judicial or administrative proceeding than in more developed legal systems. These uncertainties may impede our ability to enforce the contracts we have entered into and could materially and adversely affect our business and results of operations.

Furthermore, the PRC legal system is based, in part, on government policies and internal rules, some of which are not published in a timely manner, or at all, but which may have retroactive effect. As a result, we may not always be aware of any potential violation of these policies and rules. Such unpredictability towards our contractual, property (including intellectual property) and procedural rights could adversely affect our business and impede our ability to continue our operations.

PRC government has significant oversight over the conduct of our business and it has indicated an intent to exert more oversight over offerings that are conducted overseas and/or foreign investment in China-based issuers. Any such action could significantly limit or completely hinder our ability to offer or continue to offer securities to investors and cause the value of such securities to significantly decline.

The PRC government's significant oversight and discretion over our business operation could result in a material adverse change in our operations and the value of our ADSs.

We conduct our business primarily in China. Our operations in China are governed by PRC laws and regulations. The PRC government has significant oversight and discretion over the conduct of our business, and may influence our operations as the government deems appropriate to advance regulatory and societal goals and policy positions, which could result in a material adverse change in our operation and/or the value of our ADSs. Historically, the PRC government has published new policies that significantly affected certain industries, and we cannot rule out the possibility that it will in the future release regulations or policies that directly or indirectly affect our industry or require us to seek additional permission to continue our operations, which could also result in a material adverse change in our operation and/or the value of our ADSs. Therefore, investors of our company and our business face potential uncertainty from actions taken by the PRC government affecting our business.

The PCAOB had historically been unable to inspect our auditor in relation to their audit work performed for our financial statements and the inability of the PCAOB to conduct inspections of our auditor in the past has deprived our investors with the benefits of such inspections.

Our auditor, the independent registered public accounting firm that issues the audit report included elsewhere in this annual report, as an auditor of companies that are traded publicly in the United States and a firm registered with the PCAOB, is subject to laws in the United States pursuant to which the PCAOB conducts regular inspections to

assess its compliance with the applicable professional standards. The auditor is located in mainland China, a jurisdiction where the PCAOB was historically unable to conduct inspections and investigations completely before 2022. As a result, we and investors in the ADSs were deprived of the benefits of such PCAOB inspections. The inability of the PCAOB to conduct inspections of auditors in China in the past has made it more difficult to evaluate the effectiveness of our independent registered public accounting firm's audit procedures or quality control procedures as compared to auditors outside of China that are subject to the PCAOB inspections. On December 15, 2022, the PCAOB issued a report that vacated its December 16, 2021 determination and removed mainland China and Hong Kong from the list of jurisdictions where it is unable to inspect or investigate completely registered public accounting firms. However, if the PCAOB determines in the future that it no longer has full access to inspect and investigate completely accounting firms in mainland China and Hong Kong, and we use an accounting firm headquartered in one of these jurisdictions to issue an audit report on our financial statements filed with the SEC, we and investors in our ADSs would be deprived of the benefits of such PCAOB inspections again, which could cause investors and potential investors in the ADSs to lose confidence in our audit procedures and reported financial information and the quality of our financial statements.

Our ADSs may be prohibited from trading in the United States under the Holding Foreign Companies Accountable Act, or the HFCAA, in the future if the PCAOB is unable to inspect or investigate completely auditors located in China. The delisting of our ADSs, or the threat of their being delisted, may materially and adversely affect the value of your investment.

Pursuant to the HFCAA, if the SEC determines that we have filed audit reports issued by a registered public accounting firm that has not been subject to inspections by the PCAOB for two consecutive years, the SEC will prohibit our shares or ADSs from being traded on a national securities exchange or in the over-the-counter trading market in the United States.

On December 16, 2021, the PCAOB issued a report to notify the SEC of its determination that the PCAOB was unable to inspect or investigate completely registered public accounting firms headquartered in mainland China and Hong Kong and our auditor was subject to that determination. In May 2022, the SEC conclusively listed us as a Commission-Identified Issuer under the HFCAA following the filing of our annual report on Form 20-F for the fiscal year ended December 31, 2021. On December 15, 2022, the PCAOB removed mainland China and Hong Kong from the list of jurisdictions where it is unable to inspect or investigate completely registered public accounting firms. As of the date of this annual report, the PCAOB has not issued any new determination that it is unable to inspect or investigate completely registered public accounting firms headquartered in any jurisdiction. For this reason, we do not expect to be identified so after we file this annual report on Form 20-F.

Each year, the PCAOB will determine whether it can inspect and investigate completely audit firms in mainland China and Hong Kong, among other jurisdictions. If the PCAOB determines in the future that it no longer has full access to inspect and investigate completely accounting firms in mainland China and Hong Kong and we use an accounting firm headquartered in one of these jurisdictions to issue an audit report on our financial statements filed with the SEC, we would be identified as a Commission-Identified Issuer following the filing of the annual report on Form 20-F for the relevant fiscal year. In accordance with the HFCAA, our securities would be prohibited from being traded on a national securities exchange or in the over-the-counter trading market in the United States if we are identified as a Commission-Identified Issuer for two consecutive years in the future. If our shares and ADSs are prohibited from trading in the United States, there is no certainty that we will be able to list on a non-U.S. exchange or that a market for our shares will develop outside of the United States. A prohibition of being able to trade in the United States would substantially impair your ability to sell or purchase our ADSs when you wish to do so, and the risk and uncertainty associated with delisting would have a negative impact on the price of our ADSs. Also, such a prohibition would significantly affect our ability to raise capital on terms acceptable to us, or at all, which would have a material adverse impact on our business, financial condition, and prospects.

The approval of and filing with the CSRC or other PRC government authorities may be required in connection with our offshore offerings under PRC law, and, if required, we cannot predict whether or for how long we will be able to obtain such approval or complete such filing.

PRC laws and regulations in relation to overseas issuance and listing of shares have been evolving. On July 6, 2021, the PRC government authorities issued Opinions on Strictly Cracking Down Illegal Securities Activities in Accordance with the Law. These opinions emphasized the need to strengthen the administration over illegal securities activities and the supervision on overseas listings by China-based companies and proposed to take effective measures, such as promoting the construction of the regulatory systems to deal with the risks and incidents faced by China-based overseas-listed companies. Relatedly, on December 27, 2021, the National Development and Reform Commission and the Ministry of Commerce, jointly issued the Special Administrative Measures (Negative List) for Foreign Investment Access (2021 Version), which became effective on January 1, 2022 (which has been replaced by the Special Administrative Measures (Negative List) for Foreign Investment Access (2024 Version) effective on November 1, 2024). Pursuant to such Special Administrative Measures, if a domestic company engaging in the prohibited business stipulated in this list seeks an overseas offering and listing, it shall obtain the approval from the competent governmental authorities. In addition, foreign investors of the company shall not be involved in the company's operation and management, and their shareholding percentage shall be subject, mutatis mutandis, to the regulations on the domestic securities investments by foreign investors. There remain substantial uncertainties as to the interpretation and implementation of these new requirements, and it is unclear as to whether and to what extent listed companies like us will be subject to these new requirements. If we are required to comply with these requirements and fail to do so on a timely basis, if at all, our business operation, financial conditions and business prospect may be adversely and materially affected.

The regulatory environment in the PRC has been undergoing a number of changes and reforms in various areas, which set out the new regulatory requirements and filing procedures for Chinese companies seeking direct or indirect listing in overseas markets. On February 17, 2023, the CSRC promulgated Trial Administrative Measures of Overseas Securities Offering and Listing by Domestic Companies, and five relevant supporting guidelines, together referred to as the New Overseas Listing Rules, which became effective on March 31, 2023. Pursuant to the New Overseas Listing Rules, PRC domestic companies that directly or indirectly offer or list their securities in an overseas market, which include (i) any PRC company limited by shares, and (ii) any offshore company that conducts its business operations primarily in China and contemplates to offer or list its securities in an overseas market based on its onshore equities, assets or similar interests, are required to file with the CSRC within three business days after submitting their listing application documents to the regulator in the place of intended listing. New Overseas Listing Rules establish a new filing-based regime to regulate both direct and indirect overseas offerings and listings by domestic companies. According to the New Overseas Listing Rules, an overseas offering and listing by a domestic company, whether directly or indirectly, shall be filed with the CSRC. Specifically, the examination and determination of an indirect offering and listing will be conducted on a substance-over-form basis, and an offering and listing shall be considered as an indirect overseas offering and listing by a domestic company if the issuer meets the following conditions: (i) the operating income, gross profit, total assets, or net assets of the domestic enterprise in the most recent fiscal year, any of which was more than 50% of the relevant line item in the issuer's audited consolidated financial statement for that year; and (ii) senior management personnel responsible for business operations and management are mostly PRC citizens or are ordinarily resident in the PRC, and the main place of business is in the PRC or carried out in the PRC. According to the New Overseas Listing Rules, the issuer or its affiliated domestic company, as the case may be, shall file with the CSRC for its initial public offering, follow-on offering and other equivalent offering activities. Particularly, the issuer shall submit the filing with respect to its initial public offering and listing within three business days after its initial filing of the listing application, and submit the filing with respect to its follow-on offering within three business days after completion of the follow-on offering. New Overseas Listing Rules also set forth certain regulatory red lines for overseas offerings and listings by domestic enterprises. Under the New Overseas Listing Rules, failure to comply with the filing requirements may result in the warning, orders of correction and fines of RMB1 million to RMB10 million to the domestic companies, and fines on the controlling shareholder and other responsible persons. On the press conference held by the CSRC on February 17, 2023, the CSRC officer expressed that the enterprises that have been listed overseas like us shall be deemed as "the Stock Enterprises" and are not required to complete the overseas listing filing immediately until they conduct refinancing or are involved in other circumstances that require filing with the CSRC. However, as there are still uncertainties regarding the interpretation and implementation of such regulatory rules, we cannot assure you that we will always be categorized as the Stock Enterprise by the CSRC and be able to comply with new regulatory requirements under the New Overseas Listing

Rules. In addition, any of our future proposed offering of securities in an overseas market or the listing of the listed securities, including but not limited to follow-on offerings and secondary listings, will be subject to the filing requirements with the CSRC under the New Overseas Listing Rules, and we cannot assure you that we will be able to comply with such filing requirements in a timely manner, or at all.

Furthermore, on February 24, 2023, the CSRC released the Provisions on Strengthening the Confidentiality and Archives Administration Related to the Overseas Securities Offering and Listing by Domestic Enterprises, which came into effect on March 31, 2023. Pursuant to the provisions, any future inspection or investigation conducted by overseas securities regulator or the competent authorities on our PRC domestic companies with respect to our overseas issuance and listing shall be carried out in the manner in compliance with PRC laws and regulations.

In addition, we cannot assure you that any new rules or regulations promulgated in the future will not impose additional requirements on us. If it is determined in the future that approval and filing from the CSRC or other regulatory authorities or other procedures, including the cybersecurity review under the enacted version of the Revised Measures for Cybersecurity Review and the Regulation on Network Data Security Management, are required for our offshore offerings, it is uncertain whether we can or how long it will take us to obtain such approval or complete such filing procedures and any such filing procedures and any approval or filing could be rescinded or rejected. Any failure to obtain or delay in obtaining such approval or completing such filing procedures for our offshore offerings, or a rescission of any such approval or filing if obtained by us, would subject us to sanctions by the CSRC or other PRC regulatory authorities for failure to seek CSRC's approval or filing or other government authorization for our offshore offerings. These regulatory authorities may impose fines and penalties on our operations in China, limit our ability to pay dividends outside of China, limit our operating privileges in China, delay or restrict the repatriation of the proceeds from our offshore offerings into China or take other actions that could materially and adversely affect our business, financial condition, results of operations, and prospects, as well as the trading price of our listed securities. The CSRC or other PRC regulatory authorities also may take actions requiring us, or making it advisable for us, to halt our offshore offerings before settlement and delivery of the shares offered. Consequently, if investors engage in market trading or other activities in anticipation of and prior to settlement and delivery, they do so at the risk that settlement and delivery may not occur. In addition, if the CSRC or other regulatory authorities later promulgate new rules or explanations requiring that we obtain their approvals or accomplish the required filing or other regulatory procedures for our prior offshore offerings, we may be unable to obtain a waiver of such approval requirements, if and when procedures are established to obtain such a waiver. Any uncertainties or negative publicity regarding such approval requirement may subject us to regulatory actions or other sanctions from the CSRC or other PRC government authorities, which could materially and adversely affect our business, prospects, financial condition, reputation, and the trading price of our listed securities.

Furthermore, if there are any other approvals, filings and/or other regulatory procedures required to be obtained from or completed with the CSRC or other PRC government authorities as required by any new laws and regulations for any of our future proposed offering of securities in an overseas market or the listing of the listed securities, we cannot assure you that we are able to obtain the required approval or complete the required filings or other regulatory procedures in a timely manner, or at all. Any failure to obtain the approvals or complete the filings and other relevant regulatory procedures may subject us to regulatory actions or other sanctions from the CSRC or other PRC government authorities, which may have a material adverse effect on our business, financial condition or results of operations. Uncertainties and/or negative publicity regarding these PRC regulations could have a material adverse effect on the trading price of our listed securities.

You may experience difficulties in effecting service of legal process, enforcing foreign judgments or bringing actions in China against us or our management named in the annual report based on foreign laws.

We are an exempted company incorporated under the laws of the Cayman Islands, however, we conduct a majority of our operations in China and a majority of our assets are located in China. In addition, all our senior executive officers reside within China and all of them are PRC nationals. As a result, it may be difficult for you to effect service of process upon us or our management named in the annual report inside mainland China. It may also be difficult for you to enforce in U.S. courts the judgments obtained in U.S. courts based on the civil liability provisions of the U.S. federal securities laws against us and our officers and directors as most of them currently reside outside the United States. In addition, there is uncertainty as to whether the courts of the Cayman Islands or the PRC would recognize or enforce judgments of U.S. courts against us or such persons predicated upon the civil liability provisions of the securities laws of the United States or any state.

The recognition and enforcement of foreign judgments are provided for under the PRC Civil Procedures Law. PRC courts may recognize and enforce foreign judgments in accordance with the requirements of the PRC Civil Procedures Law based either on treaties between China and the country where the judgment is made or on principles of reciprocity between jurisdictions. China does not have any treaties or other forms of written arrangement with the United States that provide for the reciprocal recognition and enforcement of foreign judgments. In addition, according to the PRC Civil Procedures Law, the PRC courts will not enforce a foreign judgment against us or our directors and officers if they decide that the judgment violates the basic principles of PRC laws or national sovereignty, security or public interest. As a result, it is uncertain whether and on what basis a PRC court would enforce a judgment rendered by a court in the United States.

The custodians or authorized users of our controlling non-tangible assets, including chops and seals, may fail to fulfill their responsibilities, or misappropriate or misuse these assets.

Under the PRC law, legal documents for corporate transactions, including agreements and contracts are executed using the chop or seal of the signing entity or with the signature of a legal representative whose designation is registered and filed with the PRC market regulation administrative authorities.

In order to secure the use of our chops and seals, we have established internal control procedures and rules for using these chops and seals. In any event that the chops and seals are intended to be used, the responsible personnel will submit the application through our office automation system and the application will be verified and approved by authorized employees in accordance with our internal control procedures and rules. In addition, in order to maintain the physical security of our chops, we generally have them stored in secured locations accessible only to authorized employees. Although we monitor such authorized employees, the procedures may not be sufficient to prevent all instances of abuse or negligence. There is a risk that our employees could abuse their authority, for example, by entering into a contract not approved by us or seeking to gain control of one of our subsidiaries or the VIE. If any employee obtains, misuses or misappropriates our chops and seals or other controlling non-tangible assets for whatever reason, we could experience disruption to our normal business operations. We may have to take corporate or legal action, which could involve significant time and resources to resolve and divert management from our operations.

If we are classified as a PRC resident enterprise for PRC income tax purposes, such classification could result in unfavorable tax consequences to us and our non-PRC shareholders or ADS holders.

Under the PRC Enterprise Income Tax Law and its implementation rules, an enterprise established outside of the PRC with “de facto management body” within China is considered a “resident enterprise” and will be subject to the enterprise income tax on its global income at the rate of 25%. The implementation rules define the term “de facto management body” as the body that exercises full and substantial control and overall management over the business, productions, personnel, accounts and properties of an enterprise. In 2009, the State Administration of Taxation, issued the Circular of the State Administration of Taxation on Issues Relating to Identification of PRC-Controlled Overseas Registered Enterprises as Resident Enterprises in Accordance with the De Facto Standards of Organizational Management, or SAT Circular 82, which provides certain specific criteria for determining whether the “de facto management body” of a PRC-controlled enterprise that is incorporated offshore is located in China. Although this circular only applies to offshore enterprises controlled by PRC enterprises or PRC enterprise groups, not those controlled by PRC individuals or foreigners, the criteria set forth in the circular may reflect State Administration of Taxation’s general position on how the “de facto management body” text should be applied in determining the tax resident status of all offshore enterprises. According to SAT Circular 82, an offshore incorporated enterprise controlled by a PRC enterprise or a PRC enterprise group will be regarded as a PRC tax resident by virtue of having its “de facto management body” in China and will be subject to PRC enterprise income tax on its global income only if all of the following conditions are met: (i) the primary location of the day-to-day operational management is in China; (ii) decisions relating to the enterprise’s financial and human resource matters are made or are subject to approval by organizations or personnel in China; (iii) the enterprise’s primary assets, accounting books and records, company seals, and board and shareholder resolutions, are located or maintained in China; and (iv) at least 50% of voting board members or senior executives habitually reside in China.

We believe none of our entities outside of China is a PRC resident enterprise for PRC tax purposes. However, the tax resident status of an enterprise is subject to determination by the PRC tax authorities and uncertainties remain with respect to the interpretation of the term “de facto management body.” If the PRC tax authorities determine that our company or any of our subsidiaries outside of China is a PRC resident enterprise for enterprise income tax purposes, we could be subject to PRC tax at a rate of 25% on our worldwide income, which could materially reduce our net income, and we may be required to withhold a 10% withholding tax from dividends we pay to our shareholders that are non-resident enterprises, including the holders of our ADSs. In addition, non-resident enterprise shareholders (including our ADS holders) may be subject to PRC tax at a rate of 10% on gains realized on the sale or other disposition of ADSs or Class A ordinary shares, if such income is treated as sourced from within China. Furthermore, if we are deemed a PRC resident enterprise, dividends payable to our non-PRC individual shareholders (including our ADS holders) and any gain realized on the transfer of ADSs or Class A ordinary shares by such shareholders may be subject to PRC tax at a rate of 10% in the case of non-PRC enterprises or a rate of 20% in the case of non-PRC individuals unless a reduced rate is available under an applicable tax treaty. It is unclear whether non-PRC shareholders of our company would be able to claim the benefits of any tax treaties between their country of tax residence and the PRC in the event that we are treated as a PRC resident enterprise. Any such tax may reduce the returns on your investment in the ADSs or Class A ordinary shares.

We face uncertainties with respect to indirect transfer of equity interests in PRC resident enterprises by their non-PRC holding companies.

We face uncertainties regarding the reporting on and consequences of previous private equity financing transactions involving the transfer and exchange of shares in our company by non-resident investors. In February 2015, the State Administration of Taxation, issued the Bulletin on Issues of Enterprise Income Tax on Indirect Transfers of Assets by Non-PRC Resident Enterprises, or SAT Bulletin 7. Pursuant to SAT Bulletin 7, an “indirect transfer” of PRC assets, including a transfer of equity interests in an unlisted non-PRC holding company of a PRC resident enterprise, by non-PRC resident enterprises may be re-characterized and treated as a direct transfer of the underlying PRC assets, if such arrangement does not have a reasonable commercial purpose and was established for the purpose of avoiding payment of PRC enterprise income tax. As a result, gains derived from such indirect transfer may be subject to PRC enterprise income tax, and the transferee or other person who is obligated to pay for the transfer is obligated to withhold the applicable taxes, currently at a rate of 10% for the transfer of equity interests in a PRC resident enterprise. On October 17, 2017, the State Administration of Taxation issued the Announcement of the State Administration of Taxation on Issues Concerning the Withholding of Non-resident Enterprise Income Tax at Source, or SAT Bulletin 37, which came into effect on December 1, 2017. The SAT Bulletin 37 further clarifies the practice and procedure of the withholding of non-resident enterprise income tax.

We face uncertainties on the reporting and consequences of future private equity financing transactions, share exchanges or other transactions involving the transfer of shares in our company by investors that are non-PRC resident enterprises. The PRC tax authorities may pursue such non-resident enterprises with respect to a filing or the transferees with respect to withholding obligation, and request our PRC subsidiaries to assist in the filing. As a result, we and non-resident enterprises in such transactions may become at risk of being subject to filing obligations or being taxed and/or fined under SAT Bulletin 7 and SAT Bulletin 37, and may be required to expend valuable resources to comply with them or to establish that we and our non-resident enterprises should not be taxed under these regulations, which may have a material adverse effect on our financial condition and results of operations.

If our preferential tax treatments are revoked or become unavailable or if the calculation of our tax liability is successfully challenged by the PRC tax authorities, we may be required to pay tax, interest and penalties in excess of our tax provisions.

Some of our PRC subsidiaries enjoy local government subsidies. Any increase in the enterprise income tax rate applicable to our PRC subsidiaries in China, or any discontinuation, retroactive or future reduction or refund of any of the preferential tax treatments and local government subsidies currently enjoyed by our PRC subsidiaries in China, could adversely affect our business, financial condition and results of operations. In the ordinary course of our business, we are subject to complex income tax and other tax regulations, and significant judgment is required in the determination of a provision for income taxes. Although we believe our tax provisions are reasonable, if the PRC tax authorities successfully challenge our position and we are required to pay tax, interest and penalties in excess of our tax provisions, our financial condition and results of operations would be materially and adversely affected.

The Regulations on Mergers and Acquisitions of Domestic Enterprises by Foreign Investors and certain other PRC regulations may make it more difficult for us to pursue growth through acquisitions.

The Regulations on Mergers and Acquisitions of Domestic Enterprises by Foreign Investors adopted by six PRC regulatory agencies in 2006 and amended in 2009 and some other regulations and rules concerning mergers and acquisitions established complex procedures and requirements for some acquisitions of Chinese companies by foreign investors, including requirements in some instances that the Ministry of Commerce be notified in advance of any change-of-control transaction in which a foreign investor takes control of a PRC domestic enterprise. Moreover, the Revised Anti-Monopoly Law promulgated by the Standing Committee of the National People's Congress which became effective on August 1, 2022 requires that transactions which are deemed concentrations and involve parties with specified turnover thresholds must be cleared by anti-monopoly enforcement authority of the State Council before they can be completed. In addition, the security review rules issued by the Ministry of Commerce that became effective in September 2011 specify that mergers and acquisitions by foreign investors that raise "national defense and security" concerns and mergers and acquisitions through which foreign investors may acquire de facto control over domestic enterprises that raise "national security" concerns are subject to strict review by the Ministry of Commerce, and the rules prohibit any activities attempting to bypass a security review, including by structuring a transaction through a proxy or contractual control arrangement.

In the future, we may pursue potential strategic acquisitions that are complementary to our business and operations. Complying with the requirements of the above-mentioned regulations and other relevant rules to complete such transactions could be time-consuming, and any required approval processes, including obtaining approval or clearance from anti-monopoly enforcement authority of the State Council, may delay or inhibit our ability to complete such transactions, which could affect our ability to expand our business or maintain our market share.

Any failure to comply with PRC regulations regarding the registration requirements for employee stock incentive plans may subject our plan participants or us to fines and other legal or administrative sanctions.

In February 2012, the State Administration of Foreign Exchange, or the SAFE, promulgated the Notices on Issues Concerning the Foreign Exchange Administration for Domestic Individuals Participating in Stock Incentive Plan of Overseas Publicly Listed Company, replacing earlier rules promulgated in 2007. Pursuant to these rules, PRC citizens and non-PRC citizens who reside in China for a continuous period of not less than one year and participate in any stock incentive plan of an overseas publicly listed company are required to register with the State Foreign Exchange Administration of the PRC, through a domestic qualified agent, which could be the PRC subsidiaries of such overseas-listed company, and complete certain other procedures, unless certain exceptions are available. In addition, an overseas-entrusted institution must be retained to handle matters in connection with the exercise or sale of stock options and the purchase or sale of shares and interests. We and our executive officers and other employees who are PRC citizens or non-PRC citizens living in China for a continuous period of not less than one year and have been granted options are subject to these regulations as our company has become an overseas-listed company. Failure to complete registrations with the SAFE may subject them to fines of up to RMB300,000 for entities and up to RMB50,000 for individuals and may also limit our ability to contribute additional capital into our PRC subsidiaries and our PRC subsidiaries' ability to distribute dividends to us. We also face regulatory uncertainties that could restrict our ability to adopt additional incentive plans for our directors, executive officers and employees under PRC law. See "Item 4. Information on the Company—B. Business Overview—Regulations—Regulations Relating to Stock Incentive Plans."

In addition, the State Administration of Taxation, has issued certain circulars concerning employee share options and restricted shares. Under these circulars, our employees working in China who exercise share options or are granted restricted shares will be subject to PRC individual income tax. Our PRC subsidiaries have obligations to file documents related to employee share options or restricted shares with the tax authorities and to withhold individual income taxes for those employees who exercise their share options. If our employees fail to pay or we fail to withhold their income taxes according to the laws and regulations, we may face sanctions imposed by the tax authorities or other PRC government authorities. See "Item 4. Information on the Company—B. Business Overview—Regulations—Regulations Relating to Stock Incentive Plans."

PRC regulations relating to offshore investment activities by PRC residents may limit our PRC subsidiaries' ability to change their registered capital or distribute profits to us or otherwise expose us or our PRC resident beneficial owners to liability and penalties under PRC laws.

In July 2014, the SAFE promulgated the Circular on Relevant Issues Concerning Foreign Exchange Control on Domestic Residents' Offshore Investment and Financing and Roundtrip Investment Through Special Purpose Vehicles, or SAFE Circular 37. SAFE Circular 37 requires PRC residents (including PRC individuals and PRC corporate entities as well as foreign individuals that are deemed as PRC residents for foreign exchange administration purposes) to register with the SAFE or its local branches in connection with their direct or indirect offshore investment activities. SAFE Circular 37 further requires amendment to the registrations with the SAFE in the event of any changes with respect to the basic information of the offshore special purpose vehicle, such as change of a PRC individual shareholder, name and operation term, or any significant changes with respect to the offshore special purpose vehicle, such as increase or decrease of capital contribution, share transfer or exchange, or mergers or divisions. SAFE Circular 37 is applicable to our shareholders or beneficial owners who are PRC residents and may be applicable to any offshore acquisitions that we make in the future. According to the Notice on Further Simplifying and Improving Policies for the Foreign Exchange Administration of Direct Investment released on February 13, 2015 by the SAFE, local banks will examine and handle foreign exchange registration for overseas direct investment, including the initial foreign exchange registration and amendment registration, under SAFE Circular 37 from June 1, 2015.

If our shareholders or beneficial owners who are PRC residents or entities do not complete their registration with the local SAFE branches or qualified local banks, our PRC subsidiaries may be prohibited from distributing to us its profits and proceeds from any reduction in capital, share transfer or liquidation, and we may be restricted in our ability to contribute additional capital to our PRC subsidiaries. Moreover, failure to comply with the registration with the SAFE described above could result in liability under PRC laws for evasion of applicable foreign exchange restrictions.

All of our executive officers who we are aware of being subject to the SAFE regulations have completed the initial registrations as required by SAFE Circular 37. However, we may not be informed of the identities of all the PRC residents or entities holding direct or indirect interest in our company, nor can we compel our shareholders or beneficial owners to comply with registration requirements of the SAFE. We cannot assure you that all shareholders or beneficial owners of ours who are PRC residents or entities have complied with, and will in the future make, obtain or update any applicable registrations or approvals required by, regulations of the SAFE.

The failure or inability of such shareholders or beneficial owners to comply with regulations of the SAFE, or failure by us to amend the foreign exchange registrations of our PRC subsidiaries, could subject us or the non-compliant shareholders or beneficial owners to fines or legal sanctions, restrict our overseas or cross-border investment activities, limit our PRC subsidiaries' ability to make distributions or pay dividends to us or affect our ownership structure. As a result, our business operations and our ability to distribute profits to you could be materially and adversely affected.

We may rely on dividends and other distributions on equity paid by our PRC subsidiaries to fund any cash and financing requirements we may have, and any limitation on the ability of our PRC subsidiaries to make payments to us could have a material and adverse effect on our ability to conduct our business.

We are a Cayman Islands holding company and we rely principally on dividends and other distributions on equity from our PRC subsidiaries for our cash requirements, including the funds necessary to pay dividends and other cash distributions to our shareholders for services or any debt we may incur. If our PRC subsidiaries incur debt on their own behalf in the future, the instruments governing the debt may restrict its ability to pay dividends or make other distributions to us. Under PRC laws and regulations, our PRC subsidiaries, which are foreign-owned enterprises, may pay dividends only out of its respective accumulated profits as determined in accordance with PRC accounting standards and regulations. In addition, a foreign-owned enterprise is required to set aside at least 10% of its accumulated after-tax profits each year, if any, to fund a certain statutory reserve fund, until the aggregate amount of such fund reaches 50% of its registered capital. Such reserve funds cannot be distributed to us as dividends. Pursuant to the Notice of Issues Concerning Financial Treatments of Enterprises after the Implementation of the Company Law and Foreign Investment Law issued by the Ministry of Finance, which became effective on June 9, 2025, foreign-owned enterprises are no longer required to accrue the reserve fund, enterprise expansion fund, and staff bonus and

welfare fund that were previously mandated under the previous foreign investment laws. Any balances of the reserve fund accrued prior to 2025 are to be transferred to the statutory reserve, and any balances of the enterprise expansion fund are to be transferred to the discretionary reserve. The staff bonus and welfare fund accrued prior to 2025 shall continue to be used according to its original purpose.

Our PRC subsidiaries generate essentially all of their revenue in Renminbi, which is not freely convertible into other currencies. As a result, any restriction on currency exchange may limit the ability of our PRC subsidiaries to use their Renminbi revenues to pay dividends to us.

The PRC government may continue to strengthen its capital controls, and more restrictions and substantial vetting process may be put forward by the SAFE for cross-border transactions falling under both the current account and the capital account. Any limitation on the ability of our PRC subsidiaries to pay dividends or make other kinds of payments to us could materially and adversely limit our ability to grow, make investments or acquisitions that could be beneficial to our business, pay dividends, or otherwise fund and conduct our business.

In addition, the Enterprise Income Tax Law and its implementation rules provide that a withholding tax rate of up to 10% will be applicable to dividends payable by Chinese companies to non-PRC-resident enterprises unless otherwise exempted or reduced according to treaties or arrangements between the PRC central government and governments of other countries or regions where the non-PRC-resident enterprises are incorporated.

PRC regulation of loans to and direct investment in PRC entities by offshore holding companies and governmental control of currency conversion may delay or prevent us from using the proceeds from our securities offering to make loans or additional capital contributions to our PRC subsidiaries and the VIE in China, which could materially and adversely affect our liquidity and our ability to fund and expand our business.

We are an offshore holding company conducting our operations in China through our PRC subsidiaries and the VIE and its subsidiaries. We may make loans to our PRC subsidiaries and the VIE and its subsidiaries subject to the approval from or registration with governmental authorities and limitation on amount, or we may make additional capital contributions to our wholly foreign-owned subsidiaries in China. Any loans to our wholly foreign-owned subsidiaries in China, which are treated as foreign-invested enterprises under PRC law, are subject to applicable foreign exchange loan registrations. If we provide funding to our wholly foreign-owned subsidiaries through shareholder loans, (a) in the event that the foreign debt management mechanism as provided in the Measures for Foreign Debts Registration and Administration and other relevant rules applies, the balance of such loans cannot exceed the difference between the total investment and the registered capital of the subsidiaries and we will need to register such loans with the SAFE or its local branches, or (b) in the event that the mechanism as provided in the Notice of the People's Bank of China on Matters concerning the Macro-Prudential Management of Full-Covered Cross-Border Financing, applies, the balance of such loans will be subject to the risk-weighted approach and the net asset limits and we will need to file the loans with the SAFE in its information system pursuant to applicable requirements and guidelines issued by the SAFE or its local branches. Pursuant to the Notice of the People's Bank of China on Matters concerning the Macro-Prudential Management of Full-Covered Cross-Border Financing, upon expiry of the one-year transition period commencing on January 11, 2017, the People's Bank of China and the SAFE would determine the cross-border financing administration mechanism for the foreign-invested enterprises after evaluating the overall results of implementing this notice. As of the date of this annual report, neither the People's Bank of China nor the SAFE has promulgated and made public any further rules, regulations, notices, or circulars in this regard. Currently, our wholly foreign-owned subsidiaries are subject to the foreign debt management mechanism as provided in the Measures for Foreign Debts Registration and Administration, which means loans extended by our offshore entities to our wholly foreign-owned subsidiaries in China to finance their activities may not exceed the difference between the amount of total investment as approved by the Ministry of Commerce or its local counterpart and the amount of registered capital of such foreign-invested company. However, it is uncertain what mechanism will be adopted by the People's Bank of China and the SAFE in the future and what statutory limits will be imposed on loans provided by an offshore entity like our Company to its PRC subsidiaries.

In addition, a foreign-invested enterprise shall use its capital pursuant to the principle of authenticity and self-use within its business scope. The capital of a foreign-invested enterprise shall not be used for the following purposes: (i) directly or indirectly used for payment beyond the business scope of such foreign-invested enterprise or the payment prohibited by the laws and regulations; (ii) directly or indirectly used for investment in securities or investments in

financial management other than banks' principal-secured products unless otherwise provided by the laws and regulations; and (iii) the granting of loans to non-affiliated enterprises, except where it is expressly permitted in the business license.

The SAFE promulgated the Notice of the State Administration of Foreign Exchange on Reforming the Administration of Foreign Exchange Settlement of Capital of Foreign-invested Enterprises, or SAFE Circular 19, effective June 2015, in replacement of a former regulation. According to SAFE Circular 19, the flow and use of the RMB capital converted from foreign currency-denominated registered capital of a foreign-invested company is regulated such that RMB capital may not be used for the issuance of RMB entrusted loans, the repayment of inter-enterprise loans or the repayment of banks loans that have been transferred to a third party. Although SAFE Circular 19 allows RMB capital converted from foreign currency-denominated registered capital of a foreign-invested enterprise to be used for equity investments within China, it also reiterates the principle that RMB converted from the foreign currency-denominated capital of a foreign-invested company may not be directly or indirectly used for purposes beyond its business scope. Thus, it is unclear whether the SAFE will permit such capital to be used for equity investments in China in actual practice. The SAFE promulgated the Notice of the State Administration of Foreign Exchange on Reforming and Standardizing the Foreign Exchange Settlement Management Policy of Capital Account, or SAFE Circular 16, effective on June 9, 2016 and amended on December 4, 2023, which reiterates some of the rules set forth in SAFE Circular 19, but changes the prohibition against using RMB capital converted from foreign currency-denominated registered capital of a foreign-invested company to issue RMB entrusted loans to a prohibition against using such capital to issue loans to non-associated enterprises. Violations of SAFE Circular 19 and SAFE Circular 16 could result in administrative penalties. SAFE Circular 19 and SAFE Circular 16 may significantly limit our ability to transfer any foreign currency we hold to our PRC subsidiaries, which may adversely affect our liquidity and our ability to fund and expand our business in China. On October 23, 2019, the SAFE promulgated the Notice of the State Administration of Foreign Exchange on Further Promoting the Convenience of Cross-border Trade and Investment, or the SAFE Circular 28, which, among other things, allows all foreign-invested companies to use Renminbi converted from foreign currency-denominated capital for equity investments in China, as long as the equity investment is genuine, does not violate applicable laws, and complies with the negative list on foreign investment.

Due to the restrictions imposed on loans in foreign currencies extended to any PRC domestic companies, we may not be able to make such loans to the subsidiaries of our wholly foreign-owned subsidiaries in mainland China and the VIE and its subsidiaries in mainland China. Meanwhile, we may not be able to finance the activities of the VIE or its subsidiaries by means of capital contributions given the restrictions on foreign investment in the businesses that are currently conducted by the consolidated variable interest entities.

In light of the various requirements imposed by PRC regulations on loans to and direct investment in PRC entities by offshore holding companies, we cannot assure you that we will be able to complete the necessary government registrations or obtain the necessary government approvals on a timely basis, or at all, with respect to future loans by us to our PRC subsidiaries or the VIE or its subsidiaries or with respect to future capital contributions by us to our PRC subsidiaries, neither can we guarantee that we will be able to provide loans in such amount as needed by our PRC subsidiaries or the VIE in a timely manner. If we fail to complete such registrations or obtain such approvals or fund the amount needed by our PRC subsidiaries or the VIE in a timely manner, our ability to use the proceeds from our initial public offering and to capitalize or otherwise fund our PRC operations may be negatively affected, which could materially and adversely affect our liquidity and our ability to fund and expand our business.

Governmental control of currency conversion may limit our ability to utilize our revenues effectively and affect the value of your investment.

The PRC government imposes controls on the convertibility of the Renminbi into foreign currencies and, in certain cases, the remittance of currency out of China. We receive substantially all of our revenues in Renminbi. Under our current corporate structure, our Cayman Islands holding company may rely on dividend payments from our PRC subsidiaries to fund any cash and financing requirements we may have. Under existing PRC foreign exchange regulations, payments of current account items, including profit distributions, interest payments and trade and service-related foreign exchange transactions, can be made in foreign currencies without prior approval of the SAFE, by complying with certain procedural requirements. Specifically, under the existing exchange restrictions, without prior approval of the SAFE, cash generated from the operations of our PRC subsidiaries in China may be used to pay dividends to our company. However, approval from or registration with appropriate government authorities is required

where Renminbi is to be converted into foreign currency and remitted out of China to pay capital expenses such as the repayment of loans denominated in foreign currencies. As a result, we need to obtain the SAFE's approval to use cash generated from the operations of our PRC subsidiaries and consolidated variable interest entity to pay off their respective debt in a currency other than Renminbi owed to entities outside China, or to make other capital expenditure payments outside China in a currency other than Renminbi.

The PRC government has imposed more restrictive foreign exchange policies and stepped up scrutiny of major outbound capital movement including overseas direct investment. More restrictions and substantial vetting process are put in place by the SAFE to regulate cross-border transactions falling under the capital account. If any of our shareholders regulated by such policies fails to satisfy the applicable overseas direct investment filing or approval requirement timely or at all, it may be subject to penalties from the PRC authorities. The PRC government may at its discretion further restrict access in the future to foreign currencies for current account transactions. If the foreign exchange control system prevents us from obtaining sufficient foreign currencies to satisfy our foreign currency demands, we may not be able to pay dividends in foreign currencies to our shareholders, including holders of the ADSs.

It may be difficult for overseas regulators to conduct investigation or collect evidence within China.

Shareholder claims or regulatory investigation that are common in jurisdictions outside China are difficult to pursue as a matter of law or practicality in China. For example, in China, there are significant legal and other obstacles to providing information needed for regulatory investigations or litigation initiated outside China. Although the authorities in China may establish a regulatory cooperation mechanism with the securities regulatory authorities of another country or region to implement cross-border supervision and administration, such cooperation with the securities regulatory authorities in Hong Kong or other jurisdictions may not be efficient in the absence of mutual and practical cooperation mechanism. Furthermore, according to Article 177 of the PRC Securities Law, which became effective in March 2020, no overseas securities regulator is allowed to directly conduct investigation or evidence collection activities within the territory of the PRC, and without the consent by the Chinese securities regulatory authorities and the other competent governmental agencies, no entity or individual may provide documents or materials related to securities business to any foreign party. While detailed interpretation of or implementation rules under Article 177 of the PRC Securities Law have yet to be promulgated, the inability for an overseas securities regulator to directly conduct investigation or evidence collection activities within China and the potential obstacles for information provision may further increase difficulties faced by you in protecting your interests. See also “—Risks Relating to Our ADSs—You may face difficulties in protecting your interests, and your ability to protect your rights through U.S. courts may be limited, because we are incorporated under Cayman Islands law” for risks associated with investing in us as a Cayman Islands company.

Recent litigation and negative publicity surrounding China-based companies listed in the U.S. may result in increased regulatory scrutiny of us and negatively impact the trading price of our ADSs.

We believe that litigation and negative publicity surrounding companies with operations in China that are listed in the U.S. have negatively impacted stock prices for such companies. Various equity-based research organizations have published reports on China-based companies after examining, among other things, their corporate governance practices, related party transactions, sales practices and financial statements that have led to special investigations and stock suspensions on national exchanges. Any similar scrutiny of us, regardless of its lack of merit, could result in a diversion of management resources and energy, potential costs to defend ourselves against rumors, decreases and volatility in the ADS trading price, and increased directors and officers insurance premiums, and could have a material adverse effect upon our business, results of operations and financial condition.

Risks Relating to Our ADSs

If we do not satisfy the NYSE requirements for continued listing, our ADSs could be delisted from the NYSE.

The listing of our ADSs on the NYSE is contingent on our compliance with the NYSE's conditions for continued listing.

Pursuant to NYSE Rule 802.01C, a company will be considered to be below compliance standards if the average closing price of a security as reported on the consolidated tape is less than US\$1.00 over a consecutive 30 trading-day period. Once notified, the company must bring its share price and average share price back above US\$1.00 within the applicable cure period following receipt of the notification. The company can regain compliance at any time during the cure period if on the last trading day of any calendar month during the cure period the company has a closing share price of at least US\$1.00 and an average closing share price of at least US\$1.00 over the 30 trading-day period ending on the last trading day of that month. In the event that at the expiration of the cure period, both a US\$1.00 closing share price on the last trading day of the cure period and a US\$1.00 average closing share price over the 30 trading-day period ending on the last trading day of the cure period are not attained, the NYSE will commence suspension and delisting procedures. In addition, we understand that the NYSE has a policy to suspend trading immediately and commence delisting procedures if the market price of securities becomes "abnormally low." We received a letter from the NYSE dated April 11, 2022 notifying us that (i) we are below NYSE compliance standards due to the trading price of our ADSs and (ii) the applicable cure period for us to regain compliance expires on October 11, 2022. We took various measures to resolve the non-compliance caused by adverse effects on the trading price of our ADSs and avoid any potential delisting, including monitoring the market conditions of our listed securities and implementing a share repurchase program. As a result, we cured the deficiency within the prescribed cure period. On August 1, 2022, NYSE notified us that our company had regained compliance with the NYSE's continued listing criterion of a minimum share price as set forth in Section 802.01C of the NYSE Listed Company Manual. On November 2, 2023, we received a letter from the NYSE notifying us that (i) we are below NYSE compliance standards due to the trading price of our ADSs and (ii) the applicable cure period for us to regain compliance expires on May 2, 2024. We took various measures to resolve the non-compliance caused by adverse effects on the trading price of our ADSs and avoid any potential delisting, including monitoring the market conditions of our listed securities and changing the ratio of our ADSs to Class A ordinary shares. As a result, we have cured the deficiency within the prescribed cure period. On April 10, 2024, NYSE notified us that our company had regained compliance with the NYSE's continued listing criterion of a minimum share price as set forth in Section 802.01C of the NYSE Listed Company Manual. However, we cannot assure you that we will stay compliant with other NYSE listing rules at all times going forward. There can be no assurance that our ADSs will be eligible for trading on any such alternative exchanges or markets in the United States. If our ADSs are delisted from the NYSE, the liquidity and value of an investment in our ADSs will be materially and adversely affected.

The trading price of the ADSs is likely to be volatile, which could result in substantial losses to investors.

Since our ADSs became listed on the NYSE on November 19, 2020, the trading price of our ADSs has fluctuated significantly. The trading price of the ADSs is likely to be volatile and could fluctuate widely due to factors beyond our control. This may happen because of broad market and industry factors, including the performance and fluctuation of the market prices of other companies with business operations located mainly in China that have listed their securities in the United States. In addition to market and industry factors, the price and trading volume for the ADSs may be highly volatile for factors specific to our own operations, including the following:

- actual or anticipated variations in our revenues, earnings, cash flow and changes or revisions of our expected results;
- fluctuations in operating metrics;
- announcements of new investments, acquisitions, strategic partnerships or joint ventures by us or our competitors;
- announcements of new products and services and expansions by us or our competitors;
- changes in financial estimates by securities analysts;

- announcements of studies and reports relating to the quality of our product and service offerings or those of our competitors;
- announcements regarding our entering into, amending, altering, consummating or terminating financing, investment or other corporate transactions;
- changes in the economic performance or market valuations of other beauty companies;
- conditions in the beauty market;
- detrimental negative publicity about us, our competitors or our industry;
- additions or departures of key personnel;
- our share repurchase programs;
- release of lockup or other transfer restrictions on our outstanding equity securities or sales of additional equity securities;
- regulatory developments affecting us or our industry;
- general economic or political conditions in China or elsewhere in the world;
- fluctuations of exchange rates between the RMB and the U.S. dollar; and
- potential litigation or regulatory investigations.

Any of these factors may result in large and sudden changes in the volume and price at which the ADSs will trade. Furthermore, the stock market in general experiences price and volume fluctuations that are often unrelated or disproportionate to the operating performance of companies like us. These broad market and industry fluctuations may adversely affect the market price of our ADSs. Volatility or a lack of positive performance in our ADS price may also adversely affect our ability to retain key employees, most of whom have been granted equity incentives.

In the past, shareholders of public companies have often brought securities class action suits against companies following periods of instability in the market price of their securities. We and certain of our current and former directors or officers, our authorized U.S. representative, a shareholder, and the underwriters for our November 2020 initial public offering were named as defendants in a putative securities class action filed with the U.S. District Court for the Southern District of New York. On July 22, 2024, the court granted the defendants' motion to dismiss all claims in the class action. On August 30, 2024, the plaintiffs filed a motion for leave to file a second amended complaint. In July 2025, the court denied the plaintiffs' request for leave to amend and ordered that the case be dismissed with prejudice. The plaintiffs did not appeal, and the case is now over. See "Item 8. Financial Information—A. Consolidated Statements and Other Financial Information—Legal Proceedings." We may continue to be subject to lawsuits from time to time in the future, including but not limited to putative class action lawsuits brought by shareholders. The existence of such cases and any potential adverse outcome of these cases, including any plaintiff's appeal of a judgment, could have a material adverse effect on our business, reputation, financial condition, results of operations, cash flows as well as the trading price of our ADSs. In addition, there can be no assurance that our insurance carriers will cover all or part of the defense costs, or any liabilities that may arise from these matters. Resolution of these matters may utilize a significant portion of our cash resources and divert management's attention from the day-to-day operations of our company, all of which could harm our business. We also may be subject to claims for indemnification related to these matters, and we cannot predict the impact that indemnification claims may have on our business or financial results.

If securities or industry analysts cease to publish research or reports about our business, or if they adversely change their recommendations regarding the ADSs, the market price for the ADSs and trading volume could decline.

The trading market for the ADSs will be influenced by research or reports that industry or securities analysts publish about our business. If one or more analysts who cover us downgrade the ADSs, the market price for the ADSs would likely decline. If one or more of these analysts cease to cover us or fail to regularly publish reports on us, we could lose visibility in the financial markets, which, in turn, could cause the market price or trading volume for the ADSs to decline.

Our dual-class voting structure limits your ability to influence corporate matters and could discourage others from pursuing any change of control transactions that holders of our Class A ordinary shares and ADSs may view as beneficial.

We have adopted a dual-class voting structure such that our authorized and issued ordinary shares consist of Class A ordinary shares and Class B ordinary shares (with certain shares remaining undesignated, with power for our directors to designate and issue such classes of shares as they think fit). In respect of matters requiring the votes of shareholders, holders of Class A ordinary shares are entitled to one vote per share, while holders of Class B ordinary shares are entitled to twenty votes per share based on our dual-class share structure. Each Class B ordinary share is convertible into one Class A ordinary share at any time by the holder thereof, while Class A ordinary shares are not convertible into Class B ordinary shares under any circumstances. Upon any transfer of Class B ordinary shares by a holder thereof to any person or entity that is not an affiliate of such holder, such Class B ordinary shares shall be automatically and immediately converted into the same number of Class A ordinary shares.

Mr. Jinfeng Huang, our founder, chairman of the board of directors and chief executive officer, beneficially owned all of our Class B ordinary shares as of February 28, 2026. These Class B ordinary shares constitute 32.0% of our total issued and outstanding shares and 90.4% of the aggregate voting power of our total issued and outstanding shares as of February 28, 2026 (excluding 819,865,720 Class A ordinary shares, which consisted of shares underlying the ADSs repurchased by our company pursuant to the share repurchase programs, shares issued to our depositary bank for bulk issuance of ADSs reserved for future issuances upon the exercise or vesting of awards granted under our share incentive plans, and shares held under the trusts for the benefit of certain employees, directors and officers of our company) due to the disparate voting powers associated with our dual-class share structure. See “Item 6. Directors, Senior Management and Employees—E. Share Ownership.” As a result of the dual-class share structure and the concentration of ownership, Mr. Jinfeng Huang has decisive influence over matters such as decisions regarding mergers and consolidations, election of directors and other significant corporate actions. He may take actions that are not in the best interest of our company or our other shareholders. This concentration of ownership may discourage, delay or prevent a change in control of our company, which could have the effect of depriving our other shareholders of the opportunity to receive a premium for their shares as part of a sale of our company and may reduce the price of our ADSs. This concentrated control will limit your ability to influence corporate matters and could discourage others from pursuing any potential merger, takeover or other change of control transactions that holders of Class A ordinary shares and ADSs may view as beneficial.

We cannot guarantee that any share repurchase program will be fully consummated or that any share repurchase program will enhance long-term shareholder value, and share repurchases could increase the volatility of the price of our ADSs and could diminish our cash reserves.

On November 17, 2021, our board of directors approved a share repurchase program, under which we were authorized to repurchase up to US\$100.0 million of our ordinary shares (including in the form of ADSs) over the following 24 months through November 16, 2023. On August 26, 2022, our board of directors authorized a change to the term and size of the share repurchase program, increasing the aggregate value of shares that may be repurchased under the share repurchase program from US\$100.0 million to US\$150.0 million and extending the effective term of the share repurchase program through August 25, 2024. On November 20, 2023, our board of directors further approved and authorized a change to the size and term of the share repurchase program, increasing the aggregate value of shares that may be repurchased under the share repurchase program from US\$150.0 million to US\$200.0 million and extending the effective term of the share repurchase program through November 19, 2025. On May 16, 2025, our board of directors approved a new share repurchase program, under which we may repurchase up to US\$30.0 million of our ordinary shares (including in the form of ADSs) over the following 24 months commencing on May 16, 2025. The share repurchase programs, approved and authorized by our board of directors, do not obligate us to repurchase any specific dollar amount or to acquire any specific number of ADSs. The share repurchase programs could affect the price of our ADSs and increase volatility and may be suspended or terminated at any time, which may result in a decrease in the trading price of our ADSs. As of February 28, 2026, we had repurchased an aggregate of 40.2 million ADSs under these share repurchase programs for an aggregate amount of US\$202.2 million (inclusive of broker commissions). Our board of directors will review the share repurchase programs periodically, and may authorize further adjustment of their terms and sizes.

Our board of directors also has the discretion to approve and authorize additional share repurchase programs in the future. The share repurchase programs do not obligate us to repurchase any specific dollar amount or to acquire any specific number of ADSs. We cannot guarantee that any share repurchase program will enhance long-term shareholder value. Share repurchase programs could affect the price of our securities and increase volatility and may be suspended or terminated at any time, which may result in a decrease in the trading price of our securities. Furthermore, share repurchases could diminish our cash reserves.

We are a “controlled company” within the meaning of the NYSE Listed Company Manual and, as a result, may rely on exemptions from certain corporate governance requirements that provide protection to shareholders of other companies.

We are a “controlled company” as defined under the NYSE Listed Company Manual because Mr. Jinfeng Huang, our founder, chairman of the board of directors and chief executive officer, owns more than 50% of our total voting power. For so long as we remain a “controlled company” under that definition, we are permitted to elect to rely, and may rely, on exemptions from certain corporate governance rules, including an exemption from the rule that a majority of our board of directors must be independent directors or that we have to establish a nominating committee and a compensation committee composed entirely of independent directors. In the event that we elect to rely on one or more of these exemptions, you will not have the same protection afforded to shareholders of companies that are subject to these corporate governance requirements.

Techniques employed by short sellers may drive down the market price of our ADSs.

Short selling is the practice of selling securities that the seller does not own but rather has borrowed from a third-party with the intention of buying identical securities back at a later date to return to the lender. The short seller hopes to profit from a decline in the value of the securities between the sale of the borrowed securities and the purchase of the replacement shares, as the short seller expects to pay less in that purchase than it received in the sale. As it is in the short seller’s interest for the price of the security to decline, many short sellers publish, or arrange for the publication of, negative opinions regarding the issuer and its business prospects in order to create negative market momentum and generate profits for themselves after selling a security short. These short attacks have, in the past, led to selling of shares in the market.

Public companies listed in the United States that have substantially all of their operations in China have been the subject of short selling. Much of the scrutiny and negative publicity has centered on allegations of a lack of effective internal control over financial reporting resulting in financial and accounting irregularities and mistakes, inadequate corporate governance policies or a lack of adherence thereto and, in many cases, allegations of fraud. As a result, many of these companies are now conducting internal and external investigations into the allegations and, in the interim, are subject to shareholder lawsuits and/or SEC enforcement actions.

It is not clear what effect such negative publicity could have on us. If we were to become the subject of any unfavorable allegations, whether such allegations are proven to be true or untrue, we could have to expend a significant amount of resources to investigate such allegations and/or defend ourselves. While we would strongly defend against any such short seller attacks, we may be constrained in the manner in which we can proceed against the short seller by principles of freedom of speech, applicable state law or issues of commercial confidentiality. Such a situation could be costly and time-consuming and could distract our management from growing our business. Even if such allegations are ultimately proven to be groundless, allegations against us could severely impact our business operations and shareholders’ equity, and any investment in our ADSs could be greatly reduced.

We currently do not expect to pay dividends in the foreseeable future and you must rely on price appreciation of our ADSs for return on your investment.

We currently intend to retain most, if not all, of our available funds and any future earnings to fund the development and growth of our business. As a result, we do not expect to pay any cash dividends in the foreseeable future. Therefore, you should not rely on an investment in our ADSs as a source for any future dividend income.

Our board of directors has complete discretion as to whether to distribute dividends, subject to certain requirements of Cayman Islands law. In addition, our shareholders may by ordinary resolution declare a dividend, but no dividend may exceed the amount recommended by our directors. Under Cayman Islands law, a Cayman Islands company may pay a dividend out of either profit or share premium account, provided that in no circumstances may a dividend be paid if this would result in the company being unable to pay its debts as they fall due in the ordinary course of business. Even if our board of directors decides to declare and pay dividends, the timing, amount and form of future dividends, if any, will depend on our future results of operations and cash flow, our capital requirements and surplus, the amount of distributions, if any, received by us from our subsidiaries, our financial condition, contractual restrictions and other factors deemed relevant by our board of directors. Accordingly, the return on your investment in our ADSs will likely depend entirely upon any future price appreciation of our ADSs. There is no guarantee that our ADSs will appreciate in value or even maintain the price at which you purchased the ADSs in the future. You may not realize a return on your investment in our ADSs and you may even lose your entire investment in our ADSs.

Substantial future sales or perceived potential sales of our ADSs in the public market could cause the price of our ADSs to decline.

Sales of our ADSs in the public market or the perception that these sales could occur, could cause the market price of our ADSs to decline. Such sales also might make it more difficult for us to sell equity or equity-related securities in the future at a time and price that we deem appropriate. We cannot predict what effect, if any market sales of securities held by a principal shareholder or any other shareholder or the availability of these securities for future sale will have on the market price of our ADSs. In addition, if we issue additional ordinary shares, either through private transactions or in the public markets in the United States or other jurisdiction, your ownership interests in our company would be diluted and this, in turn, would have an adverse effect on the price of our ADSs.

Our memorandum and articles of association contain anti-takeover provisions that could have a material adverse effect on the rights of holders of our Class A ordinary shares and the ADSs.

Our currently effective memorandum and articles of association contain provisions to limit the ability of others to acquire control of our company or cause us to engage in change-of-control transactions. These provisions could have the effect of depriving our shareholders of an opportunity to sell their shares at a premium over prevailing market prices by discouraging third parties from seeking to obtain control of our company in a tender offer or similar transaction. Our board of directors has the authority, without further action by our shareholders, to issue preferred shares in one or more series and to fix their designations, powers, preferences, privileges and relative participating, optional or special rights and the qualifications, limitations or restrictions, including dividend rights, conversion rights, voting rights, terms of redemption and liquidation preferences, any or all of which may be greater than the rights associated with our Class A ordinary shares, including those represented by ADSs. Preferred shares could be issued quickly with terms calculated to delay or prevent a change in control of our company or make removal of management more difficult. If our board of directors decides to issue preferred shares, the price of the ADSs may fall and the voting and other rights of the holders of our Class A ordinary shares and the ADSs may be materially and adversely affected.

Forum selection provisions in our memorandum and articles of association and our deposit agreement with the depositary bank could limit the ability of holders of our Class A ordinary shares, ADSs or other securities to obtain a favorable judicial forum for disputes with us, our directors and officers, the depositary bank, and potentially others.

Our memorandum and articles of association provide that the United States District Court for the Southern District of New York (or, if the United States District Court for the Southern District of New York lacks subject matter jurisdiction over a particular dispute, the state courts in New York County, New York) is the exclusive forum within the United States for the resolution of any complaint asserting a cause of action arising out of or relating in any way to the federal securities laws of the United States, regardless of whether such legal suit, action, or proceeding also involves parties other than our company. Our deposit agreement provides that the United States District Court for the Southern District of New York (or, if the United States District Court for the Southern District of New York lacks subject matter jurisdiction over a particular dispute, the state courts in New York County, New York) shall have exclusive jurisdiction over any suit, action or proceeding against or involving us or the depositary, arising out of or relating in any way to the deposit agreement or the transactions contemplated thereby or by virtue of owning the ADSs or ADRs. However, the enforceability of similar federal court choice of forum provisions in other companies'

organizational documents has been challenged in legal proceedings in the United States, and it is possible that a court could find this type of provision to be inapplicable, unenforceable, or inconsistent with other documents that are relevant to the filing of such lawsuits. If a court were to find the federal choice of forum provision contained in our currently effective memorandum and articles of association to be inapplicable or unenforceable in an action, we may incur additional costs associated with resolving such action in other jurisdictions. If upheld, the forum selection clause in our currently effective memorandum and articles of association, as well as the forum selection provision in the deposit agreement, may limit a security-holder's ability to bring a claim against us, our directors and officers, the depositary bank, and potentially others in his or her preferred judicial forum, and this limitation may discourage such lawsuits. In addition, the Securities Act provides that both federal and state courts have jurisdiction over suits brought to enforce any duty or liability under the Securities Act or the rules and regulations thereunder. Accepting or consent to this forum selection provision does not represent you are waiving compliance with federal securities laws and the rules and regulations thereunder. The exclusive forum provision in our currently effective memorandum and articles of association will not operate so as to deprive the courts of the Cayman Islands from having jurisdiction over matters relating to our internal affairs.

The voting rights of holders of ADSs are limited by the terms of the deposit agreement, and you may not be able to exercise your right to direct the voting of the underlying Class A ordinary shares represented by your ADSs.

Holders of ADSs do not have the same rights as our registered shareholders. As a holder of ADSs, you will not have any direct right to attend general meetings of our shareholders or to cast any votes at such meetings. You will only be able to exercise the voting rights attached to the Class A ordinary shares underlying your ADSs indirectly by giving voting instructions to the depositary in accordance with the provisions of the deposit agreement. Where any matter is to be put to a vote at a general meeting, then upon receipt of your voting instructions, the depositary will try, as far as is practicable, to vote the underlying Class A ordinary shares represented by your ADSs in accordance with your instructions. You will not be able to directly exercise your right to vote with respect to the underlying Class A ordinary shares unless you cancel and withdraw the shares and become the registered holder of such shares prior to the record date for the general meeting.

When a general meeting is convened, you may not receive sufficient advance notice of the meeting to withdraw the Class A ordinary shares represented by your ADSs and become the registered holder of such shares to allow you to attend the general meeting and to vote directly with respect to any specific matter or resolution to be considered and voted upon at the general meeting. In addition, under our currently effective memorandum and articles of association, for the purposes of determining those shareholders who are entitled to attend and vote at any general meeting, our directors may close our register of members and/or fix in advance a record date for such meeting, and such closure of our register of members or the setting of such a record date may prevent you from withdrawing the underlying Class A ordinary shares represented by your ADSs and from becoming the registered holder of such shares prior to the record date, so that you would not be able to attend the general meeting or to vote directly. Where any matter is to be put to a vote at a general meeting, upon our instruction the depositary will notify you of the upcoming vote and will arrange to deliver our voting materials to you. We cannot assure you that you will receive the voting materials in time to ensure that you can instruct the depositary to vote the underlying Class A ordinary shares represented by your ADSs.

In addition, the depositary and its agents are not responsible for failing to carry out voting instructions or for their manner of carrying out your voting instructions. This means that you may not be able to exercise your right to direct how the underlying Class A ordinary shares represented by your ADSs are voted and you may have no legal remedy if the underlying Class A ordinary shares represented by your ADSs are not voted as you requested. In addition, in your capacity as an ADS holder, you will not be able to call a shareholders' meeting.

Further, under the deposit agreement for the ADSs, if you do not vote, the depositary will give us a discretionary proxy to vote the Class A ordinary shares underlying your ADSs at shareholders' meetings unless:

- we have instructed the depositary that we do not wish a discretionary proxy to be given;
- we have informed the depositary that there is substantial opposition as to a matter to be voted on at the meeting;

- a matter to be voted on at the meeting would have a material adverse impact on shareholders; or
- the voting at the meeting is to be made on a show of hands.

The effect of this discretionary proxy is that you cannot prevent our Class A ordinary shares underlying your ADSs from being voted, except under the circumstances described above. This may adversely affect your interests and make it more difficult for shareholders to influence the management of our company. Holders of our Class A ordinary shares are not subject to this discretionary proxy.

You may not receive dividends or other distributions on our Class A ordinary shares and you may not receive any value for them, if it is illegal or impractical to make them available to you.

The depositary of our ADSs has agreed to pay to you the cash dividends or other distributions it or the custodian receives on Class A ordinary shares or other deposited securities underlying our ADSs, after deducting its fees and expenses. You will receive these distributions in proportion to the number of Class A ordinary shares your ADSs represent. However, the depositary is not responsible if it decides that it is unlawful or impractical to make a distribution available to any holders of ADSs. For example, it would be unlawful to make a distribution to a holder of ADSs if it consists of securities that require registration under the Securities Act but that are not properly registered or distributed under an applicable exemption from registration. The depositary may also determine that it is not feasible to distribute certain property through the mail. Additionally, the value of certain distributions may be less than the cost of mailing them. In these cases, the depositary may determine not to distribute such property. We have no obligation to register under U.S. securities laws any ADSs, Class A ordinary shares, rights or other securities received through such distributions. We also have no obligation to take any other action to permit the distribution of ADSs, Class A ordinary shares, rights or anything else to holders of ADSs. This means that you may not receive distributions we make on our Class A ordinary shares or any value for them if it is illegal or impractical for us or the depositary to make them available to you. These restrictions may cause a material decline in the value of our ADSs.

You may be subject to limitations on transfer of your ADSs.

Your ADSs are transferable on the books of the depositary. However, the depositary may close its books at any time or from time to time when it deems expedient in connection with the performance of its duties. The depositary may close its books from time to time for a number of reasons, including in connection with corporate events such as a rights offering, during which time the depositary needs to maintain an exact number of ADS holders on its books for a specified period. The depositary may also close its books in emergencies, and on weekends and public holidays. The depositary may refuse to deliver, transfer or register transfers of the ADSs generally when our share register or the books of the depositary are closed, or at any time if we or the depositary thinks it is advisable to do so because of any requirement of law or of any government or governmental body, or under any provision of the deposit agreement, or for any other reason.

You may experience dilution of your holdings due to inability to participate in rights offerings.

We may, from time to time, distribute rights to our shareholders, including rights to acquire securities. Under the deposit agreement, the depositary will not distribute rights to holders of ADSs unless the distribution and sale of rights and the securities to which these rights relate are either exempt from registration under the Securities Act with respect to all holders of ADSs, or are registered under the provisions of the Securities Act. The depositary may, but is not required to, attempt to sell these undistributed rights to third parties, and may allow the rights to lapse. We may be unable to establish an exemption from registration under the Securities Act, and we are under no obligation to file a registration statement with respect to these rights or underlying securities or to endeavor to have a registration statement declared effective. Accordingly, holders of ADSs may be unable to participate in our rights offerings and may experience dilution of their holdings as a result.

You may face difficulties in protecting your interests, and your ability to protect your rights through U.S. courts may be limited, because we are incorporated under Cayman Islands law.

We are an exempted company incorporated under the laws of the Cayman Islands. Our corporate affairs are governed by our ninth amended and restated memorandum and articles of association, the Companies Act (As

Revised) of the Cayman Islands and the common law of the Cayman Islands. The rights of shareholders to take action against our directors, actions by our minority shareholders and the fiduciary duties of our directors to us under Cayman Islands law are to a large extent governed by the common law of the Cayman Islands. The common law of the Cayman Islands is derived in part from comparatively limited judicial precedent in the Cayman Islands as well as from the common law of England, the decisions of whose courts are of persuasive authority, but are not binding, on a court in the Cayman Islands. The rights of our shareholders and the fiduciary duties of our directors under Cayman Islands law are not as clearly established as they would be under statutes or judicial precedents in some jurisdictions in the United States. In particular, the Cayman Islands has a less developed body of securities laws than the United States. Some U.S. states, such as Delaware, have more fully developed and judicially interpreted bodies of corporate law than the Cayman Islands. In addition, with respect to Cayman Islands companies, plaintiffs may face special obstacles, including but not limited to those relating to jurisdiction and standing, in attempting to assert derivative claims in state or federal courts of the United States.

Shareholders of Cayman Islands exempted companies like us have no general rights under Cayman Islands law to inspect corporate records (other than the memorandum and articles of association and any special resolutions passed by such companies, and the registers of mortgages and charges of such companies) or to obtain copies of lists of shareholders of these companies. Under Cayman Islands law, the names of our current directors can be obtained from a search conducted at the Registrar of Companies. Our directors have discretion under our ninth amended and restated memorandum and articles of association to determine whether or not, and under what conditions, our corporate records may be inspected by our shareholders, but are not obliged to make them available to our shareholders. This may make it more difficult for you to obtain the information needed to establish any facts necessary for a shareholder motion or to solicit proxies from other shareholders in connection with a proxy contest.

As a result of all of the above, our public shareholders may have more difficulty in protecting their interests in the face of actions taken by management, members of our board of directors or controlling shareholders than they would as public shareholders of a company incorporated in the United States.

Certain judgments obtained against us by our shareholders may not be enforceable.

We are an exempted Cayman Islands company and substantially all of our assets are located outside of the United States. Our current operations are primarily conducted in China. In addition, most of our current directors and officers are nationals and residents of countries other than the United States. As a result, it may be difficult or impossible for you to bring an action against us or against these individuals in the United States in the event that you believe that your rights have been infringed under the U.S. federal securities laws or otherwise. Even if you are successful in bringing an action of this kind, the laws of the Cayman Islands and of China may render you unable to enforce a judgment against our assets or the assets of our directors and officers.

ADSs holders may not be entitled to a jury trial with respect to claims arising under the deposit agreement, which could result in less favorable outcomes to the plaintiff(s) in any such action.

The deposit agreement governing the ADSs representing our Class A ordinary shares provides that, subject to the depositary's right to require a claim to be submitted to arbitration, the United States District Court for the Southern District of New York (or, if the United States District Court for the Southern District of New York lacks subject matter jurisdiction over a particular dispute, in the state courts in New York County, New York) shall have exclusive jurisdiction to hear and determine claims arising out of or relating in any way to the deposit agreement (including claims arising under the Exchange Act or the Securities Act) and in that regard, to the fullest extent permitted by law, ADS holders waive the right to a jury trial of any claim they may have against us or the depositary arising out of or relating to our shares, the ADSs or the deposit agreement, including any claim under the U.S. federal securities laws.

If we or the depositary opposed a jury trial demand based on the waiver, the court would determine whether the waiver was enforceable based on the facts and circumstances of that case in accordance with the applicable state and federal law. To our knowledge, the enforceability of a contractual pre-dispute jury trial waiver in connection with claims arising under the federal securities laws has not been finally adjudicated by the United States Supreme Court. However, we believe that a contractual pre-dispute jury trial waiver provision is generally enforceable, including under the laws of the State of New York, which govern the deposit agreement. In determining whether to enforce a contractual pre-dispute jury trial waiver provision, courts will generally consider whether a party knowingly, intelligently and voluntarily waive the right to a jury trial. We believe that this is the case with respect to the deposit agreement and the ADSs. It is advisable that you consult legal counsel regarding the jury waiver provision before investing in the ADSs.

If you or any other holders or beneficial owners of ADSs bring a claim against us or the depositary in connection with matters arising under the deposit agreement or the ADSs, including claims under federal securities laws, you or such other holder or beneficial owner may not be entitled to a jury trial with respect to such claims, which may have the effect of limiting and discouraging lawsuits against us or the depositary, lead to increased costs to bring a claim, limited access to information and other imbalances of resources between such holder and us, or limit such holder's ability to bring a claim in a judicial forum that such holder finds favorable. If a lawsuit is brought against us or the depositary under the deposit agreement, it may be heard only by a judge or justice of the applicable trial court, which would be conducted according to different civil procedures and may result in different outcomes than a trial by jury would have had, including results that could be less favorable to the plaintiff(s) in any such action.

Nevertheless, if this jury trial waiver provision is not enforced, to the extent a court action proceeds, it would proceed under the terms of the deposit agreement with a jury trial. No condition, stipulation or provision of the deposit agreement or ADSs shall relieve us or the depositary from our respective obligations to comply with the Securities Act and the Exchange Act nor serve as a waiver by any holder or beneficial owner of ADSs of compliance with any provision of the Securities Act and the Exchange Act.

An ADS holder's right to pursue claims against the depositary is limited by the terms of the deposit agreement.

Under the deposit agreement, any legal suit, action or proceeding against or involving us or the depositary, arising out of or relating in any way to the deposit agreement or the transactions contemplated thereby or by virtue of owning the ADSs may only be instituted in the United States District Court for the Southern District of New York (or, if the United States District Court for the Southern District of New York lacks subject matter jurisdiction over a particular dispute, in the state courts in New York County, New York), and you, as a holder of our ADSs, will have irrevocably waived any objection which you may have to the laying of venue of any such proceeding, and irrevocably submitted to the exclusive jurisdiction of such courts in any such action or proceeding.

The depositary may, in its sole discretion, require that any dispute or difference arising from the relationship created by the deposit agreement be referred to and finally settled by an arbitration conducted under the terms described in the deposit agreement, although the arbitration provisions do not preclude you from pursuing claims under the Securities Act or the Exchange Act in the United States District Court for the Southern District of New York (or such state courts if the United States District Court for the Southern District of New York lacks subject matter jurisdiction).

As a company incorporated in the Cayman Islands, we are permitted to adopt certain home country practices in relation to corporate governance matters that differ significantly from the NYSE listing standards.

As a Cayman Islands company listed on the NYSE, we are subject to the NYSE listing standards, which requires listed companies to have, among other things, a majority of their board members to be independent and independent director oversight of executive compensation and nomination of directors. However, NYSE rules permit a foreign private issuer like us to follow the corporate governance practices of its home country. Certain corporate governance practices in the Cayman Islands, which is our home country, may differ significantly from the NYSE listing standards.

We are permitted to elect to rely on home country practice to be exempted from the corporate governance requirements. Pursuant to the NYSE Listed Company Manual, a company listed on the NYSE must have a majority of independent directors, hold an annual shareholders' meeting during each fiscal year and give shareholders the opportunity to vote on all equity-compensation plans and material revisions thereto, subject to limited exceptions. We currently follow our home country practice in lieu of those requirements. We may also continue to rely on these and other exemptions available to foreign private issuers in the future. As a result, our shareholders may be afforded less protection than they otherwise would under the NYSE corporate governance listing standards applicable to U.S. domestic issuers.

We are a foreign private issuer within the meaning of the rules under the Exchange Act, and as such we are exempt from certain provisions applicable to U.S. domestic public companies.

Because we qualify as a foreign private issuer under the Exchange Act, we are exempt from certain provisions of the securities rules and regulations in the United States that are applicable to U.S. domestic issuers, including:

- the rules under the Exchange Act requiring the filing with the SEC of quarterly reports on Form 10-Q or current reports on Form 8-K;
- the sections of the Exchange Act regulating the solicitation of proxies, consents, or authorizations in respect of a security registered under the Exchange Act;
- the sections of the Exchange Act requiring principal shareholders to file public reports of their stock ownership and trading activities and liability for insiders who profit from trades made in a short period of time; and
- the selective disclosure rules by issuers of material nonpublic information under Regulation FD.

We are required to file an annual report on Form 20-F within four months of the end of each fiscal year. In addition, we intend to publish our results on a quarterly basis as press releases, distributed pursuant to the rules and regulations of the NYSE. Press releases relating to financial results and material events are also furnished to the SEC on Form 6-K. However, the information we are required to file with or furnish to the SEC is less extensive and less timely compared to that required to be filed with the SEC by U.S. domestic issuers. As a result, you may not be afforded the same protections or information that would be made available to you were you investing in a U.S. domestic issuer.

There can be no assurance that we will not be a passive foreign investment company, or PFIC, for United States federal income tax purposes for the taxable year ended December 31, 2025 or for any other taxable year, which could subject United States investors in our ADSs or Class A ordinary shares to significant adverse United States income tax consequences.

We will be classified as a passive foreign investment company, or PFIC, for United States federal income tax purposes for any taxable year if either (a) 75% or more of our gross income for such year consists of certain types of "passive" income or (b) 50% or more of the value of our assets (generally determined on the basis of a quarterly average) during such year is attributable to assets that produce or are held for the production of passive income, or the "asset test." Although the law in this regard is unclear, we intend to treat the VIE (including its subsidiaries) as being owned by us for United States federal income tax purposes, not only because we exercise effective control over the operation of such entity but also because we are entitled to substantially all of its economic benefits and, as a result, we consolidate its results of operations in our consolidated financial statements. Based upon the nature and composition of our assets (in particular, the retention of substantial amounts of cash and investments), and the market price of our ADSs, we believe that we were not a PFIC for the taxable year ended December 31, 2025. No assurances can be given with regard to our PFIC status for our current or subsequent taxable years because our PFIC status is a factual determination made annually after the close of each taxable year that will depend, in part, on the composition of our income and assets. Because the value of our assets for purposes of the asset test may be determined by reference to the market price of our ADSs from time to time (which may be volatile), fluctuations in the market price of our ADSs may cause us to be or become a PFIC for the current or subsequent taxable years. The market price of our ADSs may continue to fluctuate considerably and, consequently, we cannot assure you of our PFIC status for any taxable year. In addition, the composition of our income and assets will also be affected by how, and how quickly, we use our

liquid assets. As previously disclosed, we believe that we were a PFIC for U.S. federal income tax purposes for our taxable year ended December 31, 2024. In addition, it is possible that one or more of our subsidiaries were also PFICs for U.S. federal income tax purposes for such taxable year.

If we are a PFIC in any taxable year, a U.S. Holder (as defined in “Item 10. Additional Information—E. Taxation—United States Federal Income Tax Considerations”) will generally be subject to reporting requirements and may incur significantly increased United States income tax on gain recognized on the sale or other disposition of the ADSs or Class A ordinary shares and on the receipt of distributions on the ADSs or Class A ordinary shares to the extent such gain or distribution is treated as an “excess distribution” under the United States federal income tax rules, and such U.S. Holder may be subject to burdensome reporting requirements. Further, if we are a PFIC for any year during which a U.S. Holder holds our ADSs or Class A ordinary shares, we generally will continue to be treated as a PFIC for all succeeding years during which such U.S. Holder holds our ADSs or Class A ordinary shares, unless we were to cease to be a PFIC and the U.S. Holder were to make a “deemed sale” election with respect to the ADSs or Class A ordinary shares. For more information see “Item 10. Additional Information—E. Taxation—United States Federal Income Tax Considerations” and “Item 10. Additional Information—E. Taxation—United States Federal Income Tax Considerations—Passive Foreign Investment Company Considerations.”

ITEM 4. INFORMATION ON THE COMPANY

A. History and Development of the Company

We commenced our operations in July 2016 through Guangzhou Yatsen Global Co., Ltd., or Guangzhou Yatsen, a limited liability company under the laws of the PRC. In September 2016, we incorporated Mangrove Bay Ecommerce Holding (Cayman), which later changed its name to Yatsen Holding Limited in January 2019, under the laws of the Cayman Islands as our offshore holding company to facilitate offshore financing. Also in September 2016, Yatsen Holding Limited incorporated Yatsen (HK) Limited (formerly known as Mangrove Bay Ecommerce (Hong Kong) Limited) as its intermediary holding company.

In March 2017, Guangzhou Yatsen established Guangzhou Yatsen Cosmetics Co., Ltd. as its wholly-owned subsidiary to engage in offline retail business in areas outside East China.

In September 2018, Yatsen (HK) Limited acquired all of the equity interests in Guangzhou Yatsen, from its shareholders to engage in the development, manufacturing and sales of cosmetics and skincare products as well as general administration of the business of the group in China.

In February 2019, we gained control and beneficial ownership of Huizhi Weimei. In July 2019, Guangzhou Yatsen signed a series of contractual arrangements with Huizhi Weimei and its shareholder to formalize the control and beneficiary ownership it has over Huizhi Weimei.

In June 2019, we consummated the acquisition of *Little Ondine*. The brand was founded in 2013 and gained popularity with its odorless, non-toxic, easy peel-off and fashionable nail polish.

In October 2020, we acquired *Galénic*, an iconic premium skincare brand, from Pierre Fabre Dermo Cosmetics Laboratory, a preeminent European leader in dermatology and skincare. *Galénic* was introduced to France and across European markets in the late 1970s by Mr. Pierre Fabre, who is widely credited with the invention and global expansion of the dermo-cosmetics category.

In January 2021, we acquired the mainland China business of *DR.WU*, a professional skincare brand developed by renowned dermatologists. *DR.WU* created a technologically-advanced skincare line of hypoallergenic and highly efficacious products.

In March 2021, we acquired *Eve Lom*, a prestige skincare brand from Manzanita Capital. *Eve Lom* combines high quality natural ingredients with the latest scientific innovations to create a radiant effect on the skin. In October 2021, we acquired *EANTiM*, a professional-channel skincare and haircare brand. We have since strategically phased out its operations.

In March 2021, we also launched the *Pink Bear* brand targeting teens and price-sensitive young adults in the lower mass color cosmetics market.

In May 2022, we issued our first Environmental, Social and Governance, or ESG, Report, which details our strategic ESG initiatives to develop a long-term, sustainable and environmentally-friendly business, and reviews achievements made during the 2021 fiscal year. In December 2022, our ESG rating was upgraded to A by one of the world's largest providers of ESG indexes, MSCI. This rating represents an internationally recognized leading level.

In July 2023, we published our 2022 ESG report, outlining our progress and performance in key ESG areas.

In August 2023, the R&D and manufacturing hub that we established with Cosmax in Guangzhou commenced operations, enabling further optimization of our supply chain.

In May 2024, we officially inaugurated our global innovation R&D center in Shanghai, providing robust support for our product development and technological advancements.

In September 2024, we published our 2023 ESG report, underscoring our approach and achievements in implementing ESG initiatives across various dimensions in 2023, while providing insights into future goals.

In September 2025, we published our 2024 ESG report, outlining the strategic deepening and progressive development of our ESG undertakings, demonstrating our continuous commitment to sustainable practices.

In October 2025, we published our Beauty Innovation Insight report, the first comprehensive white paper from a Chinese beauty company to bridge the gap between scientific advancement, sustainability and corporate responsibility. This publication signals a milestone in the industry's evolution from traditional storytelling to scientific leadership and highlights our growing influence within the global R&D community.

Our principal executive offices are located at Floor 39, Poly Development Plaza, No. 832 Yue Jiang Zhong Road, Haizhu District, Guangzhou 510335, People's Republic of China. Our telephone number at this address is +86 20-8730 7310. Our registered office in the Cayman Islands is located at c/o Office of Maples Corporate Services Limited, PO Box 309, Ugland House, Grand Cayman, KY1-1104, Cayman Islands.

All information we file with the SEC can be obtained over the internet at the SEC's website at <https://www.sec.gov/>. You can also find information on our website <https://ir.yatsenglobal.com/>. The information contained on SEC's website or our website is not a part of this annual report.

See "Item 5. Operating and Financial Review and Prospects—B. Liquidity and Capital Resources—Material Cash Requirements" for a discussion of our capital expenditures.

B. Business Overview

Yatsen is a leading China-based beauty group with the vision of becoming a world-class pioneer in beauty innovation. Founded in 2016, we have launched and acquired numerous color cosmetics brands and skincare brands including *Perfect Diary*, *Little Ondine*, *Pink Bear*, *Galénic*, *DR.WU* (its mainland China business), and *Eve Lom*. Our brands initially resonated with younger consumers in China. As our portfolio continues to expand, we have progressively diversified our customer base across broader demographics and geographic markets. Today, our brands are strategically positioned to capture a wide spectrum of consumer demographics and price points, ranging from the mass market to the prestige and clinical segments. Yatsen thrives on the synergy of brand equity, product strength and operational agility, anchored by a strong commitment to R&D and consumer insights.

Starting early 2022, we have carried out a comprehensive strategic transformation plan with the goal of fostering a portfolio of strong brands with highly differentiated and effective products to drive sustainable growth. Key business initiatives under the plan include:

Driving R&D-led product innovation. We are committed to sustained investment in our technological capabilities, with our R&D expenses consistently exceeding 3.0% of our total net revenues annually since 2022. This financial commitment supports the systematic advancement of our R&D infrastructure and capabilities, the alignment of our operations with global standards, and the facilitation of international collaborations. Leveraging this refined framework, we efficiently translate cutting-edge technology into market-ready solutions.

Strengthening brand equity across our multi-brand portfolio. A key pillar of this plan is the rapid expansion of our skincare brands, including Galénic, DR.WU (its mainland China business), and Eve Lom. By prioritizing these distinctive and highly competitive brands, we have successfully rebalanced our revenue mix. Revenue contribution from our skincare brands expanded significantly from 33.5% in 2022 to 53.0% in 2025, driven by a three-year compound annual growth rate of 22.4% for the skincare brands. This strategic shift allowed us to streamline our portfolio and focus resources on brands with stronger equity and higher long-term value. Concurrently, we have been enhancing our Color Cosmetics Brands by upgrading their product offerings through our proprietary technologies to enhance product differentiation and long-term competitiveness.

Improving our overall financial performance. We have achieved consistent margin expansion through stricter pricing and discount policies, optimized supply chains and enhanced operating efficiency. Our gross margin increased from 68.0% in 2022 to 78.2% in 2025. Concurrently, we significantly narrowed our net loss margin from 22.2% in 2022 to 2.2% in 2025.

Moving forward, we expect to continue executing our five-year strategic plan with a focus on building a vital and sustainable brand portfolio and capturing growth opportunities in the global beauty industry.

Our Diverse Brand Portfolio

Skincare Brands

Our Skincare Brands include *Galénic*, *DR.WU* (mainland China business), Eve Lom, and other skincare brands, which offer products featuring high-quality formulas, ingredients and packaging. In 2023, 2024 and 2025, we generated net revenues of RMB1.38 billion, RMB1.39 billion and RMB2.28 billion (US\$325.7 million) from the sales of products under our Skincare Brands, respectively, representing 40.5%, 41.1% and 53.0% of our net revenues in 2023, 2024 and 2025, respectively.

Galénic

Originated in France, *Galénic* was founded in 1978 by Mr. Pierre Fabre, a well-known pharmacist, botanist and the inventor of dermo-cosmetics, with the aim of offering women high-end dermo-cosmetics with proprietary formulation and highly demonstrable effectiveness. *Galénic* is Yatsen's first premium skincare brand which we acquired from the Pierre Fabre group, one of the largest pharmaceutical and dermo-cosmetic group in Europe. With its R&D expertise and strong roots in France, *Galénic's* products are known for their scientific formula which are derived from precious plant essence and ingredients to create effective skincare solutions, as well as for offering elegant skincare experiences for women. Building on the R&D foundation established through our acquisition from Pierre Fabre, we have continued to develop and refine *Galénic's* products. Today, *Galénic's* products are sold in Asia and Europe.

In 2021, we launched *Galénic* in China and embarked on a number of marketing initiatives to increase brand awareness of *Galénic* among Chinese consumers. *Galénic's* No. 1 Brightening Radiance Energy Concentrated Care, a serum featuring a 20% Vitamin C extract to reduce dark spots and brighten the skin, has quickly established itself as a key player in the premium brightening serum category.

Building on the success of this iconic serum, we have extensively broadened *Galénic*'s product portfolio. As of December 31, 2025, we have successfully launched several key products, including the brand's No.2 Anti-wrinkle Skin-renew Firmness Concentrated Care, Couture Secret D'Excellence Active Cream, and Extreme Brightening Micro Mask. Driven by science and engineered for visible results, *Galénic* remains committed to delivering skincare solutions to support skin renewal.

DR.WU (mainland China business)

Founded in 2003, *DR.WU* is a professional skincare brand developed by renowned dermatologist, Dr. Ying-Chin Wu. Leveraging decades of experience in dermatological expertise and extensive research on skin immunology, *DR.WU* has pioneered a technologically-advanced line of hypoallergenic and highly efficacious products.

Since the acquisition of *DR.WU*'s mainland China business in January 2021, we have scaled the brand's market presence. Centered on its signature Mandelic Acid serum, *DR.WU* was recognized by Euromonitor in 2023 as Asia's Leading Mandelic Acid Skincare Brand. We further elevated the brand's positioning as a professional, dermatologist-grade skincare brand specialized in skin renewal. This expansion is supported by the successful launch of high-performing products including the Purifying Renewal Essence Toner.

To solidify the brand's positioning, we have made significant investments in research and development. In-depth studies on the brand's ingredients have been presented at prestigious international forums, including the International Federation of Societies of Cosmetic Chemists (IFSCC) and the Asian Dermatological Congress (ADC). Furthermore, *DR.WU* maintains a robust industry-academia-research ecosystem, supported by a scientific advisory board that provides expert guidance on emerging dermatological findings and strategic scientific communication.

Eve Lom

Founded in 1985 by the renowned facialist Ms. Eve Lom, *Eve Lom* is a prestige skincare brand built on a philosophy of mindful luxury and radiant skin. Inspired by traditional herbal remedies and refined through decades of professional practice, the brand is grounded in the healing power of botanicals and the belief that holistic skincare profoundly influences emotional well-being. Since its inception, the iconic *Eve Lom* cleanser balm has remained a timeless fixture among beauty authorities and on vanities worldwide. Its proprietary formula transforms a daily routine into a 5-in-1 ritual, designed to remove, cleanse, hydrate, tone, and exfoliate.

We acquired *Eve Lom* in March 2021 from Manzanita Capital, marking another significant milestone in our expansion into the prestige skincare segment. Currently, *Eve Lom* is sold through an international distribution network and maintains a sophisticated digital presence. By leveraging our multi-channel capabilities and deep consumer insights, we have further elevated the brand's strong awareness.

Color Cosmetics Brands

Our Color Cosmetics Brands consist of *Perfect Diary*, *Little Ondine* and *Pink Bear* and other color cosmetics brands, which offer a broad range of color cosmetics products, including lip, face, and eye products to provide our customers a full-spectrum of beauty experience. In 2023, 2024 and 2025, we generated net revenues of RMB1.97 billion, RMB1.97 billion and RMB2.01 billion (US\$286.8 million) from the sales of products under our Color Cosmetics Brands, respectively, representing 57.8%, 58.0% and 46.7% of our net revenues in 2023, 2024 and 2025, respectively.

Perfect Diary

Perfect Diary is our first and largest brand. We launched *Perfect Diary*, providing high-quality and innovative color cosmetics with exquisite designs. With a broad and growing portfolio of products that spans the color cosmetics, skincare, beauty tools and kits categories, *Perfect Diary* offers comprehensive beauty solutions at a mass to mid-end market price point. In 2023, we repositioned the *Perfect Diary* brand by embracing makeup skintification, a philosophy that integrates skincare benefits into cosmetic products. This transformation was marked by a refreshed visual identity

and the launch of a new hero product, the Biolip Essence Lipstick. Featuring our proprietary Biotec™ technology, the lipstick creates a bionic sebum film that reinforces the lips' fragile skin barrier while delivering vibrant colors.

Advancing this synergy between aesthetic excellence and skincare effectiveness, in 2025, *Perfect Diary* introduced the Bioface Essence Foundation, powered by our third-generation Biotec™ technology, as well as the Translucent Blurring Setting Powder featuring the Smartlock™ technology. Leading the future of makeup skintification, *Perfect Diary* aims to empower everyone to express and pursue their unique beauty effortlessly.

Little Ondine

Little Ondine was founded in 2013. *Little Ondine* initially gained popularity with its odorless, non-toxic, easy peel-off and fashionable nail polish. We acquired *Little Ondine* in 2019 and have since expanded its product variety and offerings. *Little Ondine* now features trend-setting and functional face, eye and lip makeup products, such as liquid contour and highlighter, blush and eyebrow liners. Leveraging its iconic visual style and an authentic, bold attitude toward makeup, *Little Ondine* continues to provide next-generation urban women with surprising beauty experiences and personalized aesthetic choices.

Pink Bear

Pink Bear is a color cosmetic brand we launched in March 2021 to target the teenage and young adult customer base. Employing a “young girl” style and brand identity, the brand provides high value-for-money products at a lower mass-market price point, with a focus on the lip gloss product category.

Our Wide Selection of High-Quality and Memorable Products

Skincare Products

We started our skincare business by launching the mass-market skincare brand *Abby's Choice* in 2020. In the same year, we acquired *Galénic*, a premium cosmeceutical skincare brand that originated in France in 1978. In January 2021, we acquired the mainland China business of *DR.WU*, a dermatologist-developed, hypoallergenic and highly efficacious brand founded in 2003. In March 2021, we acquired the skincare brand *Eve Lom*, a prestige skincare brand with a portfolio of luxurious and effective products, many of which are award-winning.

Our assortment of skincare products includes face serums, face creams, makeup removers, masks, toners, eye creams and cleansers, among others. Our most popular skincare products include: (i) *Galénic* No. 1 Brightening Radiance Energy Concentrated Care, featuring highly-concentrated, 20% Vitamin C extract designed for dark spot reductions and skin brightening applications, a core technology that was published in the Journal of Cosmetics, Dermatological Sciences and Applications, (ii) *DR.WU* Intensive Renewal Serum with Mandelic Acid, which has been among the top-selling products in the acne-treating serum category on both Douyin and Tmall, (iii) *DR.WU* Purifying Renewal Essence Toner, leveraging a multi-acid complex to accelerate skin renewal and visibly refine skin texture, and (iv) *Eve Lom* Cleanser, our iconic cleanser balm that cleanses, hydrates, tones, removes makeup, and exfoliates skin, which is embraced by those who believe the first step to radiant skin is the perfect cleanse, (v) *Galénic* No.2 Anti-wrinkle Skin-renew Firmness Concentrated Care, an intensive retinol-based serum engineered to maximize anti-aging potency, (vi) *Galénic* Couture Secret D'Excellence Active Cream, leveraging rare snow algae extract to promote long-term skin firmness and luminosity, and (vii) *Galénic* Extreme Brightening Micro Mask, an innovative treatment that delivers concentrated active peptides to revitalize the complexion.

Color Cosmetics Products

We offer a wide range of color cosmetics products featuring lip, face and eye, among others. To attract customers who consistently return for the latest looks, we frequently introduce experimental shades for creating bold ensembles and incorporate innovative themes into our makeup. Our most popular color cosmetics products include the iconic *Perfect Diary* Biolip Essence Lipstick (including the first, second and third generations), the *Perfect Diary* Translucent Blurring Setting Powder, the *Little Ondine* Multi-Use Stick, and the *Pink Bear* Plumping Lip Gloss.

In 2023, *Perfect Diary* launched its signature hero product, the Biolip Essence Lipstick, which debuted our exclusive Biotec™ technology. This innovation creates a bionic sebum film upon application to protect the lips' fragile skin barrier and reduce lip lines, with its efficacy validated by the prestigious Ruijin Hospital and the SGS testing agency. We expanded the series to include Biolip Essence Lip Stain and Biolip Essence Matte Lipstick to enrich offerings for customers to experience its advanced formulation. Following the initial launch, we introduced the second generation of Biotec™ in 2024 and the third generation in 2025, reflecting our continued focus on biomimetic research.

Little Ondine and *Pink Bear* gained popularity among young generation with their eye-catching makeup products as well. Both brands formed co-branding partnerships with popular intellectual properties that deeply resonated with young customers.

Other Products

Our product portfolio also includes categories such as beauty tools and kits, sunscreen and beauty devices. We offer a variety of products to complement our customers' beauty routine.

Our Product Development Process

Benefiting from our large customer base and deep consumer insights gathered through data analysis and frequent surveys, our team is able to constantly monitor customer behavior to develop insights into trends and customer needs and then to originate, develop and deliver products that address those needs. We frequently test the popularity of new concepts and adjust our designs based on further customer surveys and feedback. We engage in discussion with customers directly to develop ideas for new products and are able to launch products with concepts that target the specific niche that appeals most to our customers. Our customers frequently participate as part of the product development process, and know that their feedback is valuable and impacts our brand.

Complementing our consumer insights, our product development process is powered by a robust R&D infrastructure designed to translate scientific breakthroughs into high-performing solutions. Rather than developing isolated formulas, we focus on creating systemic technological anchors that can be applied across multiple product lines to ensure consistent efficacy. For instance, we developed ActiveAnchor™, a proprietary delivery and penetration-enhancing technology specifically for *Galénic*. This platform optimizes the bio-availability of active ingredients and has been integrated into various *Galénic* formulations, creating a cohesive technological identity for the brand. This approach allows us to maintain a high degree of technical synergy and brand-level efficacy standards.

Our dedicated product development team acts as a central hub for innovation, with a wealth of experience across the beauty, luxury, fashion, art and digital technology industries both domestically and globally. This multidisciplinary background enables our team to drive product creativity while ensuring that every concept maintains a high degree of originality and market relevance. Beyond driving the creative vision, the product development team facilitates active and continuous communication across all key functions, including consumer market insights, R&D, marketing and content, and supply chain teams. By bridging the gap between foundational research and real-time market trends, the team aims to develop and launch products more efficiently and strategically.

Our Research and Development Capabilities

We believe that our research and development capabilities are a fundamental pillar of our competitive advantage, enabling us to continuously innovate and deliver high-quality products that resonate with evolving consumer preferences. Our dedicated R&D team, comprised of experts in biology, chemistry and biochemistry, has developed full-spectrum capabilities spanning fundamental research, ingredient quality testing, formula development, and rigorous efficacy, sensory and safety evaluations. To strengthen our scientific foundation, we have established a comprehensive R&D infrastructure through a systematic approach characterized by sustained investment and our "1-3-4-6-20" global technology framework. This strategy facilitates global collaboration and powers our end-to-end R&D innovation closed-loop, anchored by our global R&D center in Shanghai. Our R&D ecosystem is further enhanced by an integrated digital system across the entire value chain and an international team of scientific experts dedicated to pioneering beauty technology.

We drive our innovation through three core technological engines that differentiate our product offerings in the global market. First, we focus on proprietary ingredient development, creating exclusive active components such as the Yatsen Biome Absolute C complex, which provides unique restorative and anti-aging benefits. Second, our Open Lab ecosystem integrates resources across industry, academia, research and medicine. Third, we leverage artificial intelligence to enhance R&D efficiency and speed, enabling us to analyze data and refine formulations with agility.

As of December 31, 2025, our patent portfolio consisted of 269 items, including 10 utility model patents, 158 design patents, 72 invention patents (some of which are in the process of being transferred to us), and 29 patents currently pending approval worldwide. In 2023, 2024 and 2025, our R&D expenses totaled RMB111.7 million, RMB109.3 million and RMB137.3 million (US\$19.6 million), representing 3.3%, 3.2% and 3.2% of our net revenues, respectively. We intend to continue strategically investing in our R&D capabilities, with a steadfast focus on translating cutting-edge scientific breakthroughs into market-ready solutions that drive long-term value for our consumers.

Our R&D Facilities

We continue to expand our R&D capabilities. We currently operate a 1,849-square-meter R&D center located in Guangzhou, China, a 3,819-square-meter business complex that serves as both office building and R&D center and a 446-square-meter joint laboratory with Ruijin Hospital located in Shanghai, China. We have also established a beauty manufacturing and R&D hub in Guangzhou, China in connection with our joint venture with Cosmax as a minority shareholder, comprising 66,462 square meters, which commenced operations in August 2023, enabling further optimization of our supply chain. Beyond China, we operate a facility that serves as both office and laboratory in France for the *Galénic* brand comprising approximately 920 square meters, which officially commenced operations in February 2023.

In June 2022, our R&D Center in Guangzhou was certified by the China National Accreditation Service for Conformity Assessment. Our global R&D center in Shanghai subsequently obtained certification from the same accreditation body as well. These accreditations underscore our technical proficiency in conducting testing in accordance with internationally recognized standards. With testing results recognized by institutions across over 100 economies, the dual-certification of our R&D facilities marks a transformative stage in our commitment to globalized, standardized, and world-class beauty innovation.

Our Global R&D Partnerships and Collaborations

We collaborate with various renowned research institutions, universities and hospitals in China and around the world through our “1-3-4-6-20” global technology framework, which represents one global manufacturing hub, three global R&D centers, four focus areas, six joint laboratories, and over 20 joint projects. Under this framework, we seek to identify, develop and commercialize the latest innovations in skincare and cosmetics globally by collaborating with a network of highly capable partners and research institutions.

In January 2021, we formed a joint research lab with Huazhong University of Science and Technology and the National Engineering Research Center for Nanomedicine to develop nano-based active ingredients for serums in skincare applications. In March 2021, we deployed a nano-based active ingredient, which was developed during this partnership.

In June 2021, we launched *Perfect Diary* Pearl Loose Powder which features the proprietary Smartlock™ technology which we co-developed with the Chinese Academy of Science. Smartlock™ was designed to absorb excess oil from the skin without affecting the effect of makeup.

In September 2021, we invested a minority stake in MingMed Biotechnology, a company focusing on the development of industry-leading pharmaceutical products, with a product pipeline covering medical aesthetics, innovative beauty drugs, cell therapy and small molecule immuno-oncology. With this investment, we intend to work with MingMed to develop and commercialize cutting-edge biomedical technologies for future potential applications in the field of beauty products.

In October 2021, we formed a R&D partnership with Sun Yat-sen University. Sun Yat-sen University is a nationally renowned academic research institution in China. Our partnership focused on discovering new active ingredients, formulations and advanced applications to address skin issues for Chinese consumers.

In November 2022, our partnership with Sun Yat-sen University reached a new level when we announced the launch of our joint laboratory and released the latest results of the Chinese Skin Aging Research Platform at the 5th China International Import Expo.

In June 2023, we officially unveiled the Yatsen–Ruijin Medical Skincare Joint Laboratory in Shanghai, a partnership with Ruijin Hospital to jointly conduct research on skin disease mechanisms and develop efficacious skincare products.

In September 2023, we launched *Perfect Diary*'s new hero product, Biolip Essence Lipstick, by leveraging our exclusive Biotec™ technology, which creates a bionic sebum film upon application to protect the lips' fragile skin barrier. Biolip's strong efficacy in lip line reduction was validated by the prestigious Ruijin Hospital and the SGS testing agency.

In September 2023, we entered into strategic cooperation with the Lubrizol Corporation, a leader in specialty chemicals, to conduct joint research on new ingredients, collaborate on anti-aging product research, and expand Yatsen Open Lab's research and development boundaries.

In May 2024, we deepened our collaboration with the Chinese Academy of Sciences by launching a joint project with its Laboratory of Polymer Physics and Chemistry.

In October 2024, we unveiled an exclusive patent for active micro-ecological ingredients in collaboration with the Sun Yat-sen University at the International Federation of Societies of Cosmetic Chemists (IFSCC) conference.

In September 2025, we launched *DR.WU*'s Ageversal Sodium DNA Hydro-luminous Serum, featuring a core active ingredient developed in our joint research lab with Huazhong University of Science and Technology and the National Engineering Research Center for Nanomedicine. This formulation utilizes a synergy between Sodium DNA and our patented penetration technology for skin rejuvenation.

Aside from the aforementioned parties, our R&D team also works extensively with global leading R&D teams of ODM/OEM and packaging supply partners, including Cosmax, Intercos, Kolmar, Sensient Technologies and Naolys, to develop new formulations. Through our acquisition of *Galénic*, we have also established a long-term collaboration with Pierre Fabre, one of the largest pharmaceutical and dermo-cosmetic groups in Europe. We will continue to strengthen our R&D capabilities by establishing new partnerships with leading global R&D institutions.

Our Effective Marketing and Brand-Building Initiatives

Our marketing strategy is digitally native and tailored to the unique positioning of each brand within our portfolio. We rely on our ability to cultivate consumer trust through marketing campaigns that resonate with the specific target audiences of each brand. By generating digital content across leading online platforms, such as Douyin and RedNote, and leveraging our expansive network of KOLs, we amplify our brand narratives to reach a broader consumer base. Our approach aligns promotional initiatives with the distinct ethos and value propositions of each brand, aiming to convert social influence into sustained consumer demand while fostering long-term brand equity and customer loyalty.

Diversified and Customized Marketing Campaigns

We employ a diverse array of marketing approaches customized to the distinctive image of each brand. For our skincare portfolio, we emphasize brand heritage and scientific authority through brand ambassadors, brand discovery tours to Europe, product launch conferences, collaborations with luxury hotels or spas, and so on. For our color cosmetics brands, we focus on fashion-driven and trend-driven initiatives, including intellectual property (IP) collaborations and partnerships with beauty specialty retailers. For example, in 2025, *Galénic* hosted an offline event

in Yunnan, China, to launch its upgraded Extreme Brightening Micro Mask and announced renowned actress Duling Chen as the brand ambassador for the mask series. During the same year, *Little Ondine* collaborated with the popular IP “Lipu Friends” and launched a dedicated pop-up store in the main atrium of Raffles City Chongqing.

Targeted Generation and Distribution of Digital Content

Digital content has become a primary driver of consumer engagement in China’s retail sector. We generate high-quality content primarily through our in-house editorial team, which is then distributed across major social platforms including Douyin and RedNote. Our product development and marketing teams collaborate to identify core product highlights, which are translated into compelling digital content. By leveraging real-time market insights and operational agility, we aim to deliver relevant content that enhances marketing efficiency.

Powerful KOL Marketing Capability

We were among the first beauty companies in China to systematically utilize KOLs at scale, maintaining a robust network of KOLs and celebrities across multiple e-commerce platforms. We continue to foster close partnerships with top-tier influencers, as exemplified by Austin Li. In 2025, three of our brands, *Perfect Diary*, *Galénic* and *DR.WU*, were featured on “All Girls’ Offer,” a prominent brand-centric reality show hosted by Austin Li. This participation allowed us to showcase our products to a large audience in preparation for the Double 11 shopping festival.

Our Seamless and Engaging Omni-channel Shopping Experience

Online Channels

We have established a comprehensive and robust omni-channel ecosystem that spans China’s leading e-commerce, social, and content platforms. While our early growth was initially fueled by our prominent presence on Tmall, complemented by our early entry into JD.com, we have since entered into other e-commerce platforms. This expansion includes a significant and growing presence on Douyin, as well as presence on Pinduoduo, Vipshop, and other channels. Today, our products are available across virtually all major e-commerce platforms in China, providing us with the extensive reach to engage directly with a diverse consumer base.

A key pillar of our online strategy is the seamless integration of social commerce and content-driven engagement. We leverage social and content platforms such as Douyin, RedNote and Bilibili to guide consumers through the journey from brand discovery to purchase. Through the deployment of compelling digital content, often in collaboration with an extensive network of KOLs and high-impact live streaming anchors, we are able to drive consumer engagement and influence purchasing decisions in real time. This content-driven approach allows us to maintain high brand resonance and capture consumer demand with exceptional agility.

Beyond public marketplaces, we leverage the Weixin infrastructure to foster deep, localized engagement with our user base, particularly for our color cosmetics brands. Through a sophisticated combination of Weixin Official Accounts, Weixin Mini Programs and Weixin Video Channels, complemented by beauty advisor-led groups, we provide a more personalized shopping experience.

Experience Stores

Empowered by our data and technology capabilities, our offline experience store network provides customers with seamless omni-channel shopping experiences and completes their journey of beauty discovery. As of December 31, 2025, we operated a total of 77 stores.

In the case of *Perfect Diary*, which operates the majority of our offline experience stores, online and offline channels are fully integrated such that our online presence can contribute to more foot traffic at our offline experience stores and customers visiting our offline experience stores are encouraged to engage further with our online content. We leverage our online marketing vehicles to quickly attract customers to new stores, including advertisements on our official accounts, local media and local Weixin official accounts. Customers who visit our experience stores are encouraged to engage with us by joining Weixin groups hosted by our online beauty advisors, achieving the dual goals

of fostering a sense of community while continually introducing promotional offers. In the Weixin groups, our beauty advisors constantly introduce attractive promotions, advise on how to put on the best look with our products, post pictures and tutorials, and respond to personal inquiries from group members.

Our current experience stores are located in shopping malls and department stores across different cities in China based on our analysis of the geographical locations of our targeted customers.

Offline Distribution Channels

To complement our direct-to-consumer model, we have established an extensive offline distribution network to further broaden our market reach and enhance brand accessibility. This distribution model encompasses a wide range of partners, including beauty specialty stores, supermarket chains and lifestyle retailers, allowing us to penetrate diverse consumer segments across various city tiers in China.

We adopt a highly selective and tailored approach to distribution, strategically matching each brand in our portfolio with channels that align with its unique brand identity. While our prestige skincare brands are placed in premium retail environments like Sephora and Sam's Club, our color cosmetics brands leverage broader distribution networks, including The Colorist, to maximize consumer touchpoints. We also maintain an international distribution footprint. This integrated strategy enables us to effectively engage with a wider and more diverse consumer base while preserving the distinct brand equity of our portfolio.

Supply Chain

Our supply chain capability is vital to our business. We closely collaborate with a network of top-class ODM/OEM and packaging supply partners to produce our products, such as Cosmax, Intercos, Shanghai Zhenchen, HCP, Axilone and Qiaxing. Most of the original ODM/OEM and packaging supply partners we work with are located in China, while we also collaborated with top-class suppliers overseas that serve our global premium and luxury beauty brands. The large scale of our business allows us to establish more favorable contract terms with manufacturers and produce high-quality products at a competitive cost. Meanwhile, our cooperation with these ODM/OEM and packaging supply partners enable us to use formulation packaging materials that reflect the latest technological trends and advancements.

In order to leverage the scale effect and further strengthen product quality, we also engage directly in the manufacturing of our products either through direct investment or joint venture. For example, we have established a manufacturing and R&D hub equipped with best-in-class R&D capabilities in Guangzhou, China through a joint venture with Cosmax, in which we are a minority shareholder. The R&D and manufacturing hub commenced operations in August 2023, enabling further optimization of our supply chain. We expect the manufacturing and R&D facility to be one of the largest and most technologically advanced cosmetics manufacturing bases of its kind in China.

Quality Control

We have a comprehensive quality assurance program that gives us visibility and control over the quality and safety of our products during the sourcing and production cycle. Over the course of product development, a series of functionality, stability and compatibility tests are performed on the designed packaging materials and product ingredients under various rigorous conditions. In addition, we implement an intensive audit program to ensure our third-party manufacturers are in compliance with the product safety compliance standards in China. We take great care to ensure that our third-party manufacturers share our commitment to quality and ethics. The suppliers we work with typically have established high quality production standards given their experience in serving global premium and luxury beauty brands. The third-party manufacturers with whom we cooperate adopt strict internal guidelines and conduct regular inspections to ensure the product quality meets our rigorous standards.

We cooperate with several internationally renowned quality inspection companies with China Metrology Accreditation, to ensure our products meet global and local standards. We provide oversight through regular on-site inspections and audits of our third-party manufacturers as well as component suppliers. Our quality assurance team also builds a scorecard to evaluate performance of third-party suppliers on a quarterly basis to ensure consistency of manufacturing quality and to provide incentives for top-performing partners. We terminate our collaboration with the

partners who fail to meet our quality standards. In addition, we built our own testing laboratory with advanced equipment and our experienced team to validate finished products in 2021.

Fulfilment and Logistics

Our fulfilment team ensures orders are quickly, efficiently and accurately processed, packed, shipped and delivered to customers. We collaborate with third-party warehouse companies and leverage their warehouse and geographical coverage. For logistics, we work closely with major third-party logistics companies such as SF Express to fulfill shipments to our customers.

With the assistance of third-party logistics companies and the wide geographic distribution of the warehouses, our proprietary inventory tracking system enables our customers to receive real-time updates regarding the status of their orders. We are continually improving our fulfilment and logistics system to provide speedy delivery to our customers.

Data and Technology

Strong In-house Technology Team

Our business model is enabled by our technology and data. Our in-house team of engineers dedicated to technology, data and related functions develop and support the software and analytics on which our platform operates. Many of our engineers have years of coding experience in leading technology companies in China and around the world, having performed a variety of roles including product managers, user interface (UI) designers, front end and back end developers, testers, data analysts and architects. The team has developed a series of in-house systems across the value chain, including Supplier Relationship Management (SRM), Office Automation (OA), KOL Management System, Product Management System and Ecommerce Store (Xiaowanzi Weixin Shop).

Technologies Empowered by World-class Partners

To build direct connections with our customers, we built a flexible and adaptable technology infrastructure with world-class partners. We collaborated with top experts at Alibaba and Ali Cloud to build a technology platform that can support many concurrent transactions. Our data platform now utilizes data lake architecture with storage-compute separation, enabling flexible resource scaling and improved query performance. Meanwhile, to further optimize the computational power of our servers on Ali Cloud, we have deployed flexible container instance technologies based on Kubernetes, enabling us to scale up to ten times the number of container instances in ten minutes. Leveraging the e-commerce experiences of Alibaba and technological leadership of Ali Cloud, our technology team has achieved significant improvements in data processing efficiency. The Social Customer Relationship Management tag scheduling system latency has been reduced from twelve hours to two hours, significantly improving business responsiveness.

In order to create unique and engaging customer experiences, we have also been partnering with Tencent extensively to design and refine the social e-commerce experience on our Xiaowanzi Weixin Shop. For example, we occasionally meet with Weixin product managers and engineers to explore new ways to offer seamless social e-commerce experiences, by launching social sharing games, by inviting customers to share their beauty experience with our content community, by building our brand name in search results, and by integrating membership, payment and fulfilment across our online and offline stores.

Data Security and Privacy

We have adopted data protection policies to ensure the security of our proprietary data and employed a data security team of engineers and technicians dedicated to protecting the security of our data. To ensure data security and avoid data leakage, we have established stringent internal protocols under which we grant classified access to confidential personal data only to limited employees with strictly defined and layered access authority. We strictly manage the use of data across our departments and enforce vigorous policies on sharing data with external third parties or cooperating with third-party vendors in our data analytics efforts.

Building on these foundational measures, in 2025, we further fortified our technical defense infrastructure by comprehensively upgrading our internal data loss prevention system. To ensure the seamless implementation and high performance of the system, we established standardized operating procedures and conducted intensive information security awareness training for all employees. By integrating advanced technological interventions with robust management protocols, we have ensured the effective deployment of our data protection mechanisms across complex business scenarios, maintaining a resilient defense for our core data assets.

Trademark and Intellectual Property

Our most valuable intellectual property is our brand names, including *Perfect Diary*, *Little Ondine*, *Pink Bear*, *Galénic*, *DR.WU*, and *Eve Lom*. We have registered 2,197 trademarks in China and 2,256 trademarks outside China as of December 31, 2025 to protect our brand names. The design of the packaging of our products is an important element of the enhancement of our brand image. Therefore, where possible and economically reasonable, we have registered figurative trademarks in order to protect our original labels and design patents in respect of some of our packaging. As of December 31, 2025, our patent portfolio consisted of 269 patents, including 10 utility model patents, 158 design patents, 72 invention patents (some of which are in the process of being transferred to us), and 29 patents which are currently pending approval worldwide.

We further protect our intellectual property, such as unpatented proprietary expertise and production formulation, innovation and other know-how through confidentiality agreements which we have been increasingly including in our employment contracts and in our agreements with third-party manufacturers and business partners to whom our formulas, designs or business information may be made available. We also regularly monitor the market for infringement of our IP, and will vigorously pursue and defend our rights against third parties whom we believe have infringed upon our intellectual property rights. So far, we have not experienced any material difficulties in protecting against the infringement of our intellectual property rights.

We have not had any material action brought against us by any third parties claiming that we have infringed any of their intellectual property rights. However, from time to time we may be involved in disputes relating to intellectual property rights belonging to or asserted by third parties.

Competition

We compete with both established multinational and domestic brands, as well as small targeted niche brands that continue to enter the Chinese and global beauty markets. We believe that we compete primarily on the basis of perceived value, including pricing and innovation, product efficacy, service to the customer, promotional activities, advertising, special events, new product introductions, e-commerce initiatives, direct sales, KOL collaborations, and other activities. It is difficult for us to predict the timing, scale and effectiveness of our competitors' actions in these areas or the timing and impact of new entrants into the marketplace. For additional risks associated with our competitive position, see "Item 3. Key Information—D. Risk Factors—Risk Relating to Our Business and Industry—The beauty industry is highly competitive. If we are unable to compete effectively, we may lose our market share and our business, results of operations and financial condition may be materially and adversely affected."

Environmental, Social and Governance

We are subject to numerous national, municipal and local environmental, health and safety laws and regulations relating to, among other matters, safe working conditions, product stewardship and environmental protection, including those relating to emissions to the air, discharges to land and surface waters, generation, handling, storage, transportation, treatment and disposal of hazardous substances and waste materials, and registration and evaluation of chemicals. We maintain policies and procedures to monitor and control environmental, health and safety risks, and to monitor compliance with applicable environmental, health and safety requirements.

Compliance with such laws and regulations pertaining to the discharge of materials into the environment, or otherwise relating to the protection of the environment, has not had a material effect upon our capital expenditures, earnings or competitive position. However, environmental laws and regulations have tended to become increasingly stringent and, to the extent regulatory changes occur in the future, they could result in, among other things, increased costs to our company.

In May 2022, we issued our first ESG Report, which details our strategic ESG initiatives to develop a long-term, sustainable and environmentally-friendly business, and provides an overview of our achievements made during the fiscal year of 2021. Since then, we have published an ESG report annually, reflecting our continued focus on sustainability governance. In 2025, we further enhanced our transparency and international benchmarking by participating in the Corporate Sustainability Assessment conducted by S&P Global, a global ESG evaluation framework.

In response to the challenges posed by global climate change, we systematically conducted greenhouse gas inventories covering both the upstream and downstream of our value chain and established a comprehensive roadmap toward carbon neutrality. Our targets include achieving 100% clean energy usage within our own operations by 2035, attaining net-zero carbon emissions within our own operational boundaries by 2040, and achieving full carbon neutrality across the entire value chain by 2050. These milestones underscore our commitment to aligning our corporate growth with global climate goals.

We continue to invest in the fields of research and development and innovation as a cornerstone of our ESG strategy. Guided by the “Yatsen Technology Road” strategy and driven by innovative R&D as our core engine, we persistently provide customers with safe, high-quality products and services. In 2025, for the fourth consecutive year, we showcased our portfolio of brands at the International Federation of Societies of Cosmetic Chemists (IFSCC) Conference, with 11 high-quality research papers shortlisted for poster presentations. This recurring recognition from one of the world’s most prestigious cosmetic science authorities serves as a clear testament to the robustness of our R&D infrastructure and our ongoing commitment to technical innovation.

Furthermore, we also continued to explore the journey of beauty, focusing on discovering the beauty of women, protecting the beauty of nature, and passing on the beauty of kindness to enable more people to enjoy a better life. We continue to carry out the “Create Better Life with Beauty Makeup” public welfare makeup training program, which is designed to tailor careers in beauty for women and help them achieve continuous professional growth and personal transformation.

At the same time, we are committed to fostering an inclusive and equitable workplace. With a female representation of 78.6% as of our latest ESG report, we are dedicated to safeguarding the equal rights and interests for all employees. We give special attention to female employees’ career development and well-being, providing targeted support and health care. In 2024, we launched the Women-friendly Workplace Program, formally incorporating pay equity into our Diversity, Equity, and Inclusion (DEI) strategy. This initiative established an anonymous monitoring mechanism to track pay disparities and systematically reduce barriers for women in the workplace, including ensuring equal access to promotion opportunities and professional advancement.

Insurance

We maintain a range of insurance coverage in relation to our business that is customary for our industry, including, without limitation, property damage and public liability insurance.

We have not made any material claims on any insurance policy maintained by us during the period beginning January 1, 2025 to the date of this annual report.

Seasonality

We experience seasonality in our business, reflecting a combination of seasonal fluctuations in internet usage and traditional retail seasonality patterns. For example, we typically generate a substantial portion of our net revenues in the second and the fourth calendar quarters as a result of higher sales during series of shopping festivals across online e-commerce platforms, such as “618” on June 18, “Double 11” on November 11 and “Double 12” on December 12. The seasonal trends that we have experienced in the past may not apply to, or be indicative of, our future operating results.

Regulations

Most of our business is located in mainland China, and laws and regulations in mainland China are most relevant to our business. We also conduct limited logistics-related cargo import and export operations in Hong Kong, which are not material to our company as a whole. This section sets forth a summary of the most significant rules and regulations that affect our business activities in mainland China and Hong Kong.

Regulations Relating to Cosmetic Products

Regulatory authorities

The National Medical Products Administration, under the State Administration for Market Regulation, is the government authority that monitors and supervises the administration of cosmetics, medical devices, and foods. The National Medical Products Administration's predecessor, the China Food and Drug Administration, was established in March 2013 and separated from the Ministry of Health of the PRC, as part of an institutional reform of the State Council.

Regulations relating to cosmetic products

Pursuant to the *Regulations on the Supervision and Administration of Cosmetics*, promulgated by the State Council on June 16, 2020 and effective as of January 1, 2021, cosmetic products are divided into special cosmetic products and ordinary cosmetic products. Special cosmetic products refer to those cosmetics used for hair dye, hair perm, freckle removal and whitening, sun protection, anti-hair loss, as well as cosmetics claiming new functions and effects not previously regulated. Any cosmetic product not covered by such scope is an ordinary cosmetic product.

The *Regulations on the Supervision and Administration of Cosmetics* highlight certain provisions including without limitation the follows:

- (i) Responsibilities of the different parties in the operation of cosmetics. Firstly, the *Regulations on the Supervision and Administration of Cosmetics* for the first time introduce the concepts of registrant and record-filing applicant of cosmetics. The applicant for registration or record-filing of cosmetics shall undertake the main responsibilities for the quality, safety and effectiveness claims of cosmetics. Specifically, an applicant for registration or record-filing of cosmetics shall be responsible for the registration or filing before sale of such cosmetics, the monitoring of adverse reactions, the evaluation and reporting, product risk control and recall, and safety reevaluation of the products and raw materials after sale of such cosmetics to ensure quality and safety of the registered/filed products. In addition, the claims for the effectiveness of all types of cosmetics shall be supported by sufficient scientific basis and an extract of the papers, research data or product evaluation material on which such effectiveness is claimed to be based shall be made public on websites designated by the regulatory authority. An applicant registering or filing the record for cosmetics shall be subject to the supervision of the National Medical Products Administration. Secondly, an applicant for registration or record-filing of cosmetics may entrust another enterprise, or the OEMs, with the production of cosmetics. The OEMs shall obtain the corresponding license for production of cosmetics and shall carry out production in accordance with the laws, regulations, mandatory national standards, technical specifications and contractual agreements, and be responsible for production activities and accept the supervision of the applicant for registration or record-filing of cosmetics. With respect to our business operation, we have applied for registration or record-filing of cosmetics under the *Regulations on the Supervision and Administration of Cosmetics* and undertake main responsibilities for quality, safety and effectiveness claims of our cosmetics products.
- (ii) Categories of cosmetics. Cosmetics are divided into special cosmetics and ordinary cosmetics instead of special purpose cosmetic products and non-special purpose cosmetic products. Special cosmetics refer to cosmetics for hair dye, hair perm, freckle removal and whitening, sun protection and hair loss prevention as well as those purporting to have new functions and effects, and ordinary cosmetics refer to cosmetics other than special cosmetics. The production and import of special cosmetics shall be registered with the National Medical Products Administration. The production and import of ordinary cosmetics are subject to the record-filing administration.

- (iii) Legal consequences of violations. The *Regulations on the Supervision and Administration of Cosmetics* have raised the limit for penalties for noncompliance compared with former regulations. For example, monetary penalties on production of cosmetics without requisite permits, production of unregistered special cosmetics, use of banned materials and illegal use of materials may be subject to a fine of 30 times the value of the concerned products.

Violations of the provisions of the *Regulations on the Supervision and Administration of Cosmetics* will result in different penalties ranging from fines (fixed range or, in cases of severe violations, based on the values of the illegally manufactured goods), confiscation of raw materials, products illegally manufactured or sold and illegally obtained gains, revoking licenses, and suspension of business. Furthermore, pursuant to the *Regulations on the Supervision and Administration of Cosmetics*, the responsible individual shall be subject to an industry operation banning period for five or ten years or even criminal liability.

Pursuant to the *Regulations on the Supervision and Administration of Cosmetics*, a producer of cosmetic products shall obtain and maintain a license for cosmetic production issued by the local administrative regulator. In addition, special cosmetics shall be registered from the competent administrative regulator, otherwise those who produce or distribute special cosmetics may be subject to confiscation of the relevant products and illegal gains, a fine according to the value of the cosmetics illegally produced or distributed, or suspension of business or the revocation of the license for cosmetic production. In cases where producers cooperate with OEMs to manufacture such products, the OEM, instead of the producer, shall obtain and maintain the above-mentioned certificates. As for the labels of cosmetic products, information such as name and address of the registrant or the record-filing applicant of cosmetics, production license number, and standard number for product implementation shall be contained. The labels of such cosmetic product shall not contain any statement that explicitly and implicitly implies medical effects, and contain false or misleading content, and contain content contrary to public order and good morals or include any other content prohibited by the laws and regulations. Violation of such provisions may result in confiscation of the relevant products and illegal gains, monetary fine or other punishment.

Pursuant to the Measures for the Administration of the Registration and Recordation of Cosmetics promulgated by the State Administration for Market Regulation on January 7, 2021, and effective as of May 1, 2021, ordinary cosmetics produced domestically shall be subject to the online record-filing procedure before the entry into the market. The competent administrative regulator shall conduct supervisory inspection of the activities relating to and recordation of record-filing applicant of cosmetics. Producers of such products will be ordered to take corrective measures if the inspection results revealed any noncompliance. In particular, if the recordation materials in relation to the safety of such cosmetics fail to comply with the requirements, producers of such products may be concurrently ordered to suspend the sale of such cosmetics.

In order to coincide with the implementation of the *Regulations on the Supervision and Administration of Cosmetics* and the *Measures for the Administration of the Registration and Recordation of Cosmetics*, the National Medical Products Administration promulgated the Notice on Issuing the Measures for the Administration of the Registration and Recordation of Cosmetics on March 5, 2021, which provides that the record-filing applicant of cosmetics shall undergo recordation of cosmetics through the new information service platform for the recordation from May 1, 2021. In addition, it requires that record-filing applicant who has fulfilled the procedure of online record-filing on the original platform shall submit related information of the ordinary cosmetics through the new filing platform before May 1, 2022. As for the ordinary cosmetics, the annual reporting system is adopted from January 1, 2022, which requires that the record-filing applicant of cosmetics shall submit the annual report annually through the new filing platform mentioned above.

The *Measures for the Administration of the Online Trading of Cosmetics* was promulgated by the National Medical Products Administration on March 31, 2023, which regulate the online trading activities of cosmetics and ensures the quality and safety of cosmetics. The measures provide for the obligations of online products operators, services providers and third-party platform operators.

The *Measures for the Administration on Inspection of Cosmetics*, promulgated by the National Medical Products Administration on November 1, 2024, regulate the supervision and administration of cosmetics and the technical requirements specified in the compulsory national standards, technical specifications and materials on registration or recordation of cosmetics for cosmetics manufacturers and distributors.

Regulations on Corporate Governance

On December 29, 2023, the Standing Committee of the National People's Congress promulgated the *amended PRC Company Law*, or the Amended PRC Company Law, which superseded the existing PRC Company Law. The Amended PRC Company Law has made material amendments on corporate governance and shareholders rights of the PRC companies, including, among others, the statutory period for payment of registered capital, the setting of the board of directors and the board of supervisors, and transfer of equity interests in a company. With respect to the period for payment of the registered capital, pursuant to the Amended PRC Company Law, all shareholders of a PRC limited liability company shall fully pay up the registered capital subscribed for by such shareholders within five years since the date of establishment of such PRC limited liability company, unless otherwise provided by laws and regulations. With respect to any company established before the effective date of the Amended PRC Company Law, the period of capital contribution provided in its articles of association shall be amended to meet the time limit provided in the Amended PRC Company Law if such period of capital contribution in its articles of association exceeds that as required by the Amended PRC Company Law; with respect to any company whose period of capital contribution or amount of the registered capital are obviously abnormal, the competent governmental authority may require such company to adjust its period of capital contribution or amount of the registered capital in a timely manner. The Amended PRC Company Law provides that the detailed implementation measures for the aforesaid provisions will be formulated by the State Council of the PRC. If any shareholder fails to make capital contributions on schedule and in full as provided in the articles of association, the company shall send a written notice requesting such shareholder to pay up all overdue registered capital within a grace period no less than sixty days from the issuance date of such notice. If, upon the expiration of the foregoing grace period, such shareholder still hasn't fulfilled the obligation of capital contribution with respect to such overdue registered capital, the company may, upon adoption of the resolution of the board of directors, send a notice of forfeiture to such shareholder in writing. Since the issuance date of the foregoing notice, such shareholder shall forfeit the equity interests for which the capital contribution has not been paid up. The forfeited equity interests shall be transferred or cancelled in accordance with the applicable laws. The Provisions by the State Council on Implementing the Registered Capital Registration and Management System under the PRC Company Law issued and became effective on July 1, 2024, which further specify the detailed requirements and measures of the registration and management of registered capital under the Amended PRC Company Law. Pursuant to such provisions, there shall be a three-year interim period from July 1, 2024 to June 30, 2027 for the existing companies to adjust their periods of capital contribution. If the period of capital contribution of a company established before the effective date of the Amended PRC Company Law exceeds the period prescribed under the Amended PRC Company Law, such company shall make an adjustment within the foregoing interim period to meet the requirements under the Amended PRC Company Law. The adjusted period of capital contribution shall be recorded in such company's articles of association and publicized through the national enterprise credit information publicity system in accordance with laws. If a limited liability company established before the effective date of the Amended PRC Company Law fails to adjust its period of capital contribution during the interim period, the competent registration authority may require it to make adjustment so that this company's period of capital contribution shall not exceed five years commencing from July 1, 2027 in accordance with laws. If such company has not made adjustment within the prescribed period, the competent registration authority shall make a special note which will be publicized through the national enterprise credit information publicity system.

With respect to the board of directors and the board of supervisors, the Amended PRC Company Law eliminates the upper limit on the number of the directors of a limited liability company. In addition, after the effective date of the Amended PRC Company Law, limited liability companies, joint stock limited companies with small scale or a small number of shareholders and wholly state-owned companies may set up an audit sub-committee under the board of directors to replace the functions and powers of the board of supervisors, and such companies may not set the board of supervisors or any supervisor, but the limited liability companies with more than 300 employees and without a board of supervisors shall have an employee representative acting as a director, who shall be democratically elected by the company's employees through a general assembly of employees or other democratic forms.

With respect to the transfer of equity interest of a limited liability company, the Amended PRC Company Law stipulates that the shareholders of a limited liability company may transfer the equity interest to other persons except the shareholders of a limited liability company without the consent of the other shareholders, provided that such shareholder shall notify other shareholders in writing with respect to transfer of such equity interest. Other shareholders will be regarded as giving up the right of first refusal if they fail to reply within 30 days after receiving the written notice. If a shareholder transfers the equity interest held by it, it shall notify the company in writing to

request the company (i) to change the register of shareholders and (ii) to register the change with the competent enterprise registration authority. If the company refuses or fails to respond, the transferee and transferor may file a lawsuit with the competent court.

Regulations Relating to Foreign Investment

The *Foreign Investment Law of the PRC*, or the Foreign Investment Law, and the *Implementing Regulations of the Foreign Investment Law of the PRC*, or the Implementing Regulations of the Foreign Investment Law, provide that a system of pre-entry national treatment and negative list shall be applied for the administration of foreign investment, where “pre-entry national treatment” means that the treatment given to foreign investors and their investments at market entry stage is no less favorable than that given to domestic investors and their investments, and “negative list” means the special administrative measures for foreign investment’s entry to specific fields or industries. Foreign investments beyond the negative list will be granted national treatment. Foreign investors shall not invest in the prohibited fields as specified in the negative list, and foreign investors who invest in the restricted fields shall comply with certain special requirements on shareholding and senior management personnel, etc. In the meantime, the competent government departments will formulate a catalogue of the specific industries, fields and regions in which foreign investors are encouraged and guided to invest according to the national economic and social development needs. The current industry entry clearance requirements governing investment activities in the PRC by foreign investors are set out in two categories, namely the Special Administrative Measures (Negative List) for Foreign Investment Access (2024 Version), as promulgated on September 6, 2024 by the National Development and Reform Commission, and the Ministry of Commerce, and taking effect on November 1, 2024, and the Encouraged Industry Catalogue for Foreign Investment (2025 Version), as promulgated by the National Development and Reform Commission and the Ministry of Commerce on December 15, 2025 and became effective on February 1, 2026. Industries not listed in these two catalogues are generally deemed “permitted” for foreign investment unless specifically restricted by other PRC laws.

In order to coincide with the implementation of the Foreign Investment Law and the Implementing Regulations of the Foreign Investment Law, the Ministry of Commerce and the State Administration for Market Regulation promulgated the *Measures for Reporting of Information on Foreign Investment* on December 30, 2019, effective as of January 1, 2020, which provides that foreign investors or the foreign-invested enterprises shall submit investment information by submitting initial reports, change reports, deregistration reports, and annual reports through an enterprise registration system and a national enterprise credit information publicity system.

Announcement of the Ministry of Commerce 2019 No.62-Announcement on Matters Concerning the Reporting of Information on Foreign Investment promulgated by the Ministry of Commerce on December 31, 2019 and *Circular of the State Administration for Market Regulation on Effective Work on Registration of Foreign-invested Enterprises for the Implementation of the Foreign Investment Law* promulgated by the State Administration for Market Regulation on December 28, 2019 further refine the related rules.

On June 9, 2025, the Ministry of Finance issued the Notice of Issues Concerning Financial Treatments of Enterprises after the Implementation of the Company Law and Foreign Investment Law, according to which the foreign-owned enterprises are no longer required to accrue the reserve fund, enterprise expansion fund, and staff bonus and welfare fund that were previously mandated under the previous foreign investment laws. Any balances of the reserve fund accrued prior to 2025 are to be transferred to the statutory reserve, and any balances of the enterprise expansion fund are to be transferred to the discretionary reserve. The staff bonus and welfare fund accrued prior to 2025 shall continue to be used according to its original purpose.

Foreign investment law

On March 15, 2019, the National People’s Congress promulgated the *Foreign Investment Law of the PRC*, or the Foreign Investment Law, which became effective on January 1, 2020, in replacement of the former set of laws, implementation rules and ancillary regulations. The organization form, organization and activities of foreign-invested enterprises shall be governed, among others, by the PRC Company Law and the PRC Partnership Enterprise Law. Foreign-invested enterprises established before the implementation of the Foreign Investment Law may maintain their original organization form and structure within five years after the implementation of the Foreign Investment Law. The Foreign Investment Law mainly provides for four forms of foreign investments: (a) establishment of a

foreign-invested enterprise within PRC by a foreign investor, individually or collectively with other investors; (b) acquisition of shares or equity interests in, asset interests of, or other like rights and interests of an enterprise within PRC by a foreign investor; (c) investments in a new project within the PRC by a foreign investor, individually or collectively with other investors, and (d) foreign investors' investments in the PRC through any other methods under laws, administrative regulations, or provisions prescribed by the State Council of the PRC. It does not address the concept and regulatory regime of VIE structures and uncertainties remain in relation to its interpretation and implementation.

On December 26, 2019, the State Council promulgated the *Implementing Regulations of the Foreign Investment Law of the PRC*, or the Implementing Regulations of the Foreign Investment Law, which became effective on January 1, 2020. The Implementing Regulations of the Foreign Investment Law strictly implements the legislative principles and purpose of the Foreign Investment Law. It emphasizes promoting and protecting the foreign investment and refines the specific measures to be implemented. On the same day, the Supreme People's Court issued an Interpretation on the Application of the Foreign Investment Law of the PRC, effective as of January 1, 2020. This interpretation applies to all contractual disputes arising from the acquisition of the relevant rights and interests by a foreign investor by way of gift, division of property, merger of enterprises, division of enterprises.

Regulations Relating to Value-Added Telecommunications Services

Foreign investment in value-added telecommunications

Foreign direct investment in telecommunications companies in China is regulated by the *Administrative Provisions on Foreign-Invested Telecommunications Enterprises*, which was issued by the State Council on December 11, 2001, and most recently amended on May 1, 2022. The *Administrative Provisions on Foreign-Invested Telecommunications Enterprises* provides that a foreign-invested telecommunications enterprise in the PRC must be established as a sino-foreign equity joint venture for operations in the PRC except as otherwise provided by the authority. Under these regulations and in accordance with WTO-related agreements, the foreign party investing in a foreign-invested telecommunications enterprise in the PRC engaging in value-added telecommunications services may hold up to 50% of the ultimate equity interests of such enterprise. In addition, the major foreign party as the shareholder of the foreign-invested telecommunications enterprise in the PRC must satisfy a number of stringent performance and operational experience requirements, including demonstrating a good track record and experience in operating a value-added telecommunications business. The foreign-invested telecommunications enterprise in the PRC that meets these requirements must obtain approvals from the Ministry of Industry and Information Technology, and Ministry of Commerce or their authorized local counterparts, which retain considerable discretion in granting approvals. Furthermore, the foreign party investing in e-commerce business, as a type of value-added telecommunications services, has been allowed to hold up to 100% of the equity interests of the foreign-invested telecommunications enterprise in the PRC based on the *Circular of the Ministry of Industry and Information Technology on Removing the Restrictions on Shareholding Held by Foreign Investors in Online Data Processing and Transaction Processing (Operating E-commerce) Business* issued on June 19, 2015 and the current effective *Catalogue of Telecommunications Services*, or the Telecom Catalog.

On July 13, 2006, the Ministry of Information Industry of the PRC (which is the predecessor of the Ministry of Industry and Information Technology) promulgated the *Notice of the Ministry of Information Industry on Strengthening the Administration of Foreign Investment in Value-added Telecommunications Business*, or the MII Notice, which reiterates certain requirements of the *Administrative Provisions on Foreign-Invested Telecommunications Enterprises* and strengthens the administration by the Ministry of Information Industry. Under this notice, if a foreign investor intends to invest in PRC value-added telecommunications business, the foreign investor must establish a foreign invested enterprise and apply for the relevant license for value-added telecommunications services. In addition, a domestic company that holds a license for value-added telecommunications services is prohibited from leasing, transferring or selling the license to foreign investors in any form, and from providing any assistance, including providing resources, sites or facilities, to foreign investors to conduct value-added telecommunications businesses illegally in China. Trademarks and domain names that are used in the provision of value-added telecommunications services must be owned by the license holder or its shareholders. This notice also requires that each value-added telecommunications services license holder has appropriate facilities for its approved business operations and maintain such facilities in the business regions covered by its license. The holder of a license for value-added telecommunications services shall improve the measures for safeguarding the network and information, establish the administrative policies on information safety, set up the procedures for

handling network emergencies and information safety and implement the liabilities system for information safety in accordance with the standards set forth in the relevant PRC regulations.

Due to a lack of interpretive materials from the PRC governmental authorities, there are uncertainties regarding whether PRC governmental authorities would consider our corporate structure and contractual arrangements to constitute foreign ownership of a value-added telecommunications business. See “Item 3. Key Information—D. Risk Factors—Risks Relating to Our Business and Industry—We may be adversely affected by the complexity, uncertainties and changes in PRC regulation of internet-related business and companies, including limitations on our ability to own key assets.” In order to comply with PRC regulatory requirements, we operate a portion of our business through the VIE, with which we have contractual relationships but in which we do not have direct ownership interest. If our current ownership structure is found to be in violation of current or future PRC laws, rules or regulations regarding the legality of foreign investment in the PRC internet sector, we could be subject to severe penalties.

Telecommunications regulations

The *Telecommunications Regulations of the PRC* promulgated on September 25, 2000 and amended on July 29, 2014 and February 6, 2016 respectively, are the primary PRC regulations governing telecommunications services, which set out the general framework for the provision of telecommunications services within the PRC. These regulations require that telecommunications service providers shall obtain licenses prior to commencing operations. These regulations draw a distinction between basic telecommunications services and value-added telecommunications services. *The Telecom Catalog*, promulgated by the Ministry of Information Industry on February 21, 2003 and most recently amended by the Ministry of Industry and Information Technology on June 6, 2019, and issued as an attachment to the *Telecommunications Regulations of the PRC*, identifies internet information services and online data processing and transaction processing as value-added telecommunications services.

On July 3, 2017, the Ministry of Industry and Information Technology issued the revised *Administrative Measures for the Licensing of Telecommunications Business*, or the Telecom License Measures, which became effective on September 1, 2017, to supplement the *Telecommunications Regulations of the PRC*. The Telecom License Measures require that an operator of value-added telecommunications services obtain a license for value-added telecommunications services from the Ministry of Industry and Information Technology or its provincial level counterparts. The term of a license for value-added telecommunications services is five years and the license holder is subject to annual inspection.

Internet information services

On September 25, 2000, the State Council promulgated the *Measures for the Administration of Internet Information Services*, as amended on January 8, 2011 and further amended on December 6, 2024, and effective as of January 20, 2025. Under these measures, internet information services are categorized into commercial internet information services and non-commercial internet services. The operators of non-commercial internet information services must file with the governmental authorities and operators of commercial internet information services in China must obtain an ICP License from the governmental authorities. And the provision of particular information services, such as news, publishing, education, healthcare, medicine and medical advice must also comply with relevant laws and regulations and obtain approval from the competent governmental authorities.

Internet information service providers are required to monitor their websites. They shall not post or disseminate any content that falls within prohibited categories provided by laws or administrative regulations and must stop providing any such content on their websites. The PRC governmental authorities may order ICP License holders that violate the content restrictions to correct those violations and revoke their ICP Licenses in cases of gross violations.

The Ministry of Industry and Information Technology released the *Circular on Regulating the Use of Domain Names in Internet Information Services* on November 27, 2017, effective as of January 1, 2018, which provides that the domain names used by the internet information service provider in providing internet information services shall be registered and owned by such internet information service provider, and if the internet information service provider is a legal entity, the domain name registrant shall be the legal entity (or any of its shareholders), or its principal or senior manager.

Regulations Relating to Online Trading and E-Commerce

On January 26, 2014, the State Administration for Industry and Commerce (which is the predecessor of the State Administration for Market Regulation) promulgated the *Administrative Measures for Online Trading*, which became effective on March 15, 2014, to regulate all operating activities for product sales and services offered via the internet (including mobile internet). It stipulates the obligations of online products operators and services providers and certain special requirements applicable to third-party platform operators.

On August 31, 2018, the Standing Committee of the National People's Congress promulgated the *E-Commerce Law of the PRC*, or the E-Commerce Law, which became effective on January 1, 2019. The promulgation of the E-Commerce Law established the basic legal framework for the development of China's e-commerce business and clarified the obligations of the e-commerce business operators and the possible legal consequences if e-commerce business operators are found to be in violation of legal obligations. For example, pursuant to the E-Commerce Law, the e-commerce business operators shall disclose information about goods or services provided comprehensively, truthfully, accurately and promptly in order to protect the consumers' rights to know and rights to choose. The e-commerce business operators shall not fabricate transactions or users' comments to conduct false or misleading business promotions so as to defraud or mislead consumers. Violation of the provisions of the E-Commerce Law may result in being ordered to make corrections within a prescribed period of time, confiscation of illegally obtained gains, fines, suspension of business, inclusion of such violations in the credit records and possible civil liabilities.

On March 15, 2021, the State Administration for Market Regulation promulgated the *Administrative Measures for Online Trading*, which took effect on May 1, 2021 and as amended on March 18, 2025. The measures supplement the obligations of e-commerce business operators under the E-Commerce Law in connection with business activities for product sales and services offered via internet, and specifies the possible legal consequences when e-commerce business operators are found to be in violation of the legal obligations. For example, the e-commerce business operators should act in compliance with the requirements relating to data protection, commercial promotion, registration for record, and unfair trading. Legal consequences of violating the measures may include credit record enforcement as well as civil and even criminal liabilities.

On December 18, 2025, the State Administration for Market Regulation and the Cyberspace Administration of China jointly promulgated the *Measures for the Supervision and Administration of Livestreaming E-Commerce*, or the *Livestreaming E-Commerce Measures*, which took effect on February 1, 2026. The *Livestreaming E-Commerce Measures* represent the first specialized regulation dedicated to the livestreaming e-commerce sector, which explicitly define the legal obligations and liabilities of livestreaming platforms, livestreaming channel operators, live streaming marketing personnel, and multi-channel network (MCN) agencies. For example, livestreaming channel operators are required to establish and improve ex-ante compliance review mechanisms and to review displayed content, presentation scripts, clothing, sets, props, and other relevant elements in accordance with applicable regulations prior to each livestream session.

On June 20, 2025, the State Council issued the *Provisions on the Reporting of Tax-Related Information by Internet Platform Enterprises*, which require internet platforms providing network transaction services to business operators within China to report operators' identity information, transaction volume, revenue information, and fees paid to the platform. For overseas platforms that do not have an established operational entity within China, the platform is required to designate an agent within China to fulfill such reporting obligations.

Regulations Relating to Medical Devices

The *Regulation on the Supervision and Administration of Medical Devices*, as amended by the State Council on June 1, 2021, regulates entities that engage in the research and development, production, operation, use, supervision

and administration of medical devices in the PRC. Medical devices are classified according to their risk levels. Class I medical devices are medical devices with low risks, and the safety and effectiveness of which can be ensured through routine administration. Class II medical devices are medical devices with moderate risks, which are strictly controlled and administered to ensure their safety and effectiveness. Class III medical devices are medical devices with relatively high risks, which are strictly controlled and administered through special measures to ensure their safety and effectiveness. The evaluation of the risk levels of medical devices takes into consideration the medical devices' objectives, structural features, methods of use and other factors. Registration certificates are required for Class II and Class III medical devices. The classification of specific medical devices is stipulated in the Medical Device Classification Catalog, which was issued by the China Food and Drug Administration on August 31, 2017 and took effect on August 1, 2018. Violations of the *Regulation on the Supervision and Administration of Medical Devices* shall result in different penalties ranging from fines (fixed range or based on the values of the illegally manufactured goods in severe violations), confiscation of products illegally sold and illegally obtained gains, revoking licenses, suspension of business, being refused to review and approve the medical device permit within ten years after such violation, or even criminal liability.

The *Catalogue of Medical Device Classification* issued by the China Food and Drug Administration on August 1, 2018 regulates that color soft hydrophilic contact lens, astigmatic soft hydrophilic contact lens, soft corneal contact lens, soft hydrophilic contact lens, and soft contact lens aseptic normal saline solution are Class III medical devices.

The *Measures for the Administration and Supervision of Online Sales of Medical Devices* issued by the China Food and Drug Administration on December 20, 2017, regulates entities that engage in the online sales of medical devices. Enterprises engaged in online sales of medical devices shall be medical device production and operation enterprises that have obtained a medical device production license or operation license in accordance with the law or have been filed for record, unless such license or record-filing is not required by laws and regulations.

Regulations Relating to Food Business

China has adopted a licensing system for food supply operations under the *Food Safety Law* and its implementation rules. The *Food Safety Law of the PRC*, which took effect from June 1, 2009 and was amended by the Standing Committee of the National People's Congress on April 24, 2015, December 29, 2018 and April 29, 2021, respectively, and the Implementation Regulations of the Food Safety Law of the PRC, which took effect from July 20, 2009 and were amended by the State Council on February 6, 2016 and on October 11, 2019, respectively, set up a system for the supervision and administration of food safety and stipulate food safety standards. The State Council implements a licensing system for food production and transaction. To engage in food production, sale or catering services, the business operator shall obtain a license in accordance with the laws. Furthermore, the State Council implements strict supervision and administration for special categories of foods such as healthcare foods, and formula foods for special medical purposes. Pursuant to the aforementioned laws and regulations, third-party platform providers of online transactions of food shall conduct real name registration for participating food business operators, and specify their food safety management responsibilities, and examine their licenses if such licenses are required in accordance with the laws and regulations. Upon discovery of any violation by participating food business operators, third-party platform providers for online food transactions shall promptly suspend the business of the offender and forthwith report to the food safety supervision and administration department. Upon discovery of a serious illegal act, the third-party platform provider shall forthwith stop providing online trading platform service.

In June 2023, the State Administration for Market Regulation promulgated the *Administrative Measures for Food Operation Licensing and filing*, which became effective on December 1, 2023 and replaces its predecessor regulation. The measures regulate the food business licensing and filing activities, aiming at strengthening the supervision and management of food business and ensuring food safety. Pursuant to the measures, food business operators shall obtain a license for operating a food business with respect to each venue where they engage in food business activities, unless certain exceptions are available. The term of a food business license is five years.

Regulations Relating to Product Quality and Consumers Protection

According to the *Product Quality Law of the PRC*, which took effect on September 1, 1993 and was amended by the Standing Committee of the National People's Congress on July 8, 2000, August 27, 2009 and December 29, 2018 respectively, products for sale must satisfy relevant safety standards and sellers shall adopt measures to maintain

the quality of products for sale. Sellers may not mix impurities or imitations into products, or pass counterfeit goods off as genuine ones, or defective products as good ones or substandard products as standard ones. For sellers, any violation of state or industrial standards for health and safety or other requirements may result in civil liabilities and administrative penalties, such as compensation for damages, fines, confiscation of products illegally manufactured or sold and the proceeds from the sales of such products illegally manufactured or sold and revoking business license; in addition, severe violations may subject the responsible individual or enterprise to criminal liabilities.

According to the *Consumers Rights and Interests Protection Law of the PRC*, which became effective on January 1, 1994 and was amended by the Standing Committee of the National People's Congress on August 27, 2009 and October 25, 2013, respectively, business operators should guarantee that the products and services they provide satisfy the requirements for personal or property safety, and provide consumers with authentic information about the quality, function, usage and term of validity of the products or services. The consumers whose interests have been damaged due to the products or services that they purchase or receive on the internet trading platforms may claim damages against sellers or service providers. Where the operators of the online trading platforms are unable to provide the real names, addresses and valid contact details of the sellers or service providers, the consumers may also claim damages against the operators of the online trading platforms. Operators of online trading platforms that clearly knew or should have known that sellers or service providers use their platforms to infringe upon the legitimate rights and interests of consumers but fail to take necessary measures must bear joint and several liabilities with the sellers or service providers. Moreover, if business operators deceive consumers or knowingly sell substandard or defective products, they should not only compensate consumers for their losses, but also pay additional damages equal to three times the price of the goods or services. The *Regulations on the Implementation of the Law on the Protection of Consumer Rights and Interests*, promulgated by the State Council of the PRC on March 19, 2024 and took effect on July 1, 2024, provide detailed guidelines for the implementation of the *Consumers Rights and Interests Protection Law of the PRC*.

On January 6, 2017, the State Administration for Industry and Commerce issued the *Interim Measures for Seven-day Unconditional Return of Online Purchased Goods*, which became effective on March 15, 2017 and was amended on October 23, 2020, further clarifying the scope of consumers' rights to make returns without a reason, including exceptions, return procedures and online trading platform operators' responsibility to formulate seven-day unconditional return rules and related consumer protection systems, and supervise the merchants for compliance with these rules.

Regulations Relating to Import and Export Goods

Pursuant to the *Customs Law of the PRC*, promulgated by the Standing Committee of the National People's Congress on January 22, 1987 and last amended on April 29, 2021, unless otherwise stipulated, the declaration of import and export goods may be made by consignees and consignors themselves, and such formalities may also be completed by their entrusted customs brokers that have registered with the Customs. The consignees and consignors for import or export of goods and the customs brokers engaged in customs declaration shall register with the Customs in accordance with the laws.

Pursuant to the *Provisions of the People's Republic of China on the Administration of Recordation of Customs Declaration Entities*, promulgated by the General Administration of Customs on November 19, 2021. The customs declaration entities include the consignee or consignor of imported or exported goods and the customs declaration enterprise, as being filed with the customs. In the event the consignee or consignor of imported or exported goods or a customs declaration enterprise applies for recordation, it shall obtain the qualification of market entities; particularly where the consignee or consignor of imported or exported goods applies for recordation, it shall be filed as a foreign trade business.

In addition, pursuant to the Foreign Trade Law of the PRC promulgated by the Standing Committee of the National People's Congress on May 12, 1994, amended on December 30, 2022 and further amended on December 27, 2025, and the *Notice by the Department of Enterprise Management and Audit-Based Control of the General Administration of Customs of Matters Concerning the Recordation of the Consignees and Consignors of Imported and Exported Goods* promulgated by the General Administration of Customs of the PRC on January 3, 2023, a consignee or consignor of imported or exported goods who applies for recordation shall be qualified as a market entity and is not required to be filed as a foreign trade business operator.

The Standing Committee of the National Congress of the PRC promulgated the *Tariff Law of the PRC* on April 26, 2024, which took effect on December 1, 2024. The *Tariff Law of the PRC* provides a comprehensive legal framework for China's tariff policies, including import and export duties, anti-dumping measures, and countervailing duties.

Regulations Relating to Online Transmission of Audio-Visual Programs

On April 13, 2005, the State Council promulgated the *Certain Decisions on the Entry of the Non-State-owned Capital into the Cultural Industry*. On July 6, 2005, five PRC regulatory agencies, namely, the Ministry of Culture, or the MOC, the State Administration of Radio, Film and Television (which is the predecessor of the National Radio and Television Administration), the General Administration of Press and Publication, or the GAPP, the National Development and Reform Commission and Ministry of Commerce, jointly promulgated the *Several Opinions on Canvassing Foreign Investment into the Cultural Sector*. According to these regulations, non-State-owned capital and foreign investors are prohibited from conducting the business of transmitting audio-visual programs through information network.

According to the *Administrative Provisions on Internet Audio-visual Program Service*, jointly promulgated by the State Administration of Radio, Film and Television and the Ministry of Information Industry on December 20, 2007, amended by the State Administration of Press, Publication, Radio, Film and Television, on August 28, 2015 and further amended on June 3, 2025, providers of internet audio-visual program services are required to obtain a License for Online Transmission of Audio-visual Programs issued by the competent department of radio, film and television or complete certain record-filing procedures. Providers of internet audio-visual program services are generally required to be either state-owned or state-controlled by the PRC government, and the business to be carried out by such providers must satisfy the overall planning and guidance catalog for internet audio-visual program service determined by the State Administration of Radio, Film and Television.

In 2008, the State Administration of Radio, Film and Television issued the *Notice on Relevant Issues Concerning Application and Approval of License for Online Transmission of Audio-visual Programs*, amended on August 28, 2015, which further sets forth detailed provisions concerning the application and approval process regarding the License for Online Transmission of Audio-visual Programs. The notice also provides that the internet audio-visual program services providers who engaged in such services prior to the promulgation of the *Administrative Provisions on Internet Audio-visual Program Service* shall also be eligible to apply for the license so long as their violation of the laws and regulations is minor and can be rectified in a timely manner and they have no records of violation during the latest three months prior to the promulgation of the *Administrative Provisions on Internet Audio-visual Program Service*.

Further, on March 31, 2009, the State Administration of Radio, Film and Television promulgated the *Notice on Strengthening the Administration of the Content of Internet Audio-visual Programs*, which reiterates the requirement for the internet audio-visual programs to be published to the public through information networks, where applicable, and prohibits certain types of internet audio-visual programs containing violence, pornography, gambling, terrorism, superstitions or other similarly prohibited elements.

On March 17, 2010, the State Administration of Radio, Film and Television issued the *Internet Audio-visual Program Services Categories (Provisional)*, amended on March 10, 2017, which classified internet audio-visual program services into four categories. In addition, the *Notice concerning Strengthening the Administration of the Streaming Service of Online Audio-Visual Programs* promulgated by the State Administration of Press, Publication, Radio, Film and Television on September 2, 2016 emphasizes that, unless a specific license is granted, an audio-visual programs service provider is forbidden from engaging in live streaming on major political, military, economic, social,

cultural and sports events. On November 2, 2016, the State Administration of Press, Publication, Radio, Film and Television issued *the Notice on Strengthening the Management of Audio-visual Programs Disseminated through Online Social Platforms such as Weibo and Weixin*, which stipulates that, as to Internet audio-visual program services carried out by any institutions or individual without a License for Online Transmission of Audio-visual Programs through Weibo accounts, Weixin official accounts, or other social applications, the online platform shall be held as the service provider. The platform is required to assume all management responsibilities, including content screening, in accordance with the regulations governing audio-visual program. Furthermore, the scope of programs provided by such institutions and individuals shall not exceed the business scope specified in the platform's own license.

As of the date of this annual report, we have not obtained a License for Online Transmission of Audio-visual Programs. The PRC regulations do not specify whether short video clips constitute Online Audiovisual Programs requiring such license. For detailed analysis, see "Item 3. Key Information—D. Risk Factors—Risks Relating to Our Business and Industry—If we fail to obtain and maintain the requisite licenses, permits, registrations and filings applicable to our business, or fail to obtain additional licenses, permits, registrations or filings that become necessary as a result of new enactment or promulgation of government policies, laws or regulations or the expansion of our business, our business and results of operations may be materially and adversely affected."

On November 4, 2016, the Office of the Cyberspace Administration of China promulgated the *Administrative Provisions on Internet Live-Streaming Services*. According to these provisions, an internet live-streaming service provider shall (i) establish a live-streaming content review platform; (ii) conduct authentication registration of internet live-streaming issuers based on their identity certificates, business licenses and organization code certificates; and (iii) enter into a service agreement with internet live-streaming services user to specify both parties' rights and obligations.

According to the Guidelines on Strengthening Supervision of Online Live Broadcasting Marketing Activities promulgated by the State Administration for Market Regulation on November 5, 2020, any network platform will assume the responsibility and obligation as an e-commerce platform operator according to the E-Commerce Law; provided that this platform provides operators, who sell goods or provide services via internet live broadcasting, with services such as internet operation place, transaction matchmaking and information publication in order for the transaction parties to independently complete their transaction activities.

According to the Notice on Strengthening the Management of Online Show Live Broadcasting and E-commerce Live Broadcasting promulgated by the National Radio and Television Administration on November 12, 2020, live broadcasting platforms for online shows are requested to strengthen positive value guidance and enable those tasteful, meaningful, interesting and warm live-broadcasting programs to have good traffic, and to prevent the spread of the trends of wealth flaunting, money worshiping and vulgarity. In addition, the number of content reviewers a platform is required to keep must in principle be no less than 1:50 of the number of live broadcasting rooms. Live broadcasting platforms for online shows need to manage the hosts and "reward" users based on the real-name registration system, and users who have not registered with real names or who are minors are prohibited from making rewards. The live broadcasting platforms are required to implement real-name registration system by real-name verification, face recognition, manual review and other measures to prevent minors from making rewards. The platform shall limit the maximum amount of rewards each user may give per time, day and month. Live streaming platforms for e-commerce shall not illegally produce and broadcast, beyond their business scope of e-commerce, any commentary programs unrelated to sales of goods.

According to the Law of the PRC on the Protection of Minors (2020 Revision), which took effect on June 1, 2021, among others, live broadcasting service providers are not allowed to provide minors under age 16 with online live broadcasting publisher account registration service, and must obtain the consent from parents or guardians and verify the identity of the minors before allowing minors aged 16 or above to register live broadcasting publisher accounts.

According to the *Notice on Strengthening the Administration of the Internet Live Streaming Service* jointly promulgated by the Ministry of Industry and Information Technology, the Ministry of Public Security of the PRC and other government agencies on August 1, 2018, internet live streaming service providers shall go through the procedures of filing with the competent department of telecommunications. The internet live streaming service providers engaged in telecommunications business and internet news information, network performances and internet live streaming of audio-visual programs shall apply to the relevant departments for permission to operate such

telecommunication business and shall perform the procedures of record-filing with the local public security department within 30 days after the live streaming service being operated.

Furthermore, pursuant to the *Administrative Provisions on Online Audio and Video Information Services* jointly promulgated by the Cyberspace Administration of China, Ministry of Culture and Tourism of the PRC and National Radio and Television Administration on November 18, 2019 and effective on January 1, 2020, online audio and video information services providers shall obtain the legally required qualifications and certificates. They shall also fulfill their responsibilities as information content management entities, such as having in place professional staff commensurate with their service scale, and establishing the systems of user registration, content review, information release, intellectual property rights protection and minority protections and other mechanisms. Moreover, when the online audio and video information services provider produce, publish or spread untrue audio-visual information by way of utilizing new technologies such as deep learning or virtual reality, the disseminated information shall be identified in a noticeable way.

Regulations Relating to Production of Radio and Television Programs

On July 19, 2004, the State Administration of Radio, Film and Television issued the *Regulations on the Administration of Production and Operation of Radio and Television Programs*, which took effect on August 20, 2004 and was most recently amended on December 1, 2020. These regulations require any entities engaging in the production and operation of radio and television programs to obtain a license for such businesses from the National Radio and Television Administration or its provincial branches. Entities with the permit to produce and distribute radio and television programs must conduct their business operations strictly in compliance with the approved scope of production and operations and these entities (except radio and TV stations) must not produce radio and TV programs regarding current political news or similar subjects.

On July 6, 2012, the State Administration of Radio, Film and Television and the Cyberspace Administration of China issued the Notice Regarding Further Enhancement of Management of Online Audio and Video Programs such as Online Drama Series and Micro Films, pursuant to which providers of internet audio-visual program services which are engaged in the production of online audio-visual programs such as online drama series and micro films and broadcast such programs on their own websites shall lawfully obtain the permit to produce and distribute radio and television programs issued by competent governmental authorities and corresponding License for Online Transmission of Audio-visual Programs at the same time. Providers of internet audio-visual program services shall report the information on online audio-visual programs such as online drama series and micro films which have been reviewed and approved to the provincial branches of the State Administration of Radio, Film and Television in their domiciles for filing.

The State Administration of Radio, Film and Television issued a Supplementary Notice on Further Enhancement of Management of Online Audio and Video Programs such as Online Drama Series and Micro Films on January 2, 2014, which reiterates the providers of online audio and video programs such as online drama series and micro films shall lawfully obtain the permit to produce and distribute radio and television programs issued by competent governmental authorities. Online audio and video programs produced by unlicensed organizations shall not be broadcast.

Since the PRC laws do not specify whether online short video clips, other than short drama series and micro films, shall be governed by regulations on Radio and Television Programs, there remain uncertainties as to whether we are required to obtain the Permit for Production and Operation of Radio and Television Programs in the level of law. As of the date of this annual report, Huizhi Weimei has obtained the Permit for Production and Operation of Radio and Television Programs. For details on the risks associated with failure to obtain such license or permit, see “Item 3. Key Information—D. Risk Factors—Risks Relating to Our Business and Industry—If we fail to obtain and maintain the requisite licenses, permits, registrations and filings applicable to our business, or fail to obtain additional licenses, permits, registrations or filings that become necessary as a result of new enactment or promulgation of government policies, laws or regulations or the expansion of our business, our business and results of operations may be materially and adversely affected.”

Regulations Relating to Franchising Operations

The *Administrative Regulations on Commercial Franchise Operations* were promulgated by the State Council on February 6, 2007, effective as of May 1, 2007, under which a franchisor shall have a well-established operation model, be able to provide the franchisee with long-term management guidance, technical support, business training and other services, and have at least two direct sales stores and have undertaken the business for more than a year. A franchisor shall, within 15 days of its first franchising contract signing, file with the competent commerce authority accordingly.

Pursuant to the *Administrative Regulations on Commercial Franchise Operations*, a franchising contract shall include but not be limited to the following terms: the basic information of the franchisor and franchisees, the term of the contract, the type, amount and payment(s) of the franchising fees, the specific content of operation guidance, technical supports and business training as well as the method for providing the same, the quality requirements and quality control measures, the marketing and advertisements arrangements, the consumer protection and indemnification, the change, cancelation or termination of the contract, the breach of the contract, and the dispute resolution, which shall all be put in writing. Moreover, according to the these regulations, the franchisee shall be allowed to unilaterally cancel the franchising contract within a certain period of time; the franchising term, unless the franchisee otherwise agrees, shall be no less than three years (renewals are excluded); the purpose and refund conditions and means of the fees paid by the franchisee to the franchisor in advance of the establishment of the franchising contract shall be clarified in writing; the usage of publicity and promotion fees paid by the franchisee to the franchisor shall be disclosed to the franchisee in a timely manner; the franchisee may not transfer the franchise rights to a third party without the consent of the franchisor; and the franchisor shall report the information about the conclusion of franchise contracts in the previous year to the competent commerce authority in the first quarter of each year. In addition to these regulations, the Ministry of Commerce has also promulgated two implementing regulations: the *Administrative Measures for Archival Filing of Commercial Franchises*, promulgated on May 1, 2007 and most recently amended on December 29, 2023; and the *Administrative Measures on Information Disclosure Requirements for Commercial Franchises*, which was promulgated on April 30, 2007 and was then amended on February 23, 2012 and came into effect on April 1, 2012. The above two implementing regulations, together with the *Administrative Regulations on Commercial Franchise Operations* form the basic legal framework for the regulation of the PRC franchise operations.

Regulations Relating to Advertising

In 1994, the Standing Committee of the National People's Congress promulgated the *Advertising Law of the PRC*, which was recently amended on April 29, 2021 and became effective on the same date. The *Advertising Law of the PRC* regulates commercial advertising activities in the PRC and sets out the obligations of advertisers, advertising operators, advertising publishers and advertisement endorsers, and prohibits any advertisement from containing any obscenity, pornography, gambling, superstition, terrorism or violence-related content. Any advertiser in violation of such requirements on advertisement content will be ordered to cease publishing such advertisements and imposed a fine, the business license of such advertiser may be revoked, and the authorities may revoke the approval document for advertisement examination and refuse to accept applications submitted by such advertiser for one year. In addition, any advertising operator or advertising publisher in violation of such requirements will be imposed a fine, and the advertisement fee received will be confiscated; in severe circumstances, the business license of such advertising operator or advertising publisher may be revoked.

The *Measures for the Administration of Internet Advertising*, which regulate the internet-based advertising activities were adopted by the State Administration for Market Regulation on February 25, 2023 and became effective on May 1, 2023. According to these measures, internet advertisers are responsible for the authenticity of the advertisements content and all online advertisements must be identifiable so that viewers can identify them as advertisements. Publishing and circulating advertisements through the internet shall not affect the normal use of the internet by users. These measures prohibit inducing users to click advertising links or content by the following deceptive or misleading means: (i) using fake system or fake alarms on system updates, system errors, clearances, notices and so on, (ii) using fake symbols for playing content, start, pause, return or so on, (iii) using deceptive promises relating to awards, or (iv) using other means to induce users to click on the content of advertisements. In addition, advertisements for cosmetic products are prohibited from publishing on any internet medium targeting minors.

On December 12, 2025, the State Administration for Market Regulation released the Draft Guidelines for Law Enforcement on Advertising Citation Content for public comment, with the consultation period ending on January 12, 2026. The Draft Guidelines are intended to regulate advertising citation practices in China and further elaborate on three key principles. First, the Draft Guidelines clarify standards for authority by imposing specific requirements on the reliability of cited sources. Second, they regulate the presentation of cited content, prohibiting the use of out-of-context or ambiguous statements. Third, they seek to curb improper advertising practices, such as the use of “large-font/small-font” disclaimers, which may enable advertisers to evade responsibility or mislead consumers through inconspicuous disclosures.

Regulations Relating to Leasing

Pursuant to the *Law on Administration of Urban Real Estate of the PRC* promulgated by the Standing Committee of the National People’s Congress on July 5, 1994 and amended on August 30, 2007, August 27, 2009, August 26, 2019 and took effect on January 1, 2020, and the Administrative Measures for Commodity House Leasing promulgated by the Ministry of Housing and Urban-Rural Development on December 1, 2010 and taking effect on February 1, 2011, when leasing premises, the lessor and lessee are required to enter into a written lease contract, containing such provisions as the leasing term, use of the premises, rental and repair liabilities, and other rights and obligations of both parties. Both lessor and lessee are also required to register the lease with the real estate administration department within thirty days upon the conclusion of the lease contract. If the lessor and lessee fail to go through the registration procedures, both lessor and lessee may be subject to fines.

According to *Part III of the PRC Civil Code, which are pertinent to contracts*, the lessee may sublease the leased premises to a third party, subject to the consent of the lessor. Where the lessee subleases the premises, the lease contract between the lessee and the lessor remains valid. The lessor is entitled to terminate the lease contract if the lessee subleases the premises without the consent of the lessor. In addition, if the lessor transfers the premises, the lease contract between the lessee and the lessor will still remain valid.

Pursuant to *Part II of the PRC Civil Code, which are pertinent to property rights*, if a mortgagor leases the mortgaged property before the mortgage contract is executed, the previously established leasehold interest will not be affected by the subsequent mortgage; and where a mortgagor leases the mortgaged property after the creation and registration of the mortgage interest, the leasehold interest will be subordinated to the registered mortgage.

Regulations Relating to Construction Project

Pursuant to the Regulations on Planning Administration Regarding Assignment and Transfer of the Rights to Use of the State-Owned Land in Urban Area promulgated by the Ministry of Construction on December 4, 1992 and amended on January 26, 2011, a construction land planning permit shall be obtained from the municipal planning authority with respect to the planning and use of land. Pursuant to the PRC Urban and Rural Planning Law promulgated by the Standing Committee of the National People’s Congress on October 28, 2007 and most recently amended on April 23, 2019, a construction work planning permit must be obtained from the competent urban and rural planning government authority for the construction of any structure, fixture, road, pipeline, or other engineering project within an urban or rural planning area.

After obtaining a construction work planning permit, a construction enterprise must apply for a construction work commencement permit from the housing and urban-rural development administrative department of a local people’s government at or above the county level or above pursuant to the *Administrative Provisions on Construction Permit of Construction Projects*, promulgated by the Ministry of Construction (the predecessor of the Ministry of Housing and Urban-Rural Development) on October 15, 1999, and as most recently amended on March 30, 2021.

Pursuant to the Administrative Measures for Reporting Details Regarding Acceptance Examination upon Completion of Buildings and Municipal Infrastructure promulgated by the Ministry of Construction on April 7, 2000 and amended on October 19, 2009, and the Provisions on Acceptance Examination upon Completion of Buildings and Municipal Infrastructure promulgated by the Ministry of Housing and Urban-Rural Development on December 2, 2013, the construction enterprise shall complete the project inspection required by the above provisions and shall go through the filing procedures with the competent governmental authorities where the construction project is located within 15 days after the inspection is completed.

The *Construction Law of PRC*, which took effect on November 1, 1997 and was most recently amended on April 23, 2019, respectively, is primarily aimed at regulating the construction industry. Pursuant to the *Construction Law of PRC*, the developer shall apply for a construction permit prior to commencement of a construction project, except for small projects below the limit determined by the construction administrative authorities of the State Council. Unauthorized construction without obtaining construction permit and projects which do not satisfy the criteria for commencement of work may face orders to stop construction and fines by construction administrative authorities.

Under the *Administrative Provisions on Construction Permit of Construction Projects*, construction and decoration of all kinds of buildings and ancillary facilities shall apply for the permission before starting construction project unless the amount investment of the project less than RMB300,000 or the area of the construction project is less than 300 square meters (the administrative department of Housing and Urban-Rural development in provincial level may adjust the limitation capital based on the reality of different regions). According to the *Notice of the Department of Housing and Urban-Rural Development of Guangdong Province on Adjusting the Threshold for Housing Construction and Municipal Infrastructure Projects Requiring Construction Permits*, from September 1, 2019, housing construction and municipal infrastructure projects with the project amount of not more than RMB1,000,000 or building area of not more than 500 square meters is not required to apply for a construction permit. Some of our leased properties in Guangdong Province are over 500 square meters and the project amount of which are more than RMB1,000,000 thus shall apply for the construction permit. As of the date of this annual report, we have not obtained some of such requisite permissions, which might result in an order of corrections within a time limit, and a fine of 1% to 2% of the project amount.

Pursuant to the *Regulations on the Quality Management of Construction Projects*, which took effect on January 30, 2000 and was most recently amended on April 23, 2019, a construction enterprise may be subject to suspension of construction, a fine of not less than 2% but not more than 4% of the contractual project price, and liabilities for any losses so caused, if it commits any of the following: (i) delivering the project for use before organizing the acceptance inspection, (ii) delivering the project for use in the event that the project has not passed the acceptance inspection, or (iii) inspecting and accepting a construction project not conforming to standard as one meeting the standard.

Regulations Relating to Fire Safety

Pursuant to the *Fire Protection Law of PRC*, which took effect on April 29, 1998 and was most recently amended on April 29, 2021, and the Interim Provisions on the Administration of the Fire Protection Design Review and Final Inspection of Construction Projects promulgated by the Ministry of Housing and Urban-Rural Development on April 1, 2020 and amended on August 21, 2023, construction enterprises shall file the record of the construction projects other than the special construction projects after the completion of inspection and acceptance thereof with the competent authority in housing and urban-rural development which will conduct random inspection on the construction projects. Failure to complete the inspection and acceptance of fire protection for the construction project before its use will subject the construction enterprise to an order of suspension of construction, use, or business, with a fine ranging from RMB 30,000 to 300,000. Failure to complete the record filing after the inspection and acceptance of fire protection for the construction project will subject the construction enterprise to an order of correction and a fine not exceeding RMB 5,000.

Regulations Relating to Internet Information Security and Privacy Protection

The PRC Constitution states that the PRC laws protect the freedom and privacy of communications of citizens and prohibit infringement on such rights. PRC government authorities have enacted laws and regulations with respect to internet information security and protection of personal information from any abuse or unauthorized disclosure, which include the *Decision of the Standing Committee of the National People's Congress on Internet Security Protection* enacted and amended by the Standing Committee of the National People's Congress on December 28, 2000 and August 27, 2009, respectively, the *Provisions on the Technical Measures for Internet Security Protection* issued by the Ministry of Public Security on December 13, 2005 and took effect on March 1, 2006, the *Decision of the Standing Committee of the National People's Congress on Strengthening Network Information Protection* promulgated by the Standing Committee of the National People's Congress on December 28, 2012, the *Several Provisions on Regulating the Market Order of Internet Information Services* promulgated by the Ministry of Industry and Information Technology on December 29, 2011, and the *Provisions on Protection of Personal Information of*

Telecommunication and Internet Users released by the Ministry of Industry and Information Technology on July 16, 2013. Internet information in China is regulated from a national security standpoint.

On November 1, 2015, the Ninth Amendment to *the Criminal Law of the PRC* issued by the Standing Committee of the National People's Congress became effective, pursuant to which, any internet service provider that fails to comply with obligations related to internet information security administration as required by applicable laws and refuses to rectify upon order is subject to criminal penalty for (i) any large-scale dissemination of illegal information; (ii) any severe consequences due to the leakage of the user information; (iii) any serious loss of criminal evidence; or (iv) other severe circumstances. Furthermore, any individual or entity that (i) sells or distributes personal information in a manner which violates the regulations, or (ii) steals or illegally obtain any personal information is subject to criminal penalty under severe circumstances.

On June 1, 2017, the *Cyber Security Law of the PRC*, promulgated by the Standing Committee of the National People's Congress, took effect and amended on October 28, 2025, which is formulated to maintain the network security, safeguard the cyberspace sovereignty, national security and public interests, protect the lawful rights and interests of citizens, legal persons and other organizations, and requires that a network operator, which includes, among others, internet information services providers, take technical measures and other necessary measures to safeguard the safe and stable operation of the networks, effectively respond to the network security incidents, prevent illegal and criminal activities, and maintain the integrity, confidentiality and availability of network data. The *Cyber Security Law of the PRC* reaffirms the basic principles and requirements set forth in other existing laws and regulations on personal information protections and strengthens the obligations and requirements of internet service providers, which include but are not limited to: (i) keeping all user information collected strictly confidential and setting up a comprehensive user information protection system; (ii) abiding by the principles of legality, rationality and necessity in the collection and use of user information and disclosure of the rules, purposes, methods and scopes of collection and use of user information; and (iii) protecting users' personal information from being leaked, tampered with, destroyed or provided to third parties. Any violation of the provisions and requirements under the *Cyber Security Law of the PRC* and other related regulations and rules may result in administrative liabilities such as warnings, fines, confiscation of illegal gains, revocation of licenses, suspension of business, and shutting down of websites, or, in severe cases, criminal liabilities. After the release of the *Cyber Security Law of the PRC*, on May 2, 2017, the Cyberspace Administration of China, together with another ten regulatory authorities jointly issued the *Measures for Cybersecurity Review*, which become effective on June 1, 2020. These measures establish the basic framework and principle for national cybersecurity reviews of network products and services.

For the further purposes of regulating data processing activities, safeguarding data security, promoting data development and utilization, protecting the lawful rights and interests of individuals and organizations, and maintaining national sovereignty, security, and development interests, on June 10, 2021, the Standing Committee of the PRC National People's Congress published the *Data Security Law of the People's Republic of China*, or the Data Security Law, which took effect on September 1, 2021. The Data Security Law requires data processing, which includes the collection, storage, use, processing, transmission, provision, publication of data, to be conducted in a legitimate and proper manner. The Data Security Law provides for data security and privacy obligations on entities and individuals carrying out data activities. The Data Security Law also introduces a data classification and hierarchical protection system based on the importance of data in economic and social development, and the degree of harm it may cause to national security, public interests, or legitimate rights and interests of individuals or organizations if such data are tampered with, destroyed, leaked, illegally acquired or illegally used. The appropriate level of protection measures is required to be taken for each respective category of data. For example, a processor of important data is required to designate the personnel and the management body responsible for data security, carry out risk assessments of its data processing activities and file the risk assessment reports with the competent authorities. State core data, i.e., data having a bearing on national security, the lifelines of national economy, people's key livelihood and major public interests, shall be subject to stricter management system. Moreover, the Data Security Law provides a national security review procedure for those data activities which affect or may affect national security and imposes export restrictions on certain data and information. In addition, the Data Security Law also provides that any organization or individual within the territory of the PRC shall not provide any foreign judicial body and law enforcement body with any data without the approval of the competent PRC governmental authorities.

On July 6, 2021, certain PRC regulatory authorities issued Opinions on Strictly Cracking Down on Illegal Securities Activities, which, among others, provides for improving the laws and regulations on data security, cross-border data transmission, and confidential information management. It provided that efforts will be made to revise the regulations on strengthening the confidentiality and file management relating to the offering and listing of securities overseas, to implement the responsibility on information security of overseas listed companies, and to strengthen the standardized management of cross-border information provision mechanisms and procedures.

For the purposes of protecting rights and interests relating to personal information, regulating personal information processing activities, and promoting the reasonable use of personal information, on August 20, 2021, the Standing Committee of the PRC National People's Congress published the *Personal Information Protection Law of the People's Republic of China*, or the Personal Information Protection Law, which took effect on November 1, 2021. The Personal Information Protection Law integrates the scattered rules with respect to personal information rights and privacy protection. It is clarified that "Personal information" refers to all kinds of information related to identified or identifiable natural persons that are electronically or otherwise recorded, excluding information that has been anonymized, "Sensitive personal information" refers to the personal information of which the leakage or illegal use could easily lead to the violation of the personal dignity of a natural person or harm to personal or property safety, including information on biometric identification, religious beliefs, specific identity, health care, financial accounts, and personal whereabouts, and personal information of minors under the age of fourteen, and "Personal information processing" includes, but is not limited to, the collection, storage, use, processing, transmission, provision, disclosure, and deletion of personal information. From a macro level, the Personal Information Protection Law sets forth on personal information processing rules, sensitive personal information processing rules, cross-border provision of personal information rules, individuals' rights in personal information processing activities, obligations of personal information processors, authorities performing personal information protection functions and legal liability. The Personal Information Protection Law also focuses on the legal basis of personal information processing, separate consent, automated decision-making, personal information protection impact assessment, etc. On November 14, 2021, the Cyberspace Administration of China released the Regulations on the Network Data Security (Draft for Comments). These draft regulations provide that data processors refer to individuals or organizations that autonomously determine the purpose and the manner of processing data. If a data processor that processes personal data of more than one million users would like to list overseas, it shall apply for a cybersecurity review according to these draft regulations. Besides, data processors that are listed overseas shall carry out an annual data security assessment. On February 12, 2025, Cyberspace Administration of China issued the *Measures for the Administration of Personal Information Protection Compliance Audits*, which became effective on May 1, 2025. These measures require personal information processors handling the personal information of more than 10 million individuals to conduct compliance audits at least once every two years. On October 14, 2025, the Cyberspace Administration of China and the State Administration for Market Regulation jointly promulgated the *Measures for the Certification of the Outbound Transfer of Personal Information*, which took effect on January 1, 2026. These measures establish a certification mechanism for non-critical information infrastructure operators transferring personal information overseas within specified volume thresholds, and further complete China's regulatory framework governing cross-border data transfers, together with the security assessment mechanism and the standard contractual clauses regime.

On December 28, 2021, the Cyberspace Administration of China, together with certain other PRC governmental authorities, jointly released the Revised Measures for Cybersecurity Review, which took effect on February 15, 2022. Pursuant to the Revised Measures for Cybersecurity Review, operators of critical information infrastructure that intend to purchase network products and services that affect or may affect national security must apply for a cybersecurity review. In addition, any online platform operator holding over one million users' individual information must apply for a cybersecurity review before listing abroad. The cybersecurity review will evaluate, among others, the risk of critical information infrastructure, core data, important data, or the risk of a large amount of personal information being influenced, controlled or maliciously used by foreign governments after going public, and cyber information security risk. The Revised Measures for Cybersecurity Review set out certain general factors which would be the focus in assessing the national security risk during a cybersecurity review. However, as advised by our PRC legal counsel, the scope of network product or service or data processing activities that will or may affect national security is still unclear, and the PRC government authorities may have wide discretion in the interpretation and enforcement of these laws, rules and regulations.

On March 22, 2024, the Cyberspace Administration of China released the *Provisions on Facilitating and Regulating the Cross-Border Data Transfer* with immediate effect. The regulations aim to ensure data security, protect personal information rights and interests, and promote the orderly and free flow of data in accordance with the law. The regulations specify the declaration standards for important data export security assessment, and stipulate various conditions for data export activities that are exempt from declaration of data export security assessment, the establishment of personal information export standard contracts, and the certification of personal information protection. This includes situations where data that does not contain personal information or important data in international trade activities is provided overseas. At the same time, regulations have been made on the validity period and extension application of data export security assessment, data security protection obligations and supervisory management responsibilities, and the connection and application with other regulations on data export security management.

The State Council of the PRC published the *Regulation on Network Data Security Management* on September 24, 2024, which became effective on January 1, 2025. The regulation provides detailed guidelines for the implementation of the Cyber Security Law of the PRC, the Data Security Law of the PRC, and the Personal Information Protection Law of the PRC. The regulation stipulates a series of requirements for network data processors, including to identify, report and take specific measures to protect “important data” involved in their business. Failure to comply with these obligations may result in administrative penalties, including fines, suspension of business operations, and revocation of business licenses. The regulation also requires that network data processors processing the personal information of 10 million or more individuals to implement additional measures on personal information protection, including but not limited to, specifying the person in charge and the management body to perform corresponding responsibilities for network data security protection.

Regulations Relating to Intellectual Property

China has adopted comprehensive legislation governing intellectual property rights, including copyrights, trademarks, patents and domain names. China is a signatory to the primary international conventions on intellectual property rights and has been a member of the Agreement on Trade Related Aspects of Intellectual Property Rights since its accession to the World Trade Organization in December 2001.

Copyright

On September 7, 1990, the Standing Committee of the National People’s Congress promulgated the *Copyright Law of the PRC*, or the Copyright Law, effective on June 1, 1991 and amended on October 27, 2001, February 26, 2010 and November 11, 2020, respectively. The amended Copyright Law extends copyright protection to internet activities, products disseminated over the internet and software products, and other intellectual achievements that meet the characteristics of works. In addition, there is a voluntary registration system administered by the Copyright Protection Center of China.

Under the *Regulations on the Protection of the Right to Network Dissemination of Information* that took effect on July 1, 2006 and was amended on January 30, 2013, it further provides that an internet information service provider may be held liable under various situations: (i) if it knows or should reasonably have known a copyright infringement through the internet and the service provider fails to take effective measures to remove, block or disconnect links to the relevant content; or (ii) upon the receipt of the copyright holder’s notice of such infringement, the service provider fails to take aforementioned measures.

In order to further implement the *Regulations on Computer Software Protection*, promulgated by the State Council on December 20, 2001 and amended on January 8, 2011 and January 30, 2013, respectively, the National Copyright Administration issued the *Measures for the Registration of Computer Software Copyright* on February 20, 2002, which specify detailed procedures and requirements with respect to the registration of software copyrights.

Trademark

According to the *Trademark Law of the PRC* promulgated by the Standing Committee of the National People's Congress on August 23, 1982, and amended on February 22, 1993, October 27, 2001, August 30, 2013 and April 23, 2019 respectively, the Trademark Office of the State Administration for Industry and Commerce is responsible for the registration and administration of trademarks in China. The State Administration for Industry and Commerce under the State Council has established a Trademark Review and Adjudication Board for resolving trademark disputes. Registered trademarks are valid for ten years from the date the registration is approved. A registrant may apply to renew a registration within twelve months before the expiration date of the registration. If the registrant fails to apply in a timely manner, a grace period of six additional months may be granted. If the registrant fails to apply before the grace period expires, the registered trademark shall be deregistered. Renewed registrations are valid for another ten years. On April 29, 2014, the State Council issued the revised the *Implementing Regulations of the Trademark Law of the PRC*, which specified the requirements of applying for trademark registration and renewal. According to this law, using a trademark that is identical to or similar to a registered trademark in connection with the same or similar goods without the authorization of the owner of the registered trademark constitutes an infringement of the exclusive right to use a registered trademark. The infringer shall, in accordance with the regulations, undertake to cease the infringement, take remedial action, and pay damages.

Patent

According to the *Patent Law of the PRC*, or the Patent Law, promulgated by the Standing Committee of the National People's Congress on March 12, 1984, which was most recently amended on October 17, 2020, and the *Implementation Rules of the Patent Law of the PRC*, promulgated by the State Council on June 15, 2001 and most recently amended on December 11, 2023, the patent administrative department under the State Council is responsible for the administration of patent-related work nationwide and the patent administration departments of provincial or autonomous regions or municipal governments are responsible for administering patents within their respective administrative areas. The Patent Law and the *Implementation Rules of the Patent Law of the PRC* provide for three types of patents, namely "inventions," "utility models" and "designs." Invention patents are valid for twenty years, while utility model patents and design patents are valid for ten years, from the date of application. The Chinese patent system adopts a "first come, first file" principle, which means that where more than one person files a patent application for the same invention, a patent will be granted to the person who files the application first. An invention or a utility model must possess novelty, inventiveness and practical applicability to be patentable. Third parties must obtain consent or a proper license from the patent owner to use the patent. Otherwise, the unauthorized use constitutes an infringement on the patent rights.

Domain names

On August 24, 2017, the Ministry of Industry and Information Technology promulgated the *Administrative Measures for Internet Domain Names*, which became effective on November 1, 2017. These measures regulate the registration of domain names, such as the China's national top-level domain name ".CN". The China Internet Network Information Center, issued the *Administrative Regulations for Country Code Top-Level Domain Name Registration* and *Country Code Top-Level Dispute Resolution Rules* on June 18, 2019, pursuant to which the China Internet Network Information Center can authorize a domain name dispute resolution institution to decide domain name related disputes.

Regulations Relating to Foreign Exchange

The principal regulations governing foreign currency exchange in China are the *Administrative Regulations on Foreign Exchange of the PRC*, which were promulgated by the State Council on January 29, 1996, became effective on April 1, 1996 and was mostly amended on August 5, 2008 and the *Administrative Regulations on Foreign Exchange Settlement, Sales and Payment* which was promulgated by the People's Bank of China, on June 20, 1996 and became effective on July 1, 1996. Under these regulations, payments of current account items, such as profit distributions and trade and service-related foreign exchange transactions, can be made in foreign currencies without prior approval from the SAFE by complying with certain procedural requirements. By contrast, approval from or registration with appropriate government authorities is required where Renminbi is to be converted into foreign currency and remitted out of China to pay capital account items such as the repayment of foreign currency denominated loans, direct

investment overseas and investments in securities or derivative products outside of the PRC. Foreign-invested enterprises are permitted to convert their after-tax dividends into foreign exchange and to remit such foreign exchange out of their foreign exchange bank accounts in the PRC. Violations of the *Administrative Regulations on Foreign Exchange of the PRC* will result in fines (fixed range or based on the amount of the illegal transmitted amount), confiscation of illegally obtained gains, and suspension of business or revoking business license or even criminal liability.

On March 30, 2015, the SAFE promulgated the *Notice on Reforming the Administration of Foreign Exchange Settlement of Capital of Foreign-invested Enterprises*, or the SAFE Circular 19, which took effect on June 1, 2015. According to SAFE Circular 19, the foreign currency capital contribution to a foreign-invested enterprise in its capital account may be converted into Renminbi on a discretionary basis.

On June 9, 2016, the SAFE promulgated the *Circular on Reforming and Regulating Policies on the Management of the Settlement of Foreign Exchange of Capital Accounts*, or the SAFE Circular 16, which was recently amended on December 4, 2023. The SAFE Circular 16 unifies the Discretionary Foreign Exchange Settlement for all the domestic institutions. The Discretionary Foreign Exchange Settlement means that the foreign exchange capital in the capital account which has been confirmed by the relevant policies to be subject to the discretionary foreign exchange settlement (including foreign exchange capital, foreign loans and funds remitted from the proceeds from the overseas listing) can be settled at the banks based on the actual operational needs of the domestic institutions. The proportion of Discretionary Foreign Exchange Settlement of the foreign exchange capital is temporarily determined as 100%. Violations of SAFE Circular 19 or SAFE Circular 16 could result in administrative penalties in accordance with the *Administrative Regulations on Foreign Exchange of the PRC* and relevant provisions.

Furthermore, SAFE Circular 16 provides that the use of foreign exchange incomes of capital accounts by foreign-invested enterprises shall follow the principles of authenticity and self-use within the business scope of the enterprises. The foreign exchange incomes of capital accounts and capital in RMB obtained by the foreign-invested enterprise from foreign exchange settlement shall not be used for the following purposes: (i) directly or indirectly used for the payment beyond the business scope of the enterprises or the payment prohibited by the laws and regulations; (ii) directly or indirectly used for investment in securities or financial schemes (except for the wealth management products with risk assessment results not higher than level 2 and the structured deposits); (iii) used for granting loans to non-affiliated enterprises, unless otherwise permitted by its business scope; and (iv) used for the construction or purchase of real estate that is not for self-use (except for the enterprises engaged in real estate development and management or real estate leasing).

On October 23, 2019, the SAFE promulgated the *Notice of the State Administration of Foreign Exchange on Further Promoting the Convenience of Cross-border Trade and Investment*, or the SAFE Circular 28, which was recently amended on December 4, 2023. The SAFE Circular 28 provides that non-investment foreign-invested enterprises may use capital to carry out domestic equity investment in accordance with laws under the premise that the investment is not in violation of the applicable special entry management measures for foreign investment (negative list) and the projects invested are true and in compliance with the laws and regulations.

On April 10, 2020, the SAFE issued the *Notice of the State Administration of Foreign Exchange on Optimizing Foreign Exchange Administration to Support the Development of Foreign-related Business*, or the SAFE Circular 8. The SAFE Circular 8 provides that under the condition that the use of the funds is genuine and compliant with current administrative provisions on use of income relating to capital account, enterprises are allowed to use income under capital account such as capital funds, foreign debts and overseas listings for domestic payment, without submission to the bank prior to each transaction of materials evidencing the veracity of such payment.

On September 12, 2025, the SAFE issued the *Notice on Matters Concerning Deepening the Reform of Foreign Exchange Management for Cross-border Investment and Financing*, or the SAFE Circular 43. The SAFE Circular 43 introduces a series of measures to deepen foreign exchange administration reforms for cross-border investment and financing, including removing certain registration requirements for preliminary expenses of foreign direct investment and domestic reinvestment, and facilitating capital account receipts and payments by narrowing the negative list for the use of funds.

Regulations Relating to Dividend Distributions

The principal regulations governing distribution of dividends of wholly foreign-owned enterprise, include the PRC Company Law, the Foreign Investment Law and the Implementing Regulations of the Foreign Investment Law. Under these regulations, wholly foreign-owned enterprises in China may pay dividends only out of their accumulated profits, if any, determined in accordance with the PRC accounting standards and regulations. In addition, foreign-invested enterprises in the PRC are required to allocate at least 10% of their accumulated profits each year, if any, to fund certain reserve funds unless these reserves have reached 50% of the registered capital of the enterprises. These reserves are not distributable as cash dividends.

Regulations Relating to Offshore Special Purpose Companies Held by PRC Residents

According to the *Circular on Printing and Distributing the Provisions on Foreign Exchange Administration over Domestic Direct Investment by Foreign Investors and the Supporting Documents* promulgated by the SAFE on May 10, 2013 and most recently amended on December 30, 2019, the administration by the SAFE or its local branches over direct investment by foreign investors in the PRC shall be conducted by way of registration and banks shall process foreign exchange business relating to the direct investment in the PRC based on the registration information provided by the SAFE and its branches.

The SAFE promulgated Notice on Issues Relating to Foreign Exchange Administration over the Overseas Investment and Financing and Round-trip Investment by Domestic Residents via Special Purpose Vehicles, or the SAFE Circular 37, on July 4, 2014 that requires PRC residents or entities to register with the SAFE or its local branch in connection with their establishment or control of an offshore entity established for the purpose of overseas investment or financing. In addition, such PRC residents or entities must update their registrations with the SAFE when the offshore special purpose vehicle undergoes material events relating to any change of basic information (including change of such PRC citizens or residents, name and term of operation), capital increase or capital reduction, transfers or exchanges of shares, or mergers or divisions.

The SAFE further enacted the Notice of the State Administration of Foreign Exchange on Further Simplifying and Improving the Foreign Exchange Management Policies for Direct Investment, or the SAFE Circular 13, which allows PRC residents or entities to register with qualified banks in connection with their establishment or control of an offshore entity established for the purpose of overseas investment or financing. However, remedial registration applications made by PRC residents that previously failed to comply with the SAFE Circular 37 continue to fall under the jurisdiction of the local branch of the SAFE. In the event that a PRC shareholder holding interests in a special purpose vehicle fails to fulfill the required registration with the SAFE, the PRC subsidiaries of that special purpose vehicle may be prohibited from distributing profits to the offshore parent and from carrying out subsequent cross-border foreign exchange activities, and the special purpose vehicle may be restricted in its ability to contribute additional capital into its PRC subsidiary.

On January 26, 2017, the SAFE issued the *Notice on Improving the Check of Authenticity and Compliance to Further Promote Foreign Exchange Control*, or the SAFE Circular 3, which provides for several capital control measures with respect to the outbound remittance of profit from domestic entities to offshore entities, including (i) under the principle of genuine transaction, banks shall check board resolutions regarding profit distribution, the original version of tax filing records and audited financial statements; and (ii) domestic entities shall hold income to account for previous years' losses before remitting the profits. Moreover, pursuant to SAFE Circular 3, domestic entities shall make detailed explanations of the sources of capital and utilization arrangements, and provide board resolutions, contracts and other proof when completing the registration procedures in connection with an outbound investment.

Regulations Relating to Stock Incentive Plans

According to the *Notice of the State Administration of Foreign Exchange on Issues Relating to the Foreign Exchange Administration for Domestic Individuals Participating in Stock Incentive Plan of Overseas Listed Company*, which was issued on February 15, 2012 and other regulations, directors, supervisors, senior management and other employees participating in any share incentive plan of an overseas publicly-listed company who are PRC citizens or non-PRC citizens residing in China for a continuous period of not less than one year, subject to certain exceptions, are

required to register with the SAFE. All such participants need to authorize a qualified PRC agent, such as a PRC subsidiary of the overseas publicly-listed company to register with the SAFE and handle foreign exchange matters such as opening accounts, transferring and settlement of the proceeds. The notice further requires an offshore agent to be designated to handle matters in connection with the exercise of share options, sales of shares underlying the options and remittance of proceeds for the participants of the share incentive plans. Failure to complete the said registrations with the SAFE may subject our participating directors, supervisors, senior management and other employees to fines and legal sanctions.

Regulations Relating to Taxation

Income tax

According to the *Enterprise Income Tax Law of the PRC*, which was promulgated on March 16, 2007, became effective as of January 1, 2008 and was most recently amended on December 29, 2018, an enterprise established outside the PRC with de facto management bodies within the PRC is considered a resident enterprise for PRC enterprise income tax purposes and is generally subject to a uniform 25% enterprise income tax rate on its worldwide income. The *Implementing Rules of the Enterprise Income Law of the PRC* defines a “de facto management body” as a managing body that in practice exercises “substantial and overall management and control over the production and operations, personnel, accounting, and properties” of the enterprise. Non-PRC resident enterprises without any branches in the PRC pay an enterprise income tax in connection with their income originating from the PRC at the tax rate of 10%. Enterprises that are recognized as high and new technology enterprises in accordance with the *Administrative Measures for the Determination of High and New Tech Enterprises* issued by the Ministry of Science, the Ministry of Finance and the State Administration of Taxation are entitled to enjoy a preferential enterprise income tax rate of 15%. Under which the validity period of the high and new technology enterprise qualification shall be three years from the date of issuance of the certificate. An enterprise can re-apply for such recognition as a high and new technology enterprise before or after the previous certificate expires.

On February 3, 2015, the State Administration of Taxation issued the Announcement on Several Issues Concerning the Enterprise Income Tax on Indirect Transfer of Assets by Non-Resident Enterprises, or the SAT Circular 7. The SAT Circular 7 provides comprehensive guidelines relating to, and heightening the Chinese tax authorities’ scrutiny on, indirect transfers by a non-resident enterprise of assets (including assets of organizations and premises in PRC, fixed assets in the PRC, equity investments in PRC resident enterprises) or the PRC Taxable Assets. For instance, when a non-resident enterprise transfers equity interests in an overseas holding company that directly or indirectly holds certain PRC Taxable Assets and if the transfer is ascertained by the PRC tax authorities to have no reasonable commercial purpose other than to evade enterprise income tax, the SAT Circular 7 allows the PRC tax authorities to reclassify the indirect transfer of PRC Taxable Assets into a direct transfer and therefore impose a 10% rate of PRC enterprise income tax on the non-resident enterprise. The SAT Circular 7 lists several factors to be taken into consideration by tax authorities in determining if an indirect transfer has a reasonable commercial purpose. However, regardless of these factors, the overall arrangements in relation to an indirect transfer satisfying all the following criteria will be deemed to lack a reasonable commercial purpose: (i) 75% or more of the equity value of the intermediary enterprise being transferred is derived directly or indirectly from PRC Taxable Assets; (ii) at any time during the one-year period before the indirect transfer, 90% or more of the asset value of the intermediary enterprise (excluding cash) is comprised directly or indirectly of investments in the PRC, or during the one-year period before the indirect transfer, 90% or more of its income is derived directly or indirectly from the PRC; (iii) the functions performed and risks assumed by the intermediary enterprise and any of its subsidiaries and branches that directly or indirectly hold the PRC Taxable Assets are limited and are insufficient to prove their economic substance; and (iv) the foreign tax payable on the gain derived from the indirect transfer of the PRC Taxable Assets is lower than the potential PRC tax on the direct transfer of those assets. On the other hand, indirect transfers falling into the scope of the safe harbors under the SAT Circular 7 may not be subject to PRC tax under the SAT Circular 7. The safe harbors include qualified group restructurings, public market trades and exemptions under tax treaties or arrangements.

On October 17, 2017, the State Administration of Taxation issued the *Announcement on Issues Relating to Withholding at Source of Income Tax of Non-resident Enterprises*, or the SAT Circular 37, which took effect on December 1, 2017. Certain provisions of the SAT Circular 37 were repealed by the *Announcement of the State Administration of Taxation on Revising Certain Taxation Normative Documents*. According to the SAT Circular 37, the balance after deducting the equity net value from the equity transfer income shall be the taxable income amount for equity transfer income. Equity transfer income shall mean the consideration collected by the equity transferor from

the equity transfer, including various income in monetary form and non-monetary form. Equity net value shall mean the tax computation basis for obtaining the said equity. The tax computation basis for equity shall be: (i) the capital contribution costs actually paid by the equity transferor to a Chinese resident enterprise at the time of investment and equity participation, or (ii) the equity transfer costs actually paid at the time of acquisition of such equity to the original transferor of the said equity. Where there is reduction or appreciation of value during the equity holding period, and the gains or losses may be confirmed pursuant to the rules of the finance and tax authorities of the State Council, the equity net value shall be adjusted accordingly. When an enterprise computes equity transfer income, it shall not deduct the amount in the shareholders' retained earnings such as undistributed profits of the investee enterprise, which may be distributed in accordance with the said equity. In the event of partial transfer of equity under multiple investments or acquisitions, the enterprise shall determine the costs corresponding to the transferred equity in accordance with the transfer ratio, out of all costs of the equity.

Under the SAT Circular 7 and the *Law of the PRC on the Administration of Tax Collection* promulgated by the Standing Committee of the National People's Congress on September 4, 1992 and amended on April 24, 2015, in the case of an indirect transfer, entities or individuals obligated to pay the transfer price to the transferor shall act as withholding agents. If they fail to make withholding or withhold the full amount of tax payable, the transferor of equity shall declare and pay tax to the tax authorities within seven days from the occurrence of tax payment obligation. Where the withholding agent does not make the withholding, and the transferor of the equity does not pay the tax payable amount, the tax authority may impose late payment interest on the transferor. In addition, the tax authority may also hold the withholding agents liable and impose a penalty of ranging from 50% to 300% of the unpaid tax on them. The penalty imposed on the withholding agents may be reduced or waived if the withholding agents have submitted the materials in connection with the indirect transfer to the PRC tax authorities in accordance with the SAT Circular 7.

Withholding tax on dividend distribution

The *Enterprise Income Tax Law of the PRC* prescribes a standard withholding tax rate of 20% on dividends and other China-sourced income of non-PRC resident enterprises which have no establishment or place of business in the PRC, or if established, the relevant dividends or other China-sourced income are in fact not associated with such establishment or place of business in the PRC. However, the *Implementing Rules of the Enterprise Income Law of the PRC* reduced the rate from 20% to 10%, effective as of January 1, 2008. However, a lower withholding tax rate might be applied if there is a tax treaty between China and the jurisdiction of the foreign holding companies, for example, pursuant to the *Arrangement Between the Mainland of China and the Hong Kong Special Administrative Region for the Avoidance of Double Taxation on Income*, or the Double Tax Avoidance Arrangement, and other applicable PRC laws, if a Hong Kong resident enterprise is determined by the competent PRC tax authority to have satisfied the conditions and requirements under the Double Tax Avoidance Arrangement and other applicable laws, the 10% withholding tax on the dividends that the Hong Kong resident enterprise receives from a PRC resident enterprise may be reduced to 5% upon receiving approval from the tax authority in charge.

Based on the *Notice on Relevant Issues Relating to the Enforcement of Dividend Provisions in Tax Treaties* issued on February 20, 2009 by the State Administration of Taxation, if the PRC tax authorities determine, at their discretion, that a company benefits from such reduced income tax rate due to a structure or arrangement that is primarily tax-driven, such PRC tax authorities may adjust the preferential tax treatment. And the *Announcement of the State Administration of Taxation on Issues concerning "Beneficial Owners" in Tax Treaties*, promulgated by the State Administration of Taxation on February 3, 2018 and took effect on April 1 2018, further clarified the analysis standard when determining one's qualification for beneficial owner status.

Value-added tax

Pursuant to the *Interim Regulations on Value-Added Tax of the PRC*, which was promulgated by the State Council on December 13, 1993 and as most recently amended on November 19, 2017, and the *Implementation Rules for the Interim Regulations on Value-Added Tax of the PRC*, which was promulgated by the Ministry of Finance, and the State Administration of Taxation on December 15, 2008 and became effective on January 1, 2009 and as amended on October 28, 2011, entities or individuals engaging in sale of goods, provision of processing services, repairs and replacement services or importation of goods within the territory of the PRC shall pay value-added taxes, or the VATs. Unless otherwise provided, the rate of VAT is 17% on sales and 6% on the services. On April 4, 2018, the Ministry of Finance and the State Administration of Taxation jointly promulgated the *Circular of the Ministry of Finance and*

the State Administration of Taxation on Adjustment of Value-Added Tax Rates, or the Circular 32, according to which (i) for VAT taxable sales acts or import of goods originally subject to VAT rates of 17% and 11% respectively, such tax rates shall be adjusted to 16% and 10%, respectively; (ii) for purchase of agricultural products originally subject to tax rate of 11%, such tax rate shall be adjusted to 10%; (iii) for purchase of agricultural products for the purpose of production and sales or consigned processing of goods subject to tax rate of 16%, such tax shall be calculated at the tax rate of 12%; (iv) for exported goods originally subject to tax rate of 17% and export tax refund rate of 17%, the export tax refund rate shall be adjusted to 16%; and (v) for exported goods and cross-border taxable acts originally subject to tax rate of 11% and export tax refund rate of 11%, the export tax refund rate shall be adjusted to 10%. Circular 32 became effective on May 1, 2018 and shall supersede existing provisions which are inconsistent with Circular 32.

Since November 16, 2011, the Ministry of Finance and the State Administration of Taxation have implemented the *Pilot Plan for Imposition of Value-Added Tax to Replace Business Tax*, which imposes VAT in lieu of business tax for certain “modern service industries” in certain regions and eventually expanded to nation-wide application in 2013. According to the *Implementation Rules for the Pilot Plan for Imposition of Value-Added Tax to Replace Business Tax* released by the Ministry of Finance and the State Administration of Taxation on the VAT Pilot Program, the “modern service industries” include research, development and technology services, information technology services, cultural innovation services, logistics support, lease of corporeal properties, attestation and consulting services. The *Notice on Comprehensively promoting the Pilot Plan of the Conversion of Business Tax to Value-Added Tax*, which was promulgated on March 23, 2016, became effective on May 1, 2016 and was amended on July 11, 2017 (Circular on Pilot Policies of Levying Value-added Tax in Lieu of Business Tax on Construction Services and Other Services), sets out that VAT in lieu of business tax be collected in all regions and industries.

On March 20, 2019, the Ministry of Finance, the State Administration of Taxation and the General Administration of Customs jointly promulgated the *Announcement on Relevant Policies for Deepening Value-Added Tax Reform*, which became effective on April 1, 2019 and provides that (i) with respect to VAT taxable sales acts or import of goods originally subject to VAT rates of 16% and 10% respectively, such tax rates shall be adjusted to 13% and 9%, respectively; (ii) with respect to purchase of agricultural products originally subject to tax rate of 10%, such tax rate shall be adjusted to 9%; (iii) with respect to purchase of agricultural products for the purpose of production or consigned processing of goods subject to tax rate of 13%, such tax shall be calculated at the tax rate of 10%; (iv) with respect to export of goods and services originally subject to tax rate of 16% and export tax refund rate of 16%, the export tax refund rate shall be adjusted to 13%; and (v) with respect to export of goods and cross-border taxable acts originally subject to tax rate of 10% and export tax refund rate of 10%, the export tax refund rate shall be adjusted to 9%.

The Standing Committee of the National People’s Congress published the *Value-Added Tax Law of the PRC* on December 25, 2024, which came into effect on January 1, 2026 and replaced the *Interim Regulations on Value-Added Tax of the PRC*. While the *Value-Added Tax Law of the PRC* mainly preserves the fundamental structure of the current VAT regulations, it further clarifies and adjusts specific rules, including the definition of “taxable transactions occurring in China,” the definition of “deemed taxable transactions,” the tax rate and calculation criteria for small-scale taxpayers.

Regulations Relating to Employment

The *Labor Law of the PRC*, or the *Labor Law*, and its implementation rules provide that enterprises and institutions must establish and improve work safety and health system, strictly enforce national regulations and standards on work safety and health, and carry out work safety and health education for workers. Working safety and health facilities shall meet national standard. Enterprises and institutions shall provide workers with working safety and health conditions meeting national rules and standards on labor protection.

The *Labor Contract Law of the PRC*, or the Labor Contract Law, and its implementation rules provide requirements concerning employment contracts between an employer and its employees. If an employer fails to enter into a written employment contract with an employee within one year from the date on which the employment relationship is established, the employer must rectify the situation by entering into a written employment contract with the employee and pay the employee twice the employee's salary for the period from the one-month anniversary of the commencement date of the employment relationship to the day prior to the execution of the written employment contract. The Labor Contract Law and its implementation rules also require compensation to be paid upon certain terminations. In addition, if an employer intends to enforce a non-compete provision in an employment contract or non-competition agreement with an employee, it has to compensate the employee on a monthly basis during the term of the restriction period after the termination or expiry of the labor contract. Employers in most cases are also required to provide severance payment to their employees after their employment relationship is terminated. According to the Labor Contract Law, if an employer requires the employees to work overtime, it shall pay the worker legally required working overtime salaries. When the employer fails to pay the working overtime salary, it will be ordered to pay compensation to the employees at amount based on the actual working overtime salary that has not been duly paid.

Pursuant to the *Interim Provisions on Labor Dispatch*, which was promulgated by the Ministry of Human Resources and Social Security on January 24, 2014, effective as of March 1, 2014, employers may employ dispatched workers in temporary, auxiliary or substitutable positions provided that the number of dispatched workers shall not exceed 10% of the total number of its workers. Pursuant to the Labor Contract Law, if the employer violates the labor dispatch regulations, the labor administrative department shall order it to make corrections within a prescribed time limit; if it fails to make corrections within the time limit, penalty will be imposed on the basis of more than RMB5,000 and less than RMB10,000 per person.

Pursuant to the *Social Insurance Law of the PRC*, which was promulgated by the Standing Committee of the National People's Congress on October 28, 2010, effective on July 1, 2011 and last amended on December 29, 2018, the *Interim Regulations on the Collection of Social Insurance Fees*, issued by the State Council on January 22, 1999 and last amended on March 24, 2019, and the *Regulations on the Administration of Housing Provident Funds*, issued by the State Council on April 3, 1999 and last amended on March 24, 2019, enterprises in China are required to participate in certain employee benefit plans, including social insurance funds, namely a pension plan, a medical insurance plan, an unemployment insurance plan, a work-related injury insurance plan and a maternity insurance plan, and a housing provident fund, and contribute to the plans or funds in amounts equal to certain percentages of salaries, including bonuses and allowances, of the employees as specified by the local government from time to time at locations where they operate their businesses or where they are located. Any employer that fails to make sufficient social insurance contributions in a timely manner may be order to rectify the non-compliance and pay the required contributions within a prescribed time limit and be subject to a late fee. If the employer still fails to rectify the failure to make the contributions within the prescribed time, it may be subject to a fine ranging from one to three times the amount overdue. In addition, any employer that fails to make sufficient and timely contributions to the housing funds may be order to rectify the non-compliance and pay the required contributions within a prescribed time limit, and will also be subject to mandatory enforcement by courts in case the employer still fails to make the contributions within the prescribed time.

Regulations Relating to Mergers and Acquisitions and Overseas Listing

On August 8, 2006, six PRC regulatory agencies, including the CSRC, promulgated the *Regulations on Mergers and Acquisitions of Domestic Enterprises by Foreign Investors*, which became effective on September 8, 2006 and were amended on June 22, 2009. The Regulations on Mergers and Acquisitions of Domestic Enterprises by Foreign Investors, and other regulations and rules concerning mergers and acquisitions established additional procedures and requirements that could make merger and acquisition activities by foreign investors more time-consuming and complex. For example, the Regulations on Mergers and Acquisitions of Domestic Enterprises by Foreign Investors require that Ministry of Commerce be notified in advance of any change-of-control transaction in which a foreign investor takes control of a PRC domestic enterprise, if (i) any important industry is concerned, (ii) such transaction involves factors that impact or may impact national economic security, or (iii) such transaction will lead to a change in control of a domestic enterprise which holds a famous trademark or PRC time-honored brand.

In addition, according to the *Notice on Establishing the Security Review System for Mergers and Acquisitions of Domestic Enterprises by Foreign Investors* issued by the General Office of the State Council on February 3, 2011 and taking effect as of March 3, 2011, and the *Rules on Implementation of Security Review System for the Merger and Acquisition of Domestic Enterprises by Foreign Investors* issued by Ministry of Commerce on August 25, 2011 and taking effect as of September 1, 2011, mergers and acquisitions by foreign investors that raise “national defense and security” concerns and mergers and acquisitions through which foreign investors may acquire de facto control over domestic enterprises that raise “national security” concerns are subject to strict review by Ministry of Commerce, and the regulations prohibit any activities attempting to bypass such security review, including by structuring the transaction through a proxy or contractual control arrangement.

On February 17, 2023, the CSRC promulgated *Trial Administrative Measures of Overseas Securities Offering and Listing by Domestic Companies*, and five relevant supporting guidelines, together referred to as the New Overseas Listing Rules, which became effective on March 31, 2023. Pursuant to the New Overseas Listing Rules, PRC domestic companies that directly or indirectly offer or list their securities in an overseas market, which include (i) any PRC company limited by shares, and (ii) any offshore company that conducts its business operations primarily in China and contemplates to offer or list its securities in an overseas market based on its onshore equities, assets or similar interests, are required to file with the CSRC within three business days after submitting their listing application documents to the regulator in the place of intended listing. Specifically, the examination and determination of an indirect offering and listing will be conducted on a substance-over-form basis, and an offering and listing shall be considered as an indirect overseas offering and listing by a domestic company if the issuer meets the following conditions: (i) the operating income, gross profit, total assets, or net assets of the domestic enterprise in the most recent fiscal year, any of which was more than 50% of the relevant line item in the issuer’s audited consolidated financial statement for that year; and (ii) senior management personnel responsible for business operations and management are mostly PRC citizens or are ordinarily resident in the PRC, and the main place of business is in the PRC or carried out in the PRC. According to the New Overseas Listing Rules, the issuer or its affiliated domestic company, as the case may be, shall file with the CSRC for its initial public offering, follow-on offering and other equivalent offering activities. Particularly, the issuer shall submit the filing with respect to its initial public offering and listing within three business days after its initial filing of the listing application, and submit the filing with respect to its follow-on offering within three business days after completion of the follow-on offering. Failure to complete the record-filing under the New Overseas Listing Rules may subject a PRC domestic company to warnings, orders of correction, or fines of RMB1 million to RMB10 million.

Regulations in Hong Kong

Under the Business Registration Ordinance (Chapter 310 of the Laws of Hong Kong), our Hong Kong subsidiaries are required to have business registration certificates to carry out business activities. Below is a summary of the most significant rules and regulations which are material to our limited business operations in Hong Kong.

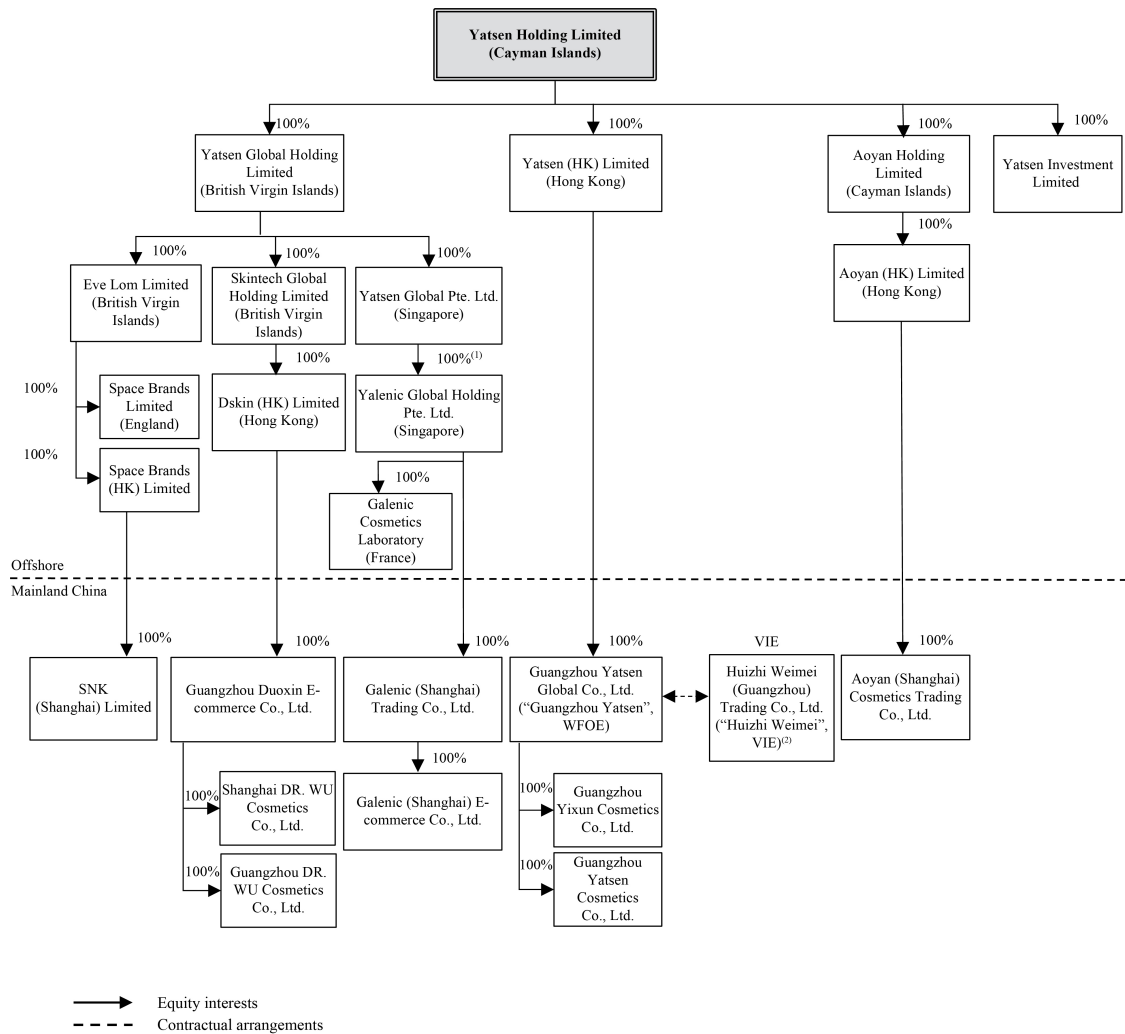
Import and export

The Import and Export Ordinance (Chapter 60 of the Laws of Hong Kong) stipulates that all cargo which is imported or exported shall be recorded in a manifest which shall contain such particulars as the Commissioner of Customs and Excise may prescribe.

Import and Export (Registration) Regulations (Chapter 60E of the Laws of Hong Kong) provides that every person who imports or exports any article other than an exempted article shall lodge an accurate and complete import or export declaration relating to such article using services provided by a specified body with the Commissioner of Customs and Excise within 14 days after the importation or exportation of the article. Our operations in Hong Kong involve import and export of products. Any person who fails or neglects to declare within 14 days after importation or exportation without reasonable excuse is liable to a fine of HK\$1,000 upon summary conviction and HK\$100 in respect of every day such declaration has not been lodged. Penalty of up to HK\$200 shall also be payable for late lodgment of a declaration.

C. Organizational Structure

The following diagram illustrates our corporate structure as of the date of this annual report, including our principal subsidiaries and other entities that are material to our business, as of the date of this annual report:



Note:

(1) In April 2026, Yatsen Global Pte. Ltd. acquired the remaining 10% equity interest in Yalenic Global Holding Pte. Ltd.

(2) Mr. Jinfeng Huang, our chief executive officer and controlling shareholder, holds 75.0% of equity interests in Huizhi Weimei. The remaining 25.0% of the equity interests in Huizhi Weimei are held by Yuemei (Guangzhou) Trading Co., Ltd., a PRC company controlled by Mr. Jinfeng Huang, who holds 90% of equity interests therein.

Contractual Arrangements with the VIE and Its Shareholders

Current PRC laws and regulations impose certain restrictions or prohibitions on foreign ownership of companies that engage in value-added telecommunication services and certain other businesses. Yatsen Holding Limited is an exempted company with limited liability incorporated in the Cayman Islands. Guangzhou Yatsen is our wholly owned PRC subsidiary. To comply with PRC laws and regulations, we conduct the business of online sales of cosmetics products and skincare products in China through Huizhi Weimei, the VIE in China, through a series of contractual

arrangements by and among Guangzhou Yatsen, the VIE and its nominee shareholders. The VIE may need to obtain licenses that are otherwise not permitted or advisable to be held directly by our wholly foreign-owned subsidiaries, including the License for Online Transmission of Audio-visual Programs and the Permit for Production and Operation of Radio and Television Programs. Although our wholly foreign-owned subsidiaries produce a significant majority of our revenues and hold a significant majority of our operational assets, the VIE holds certain assets that may be critical to the operation of our business. Main assets held by the VIE and its subsidiaries include the majority of the social platforms and content offering platforms we operate such as Weixin public accounts and mini-programs, which are registered and held by the VIE and its subsidiaries.

Our contractual arrangements with the VIE and its shareholders allow us to (i) exercise effective control over the VIE, (ii) receive substantially all of the economic benefits of the VIE, and (iii) have an exclusive option to purchase all or part of the equity interests in the VIE when and to the extent permitted by the PRC laws.

As a result of our direct ownership in Guangzhou Yatsen and the contractual arrangements with the VIE, we are regarded as the primary beneficiary of the VIE, and we treat the VIE and its subsidiaries as our consolidated entities under U.S. GAAP. We have consolidated the financial results of the VIE and its subsidiaries in our consolidated financial statements in accordance with U.S. GAAP.

The following is a summary of the currently effective contractual arrangements by and among our WFOE, the VIE and its respective shareholders.

Arrangements that provide us effective control over the VIE

Proxy Agreement and Power of Attorney. Our WFOE entered into a proxy agreement with Huizhi Weimei and its shareholders and obtained powers of attorney from shareholders of Huizhi Weimei in July 2019, which proxy agreement and powers of attorney were later amended and restated in March 2020, October 2020 and December 2025. Pursuant to the third amended and restated proxy agreement and powers of attorney, each shareholder of Huizhi Weimei irrevocably authorized our WFOE to exercise all of his or its rights as a shareholder of Huizhi Weimei, including, but not limited to, the right to convene and attend shareholder meetings, the right to vote and sign any resolution as a shareholder, the right to appoint or remove directors, and the right to sell, transfer, pledge, and dispose of all or a portion of the equity interests held by such shareholders. The proxy agreement will remain effective so long as Huizhi Weimei exists. The powers of attorney will remain effective unless otherwise notified by our WFOE.

Equity Pledge Agreement. Our WFOE, Huizhi Weimei and shareholders of Huizhi Weimei entered into an equity pledge agreement in July 2019, which was later amended and restated in March 2020, October 2020 and December 2025. Pursuant to the third amended and restated equity pledge agreement, shareholders of Huizhi Weimei have agreed to pledge all of their respective equity interests in Huizhi Weimei to our WFOE to guarantee the performance by Huizhi Weimei and its shareholders under the exclusive business cooperation agreement, the proxy agreement, the power of attorneys, the exclusive option agreement and the equity pledge agreement. As of the date of this annual report, we have registered all such equity pledges with the local branch of the State Administration for Market Regulation in accordance with PRC laws to perfect their respective equity pledges. After the completion of the equity pledge registrations, in the event of a breach by Huizhi Weimei or its shareholders of contractual obligations under these agreements, our WFOE, as pledgee, will have the right to dispose of the pledged equity interests in Huizhi Weimei. The shareholders of the VIE also undertake that, during the term of the equity pledge agreement, unless otherwise approved by our WFOE in writing, they will not transfer the pledged equity interests or create or allow any new pledge or other encumbrance on the pledged equity interests.

Spousal Consent Letter. Spouse of Jinfeng Huang, the individual shareholder of Huizhi Weimei, who holds 75.0% of equity interests in Huizhi Weimei, has signed a spousal consent letter. The remaining 25.0% of the equity interests in Huizhi Weimei are held by Yuemei (Guangzhou) Trading Co., Ltd., a PRC company controlled by Jinfeng Huang, who holds 90% of the equity interests therein. The spouse of Jinfeng Huang unconditionally and irrevocably disclaimed her rights to the relevant equity interest in Huizhi Weimei and any associated economic rights or interest to which she may be entitled pursuant to applicable laws, and has undertaken not to make any assertion of rights to such equity interest and the underlying assets. The spouse of Jinfeng Huang has agreed and undertaken that she will not carry out in any circumstances any conducts that are contradictory to the contractual arrangements and the spousal consent letter.

Agreements that allow us to receive economic benefits from the VIE

Exclusive Business Cooperation Agreements. Pursuant to the exclusive business cooperation agreement entered into in July 2019 between our WFOE and Huizhi Weimei, our WFOE has the exclusive right to provide to Huizhi Weimei services related to, among other things, software technology development, technology consulting, and technical services required by Huizhi Weimei's business. Without our WFOE's prior written consent, Huizhi Weimei cannot accept any same or similar services subject to this agreement from any third party or enter into any similar business operation agreements with any third party. Huizhi Weimei agrees to pay our WFOE an amount that is adjusted in accordance with our WFOE's sole discretion for the relevant period and also the mutually-agreed amount for certain other technical services, which should be paid within ten days after our WFOE sends invoice. Our WFOE has the exclusive ownership of all the intellectual property rights created as a result of the performance of this agreement. To guarantee Huizhi Weimei's performance of its obligations thereunder, the shareholders of Huizhi Weimei have agreed to pledge their equity interests in Huizhi Weimei to our WFOE pursuant to the equity pledge agreement. The Exclusive Business Cooperation agreement will remain effective for an initial ten years and will be renewed automatically except that our WFOE is entitled to terminate the agreement as long as a 30-day prior written termination notice is provided to Huizhi Weimei.

Agreements that provide us with the option to purchase the equity interests in the VIE

Exclusive Option Agreements. Our WFOE, Huizhi Weimei and shareholders of Huizhi Weimei entered into an exclusive option agreement in July 2019, which was later amended and restated in March 2020, October 2020 and December 2025. Pursuant to the third amended and restated exclusive option agreement, the shareholders of Huizhi Weimei irrevocably grant our WFOE an exclusive option to purchase, or have its designated person to purchase, at its discretion, to the extent permitted under PRC law, all or part of their equity interests in Huizhi Weimei, and Huizhi Weimei has irrevocably granted our WFOE an exclusive option to purchase all or part of its assets. Our WFOE or its designated person may exercise such options to purchase all equity interests and/or all assets at an aggregate consideration of RMB1.00, or the lowest price permitted under applicable PRC laws if there is any statutory requirement about the consideration under PRC laws. The shareholders of Huizhi Weimei further undertake that, without our WFOE's prior written consent, they will not, among other things, (i) sell, transfer, pledge, or dispose of their equity interests in Huizhi Weimei, (ii) create any pledge or encumbrance on their equity interests in Huizhi Weimei, (iii) change Huizhi Weimei's registered capital, (iv) merge Huizhi Weimei with any other entity, (v) sell, transfer, pledge, or dispose of Huizhi Weimei's assets (except in the ordinary course of business), or (vi) amend Huizhi Weimei's articles of association. The equity option agreement will remain effective for ten years and will be renewed automatically, except that our WFOE is entitled to terminate the agreement as long as a 10-day prior written termination notice is provided to Huizhi Weimei and its shareholders.

In the opinions of Zhong Lun Law Firm, our PRC legal counsel:

- the ownership structures of our WFOE and the VIE do not violate applicable PRC laws or regulations currently in effect; and
- the contractual arrangements among our WFOE, the VIE and its respective shareholders governed by PRC law are valid and binding, and do not violate applicable PRC laws or regulations currently in effect.

However, we have been further advised by our PRC legal counsel that there are substantial uncertainties regarding the interpretation and application of current and future PRC laws, regulations and rules. Accordingly, the PRC regulatory authorities may take a view that is contrary to or otherwise different from the above opinions of our PRC legal counsel. It is uncertain whether any new PRC laws or regulations relating to variable interest entity structures will be adopted or if adopted, what they would provide. If we or the VIE are found to be in violation of any existing or future PRC laws or regulations, or fail to obtain or maintain any of the required permits or approvals, the PRC regulatory authorities would have broad discretion to take action in dealing with such violations or failures. See "Item 3. Key Information—D. Risk Factors—Risks Relating to Our Corporate Structure—If the PRC government finds that the agreements that establish the structure for operating some of our operations in China do not comply with PRC regulations relating to the relevant industries, or if these regulations or the interpretation of existing regulations change in the future, we could be subject to severe penalties or be forced to relinquish our interests in those operations," and "Item 3. Key Information—D. Risk Factors—Risks Relating to Doing Business in China—Uncertainties with respect to the PRC legal system could adversely affect us."

D. Property, Plants and Equipment

Our principal executive office is located on leased premises comprising approximately 9,671 square meters in Guangzhou, China. We have one supplemental office comprising approximately 8,250 square meters and one R&D center comprising approximately 1,849 square meters in Guangzhou, China. We also have a business complex that serves as both office building and R&D center, comprising approximately 3,819 square meters, a 446-square-meter joint laboratory, and a small co-working office space in Shanghai, China. In addition, we lease an aggregate area of 1,320 square meters in other cities of mainland China as office space.

We have a manufacturing and R&D hub in Guangzhou, China in connection with our joint venture with Cosmax as a minority shareholder, comprising approximately 66,462 square meters, which commenced operations in August 2023. Beyond China, we have a facility that serves as both office and laboratory for the *Galénic* brand in France, comprising approximately 920 square meters. We also have a warehouse comprising approximately 1,026 square meters and an office comprising approximately 100 square meters in the UK. In the US, we have an office comprising approximately 150 square meters. All of our properties are leased and we plan to renew our leases as needed.

As of December 31, 2025, we also leased properties for 50 of our offline experience stores across 29 cities in mainland China, with an aggregate area of 4,129.2 square meters.

We believe that our existing facilities are sufficient for our current needs, and we will obtain additional facilities, principally through leasing, to accommodate our future expansion plans.

ITEM 4A. UNRESOLVED STAFF COMMENTS

Not Applicable.

ITEM 5. OPERATING AND FINANCIAL REVIEW AND PROSPECTS

The following discussion and analysis of our financial condition and results of operations should be read in conjunction with our consolidated financial statements and the related notes included elsewhere in this annual report. This report contains forward-looking statements that involve risks and uncertainties. Our actual results and the timing of selected events could differ materially from those anticipated in these forward-looking statements as a result of various factors, including those set forth under “Item 3. Key Information—D. Risk Factors” and elsewhere in this annual report. See “Forward-Looking Information.”

A. Operating Results

Founded in 2016, we have launched and acquired several color cosmetics brands and skincare brands, including *Perfect Diary*, *Little Ondine*, *Pink Bear*, *Galénic*, *DR.WU* (its mainland China business), and *Eve Lom*, among others. Our brands are strategically positioned to capture a wide spectrum of consumer demographics and price points, ranging from the mass market to the prestige and clinical segments. We thrive on the synergy of brand power, product strength and operational agility, anchored by a steadfast and enduring commitment to R&D and consumer insights.

We generate substantially all of our net revenues from the sale of beauty products under our own brands. We have developed a number of successful brands and products. Our most iconic, best-selling products include *Galénic*’s No. 1 Brightening Radiance Energy Concentrated Care, *DR.WU*’s Intensive Renewal Serum with Mandelic Acid and Purifying Renewal Essence Toner, *Eve Lom*’s Cleanser, and *Perfect Diary*’s Biolip Essense Lipstick (including the first, second and third generations).

Leveraging our omni-channel ecosystem, we gain insights through direct engagement with customers, which drives product development, content creation, and further improvement of our customer experience. We have built core technology and data capabilities that power our business operations, including our marketing strategies, product development, supply chain management and customer service.

Our total net revenues decreased from RMB3.41 billion in 2023 to RMB3.39 billion in 2024, and increased from RMB3.39 billion in 2024 to RMB4.30 billion (US\$614.6 million) in 2025. We incurred a net loss of RMB750.2 million in 2023, RMB710.2 million in 2024 and RMB92.4 million (US\$13.2 million) in 2025. Our net loss position in 2025 was mainly due to (i) strategic investments in advertising and marketing to support our brand portfolio, particularly for brands in their early development stages or those undergoing strategic transformation, (ii) personnel and administrative expenses, and (iii) share-based compensation expenses recorded in accordance with U.S. GAAP.

Key Factors Affecting Our Results of Operations

Our results of operations and financial conditions are affected by the general factors influencing China’s beauty and retail industries, including China’s overall economic growth, the increase in per capita disposable income, the continued growth of the e-commerce industry, and the growth in the willingness of consumers to spend on beauty products in China.

While our business is influenced by general factors affecting our industry, our results of operations are more directly affected by certain company specific factors, including:

Our Ability to Develop and Launch New Products and Grow Our Brands

Our ability to successfully develop and launch new products and grow our new and existing brands is pivotal to our success. We have a track record of successfully launching new and iconic products for our *Perfect Diary* brand, which were well received by consumers. Following the strategic acquisitions of *Galénic*, the mainland China business of *DR.WU*, and *Eve Lom* between late 2020 and early 2021, we have re-engineered these brands for the China market. This shift toward Skincare Brands, which typically feature higher gross margin and greater customer loyalty, has significantly diversified our revenue mix and reinforced our competitive edge.

Leveraging our strengthened R&D capabilities and insights gained through our direct engagement with customers, we are able to develop new popular products more efficiently. Having a broad, attractive and updated

product portfolio is essential to sustaining brand popularity, increasing customer retention, and encouraging repeat purchases. We intend to continue launching new products to proactively respond to evolving industry trends and customer feedback. The success of these launches is a key determinant of our business growth and our overall financial performance.

As a result, our skincare segment has demonstrated a transformative growth trajectory over the past three years. In 2023, our net revenues from Skincare Brands reached RMB1.38 billion, a 11.4% year-over-year increase, accounting for 40.5% of total net revenues. In 2024, our net revenues from Skincare Brands remained stable at RMB1.39 billion, contributing 41.1% of total net revenues. In 2025, our net revenues from Skincare Brands experienced a significant surge, reaching RMB2.28 billion (US\$325.7 million), representing a year-over-year increase of 63.5%. This performance was primarily driven by the strong growth momentum of *Galénic* and *DR.WU*, fueled by the successful scaling of their flagship product lines and the successful launch of new products. Consequently, our Skincare Brands accounted for 53.0% of total net revenues in 2025.

Our Ability to Attract and Retain Customers and Expand Coverage Among Various Sales Channels

Our success relies on our ability to continually attract new customers, retain existing customers and maintain broad coverage among various e-commerce and distribution channels, while maintaining sustainable profit margins. We strive to grow the popularity of our products with recognition of our brands, increased selection of innovative beauty products at attractive price points, our engaging shopping experience and quality customer service, and the effectiveness of our marketing initiatives. As China's beauty e-commerce and retailing landscape evolve, we will seek to balance the need to reach a broader consumer base while improving the sales through the channels where we have business presence.

We generate net revenues through sales (i) directly to end customers through various DTC online channels as well as offline stores, and (ii) to e-commerce platform distributors and offline distributors who then sell to end customers. For the years ended December 31, 2023, 2024 and 2025, our net revenues generated through DTC channels as a percentage of total net revenues were 84.6%, 82.9% and 84.9%, respectively. Going forward, we will continue to diversify our sales channels, including content and livestreaming platforms such as Douyin, shelf-based e-commerce platforms such as Tmall and third-party distributors as well as beauty-focused offline retail stores.

Our Pricing Strategy and Ability to Maintain Optimal Gross Margins

Our results of operations depend on our ability to design our pricing strategy to both maintain attractiveness to customers and to gradually improve our gross margins as we continue to grow our business. Our product pricing strategy is driven by the introduction of new products, promotional events on e-commerce platforms, adoption of new ways of engaging and selling to consumers such as livestreaming, and the broader competitive landscape. In general, we strive to gradually improve our gross margin by introducing higher-margin new products and stricter discounts and promotions, despite facing heavy price competition in the market place. As a result of our integrated approach, our gross margin was 73.6%, 77.1% and 78.2% for the years ended December 31, 2023, 2024 and 2025, respectively.

The continual improvement of our gross margin for the past three years is also the result of higher revenue contribution from our skincare products, which generally have higher gross margins compared to our color cosmetic products. We also intend to incrementally introduce products with higher gross margin under our *Perfect Diary* brand. We expect to gradually improve our gross margin over time as we continue to focus on optimizing our product mix, implementing more disciplined pricing and discount policies, and further enhancing supply chain efficiencies.

Effectiveness of Our Marketing Strategies

Our results of operations also depend on our ability to attract and retain customers while maintaining reasonable marketing expenses. Our marketing strategy is digitally native and tailored to the unique positioning of each brand within our portfolio. We rely on our ability to cultivate consumer trust through marketing campaigns that resonate with the specific target audiences of each brand. By generating digital content across leading online platforms, such as Douyin and RedNote, and leveraging our expansive network of KOLs, we amplify our brand narratives to reach a broader consumer base. Our approach aligns promotional initiatives with the distinct ethos and value propositions of each brand, aiming to convert social influence into sustained consumer demand while fostering long-term brand equity and customer loyalty.

We have also leveraged our offline experience store network to increase our presence and to reach and serve our customers at different touchpoints. As of December 31, 2025, we operated 77 experience stores, compared with 88 stores as of December 31, 2024. The reduction was due to the strategic closure of *Perfect Diary* experience stores, partially offset by the expansion of our *Galénic* offline network. We believe that maintaining a certain number of experience stores enables us to drive stronger engagement with our customers by providing a physical space to sample our products and engage with our brands.

Our selling and marketing expenses have been and will continue to be affected by the number of new product launches, spending on performance-based marketing on our e-commerce channels, branding and promotional activities to support the growth of our new and existing brands, and expenses related to our offline stores. Through our data insights, we also monitor our return on investment across our various marketing and distribution channels and adjust our marketing spending and strategy accordingly. Our selling and marketing expenses as a percentage of total net revenues remained relatively stable at 66.9% in 2024 and 66.3% in 2025. With our focus on growing our sustainability and achieving profitability, we plan to further optimize our channel mix and expenses for performance-based marketing on our e-commerce channels while allocating resources to strengthen the brand equities for our existing brands.

We also plan to optimize our expenses related to our experience stores by increasing productivity among our beauty advisors and optimizing utilization of our experience stores' space.

Our Ability to Manage Operating Costs and Expenses

Our results of operations are significantly influenced by our ability to manage our selling and marketing expenses, general and administrative expenses and fulfilment expenses.

From 2021 to 2023, we selectively closed underperforming offline stores, reduced marketing event-related expenses and streamlined our online marketing activities. In 2024, we increased our investments in the Douyin platform in response to its increasing contribution to our revenues, which was partially offset by more targeted marketing and content spending. In 2025, we further optimized our resource allocation by strategically prioritizing investments in our core Skincare Brands to capitalize on their strong market momentum. As a result, our selling and marketing expenses as a percentage of total net revenues increased from 65.3% in 2023 to 66.9% in 2024, and decreased to 66.3% in 2025. We intend to continue optimizing this ratio by reallocating marketing spending toward higher-return channels, intensifying our return on investment discipline, and capturing operating leverage across our fixed expenses.

In addition, we took measures to improve our general and administrative efficiency. Our general and administrative expenses as a percentage of total net revenues decreased from 14.7% in 2023 to 13.1% in 2024, and further decreased to 7.1% in 2025. This substantial improvement in 2025 was primarily driven by lower payroll expenses and share-based compensation expenses, coupled with the leveraging effect of higher total net revenues.

We have also developed an efficient supply chain involving manufacturing, warehousing and logistics. We leverage technology and data to manage supplier partners, ODM/OEM and packaging supply partners and other service partners, and adjust such partners' operations to maintain optimal inventory levels as well as ensure smooth product launches. We cooperate with leading manufacturers with strong capabilities, as well as physical proximity to our customers, enabling us to further shorten the production and fulfilment process, thereby improving customer experience. Fulfilment expenses as a percentage of total net revenues decreased from 6.7% in 2023 to 6.4% in 2024, and further decreased to 5.9% in 2025. We expect to further optimize our operating expenses by leveraging our technology- and data-driven supply chain management systems.

Key Components of Results of Operations

Net revenues

Our net revenues are net of refunds and value-added tax. Our net revenues are primarily generated from selling our beauty products and comprise net revenues from Color Cosmetics Brands, Skincare Brands and others. The following table sets forth the breakdown of our net revenues by segment both in absolute amounts and as a proportion of our total net revenues for the years presented:

	For the Year Ended December 31,					
	2023		2024		2025	
	RMB	%	RMB	%	RMB	US\$
(in thousands, except for percentages)						
Net revenues						
Segment						
-Color Cosmetics Brands	1,973,726	57.8	1,968,350	58.0	2,005,911	286,842
-Skincare Brands	1,383,578	40.5	1,393,259	41.1	2,277,334	325,654
-Others	57,470	1.7	31,805	0.9	14,879	2,128
Total net revenues	3,414,774	100.0	3,393,414	100.0	4,298,124	614,624

As we have been continually expanding our Skincare Brands business, we expect net revenues from the Skincare Brands segment to increase.

Sales of product by channel. We generate net revenues primarily from selling our beauty products (i) directly to end customers through various DTC online channels as well as offline stores, and (ii) to e-commerce platform distributors and offline distributors who then sell to end customers. Our DTC channels include content and livestreaming platforms such as Douyin, shelf-based e-commerce platforms such as Tmall, and our offline stores. Our primary e-commerce platform distributors are JD.com and Vipshop. The following table sets forth the breakdown of our net revenues by channel both in absolute amounts and as a proportion of our total net revenues for the years presented:

	For the Year Ended December 31,					
	2023		2024		2025	
	RMB	%	RMB	%	RMB	US\$
(in thousands, except for percentages)						
Net revenues						
Sales of product by channel						
-Sales to end customers	2,890,229	84.6	2,812,370	82.9	3,646,257	521,409
-Sales to distributor customers	514,781	15.1	572,541	16.9	641,332	91,709
-Others	9,764	0.3	8,503	0.2	10,535	1,506
Total net revenues	3,414,774	100.0	3,393,414	100.0	4,298,124	614,624

With the goal to achieve sustainable growth in 2026 and beyond, we intend to improve return on investment on all our key sales channels, improve gross margins of our products and diversify our sales channels, including e-commerce platforms besides Douyin and Tmall as well as third-party distributors.

Cost of revenues

Our cost of revenues consists primarily of material costs, which include ingredient costs and costs associated with raw materials and packaging materials, manufacturing cost and other related costs that are directly attributable to the production of our products. For some of our products, we directly procure raw materials and packaging materials from third-party suppliers and pass on such materials to OEM/ODM partners for production and assembly. For the rest of our products, we procure finished goods from OEM/ODM partners. Our product costs fluctuate with the prices that we are able to negotiate with our OEM/ODM partners and our raw material and packaging material suppliers. We intend to leverage our economy of scale to limit any upward pressure on our procurement costs going forward.

The following table sets forth our cost of revenues by amounts and percentages of our total net revenues for the years presented:

	For the Year Ended December 31,					
	2023		2024		2025	
	RMB	%	RMB	%	RMB	US\$
(in thousands, except for percentages)						
Cost of revenues	901,455	26.4	776,236	22.9	936,780	133,958
						21.8

The following table sets forth our gross profit in absolute amount and gross profit margin for the years presented. We aim to continue improving our gross profit margin by adjusting our product mix, channel mix while implementing our strategies in pricing and discounts.

	For the Year Ended December 31,			
	2023	2024	2025	
	RMB	RMB	RMB	US\$
(in thousands, except for percentages)				
Gross profit	2,513,319	2,617,178	3,361,344	480,666
Gross profit margin	73.6%	77.1%	78.2%	78.2%

Operating expenses

The following table sets forth the components of our operating expenses by amounts and percentages of our total net revenues for the years presented:

	For the Year Ended December 31,					
	2023		2024		2025	
	RMB	%	RMB	%	RMB	US\$
(in thousands, except for percentages)						
Operating expenses						
Fulfilment expenses	229,021	6.7	216,540	6.4	253,926	36,311
Selling and marketing expenses	2,230,974	65.3	2,268,793	66.9	2,852,288	407,872
General and administrative expenses	500,942	14.7	444,373	13.1	303,628	43,418
Research and development expenses	111,698	3.3	109,287	3.2	137,296	19,633
Impairment of goodwill	354,039	10.3	403,076	11.9	—	—
Total operating expenses	3,426,674	100.3	3,442,069	101.4	3,547,138	507,234
						82.5

Fulfilment expenses. Fulfilment expenses are primarily expenses related to the warehousing, shipping and delivery of products to customers, which mainly include third-party costs for warehouses, third-party shipping costs and customer service-related expenses.

Selling and marketing expenses. Selling and marketing expenses primarily consist of (i) advertising and marketing promotion expenses, (ii) platform and other commissions, (iii) personnel costs for sales and marketing staff, (iv) rental, depreciation expenses, personnel and other costs for offline experience stores and (v) share-based compensation expenses. We typically allocate more selling and marketing budget during launches of our new products and introduction of new brands.

General and administrative expenses. General and administrative expenses primarily consist of personnel costs including share-based compensation expenses and other expenses which are related to the general corporate functions, including accounting, finance, tax, legal and human resources, costs of facilities and equipment associated with use by these functions, such as depreciation expenses, rental and other general corporate related expenses.

Research and development expenses. Research and development expenses primarily consist of personnel costs for research and development staff, which includes IT engineers and product development personnel, as well as general expenses and depreciation expenses associated with our research and development activities.

Impairment of goodwill. Impairment of goodwill represents the amount by which the carrying value of the net assets exceeds its fair value in connection with certain reporting units.

Taxation

Cayman Islands

The Cayman Islands currently levies no taxes on corporations based upon profits, income, gains or appreciations. There are no other taxes likely to be material to our company levied by the Government of the Cayman Islands save certain stamp duties which may be applicable, from time to time, on certain instruments executed in or brought within the jurisdiction of the Cayman Islands. In addition, the Cayman Islands does not impose withholding tax on dividend payments.

Hong Kong

Our subsidiaries incorporated in Hong Kong, including Yatsen (HK) Limited, Aoyan (HK) Limited, Yatsen Investment Limited, Galenic (HK) Limited, Dskin (HK) Limited, Space Brands (HK) Limited, and Watosha (HK) Limited are subject to 16.5% Hong Kong profit tax on their taxable income generated from operations in Hong Kong. Commencing on April 1, 2018, the two-tiered profits tax regime took effect, under which the tax rate is 8.25% for assessable profits on the first HK\$2 million and 16.5% for any assessable profits in excess of HK\$2 million. Under the Hong Kong tax laws, our subsidiary in Hong Kong is exempted from the Hong Kong income tax on our foreign-derived income. In addition, payments of dividends from our Hong Kong subsidiaries to us are not subject to any Hong Kong withholding tax.

PRC

Generally, our PRC subsidiaries, the VIE and its subsidiaries are subject to enterprise income tax on their taxable income in China at a statutory rate of 25%. The enterprise income tax is calculated based on the entity's global income as determined under PRC tax laws and accounting standards. According to a policy promulgated by the State Administration of Taxation and effective from 2008 and onwards, enterprises engaged in research and development activities are entitled to claim an additional special tax deduction amounting to 50% of the qualified research and development expenses incurred in determining its tax assessable profits for that year. The deduction rate for qualified research and development expenses has been increased from 50% to 75% according to Notice by the Ministry of Finance, the State Administration of Taxation and the Ministry of Science and Technology of Raising the Proportion of Weighted Pre-tax Deduction of Research and Development Expenses, which was effective from 2018 to 2020 and was further extended to 2023. According to the *Notice on Further Improving the Additional Pre-Tax Deduction Policy for Research and Development Expenses* announced by the Ministry of Finance and the State Administration of Taxation on March 26, 2023, the additional special tax deduction rate for qualified research and development expenses increased from 75% to 100% as a long-term policy. Without further notice from the governmental authorities, such policy remains effective as of the date of this annual report. Shanghai Jiyan Cosmetics Technology Co., Ltd. is entitled to claim the special deduction referred above.

Dividends paid by our wholly foreign-owned subsidiaries in China to our intermediary holding company in Hong Kong will be subject to a withholding tax rate of 10%, unless the relevant Hong Kong entity satisfies all the requirements under the Arrangement between China and the Hong Kong Special Administrative Region on the Avoidance of Double Taxation and Prevention of Fiscal Evasion with respect to Taxes on Income and Capital and receives approval from the tax authority. If our Hong Kong subsidiary satisfies all the requirements under the tax arrangement and receives approval from the tax authority, then the dividends paid to the Hong Kong subsidiary would be subject to withholding tax at the standard rate of 5%. Effective as of November 1, 2015, the above-mentioned approval requirement has been abolished, but a Hong Kong entity is still required to file an application package with the tax authority, and settle the overdue taxes if the preferential 5% tax rate is denied based on the subsequent review of the application package by the tax authority. See “Item 3. Key Information—D. Risk Factors—Risks Relating to Doing Business in China—We may rely on dividends and other distributions on equity paid by our PRC subsidiaries to fund any cash and financing requirements we may have, and any limitation on the ability of our PRC subsidiaries to make payments to us could have a material and adverse effect on our ability to conduct our business.”

If our holding company in the Cayman Islands or any of our subsidiaries outside of China were deemed to be a “resident enterprise” under the PRC Enterprise Income Tax Law, it would be subject to enterprise income tax on its worldwide income at a rate of 25%. See “Item 3. Key Information—D. Risk Factors—Risks Relating to Doing Business in China—If we are classified as a PRC resident enterprise for PRC income tax purposes, such classification could result in unfavorable tax consequences to us and our non-PRC shareholders or ADS holders.”

Results of Operations

The following table sets forth a summary of our consolidated results of operations for the years presented, both in absolute amount and as a percentage of our net revenues for the years presented. This information should be read together with our consolidated financial statements and related notes included elsewhere in this annual report. The results of operations in any period are not necessarily indicative of our future trends.

	For the Year Ended December 31,					
	2023		2024		2025	
	RMB	%	RMB	%	RMB	2025 US\$
	(in thousands, except for percentages)					
Total net revenues	3,414,774	100.0	3,393,414	100.0	4,298,124	614,624
Total cost of revenues	(901,455)	(26.4)	(776,236)	(22.9)	(936,780)	(133,958)
Gross profit	2,513,319	73.6	2,617,178	77.1	3,361,344	480,666
Operating expenses:						
Fulfillment expenses	(229,021)	(6.7)	(216,540)	(6.4)	(253,926)	(36,311)
Selling and marketing expenses	(2,230,974)	(65.3)	(2,268,793)	(66.9)	(2,852,288)	(407,872)
General and administrative expenses	(500,942)	(14.7)	(444,373)	(13.1)	(303,628)	(43,418)
Research and development expenses	(111,698)	(3.3)	(109,287)	(3.2)	(137,296)	(19,633)
Impairment of goodwill	(354,039)	(10.3)	(403,076)	(11.9)	—	—
Total operating expenses	(3,426,674)	(100.3)	(3,442,069)	(101.4)	(3,547,138)	(507,234)
Loss from operations	(913,355)	(26.7)	(824,891)	(24.3)	(185,794)	(26,568)
Financial income	89,020	2.6	86,136	2.5	40,721	5,823
Foreign currency exchange gain (loss)	7,218	0.2	(20,399)	(0.6)	13,374	1,912
Income from equity method investments, net	10,122	0.3	1,386	0.0	5,940	849
Impairment of investments	—	—	—	—	(13,453)	(1,924)
Other income, net	53,558	1.6	44,461	1.3	46,690	6,677
Loss before income tax expenses	(753,437)	(22.1)	(713,307)	(21.0)	(92,522)	(13,231)
Income tax benefits	3,210	0.1	3,086	0.1	108	15
Net loss	(750,227)	(22.0)	(710,221)	(20.9)	(92,414)	(13,216)

Segment Information

The following table sets forth our segment operating results for the years ended December 31, 2023, 2024 and 2025.

	For the year ended December 31, 2025			
	Color Cosmetics Brands	Skincare Brands	Others	Total segments
	RMB			
Total net revenues	2,005,911	2,277,334	14,879	4,298,124
Total cost of revenues	(510,809)	(418,434)	(7,537)	(936,780)
Advertising, marketing and commission expenses ^(a)	(1,004,529)	(1,352,874)	—	(2,357,403)
Other expenses ^(b)	(549,950)	(536,763)	(1,262)	(1,087,975)
Segment (loss) income from operations	(59,377)	(30,737)	6,080	(84,034)

	For the year ended December 31, 2024			
	Color Cosmetics Brands	Skincare Brands	Others	Total segments
	RMB			
Total net revenues	1,968,350	1,393,259	31,805	3,393,414
Total cost of revenues	(488,394)	(269,185)	(18,657)	(776,236)
Advertising, marketing and commission expenses ^(a)	(1,003,978)	(743,423)	—	(1,747,401)
Impairment of goodwill	(5,266)	(397,810)	—	(403,076)
Other expenses ^(b)	(656,131)	(431,560)	(6,342)	(1,094,033)
Segment (loss) income from operations	(185,419)	(448,719)	6,806	(627,332)

	For the year ended December 31, 2023			
	Color Cosmetics Brands	Skincare Brands	Others	Total segments
	RMB			
Total net revenues	1,973,726	1,383,578	57,470	3,414,774
Total cost of revenues	(574,995)	(292,305)	(34,155)	(901,455)
Advertising, marketing and commission expenses ^(a)	(993,920)	(683,229)	—	(1,677,149)
Impairment of goodwill	—	(354,039)	—	(354,039)
Other expenses ^(b)	(756,958)	(485,273)	(21,456)	(1,263,687)
Segment (loss) income from operations	(352,147)	(431,268)	1,859	(781,556)

The following table presents the reconciliation from the segment loss from operations to the consolidated loss before income tax expenses for the years ended December 31, 2023, 2024 and 2025:

	For the year ended December 31,		
	2023	2024	2025
	RMB	RMB	RMB
Segment loss from operations	(781,556)	(627,332)	(84,034)
Unallocated expenses (c)	(131,799)	(197,559)	(101,760)
Financial income	89,020	86,136	40,721
Foreign currency exchange gain (loss)	7,218	(20,399)	13,374
Income from equity method investments, net	10,122	1,386	5,940
Impairment of investments	—	—	(13,453)
Other income, net	53,558	44,461	46,690
Loss before income tax expenses	(753,437)	(713,307)	(92,522)

Notes:

- (a) Advertising, marketing and commission expenses mainly represent (i) advertising and marketing promotion expenses, (ii) platform and other commissions.
- (b) Other expenses represent (i) fulfilment expenses related to warehousing, shipping and delivery of products to customers include third-party costs for warehouses, third-party shipping costs and customer service-related expenses, (ii) other selling and marketing expenses related to personnel costs for sales and marketing staff and rental, depreciation expenses, personnel and other costs for offline experience stores, (iii) general and administrative expenses and research and development expenses which consist of personnel costs and other expenses which are related to general corporate functions and research and development activities.
- (c) Unallocated expenses represent share-based compensation and amortization of intangible assets resulting from assets and business acquisitions, which are not allocated to segments.

Depreciation of property and equipment, net (included in the measurement of segment profit or loss):

	For the year ended December 31,		
	2023	2024	2025
	RMB	RMB	RMB
Total depreciation of property and equipment, net			
Color Cosmetics	31,588	18,199	14,607
Skincare	21,509	19,542	22,204
Others	586	253	61
	53,683	37,994	36,872

No asset information is provided for reportable segments as no such information is provided to the chief operating decision-maker to evaluate the segment performance and most assets are managed at the group level.

Substantially all our revenues and long-lived assets are derived from and located in the PRC.

Year ended December 31, 2025 compared to year ended December 31, 2024

Total net revenues

Our net revenues increased by 26.7% from RMB3.39 billion in 2024 to RMB4.30 billion (US\$614.6 million) in 2025, primarily attributable to a 63.5% year-over-year increase in net revenues from Skincare Brands, as well as a 1.9% year-over-year increase in net revenues from Color Cosmetics Brands. Our net revenues generated through Skincare Brands as a percentage of total net revenues increased from 41.1% in 2024 to 53.0% in 2025.

Total cost of revenues

Our cost of revenues increased by 20.7% from RMB776.2 million in 2024 to RMB936.8 million (US\$134.0 million) in 2025, primarily due to the increase in overall sales volume of our beauty products in 2025.

Gross profit and gross margin

As a result of the foregoing, our gross profit increased by 28.4% from RMB2.62 billion in 2024 to RMB3.36 billion (US\$480.7 million) in 2025, and our gross margins increased from 77.1% in 2024 to 78.2% in 2025. The increase was primarily attributable to the increase in sales of higher-gross margin products.

Fulfilment expenses

Our fulfilment expenses increased from RMB216.5 million in 2024 to RMB253.9 million (US\$36.3 million) in 2025, which was primarily attributable to an increase in warehouse and logistics cost from RMB169.2 million in 2024 to RMB198.6 million (US\$28.4 million) in 2025, mainly due to the higher sales volume of our beauty products in 2025. Our fulfilment expenses as a percentage of net revenues decreased from 6.4% in 2024 to 5.9% in 2025, primarily driven by optimization of fulfilment costs and further improvements in logistics efficiency, as well as the leveraging effect of higher total net revenues in 2025.

Selling and marketing expenses

Our selling and marketing expenses increased from RMB2.27 billion in 2024 to RMB2.85 billion (US\$407.9 million) in 2025, which was primarily attributable to (i) an increase in advertising, marketing and brand promotion costs from RMB1.37 billion in 2024 to RMB1.83 billion (US\$261.6 million) in 2025, primarily due to the investments in new product launches across our brands as well as the higher traffic acquisition costs amid intensified competition, and (ii) an increase in platform commissions from RMB357.1 million in 2024 to RMB512.6 million (US\$73.3 million) in 2025, partially offset by a decrease in amortization of intangible assets resulting from assets and business acquisitions from RMB106.4 million in 2024 to RMB42.7 million (US\$6.1 million) in 2025.

General and administrative expenses

Our general and administrative expenses decreased from RMB444.4 million in 2024 to RMB303.6 million (US\$43.4 million) in 2025, primarily due to (i) a decrease in personnel costs from RMB143.3 million in 2024 to RMB97.3 million (US\$13.9 million) in 2025, and (ii) a decrease in share-based compensation expenses from RMB89.9 million in 2024 to RMB48.6 million (US\$7.0 million) in 2025 resulting from a reduction in general and administrative headcount.

Research and development expenses

Our research and development expenses increased from RMB109.3 million in 2024 to RMB137.3 million (US\$19.6 million) in 2025, primarily due to (i) an increase in personnel costs from RMB55.6 million in 2024 to RMB72.1 million (US\$10.3 million) in 2025, as a result of the increased resources and personnel we deployed to support our research and development, and (ii) an increase in product development expenses from RMB10.1 million in 2024 to RMB23.8 million (US\$3.4 million) in 2025.

Impairment of goodwill

We recorded no impairment of goodwill in 2025, as compared with an impairment of goodwill of RMB403.1 million in 2024.

Loss from operations

We generated net loss from operations of RMB824.9 million in 2024 and RMB185.8 million (US\$26.6 million) in 2025 as a result of the foregoing. The decrease in net loss from operations is primarily attributable to our higher gross profit and record of no impairment of goodwill in 2025.

Income tax benefits

We recorded income tax benefits of RMB3.1 million in 2024 and income tax benefits of RMB0.1 million (US\$15 thousand) in 2025. The decrease was primarily due to a lower tax effect of amortization of intangible assets resulting from assets and business acquisitions.

Net loss

We generated a net loss of RMB710.2 million in 2024 and RMB92.4 million (US\$13.2 million) in 2025 as a result of the foregoing.

Year ended December 31, 2024 compared to year ended December 31, 2023***Total net revenues***

Our net revenues slightly decreased by 0.6% from RMB3.41 billion in 2023 to RMB3.39 billion in 2024, primarily attributable to the decline in net revenues from Color Cosmetics Brands, partially offset by the increase in net revenues from Skincare Brands. The decline in net revenues from Color Cosmetics Brands was primarily because *Perfect Diary* was still undergoing its strategic transformation. While the Biolip Essence series has performed well, the brand needs to further build its product lineup. Our Skincare Brands experienced continued growth primarily due to the solid performance of our premium brands and our continued development of these brands during the year. Our net revenues generated through Skincare Brands as a percentage of total net revenues increased from 40.5% in 2023 to 41.1% in 2024.

Total cost of revenues

Our cost of revenues decreased by 13.9% from RMB901.5 million in 2023 to RMB776.2 million in 2024, primarily due to cost optimization across all of our brand portfolio.

Gross profit and gross margin

As a result of the foregoing, our gross profit increased by 4.1% from RMB2.51 billion in 2023 to RMB2.62 billion in 2024, and our gross margins increased from 73.6% in 2023 to 77.1% in 2024. The increase was primarily attributable to increasing sales of higher-gross margin products.

Fulfilment expenses

Our fulfilment expenses decreased from RMB229.0 million in 2023 to RMB216.5 million in 2024, which was primarily attributable to a decrease in warehouse and logistics cost from RMB181.7 million in 2023 to RMB169.2 million in 2024, mainly due to lower sales volume of our beauty products, and a decrease in customer service cost from RMB29.4 million in 2023 to RMB25.0 million in 2024. Our fulfilment expenses as a percentage of net revenues decreased from 6.7% in 2023 to 6.4% in 2024 due to our further improvements in logistics efficiency.

Selling and marketing expenses

Our selling and marketing expenses increased from RMB2.23 billion in 2023 to RMB2.27 billion in 2024, which was relatively stable.

General and administrative expenses

Our general and administrative expenses decreased from RMB500.9 million in 2023 to RMB444.4 million in 2024, primarily due to lower payroll expenses and depreciation expenses resulting from a reduction in general and administrative headcount.

Research and development expenses

Our research and development expenses decreased from RMB111.7 million in 2023 to RMB109.3 million in 2024, primarily due to a decrease in share-based compensation expenses from RMB5.0 million in 2023 to RMB0.9 million in 2024.

Impairment of goodwill

We recorded impairment of goodwill of RMB354.0 million in 2023 and RMB403.1 million in 2024. The impairment mainly represents the amount by which the carrying value of the *Eve Lom* reporting unit exceeded its fair value, based on quantitative goodwill impairment test, primarily due to weaker operating results than expected.

Loss from operations

We generated net loss from operations of RMB913.4 million in 2023 and net loss from operations of RMB824.9 million in 2024 as a result of the foregoing. The decrease in net loss from operations is primarily attributable to our higher gross profit mainly as a result of the increased sales of higher-gross-margin products and enhanced operating efficiencies.

Income tax benefits

Our income tax benefits remained relatively stable at RMB3.2 million in 2023 and RMB3.1 million in 2024.

Net loss

We generated a net loss of RMB750.2 million in 2023 and a net loss of RMB710.2 million in 2024 as a result of the foregoing.

Recently Issued Accounting Pronouncements

A list of recently issued accounting pronouncements that are relevant to us is included in Note 2 to our audited consolidated financial statements included elsewhere in this annual report.

Impact of Foreign Currency Fluctuation

See “Item 3. Key Information—D. Risk Factors—Risks Relating to Our Business and Industry—Fluctuations in exchange rates could have a material and adverse effect on the value of your investment and our results of operations.” and “Item 11. Quantitative and Qualitative Disclosures About Market Risk—Foreign exchange risk.”

Impact of Governmental Policies

See “Item 3. Key Information—D. Risk Factors—Risks Relating to Doing Business in China” and “Item 4. Information on the Company—B. Business Overview—Regulations.”

B. Liquidity and Capital Resources

The following table sets forth a summary of our cash flows for the years presented:

	For the Year Ended December 31,			
	2023	2024	2025	
	RMB	RMB	RMB	US\$
	(in thousands)			
Summary Consolidated Cash Flow Data				
Net cash used in operating activities	(107,442)	(243,666)	(94,663)	(13,537)
Net cash (used in)/provided by investing activities	(260,487)	592,123	246,794	35,291
Net cash used in financing activities	(342,455)	(394,226)	(151,445)	(21,656)
Effect of exchange rate changes on cash and cash equivalents and restricted cash	14,192	5,028	(10,585)	(1,513)
Net decrease in cash and cash equivalents and restricted cash	(696,192)	(40,741)	(9,899)	(1,415)
Cash and cash equivalents and restricted cash at the beginning of the year	1,554,328	858,136	817,395	116,886
Cash and cash equivalents and restricted cash at the end of the year	858,136	817,395	807,496	115,471

To date, we have financed our operating and investing activities primarily through cash generated by historical equity financing activities. As of December 31, 2023, 2024 and 2025, respectively, our cash, cash equivalents and restricted cash were RMB858.1 million, RMB817.4 million and RMB807.5 million (US\$115.5 million). We had short-term investments with an aggregate outstanding amount of RMB246.0 million (US\$35.2 million) as of December 31, 2025. Our cash and cash equivalents primarily consist of currency on hand, deposits held by financial institutions that can be added to or withdrawn without limitation, short-term and highly liquid investments placed with banks, and all highly liquid investments with original maturities of three months or less. Short-term investments consist primarily of financial products offered by commercial banks in the PRC with fixed maturity dates ranging from three months to one year.

We believe that our current cash and cash equivalents will be sufficient to meet our current and anticipated working capital requirements and capital expenditures for at least the next 12 months from the date of this annual report. We may decide to enhance our liquidity position or increase our cash reserve for future investments through additional capital and finance funding. The issuance and sale of additional equity would result in further dilution to our shareholders. The incurrence of indebtedness would result in increased fixed obligations and could result in operating covenants that would restrict our operations. We cannot assure you that financing will be available in amounts or on terms acceptable to us, if at all.

As of December 31, 2025, 28.5% of our cash, cash equivalents and restricted cash were held in China, and 28.7% were denominated in Renminbi. Although we consolidate the results of the VIE and its subsidiaries, we only have access to the assets or earnings of the VIE and its subsidiaries through our contractual arrangements with the VIE and its shareholders. See “Item 4. Information on the Company—C. Organizational Structure—Contractual Arrangements with the VIE and Its Shareholders.” For restrictions and limitations on liquidity and capital resources as a result of our corporate structure, see “—Holding Company Structure.”

A significant majority of our net revenues have been, and we expect will likely continue to be, denominated in Renminbi. Under existing PRC foreign exchange regulations, payments of current account items, including profit distributions, interest payments and trade and service-related foreign exchange transactions, can be made in foreign currencies without prior SAFE’s approval as long as certain routine procedural requirements are fulfilled. Therefore, our PRC subsidiaries are allowed to pay dividends in foreign currencies to us without prior SAFE’s approval by following certain routine procedural requirements. However, approval from or registration with competent government authorities is required where the Renminbi is to be converted into foreign currency and remitted out of China to pay capital expenses such as the repayment of loans denominated in foreign currencies. The PRC government may at its discretion restrict access to foreign currencies for current account transactions in the future.

Operating activities

Net cash used in operating activities in 2025 was RMB94.7 million (US\$13.5 million). The difference between our net cash used in operating activities in 2025 of RMB94.7 million (US\$13.5 million) and net loss of RMB92.4 million (US\$13.2 million) in the same period was primarily due to certain non-cash items, primarily consisting of (i) amortization of right-of-use assets of RMB63.9 million (US\$9.1 million), (ii) share-based compensation of RMB59.0 million (US\$8.4 million), (iii) amortization of intangible assets of RMB49.3 million (US\$7.0 million), and (iv) depreciation of property and equipment of RMB36.9 million (US\$5.3 million). The adjustment for changes in operating assets and liabilities primarily consisted of (i) an increase of RMB125.1 million (US\$17.9 million) in inventories, (ii) an increase of RMB89.1 million (US\$12.7 million) in prepayments and other current assets, (iii) an increase of accounts payable of RMB77.3 million (US\$11.1 million), and (iv) a decrease of RMB62.7 million (US\$9.0 million) in lease liabilities.

Net cash used in operating activities in 2024 was RMB243.7 million. The difference between our net cash used in operating activities in 2024 of RMB243.7 million and net loss of RMB710.2 million in the same period was primarily due to certain non-cash items, primarily consisting of (i) impairment of goodwill of RMB403.1 million mainly due to impairment of *Eve Lom* reporting unit, (ii) amortization of intangible assets of RMB112.6 million, (iii) share-based compensation of RMB91.2 million, (iv) amortization of right-of-use assets of RMB69.4 million and (v) depreciation of property and equipment of RMB38.0 million. The adjustment for changes in operating assets and liabilities primarily consisted of (i) an increase of RMB65.3 million in prepayments and other current assets, (ii) a decrease of RMB66.9 million in lease liabilities, and (iii) a decrease in accounts payable of RMB33.6 million.

Net cash used in operating activities in 2023 was RMB107.4 million. The difference between our net cash used in operating activities in 2023 of RMB107.4 million and net loss of RMB750.2 million in the same period was primarily due to certain non-cash items, primarily consisting of (i) impairment of goodwill of RMB354.0 million due to impairment of *Eve Lom* reporting unit, (ii) amortization of right-of-use assets of RMB88.6 million, (iii) share-based compensation of RMB77.5 million, (iv) amortization of intangible assets of RMB61.0 million and (v) depreciation of property and equipment of RMB53.7 million. The adjustment for changes in operating assets and liabilities primarily consisted of (i) a decrease of RMB109.4 million in inventories, (ii) a decrease of RMB89.3 million in lease liabilities, and (iii) an increase in accrued expenses and other liabilities of RMB65.3 million.

Investing activities

Net cash generated from investing activities in 2025 was RMB246.8 million (US\$35.3 million), primarily due to sales of short-term investments of RMB888.4 million (US\$127.0 million), which was partially offset by (i) purchases of short-term investments of RMB601.9 million (US\$86.1 million), and (ii) purchase of property and equipment of RMB42.1 million (US\$6.0 million).

Net cash generated from investing activities in 2024 was RMB592.1 million, primarily due to sales of short-term investments of RMB2.01 billion, which was partially offset by (i) purchases of short-term investments of RMB1.32 billion, (ii) purchase of property and equipment of RMB52.7 million, and (iii) investments on equity investments of RMB42.0 million mainly related to our participation as a limited partner in a venture capital fund.

Net cash used in investing activities in 2023 was RMB260.5 million, primarily due to (i) purchase of short-term investments of RMB2.34 billion, (ii) investments on equity investments of RMB121.5 million mainly related to our participation as a limited partner in a venture capital fund, and (iii) purchase of property and equipment of RMB43.6 million, which was partially offset by sales of short-term investments of RMB2.22 billion.

Financing activities

Net cash used by financing activities in 2025 was RMB151.4 million (US\$21.7 million), primarily attributable to (i) repurchase of ordinary shares of RMB111.0 million (US\$15.9 million), and (ii) repurchase of redeemable non-controlling interests of RMB45.7 million (US\$6.5 million).

Net cash used by financing activities in 2024 was RMB394.2 million, primarily attributable to repurchase of ordinary shares of RMB405.8 million.

Net cash used by financing activities in 2023 was RMB342.5 million, primarily attributable to repurchase of ordinary shares of RMB212.7 million and repurchase of redeemable non-controlling interests of RMB134.7 million.

Material Cash Requirements

Our material cash requirements as of December 31, 2025 and any subsequent interim period primarily include our capital expenditures, capital commitment, products and services purchase commitment and operating lease commitments.

Our capital expenditures are primarily incurred for purchases of property and equipment, as well as intangible assets. Our capital expenditures were RMB44.0 million in 2023, RMB57.0 million in 2024 and RMB43.8 million (US\$6.3 million) in 2025. We intend to strategically deploy our capital expenditures, prioritizing investments that reinforce our core competitive advantages and support the long-term sustainable growth of our business as we execute our strategic transformation.

Commitments and Obligations

The following table sets forth our products and services purchase commitment and operating lease obligations as of December 31, 2025:

	Payment due by December 31,				
	Total	1 Year	1-3 Years	3-5 Years	Over 5 Years
	(RMB in thousands)				
Products and services purchase commitment	227,509	227,509	-	-	-
Operating lease obligations ⁽¹⁾	434	434	-	-	-
Total	227,943	227,943	-	-	-

Note:

(1) Operating lease obligations consist of the obligations under the lease agreements covering our stores and office spaces.

We intend to fund our existing and future material cash requirements with our existing cash balance and proceeds and debt financing. We will continue to make cash commitments prudently, including capital expenditures, to meet the expected growth of our business.

We provided financial guarantees to a joint venture for the purpose of enabling it to obtain bank loans. As of December 31, 2025, the total amount of financial guarantees provided to the joint venture was RMB97.6 million (US\$14.0 million). The guarantees are typically secured by the assets of the joint venture, and we believe that the probability of having to make payments under the guarantees is remote. Nevertheless, we have assessed the associated risks and potential liabilities. We will continue to monitor the performance of the joint venture and assess the risks associated with the guarantees.

Except for the guarantees provided to a joint venture, we have not entered into any financial guarantees or other commitments to guarantee the payment obligations of any third parties. In addition, we have not entered into any derivative contracts that are indexed to our shares and classified as shareholder's equity or that are not reflected in our consolidated financial statements. Furthermore, we do not have any retained or contingent interest in assets transferred to an unconsolidated entity that serves as credit, liquidity or market risk support to such entity. We do not have any variable interest in any unconsolidated entity that provides financing, liquidity, market risk or credit support to us or engages in leasing, hedging or product development services with us.

Other than as shown above, we did not have any significant capital and other commitments, long-term obligations or guarantees as of December 31, 2025. While the above indicates our material cash requirements as of December 31, 2025, the actual amounts we are eventually required to pay may be different in the event that any agreements are renegotiated, cancelled or terminated.

Holding Company Structure

Yatsen Holding Limited is a holding company with no material operations of its own. We conduct our operations primarily through our PRC subsidiaries, the VIE and its subsidiaries in China. As a result, Yatsen Holding Limited's ability to pay dividends depends upon dividends paid by our PRC subsidiaries. If our existing PRC subsidiaries or any newly formed ones incur debt on their own behalf in the future, the instruments governing their debt may restrict their ability to pay dividends to us. In addition, our wholly foreign-owned subsidiaries in China are permitted to pay dividends to us only out of its retained earnings, if any, as determined in accordance with PRC accounting standards and regulations. Under PRC law, each of our subsidiaries and the VIE in China is required to set aside at least 10% of its after-tax profits each year, if any, to fund certain statutory reserve funds until such reserve funds reach 50% of their registered capital. The statutory reserve funds and the discretionary funds are not distributable as cash dividends. Remittance of dividends by a wholly foreign-owned company out of China is subject to examination by the banks designated by the SAFE. Our PRC subsidiaries have not paid dividends and will not be able to pay dividends until they generate accumulated profits and meet the requirements for statutory reserve funds.

C. Research and Development, Patents and Licenses, etc.

See "Item 4. Information On the Company—B. Business Overview—Data and Technology," "—Data Security and Privacy" and "—Trademark and Intellectual Property."

D. Trend Information

Other than as disclosed elsewhere in this annual report, we are not aware of any trends, uncertainties, demands, commitments or events for the period from January 1, 2026 that are reasonably likely to have a material effect on our revenues, income from continuing operations, profitability, liquidity or capital resources, or that would cause reported financial information not necessarily to be indicative of future operating results or financial condition.

E. Critical Accounting Estimates

Our discussion and analysis of our financial condition and results of operations relates to our consolidated financial statements, which have been prepared in accordance with U.S. GAAP. The preparation of these financial statements requires us to make estimates and judgments that affect the reported amounts of assets, liabilities, revenues, costs and expenses, and related disclosures. On an on-going basis, we evaluate our estimates based on historical experience and on various other assumptions that are believed to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Since our financial reporting process inherently relies on the use of estimates and assumptions, our actual results could differ from what we expect.

We consider an accounting estimate to be critical if: (i) the accounting estimate requires us to make assumptions about matters that were highly uncertain at the time the accounting estimate was made, and (ii) changes in the estimate that are reasonably likely to occur from period to period or use of different estimates that we reasonably could have used in the current period, would have a material impact on our financial condition or results of operations. There are other items within our financial statements that require estimation but are not deemed critical, as defined above. Changes in estimates used in these and other items could have a material impact on our financial statements. For a detailed discussion of our significant accounting policies and related judgments, see Note 2 of the Notes to the Consolidated Financial Statements.

Inventory Valuation

We carry inventory on our balance sheet at the estimated lower of cost or market. Cost is determined by the weighted average method for our inventories. We carry obsolete, damaged and excess inventory at the net realizable value, which we determine by assessing historical recovery rates, current market conditions and our future marketing and sales plans. Because our assessment of net realizable value is made at a point in time, there are inherent

uncertainties related to our value determination. Market factors and other conditions underlying the net realizable value may change, resulting in further reserve requirements. A reduction in the carrying amount of an inventory item from cost to market value creates a new cost basis for the item that cannot be reversed at a later period. While we believe that adequate write-downs for inventory obsolescence have been provided in the consolidated financial statements, consumer tastes and preferences will continue to change and we could experience additional inventory write-downs in the future.

Rebates, discounts and other cash consideration received from a vendor related to inventory purchases are reflected as reductions in the cost of the related inventory item, and are therefore reflected in the “Cost of Revenues” line in our Consolidated Statements of Operations when the related inventory item is sold. See Note 6 of the Notes to the Consolidated Financial Statements for information regarding inventory.

ITEM 6. DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

A. Directors and Senior Management

The following table sets forth information regarding our directors and executive officers as of the date of this annual report.

Directors and Executive Officers	Age	Position/Title
Jinfeng Huang	42	Chairman of the Board of Directors and Chief Executive Officer
Donghao Yang	54	Director and Chief Financial Officer
Jing Cheng	54	Chief Scientific Officer
Bonnie Yi Zhang	52	Independent Director
Jiming Ha	63	Independent Director
Alan Hao Zong	42	Independent Director

Jinfeng Huang is our founder and has served as our director and chief executive officer since our inception. Mr. Huang served as a vice president at Hunan Yujiahui Cosmetics Co., Ltd. from 2011 to 2016. Prior to that, Mr. Huang served as a market research manager at Guangzhou P&G Co., Ltd. from 2007 to 2010. Mr. Huang received his bachelor's degree in international commerce and trading from Sun Yat-sen University in 2007 and his MBA degree from Harvard Business School in 2017.

Donghao Yang has served as our director since July 2020 and our chief financial officer since November 2020. Mr. Yang served as the chief financial officer at Vipshop Holdings Ltd. (NYSE: VIPS) from August 2011 to November 2020. Prior to joining Vipshop, Mr. Yang held senior executive and managerial positions in several public and private companies, including serving as the chief financial officer of Synutra International Inc. from May 2010 to August 2011, as the chief financial officer of Greater China of Tyson Foods, Inc. (NYSE: TSN) from March 2007 to April 2010, and as a finance director of Asia Pacific of Valmont Industries, Inc. (NYSE: VMI) from October 2003 to March 2007. Mr. Yang has been a member of the board of directors of XPeng, Inc. (NYSE: XPEV) since August 2020, and has joined the board of directors of Vipshop since November 2020. Mr. Yang received his bachelor's degree in international economics from Nankai University in 1993 and his MBA from Harvard Business School in 2003.

Jing Cheng has over 27 years of experience in research and development in the beauty industry. Prior to joining the Company, Ms. Cheng worked at Estee Lauder Companies (NYSE: EL) for 17 years, having served in a number of senior management and research positions, including as Vice President, APAC R&D, since July 2014. From July 2001 to January 2005, Ms. Cheng worked at Revlon, leading technical, quality control, regulatory and manufacturing organizations in China. Before 2001, she worked at several other companies, including Henkel from July 2000 to July 2001. Ms. Cheng received her bachelor's degree in polymer science from Shanghai Jiao Tong University, and her master's degree in fine chemistry from East China University of Science and Technology. She also completed the Fudan-Olin Executive MBA program co-held by Washington University in St. Louis and Fudan University in 2009.

Bonnie Yi Zhang has served as our independent director since November 2020. Ms. Zhang has served as independent non-executive director of Swire Pacific Limited (HKSE: 0019), a Hong Kong based international conglomerate with a diversified portfolio of market leading businesses, since June 2022, and independent director of Hesai Group (NASDAQ: HSAI), a Chinese LiDAR manufacturing company, since February 2023. Ms. Zhang has served as the chief financial officer of Sina Corporation (formerly NASDAQ: SINA, taken private in 2021) since March 2015. From March 2014 to March 2015, Ms. Zhang served as the chief financial officer of Weibo Corporation (NASDAQ: WB and HKSE: 9898), a social media platform in China and one of Sina Corporation's subsidiaries. Before joining Weibo, Ms. Zhang was the chief financial officer of AdChina Ltd., an integrated internet advertising platform in China, from May 2011 to February 2014. Prior to that, Ms. Zhang was an audit partner of Deloitte Touche Tohmatsu based in Shanghai, with a focus on serving Chinese companies making initial public offerings in the United States and Chinese companies listed in the United States, from October 2007 to April 2011. Ms. Zhang served as a senior manager in the National Office SEC Services group of Deloitte & Touche, LLP from May 2005 to August 2007, where she was responsible for pre-issuance reviews of securities offering documents and periodic reports to be filed with the SEC with a focus on foreign private issuers. Ms. Zhang received a bachelor's degree in business administration from McDaniel College. Ms. Zhang is a member of the American Institution of Certified Public Accountants.

Jiming Ha has served as our independent director since March 2021. Dr. Ha was a visiting scholar at the University of Virginia from May 2019 to June 2021. From April 2018 to January 2021, Dr. Ha served as an independent director of Lufax Holding Ltd (NYSE: LU). From January 2018 to December 2019, he was an independent director of Luokung Technology Corp. (NASDAQ: LKCO). Prior to his directorship with Luokung Technology Corp., Dr. Ha was a senior fellow at China Finance 40 Forum from May 2017 to January 2018 and served as a managing director at Goldman Sachs (Asia) L.L.C. in investment banking services from October 2010 to April 2017. He was the chief economist at China International Capital Corporation from 2004 to 2010. Before that, Dr. Ha was a senior economist at the International Monetary Fund (IMF) from 1993 to 2004, and worked at the Hong Kong Monetary Authority within the IMF from 2001 to 2003. He also served as the IMF resident representative to Indonesia from 1999 to 2001. Dr. Ha received his Ph.D degree in economics from the University of Kansas, and his master's degree and bachelor's degree in science from Fudan University.

Alan Hao Zong has served as our independent director since February 2026. Mr. Zong has extensive experience across venture capital, strategic investment, and consumer technology. Since 2024, Mr. Zong has focused on early-stage investments in AI and digital commerce. Prior to that, Mr. Zong was an Executive Director at Alibaba Investment and held successive leadership roles as Co-Head of Alibaba Innovation Ventures, Head of Taobao Investment, and Head of Innovation Investment at Alibaba International. Before Alibaba, he was a Principal at Capital Today Group, focusing on early and growth-stage investing in consumer technology. Mr. Zong began his professional career at Procter & Gamble in 2005, where he held various leadership roles, including Marketing Director. Mr. Zong earned an MBA from Harvard Business School in 2013 and received his B.A. from Sun Yat-sen University in 2005.

B. Compensation

For the year ended December 31, 2025, we paid to our executive officers an aggregate of RMB7.5 million (US\$1.1 million) in cash and RMB0.3 million (US\$37.5 thousand) for benefits including certain contributions equal to certain percentages of each officer's salary for his or her pension insurance, medical insurance, supplementary medical insurance, unemployment insurance and other statutory benefits and a housing provident fund as required by PRC law, and US\$0.2 million to our independent directors. We did not make additional payments to our executive officers for their role as directors for the year ended December 31, 2025.

Share Incentive Plan

2018 Share Option Plan

Our shareholders and board of directors adopted the 2018 Share Option Plan in September 2018, which was amended and restated respectively in July 2019, March 2020, and September 2020, to attract and retain the best available personnel, provide additional incentives to employees and directors, and promote the success of our business. The maximum aggregate number of Class A ordinary shares which may be issued pursuant to all awards under the 2018 Share Option Plan is 249,234,508. As of December 31, 2025, options to purchase an aggregate amount of 216,427,246 Class A ordinary shares under the 2018 Share Option Plan had been granted, excluding awards that were forfeited or canceled after the relevant grant dates.

The following paragraphs describe the principal terms of the 2018 Share Option Plan.

Type of Awards. The 2018 Share Option Plan permits the awards of options.

Plan Administration. The chief executive officer and director of our company, Mr. Jinfeng Huang, was appointed as the administrator of the 2018 Share Option Plan. The administrator determines, among others, the employees eligible to receive awards, the number of options to be granted to each eligible employee, and the terms and conditions of each award grant.

Award Agreement. Awards granted under the 2018 Share Option Plan are evidenced by a letter of offer delivered by us and a letter of acceptance delivered by the award recipient, which sets forth the terms, conditions and limitations for each award, which may include the term of the award, restrictions on transfer of the award, and the provisions applicable in the event that the grantee's employment or service terminates.

Eligibility. We may grant awards to our directors, executive officers and employees.

Vesting Schedule. In general, the administrator for the 2018 Share Option Plan is authorized under the plan to determine the vesting schedule, which is specified in the relevant letter of offer.

Exercise of Awards. The 2018 Share Option Plan administrator determines the exercise or purchase price, as applicable, for each award, which is stated in the relevant letter of offer. Options that are vested and exercisable shall only be exercised after the initial public offering of our company and will terminate if they are not exercised prior to the time set by the plan administrator at the time of grant. However, the maximum exercisable term is ten years from the date on which any given option is fully vested.

Transfer Restrictions. Awards may not be assigned in any manner by the participant other than in accordance with the exceptions provided in the 2018 Share Option Plan.

Termination and Amendment of the Plan. Unless terminated earlier, the 2018 Share Option Plan has a term of ten years from September 11, 2020. Our board of directors has the authority to terminate, amend, suspend or modify the 2018 Share Option Plan, subject to shareholder approval to the extent necessary to comply with applicable law. However, without the prior written consent or sanction of such number of award recipients as shall together hold options in respect of not less than one half in nominal value of all Class A ordinary shares then subject to the then outstanding options, no alteration may adversely affect the terms of issue of any outstanding award previously granted or agreed to be granted pursuant to the 2018 Share Option Plan.

2022 Share Incentive Plan

Our board of directors has approved and authorized the adoption of the 2022 Share Incentive Plan, effective on January 1, 2023. The 2022 Share Incentive Plan will expire on the tenth anniversary of its effective date. Under the 2022 Share Incentive Plan, the maximum aggregate number of ordinary shares of our company available for issuance is 1.5% of the total number of issued and outstanding shares (on an as-converted fully-diluted basis) as of December 31, 2022, plus an annual increase by (i) (A) 1.5% of the total number of issued and outstanding shares (on an as-converted fully-diluted basis) as of the last day of the immediately preceding fiscal year for each of the first two fiscal years of our company beginning January 1, 2024, and (B) 1.0% of the total number of issued and outstanding shares (on an as-converted fully-diluted basis) as of the last day of the immediately preceding fiscal year for each subsequent fiscal year of our company during the term of the 2022 Share Incentive Plan, or (ii) such fewer number of shares as may be determined by our board of directors. As of December 31, 2025, options to purchase an aggregate amount of 10,798,054 Class A ordinary shares under the 2022 Share Incentive Plan had been granted, excluding awards that were forfeited or canceled after the relevant grant dates.

The following paragraphs describe the principal terms of the 2022 Share Incentive Plan.

Type of Awards. The 2022 Share Incentive Plan permits the awards of options, restricted shares, and restricted share units.

Plan Administration. Our chief executive officer and director, Mr. Jinfeng Huang, was appointed as the administrator of the 2022 Share Incentive Plan. In the event that Mr. Jinfeng Huang is unable to carry out his duties or in the event of conflict of interest, our board of directors or any committee authorized by our board would act as the administrator. The administrator determines, among others, the employees eligible to receive awards, the number of options to be granted to each eligible employee, and the terms and conditions of each award grant.

Award Agreement. Awards granted under the 2022 Share Incentive Plan are evidenced by an applicable award agreement, which sets forth the terms, conditions and limitations for each award, which may include the term of the award, restrictions on transfer of the award, and the provisions applicable in the event that the grantee's employment or service terminates.

Eligibility. We may grant awards to the employees (including officers and directors) of our company and any subsidiary of our company, and consultants.

Vesting Schedule. In general, the administrator for the 2022 Share Incentive Plan is authorized under the plan to determine the vesting schedule, which is specified in the relevant award agreement.

Exercise of Awards. The 2022 Share Incentive Plan administrator determines the exercise or purchase price, as applicable, for each award, which is stated in the relevant award agreement. The maximum exercisable term is ten years from the date on which any given award is fully vested.

Transfer Restrictions. Awards may not be assigned in any manner by the participant other than in accordance with the exceptions provided in the 2022 Share Incentive Plan.

Termination and Amendment of the Plan. Unless terminated earlier, the 2022 Share Incentive Plan has a term of ten years from January 1, 2023. Our board of directors has the authority to terminate, amend or modify the 2022 Share Incentive Plan, subject to shareholder approval to the extent necessary to comply with applicable law. However, without the prior written consent of the participant, no termination, amendment, or modification of the 2022 Share Incentive Plan shall adversely affect in any material way any award previously granted pursuant to the 2022 Share Incentive Plan. Historically, a total of 149,363,572 restricted Class A ordinary shares and 21,356,415 restricted Class B ordinary shares resulting from early exercise or modification of options granted to our employees, officers and directors had been issued to and were held by three trusts for the grantees' benefit. These shares have been and continue to be subject to satisfaction of the service conditions set forth in the applicable equity award agreements. As of February 28, 2026, a total of 79,226,352 Class A ordinary shares and 0 Class B ordinary shares related to options granted to our employees, officers and directors were held by the two trusts for the grantees' benefit, which have been and will continue to be subject to satisfaction of the service conditions set forth in the applicable equity award agreements.

The following table summarizes, as of February 28, 2026, the outstanding options that were granted to our directors and executive officers under the 2018 Share Option Plan and the 2022 Share Incentive Plan.

Name	Ordinary Shares Underlying Outstanding Options	Exercise Price (US\$/Share)	Grant Date	Expiration Date
Bonnie Yi Zhang	261,396	0.025	March 25, 2021	March 25, 2031
	261,396	0.025	March 1, 2022	March 1, 2032
	653,480	0.025	January 1, 2025	January 1, 2035
Jiming Ha	283,533	0.025	March 25, 2021	March 25, 2031
	283,532	0.025	March 1, 2022	March 1, 2032
	653,480	0.025	January 1, 2025	January 1, 2035
Alan Hao Zong	600,000	0.025	February 28, 2026	February 28, 2036
Jing Cheng	11,824,609	0.025	February 28, 2023	February 28, 2033
Total	14,821,426	—	—	—

The following table summarizes, as of February 28, 2026, the number of restricted ordinary shares related to the options granted to our officers and directors under the 2018 Share Option Plan and the 2022 Share Incentive Plan.

Name	Number of Shares Underlying Options
Donghao Yang	5,602,532

Employment Agreements and Indemnification Agreements

We have entered into employment agreements with each of our executive officers. Under these agreements, each of our executive officers is employed for a specified time period. We may terminate employment for cause for certain acts of the executive officer, such as conviction or plea of guilty to a felony or any crime involving moral turpitude, negligent or dishonest acts to our detriment, or misconduct or a failure to perform agreed duties. We may also terminate an executive officer's employment without cause upon a 60-day advance written notice. In such case of termination by us, we will provide severance payments to the executive officer as expressly required by applicable law of the jurisdiction where the executive officer is based. The executive officer may resign at any time with a 60-day advance written notice.

Each executive officer has agreed to hold, both during and after the termination or expiry of his or her employment agreement, in strict confidence and not to use, except as required in the performance of his or her duties in connection with the employment or pursuant to applicable law, any of our confidential information or trade secrets, any confidential information or trade secrets of our customers or prospective customers, or the confidential or proprietary information of any third-party received by us and for which we have confidential obligations. The executive officers have also agreed to disclose in confidence to us all inventions, designs and trade secrets which they conceive, develop or reduce to practice during the executive officer's employment with us and to assign all right, title and interest in them to us, and assist us in obtaining and enforcing patents, copyrights and other legal rights for these inventions, designs and trade secrets.

In addition, each executive officer has agreed to be bound by non-competition and non-solicitation restrictions during the term of his or her employment and typically for one year following the last date of employment. Specifically, each executive officer has agreed not to (i) approach our suppliers, clients, customers or contacts or other persons or entities introduced to the executive officer in his or her capacity as a representative of us for the purpose of doing business with such persons or entities that will harm our business relationships with these persons or entities; (ii) assume employment with or provide services to any of our competitors, or engage, whether as principal, partner, licensor or otherwise, any of our competitors, without our express consent; or (iii) seek directly or indirectly, to solicit the services of any of our employees who is employed by us on or after the date of the executive officer's termination, or in the year preceding such termination, without our express consent.

We have also entered into indemnification agreements with each of our directors and executive officers. Under these agreements, we agree to indemnify our directors and executive officers against certain liabilities and expenses incurred by such persons in connection with claims made by reason of their being a director or officer of our company.

C. Board Practices

Board of Directors

Our board of directors consists of five directors. A director is not required to hold any shares in our company by way of qualification. A director who is in any way, whether directly or indirectly, interested in a contract or proposed contract with our company is required to declare the nature of his or her interest at a meeting of our directors. A director may vote with respect to any contract, proposed contract or arrangement notwithstanding that he or she may be interested therein, and if he or she does so his or her vote shall be counted and he or she may be counted in the quorum at any meeting of our directors at which any such contract or proposed contract or arrangement is considered. Our directors may exercise all the powers of our company to borrow money, mortgage or charge its undertaking, property and uncalled capital, and to issue debentures or other securities whenever money is borrowed or as security for any debt, liability or obligation of our company or of any third party. None of our non-executive directors has a service contract with us that provides for benefits upon termination of service.

Committees of the Board of Directors

We have established three committees under the board of directors: an audit committee, a compensation committee and a nominating and corporate governance committee. We have adopted a charter for each of the three committees. Each committee's members and functions are described below.

Audit Committee. Our audit committee consists of Bonnie Yi Zhang, Jiming Ha, and Alan Hao Zong. Bonnie Yi Zhang is the chairwoman of our audit committee. We have determined that Bonnie Yi Zhang, Jiming Ha, and Alan Hao Zong satisfy the "independence" requirements of Section 303A of the Corporate Governance Rules of the NYSE and Rule 10A-3 under the Exchange Act. We have determined that Bonnie Yi Zhang qualifies as an "audit committee financial expert." The audit committee oversees our accounting and financial reporting processes and the audits of the financial statements of our company. The audit committee is responsible for, among other things:

- appointing the independent auditors and pre-approving all auditing and non-auditing services permitted to be performed by the independent auditors;
- reviewing with the independent auditors any audit problems or difficulties and management's response;

- discussing the annual audited financial statements with management and the independent auditors;
- reviewing the adequacy and effectiveness of our accounting and internal control policies and procedures and any steps taken to monitor and control major financial risk exposures;
- reviewing and approving all proposed related party transactions;
- meeting separately and periodically with management and the independent auditors; and
- monitoring compliance with our code of business conduct and ethics, including reviewing the adequacy and effectiveness of our procedures to ensure proper compliance.

Compensation Committee. Our compensation committee consists of Bonnie Yi Zhang, Jiming Ha and Alan Hao Zong. Bonnie Yi Zhang is the chairwoman of our compensation committee. We have determined that Bonnie Yi Zhang, Jiming Ha and Alan Hao Zong satisfy the “independence” requirements of Section 303A of the Corporate Governance Rules of the NYSE. The compensation committee assists the board in reviewing and approving the compensation structure, including all forms of compensation, relating to our directors and executive officers. Our chief executive officer may not be present at any committee meeting during which his compensation is deliberated. The compensation committee is responsible for, among other things:

- reviewing and approving, or recommending to the board for its approval, the compensation for our chief executive officer and other executive officers;
- reviewing and recommending to the board for determination with respect to the compensation of our non-employee directors;
- reviewing periodically and approving any incentive compensation or equity plans, programs or similar arrangements; and
- selecting compensation consultant, legal counsel or other adviser only after taking into consideration all factors relevant to that person’s independence from management.

Nominating and Corporate Governance Committee. Our nominating and corporate governance committee consists of Jiming Ha, Alan Hao Zong and Bonnie Yi Zhang. Jiming Ha is the chairman of our nominating and corporate governance committee. Jiming Ha, Bonnie Yi Zhang and Alan Hao Zong satisfy the “independence” requirements of Section 303A of the Corporate Governance Rules of the NYSE. The nominating and corporate governance committee assists the board of directors in selecting individuals qualified to become our directors and in determining the composition of the board and its committees. The nominating and corporate governance committee is responsible for, among other things:

- selecting and recommending to the board nominees for election by the shareholders or appointment by the board;
- reviewing annually with the board the current composition of the board with regards to characteristics such as independence, knowledge, skills, experience and diversity;
- making recommendations on the frequency and structure of board meetings and monitoring the functioning of the committees of the board; and
- advising the board periodically with regards to significant developments in the law and practice of corporate governance as well as our compliance with applicable laws and regulations, and making recommendations to the board on all matters of corporate governance and on any remedial action to be taken.

Duties of Directors

Under Cayman Islands law, our directors owe fiduciary duties to our company, including a duty of loyalty, a duty to act honestly, and a duty to act in what they consider in good faith to be in our best interests. Our directors must also exercise their powers only for a proper purpose. Our directors also owe to our company a duty to act with skill and care. It was previously considered that a director need not exhibit in the performance of his or her duties a greater degree of skill than may reasonably be expected from a person of his or her knowledge and experience. However,

English and Commonwealth courts have moved towards an objective standard with regard to the required skill and care and these authorities are likely to be followed in the Cayman Islands. In fulfilling their duty of care to us, our directors must ensure compliance with our memorandum and articles of association, as amended and restated from time to time, and the class rights vested thereunder in the holders of the shares. In certain limited exceptional circumstances, a shareholder may have the right to seek damages in our name if a duty owed by our directors is breached.

Our board of directors has all the powers necessary for managing, and for directing and supervising, our business affairs. The functions and powers of our board of directors include, among others:

- convening shareholders' annual and extraordinary general meetings and reporting its work to shareholders at such meetings;
- declaring dividends and distributions;
- appointing officers and determining the term of office of the officers;
- exercising the borrowing powers of our company and mortgaging the property of our company; and
- approving the transfer of shares in our company, including the registration of such shares in our share register.

Terms of Directors and Officers

Our directors may be appointed by the affirmative vote of a simple majority of our board of directors present and voting at a board meeting, or by an ordinary resolution of our shareholders. Our directors are not subject to a term of office unless otherwise agreed between us and the directors. A director may be removed from office by the affirmative vote of two thirds (2/3) of the directors then in office (except with regard to the removal of the chairman, who may be removed from office by the affirmative vote of all directors), or by an ordinary resolution of our shareholders (except with regard to the removal of the chairman, who may be removed from office by a special resolution). A director will cease to be a director if, among other things, the director (i) becomes bankrupt or makes any arrangement or composition with his creditors, (ii) dies or is found by our company to be or becomes of unsound mind, (iii) resigns his or her office by notice in writing to the company, or (iv) without special leave of absence from our board, is absent from three consecutive board meetings and our directors resolve that his or her office be vacated.

Our officers are elected by and serve at the discretion of our board of directors.

D. Employees

We had 1,505 full-time employees as of December 31, 2023, 1,350 full-time employees as of December 31, 2024 and 1,623 full-time employees as of December 31, 2025, and most of our full-time employees are located in China. The following table sets forth the number of our full-time employees as of December 31, 2025.

Function	Number of Employees
R&D and Product Development	159
Supply Chain	61
Marketing and Contents	251
Online Operation and Sales	400
Offline Retail	325
Global Business	84
Customer Service	144
Others	199
Total	1,623

Our success depends on our ability to attract, motivate, train and retain qualified personnel. We believe we offer our employees competitive compensation packages and an environment that encourages self-development and creativity. As a result, we have generally been able to attract and retain high-quality and qualified personnel. We

believe that we maintain a good working relationship with our employees, and we have not experienced any material labor disputes in the past.

As required by regulations in China, we participate in various employee social security plans that are organized by municipal and provincial governments for our PRC-based employees, including pension, unemployment insurance, childbirth insurance, work-related injury insurance, medical insurance, supplementary medical insurance for executives, and housing provident fund. We are required under PRC law to make contributions from time to time to employee benefit plans for our PRC-based employees at specified percentages of the salaries, bonuses and certain allowances of such employees, up to a maximum amount specified by the local governments in China.

We enter into standard employment agreements with our employees. Our employment agreements with our senior management include standard confidentiality and non-compete clauses.

E. Share Ownership

Except as specifically noted, the following table sets forth information with respect to the beneficial ownership of our ordinary shares on an as-converted basis as of February 28, 2026 by:

- each of our directors and executive officers; and
- each of our principal shareholders who beneficially owns 5% or more of our total outstanding shares.

The calculations in the table below are based on 1,276,735,163 Class A ordinary shares (excluding 819,865,720 Class A ordinary shares, which consisted of shares underlying the ADSs repurchased by our company pursuant to the share repurchase programs, shares issued to our depositary bank for bulk issuance of ADSs reserved for future issuances upon the exercise or vesting of awards granted under our share incentive plans, and shares held under the trusts for the benefit of certain employees, directors and officers of our company as disclosed in “Item 6. Directors, Senior Management and Employees—B. Compensation of Directors and Executive Officers—Share Incentive Plans”) and 600,572,880 Class B ordinary shares outstanding as of February 28, 2026.

Beneficial ownership is determined in accordance with the rules and regulations of the SEC. In computing the number of shares beneficially owned by a person and the percentage ownership of that person, we have included shares that the person has the right to acquire within 60 days, including through the exercise of any option, warrant or other right or the conversion of any other security. These shares, however, are not included in the computation of the percentage ownership of any other person.

	Ordinary Shares Beneficially Owned				% of Aggregate Voting Power**
	Class A Ordinary Shares	Class B Ordinary Shares	Total Ordinary Shares	% of Beneficial Ownership	
Directors and Executive Officers*:					
Jinfeng Huang ⁽¹⁾	43,098,294	600,572,880	643,671,174	34.3%	90.7%
Donghao Yang	82,678,620	—	82,678,620	4.4%	0.6%
Jing Cheng	6,486,220	—	6,486,220	0.3%	0.0%
Alan Hao Zong	—	—	—	—	—
Bonnie Yi Zhang	686,152	—	686,152	0.0%	0.0%
Jiming Ha	730,425	—	730,425	0.0%	0.0%
All Directors and Executive Officers as a Group	133,679,711	600,572,880	734,252,591	38.9%	91.3%
Principal Shareholders:					
Entities affiliated with Jinfeng Huang ⁽¹⁾	43,098,294	600,572,880	643,671,174	34.3%	90.7%
Hillhouse Entities ⁽²⁾	258,521,262	—	258,521,262	13.8%	1.9%
ZhenFund Entities ⁽³⁾	222,868,921	—	222,868,921	11.9%	1.7%

Notes:

* Except as indicated otherwise below, the business address of our directors and executive officers is Floor 39, Poly Development Plaza, No. 832 Yue Jiang Zhong Road, Haizhu District, Guangzhou 510335, Guangdong Province, People’s Republic of China.

** For each person or group included in this column, percentage of voting power is calculated by dividing the voting power beneficially owned by such person or group by the voting power of all of our Class A and Class B ordinary shares as a single class. Each holder of Class B ordinary shares is currently entitled to twenty votes per share, and each holder of our Class A ordinary shares is entitled to one vote per share on all matters submitted to them for a vote. Our Class A ordinary shares and Class B ordinary shares vote together as a single class on all matters submitted to a vote of our

shareholders, except as may otherwise be required by law. Our Class B ordinary shares are convertible at any time by the holder thereof into Class A ordinary shares on a one-for-one basis.

- (1) Represents (i) 38,628,060 Class A ordinary shares and 600,572,880 Class B ordinary shares held by Veritas Vision Holding Limited (formerly known as Slumdunk Holding Limited), a British Virgin Islands business company, and (ii) 4,470,234 Class A ordinary shares held by Yellow Bee Limited, a British Virgin Islands business company. Veritas Vision Holding Limited owns the entire voting shares of Yellow Bee Limited and Mr. Jinfeng Huang is the sole director of Yellow Bee Limited. The business address of Yellow Bee Limited is Vistra Corporate Services Centre, Wickhams Cay II, Road Town, Tortola, VG1110, British Virgin Islands. The business address of Veritas Vision Holding Limited is Craigmuir Chambers, Road Town, Tortola, VG 1110, British Virgin Islands.
- (2) Represents (i) 97,717,460 Class A ordinary shares in the form of ADSs and (ii) 160,803,802 Class A ordinary shares, in each case held by funds managed by or affiliated with HHLR Advisors, Ltd. and/or Hillhouse Investment Management, Ltd., each a Cayman Islands company. The number of ADSs beneficially owned is based on the information contained in the Form 13F-HR filed by HHLR Advisors, Ltd. with the SEC on February 17, 2026 for the quarter ended December 31, 2025. The number of Class A ordinary shares is based on the Company's register of members of February 28, 2026. HHLR Advisors, Ltd. and Hillhouse Investment Management, Ltd. are under common control and share certain policies, personnel and resources. The business address of each of HHLR Advisors, Ltd. and Hillhouse Investment Management, Ltd. is Office #122, Windward 3 Building, Regatta Office Park, West Bay Road, Grand Cayman, Cayman Islands, KY1-9006.
- (3) Represents (i) 166,673,701 Class A ordinary shares and 55,557,900 Class A ordinary shares in the form of ADSs held by Zhen Partners Fund IV, L.P. and (ii) 637,320 Class A ordinary shares in the form of ADSs held by Zhen Advisors Ltd., based on the information contained in the Schedule 13G/A filed by the relevant reporting persons with the SEC on November 12, 2024. The general partner of Zhen Partners Fund IV, L.P. is Zhen Partners Management (MTGP) IV, L.P., whose general partner is Zhen Partners Management (TTGP) IV, Ltd. The business address of Zhen Fund entities is P.O. Box 10008, Willow House, Cricket Square, Grand Cayman, KY1-1001, Cayman Islands.

To our knowledge, as of February 28, 2026, 1,125,426,750 of our Class A ordinary shares were held by three record holders in the United States, among which, one is the depository of our ADS program that held 1,125,426,748 Class A ordinary shares. As of February 28, 2026, none of our Class B ordinary shares were held by U.S. record holders. The number of beneficial owners of our ADSs in the United States is likely to be much larger than the number of record holders of our ordinary shares in the United States.

We are not aware of any arrangement that may, at a subsequent date, result in a change of control of our company.

Enforceability of Civil Liabilities

Our business operations are primarily conducted in China, and substantially all of our assets are located in mainland China. Except for Ms. Bonnie Yi Zhang, Mr. Alan Hao Zong, and Mr. Jiming Ha, all of our directors and senior executive officers reside within China and most of them are PRC nationals as of the date of this annual report. As a result, it may be difficult for a shareholder to effect service of process within the United States upon these individuals, to bring an action against us or these individuals in the United States, or to enforce against us or them judgments obtained in United States courts, including judgments predicated upon the civil liability provisions of the securities laws of the United States or any state in the United States.

We have been informed by our Cayman Islands counsel, that the United States and the Cayman Islands do not have a treaty providing for reciprocal recognition and enforcement of judgments of U.S. courts in civil and commercial matters and the courts of the Cayman Islands and that there is uncertainty as to whether a final judgment for the payment of money rendered by any federal or state court in the United States based on civil liability provisions, whether or not predicated solely upon the U.S. federal securities laws, would be enforceable against us or our directors or officers in the Cayman Islands. This uncertainty relates to whether such a judgment would be determined by the courts of the Cayman Islands to be penal or punitive in nature.

We have also been advised by our Cayman Islands counsel that, notwithstanding the above, a final and conclusive judgment obtained in U.S. federal or state courts under which a definite sum of money is payable as compensatory damages and not in respect of laws that are penal in nature (i.e., not being a sum claimed by a revenue authority for taxes or other charges of a similar nature by a government authority, or in respect of a fine or penalty or multiple or punitive damages) will be recognized and enforced in the courts of the Cayman Islands at common law, without any re-examination of the merits of the underlying dispute, by an action commenced on the foreign judgment debt in the Grand Court of the Cayman Islands, provided that:

- the court that gave the judgment was competent to hear the action in accordance with private international law principles as applied by the courts in the Cayman Islands and the parties subject to such judgment

either submitted to such jurisdiction or were resident or carrying on business within such jurisdiction and were duly served with process;

- the judgment given by the foreign court was not in respect of penalties, taxes, fines or similar fiscal or revenue obligations;
- the judgment was final and conclusive and for a liquidated sum;
- the judgment was not obtained by fraud; and
- the judgment was not obtained in a manner and is not of a kind the enforcement of which is contrary to natural justice or public policy in the Cayman Islands.

A Cayman Islands court may impose civil liability on us or our directors or officers in a suit brought in the Grand Court of the Cayman Islands against us or these persons with respect to a violation of U.S. federal securities laws, provided that the facts surrounding any violation constitute or give rise to a cause of action under Cayman Islands law.

The recognition and enforcement of foreign judgments are provided for under the PRC Civil Procedures Law. Courts of mainland China may recognize and enforce foreign judgments in accordance with the requirements of the PRC Civil Procedures Law and other applicable laws and regulations based either on treaties between mainland China and the country where the judgment is made or on principles of reciprocity between jurisdictions. Mainland China does not have any treaties or other form of reciprocity with the United States or the Cayman Islands that provide for the reciprocal recognition and enforcement of foreign judgments. As such, the courts of mainland China will review and determine the applicability of the reciprocity principle on a case-by-case basis. In addition, according to the PRC Civil Procedures Law, courts in mainland China will not enforce a foreign judgment against us or our directors and officers if they decide that the judgment violates the basic principles of PRC law or national sovereignty, security or public interest. Under the PRC Civil Procedures Law, foreign shareholders may originate actions based on PRC law against a company in mainland China for disputes if they can establish sufficient nexus to mainland China for a court of mainland China to have jurisdiction and meet other procedural requirements. It will be, however, difficult for U.S. shareholders to originate actions against us in mainland China in accordance with PRC laws because we are incorporated under the laws of the Cayman Islands and it will be difficult for U.S. shareholders, by virtue only of holding the ADSs or ordinary shares, to establish a connection to mainland China for a court of mainland China to have jurisdiction as required under the PRC Civil Procedures Law.

Furthermore, the United States and Hong Kong do not have a bilateral treaty or multilateral convention in force on reciprocal recognition and enforcement of judgments and the statutory registration scheme for foreign judgments in Hong Kong does not extend to United States judgments. As a result, any United States judgment is enforceable in Hong Kong pursuant to the common law regime in Hong Kong for recognizing and enforcing foreign judgments, which provides that a foreign judgment is enforceable if the judgment (i) is final and conclusive on the merits, (ii) has been rendered by a court of competent jurisdiction, (iii) is for a fixed sum of money, unless the relevant proceeding in the United States offends against natural justice, the judgment was obtained by fraud or the enforcement of the judgment is contrary to public policy.

F. Disclosure of A Registrant's Action to Recover Erroneously Awarded Compensation

Not applicable.

ITEM 7. MAJOR SHAREHOLDERS AND RELATED PARTY TRANSACTIONS

A. Major Shareholders

See “Item 6. Directors, Senior Management and Employees—E. Share Ownership.”

B. Related Party Transactions

Contractual Arrangements with the VIE

See “Item 4. Information on the Company—C. Organizational Structure.”

Employment Agreements and Indemnification Agreements

See “Item 6. Directors, Senior Management and Employees—B. Compensation—Employment Agreements and Indemnification Agreements.”

Share Incentive Plans

See “Item 6. Directors, Senior Management and Employees—B. Compensation—Share Incentive Plan.”

Other Related Party Transactions

We purchased inventories and services from companies over which we exercise significant control in the amount of RMB211.0 million, RMB285.5 million and RMB372.0 million (US\$53.2 million) in 2023, 2024 and 2025, respectively. As of December 31, 2023, 2024 and 2025, the amount due to a company over which we exercise significant control was RMB9.4 million, RMB28.9 million and RMB21.3 million (US\$3.0 million), respectively, which were unsecured and interest free. Our sales of inventories to a company over which we exercise significant control was RMB1.8 million and nil in 2024 and 2025, respectively. As of December 31, 2024 and 2025, the amount due from companies over which we exercise significant control was RMB4.0 million and RMB0.1 million (US\$16 thousand). Our sales of inventories to a company controlled by our chief executive officer were RMB20.1 million, RMB10.4 million and nil for the years ended December 31, 2023, 2024 and 2025, respectively. As of December 31, 2023, 2024 and 2025, the amount due from a company controlled by our chief executive officer was RMB2.8 million, RMB5.1 million and nil, respectively.

On March 11, 2026, we entered into a Note Purchase Agreement with a purchaser affiliated with Trustar Capital and Mr. Jinfeng Huang, our founder, chairman of the board of directors and chief executive officer. Pursuant to this agreement, the purchaser agreed to subscribe for certain RMB-denominated convertible senior notes in an aggregate principal amount equivalent to approximately US\$120 million, to be issued in two equal tranches, together with warrants to purchase our Class A ordinary shares. As of the date of this annual report, the closing of the first tranche of these notes has not occurred. For additional information of this transaction, see “Item 3. Key Information—D. Risk Factors—Risks Relating to Our Business and Industry—If our cash from operations is not sufficient to meet our current or future operating needs and expenditures, our business, financial condition and results of operations may be materially and adversely affected.”

Shareholders Agreement

We entered into our seventh amended and restated shareholders agreement on September 11, 2020 with our shareholders, which included holders of ordinary shares and preferred shares. The shareholders agreement provides for certain shareholders’ rights, including information rights, right of participation, right of first refusal and co-sale rights and drag-along rights, and contains provisions governing our board of directors and other corporate governance matters. The registration rights have survived after the completion of our initial public offering.

Registration Rights

We have granted certain registration rights to our shareholders. Set forth below is a description of the registration rights granted under the shareholders agreement.

Demand Registration Rights. Holders of at least 30% of the registrable securities then outstanding may request in writing that we effect a registration of all registrable securities that the holders request to be registered and included in such registration by written notice. We are not obligated to effect a demand registration, however, if we have, within six months preceding the date of such request, already effected a demand registration or a Form F-3 registration, or a piggyback registration in which the current initiating holders could participate and, in case they participated, none of their registrable securities were excluded. We also have a right to defer filing of a registration statement for the period of not more than 90 days after the receipt of the request of the initiating holders if our board of directors determines in good faith that filing of a registration at such time will be materially detrimental to us and our shareholders. However, we cannot exercise the deferral right more than once during any 12-month period and cannot register any other securities during such period. In addition, we are not obligated to effect more than two demand registrations. Further, if the registrable securities are offered by means of an underwritten offering and the managing underwriter advises us that marketing factors require a limitation of the number of securities to be underwritten, a maximum of 75% of such registrable securities may be reduced as required by the underwriters and the number of the registrable securities will be allocated among the holders on a pro rata basis according to the number of registrable securities then outstanding held by each holder requesting registration, provided that in no event may any registrable securities be excluded from such underwriting unless all other securities are first excluded.

Registration on Form F-3. Holders of at least 30% of the registrable securities then outstanding have the right to request that we effect registration statements on Form F-3. We, however, are not obligated to effect such registration if, among other things, (i) Form F-3 is not available for such offering by the holders of registrable securities, (ii) the aggregate price of such offering is less than US\$1.0 million, and (iii) we have, within the 12-month period preceding the date of such request for Form F-3 registration, effected two registrations in which none of the current initiating holders' registrable securities were excluded. We have the right to defer filing of a Form F-3 registration statement for a period of not more than 60 days after the receipt of the request of the initiating holders if our board of directors determines in good faith that filing of such registration at such time will be materially detrimental to us and our shareholders, but we cannot exercise the deferral right more than once in any 12-month period and cannot register any other securities during such 60-day period.

Piggyback Registration Rights. If we propose to file a registration statement for a public offering of our securities other than relating to any employee benefit plan or a corporate reorganization, we must offer holders of our registrable securities an opportunity to include in the registration all or any part of their registrable securities. If the managing underwriters of any underwritten offering determine in good faith that marketing factors require a limitation of the number of shares to be underwritten, the managing underwriters may decide to exclude shares from the registration and the underwriting and to allocate the number of securities first to us and second to each of the holders requesting the inclusion of their registrable securities on a pro rata basis based on the total number of registrable securities held by each such holder and third, to holders of other securities of our company, provided that (i) in no event may any registrable securities be excluded from such offering unless all other securities are first excluded, and (ii) in no event may the amount of the holders' registrable securities included in such registration be reduced below 25% of the aggregate number of registrable securities requested to be included in such offering.

Expenses of Registration. We will bear all registration expenses, other than underwriting discounts and selling commissions incurred in connection with any demand, piggyback or Form F-3 registration, except each holder that exercised its demand, Form F-3 or piggyback registration rights will bear such holder's proportionate share (based on the total number of shares sold in such registration other than for our account) of all underwriting discounts and selling commissions or other amounts payable to underwriters or brokers. We are also not required to pay for any expenses of any registration proceeding begun in response to holders' exercise of their demand registration rights if the registration request is subsequently withdrawn at the request of the holders of a majority of the registrable securities to be registered, subject to a few exceptions.

Termination of Obligations. We have no obligation to effect any demand, Form F-3 or piggyback registration on November 23, 2025.

C. Interests of Experts and Counsel

Not applicable.

ITEM 8. FINANCIAL INFORMATION

A. Consolidated Statements and Other Financial Information

We have appended consolidated financial statements filed as part of this annual report.

Legal Proceedings

We may from time to time be subject to various legal or administrative claims and proceedings arising in the ordinary course of our business. For example, on September 23, 2022, a putative securities class action lawsuit was filed against us, certain of our directors and officers, our authorized U.S. representative, a shareholder, and the underwriters for our November 2020 initial public offering in the U.S. District Court for the Southern District of New York (captioned *Maeshiro v. Yatsen Holding Limited et al.*, No. 1:22-cv-08165). The plaintiff in this case alleges, in sum and substance, that our registration statement filed in connection with our November 2020 initial public offering and other public disclosures contained false or misleading statements in violation of the U.S. federal securities laws. In December 2023, the defendants filed a motion to dismiss the amended complaint, and briefing on the motion to dismiss was completed in March 2024. On July 22, 2024, the U.S. District Court for the Southern District of New York granted the defendants' motion to dismiss all claims. On August 30, 2024, the plaintiffs filed a motion for leave to file a second amended complaint. In July 2025, the U.S. District Court for the Southern District of New York denied the plaintiffs' request for leave to amend and ordered that the case be dismissed with prejudice. Plaintiffs did not appeal, and the case is now over.

Litigation or any other legal or administrative proceeding, regardless of the outcome, is likely to result in substantial costs and diversion of our resources, including our management's time and attention. For the potential impact of legal or administrative proceedings on us, see "Item 3. Key Information—D. Risk Factors—Risks Relating to Our Business and Industry—We may from time to time become a party to litigation, legal disputes, claims or administrative proceedings that may materially and adversely affect us."

Dividend Policy

Our board of directors has discretion on whether to distribute dividends, subject to certain requirements of Cayman Islands law. All dividends are subject to certain restrictions under Cayman Islands law, namely that our company may only pay dividends out of profits or share premium account, and provided always that in no circumstances may a dividend be paid if this would result in our company being unable to pay its debts as they fall due in the ordinary course of business. Even if we decide to pay dividends, the form, frequency and amount will depend upon our future operations and earnings, capital requirements and surplus, general financial condition, contractual restrictions and other factors that the board of directors may deem relevant.

We do not have any present plan to pay any cash dividends on our Class A ordinary shares or Class B ordinary shares in the foreseeable future. We currently intend to retain most, if not all, of our available funds and any future earnings to operate and expand our business.

We are a holding company incorporated in the Cayman Islands. We may rely on dividends from our subsidiary in China for our cash requirements, including any payment of dividends to our shareholders. PRC regulations may restrict the ability of our PRC subsidiary to pay dividends to us. See "Item 4. Information on the Company—B. Business Overview—Regulations—Regulations Relating to Dividend Distributions."

If we pay any dividends on our Class A ordinary shares, we will pay those dividends which are payable in respect of the Class A ordinary shares underlying the ADSs to the depositary, as the registered holder of such Class A ordinary shares, and the depositary then will pay such amounts to the ADS holders in proportion to the Class A ordinary shares underlying the ADSs held by such ADS holders, subject to the terms of the deposit agreement, including the fees and expenses payable thereunder. Cash dividends on our Class A ordinary shares, if any, will be paid in U.S. dollars.

B. Significant Changes

Except as disclosed elsewhere in this annual report, we have not experienced any significant changes since the date of our audited consolidated financial statements included in this annual report.

ITEM 9. THE OFFER AND LISTING

A. Offer and Listing Details

See “—C. Markets.”

B. Plan of Distribution

Not applicable.

C. Markets

Our ADSs have been listed on the NYSE under the symbol “YSG” since November 19, 2020. On March 18, 2024, we effected an ADS ratio change to adjust our Class A ordinary share to ADS ratio from one ADS representing four Class A ordinary shares to one ADS representing twenty of our Class A ordinary shares. Unless otherwise stated, the ADS ratio change has been retrospectively applied for all periods presented in this annual report.

D. Selling Shareholders

Not applicable.

E. Dilution

Not applicable.

F. Expenses of the Issue

Not applicable.

ITEM 10. ADDITIONAL INFORMATION

A. Share Capital

Not applicable.

B. Memorandum and Articles of Association

The following are summaries of material provisions of our ninth amended and restated memorandum and articles of association that we have adopted and of the Companies Act, insofar as they relate to the material terms of our ordinary shares.

Objects of Our Company. Under our memorandum and articles of association, the objects of our company are unrestricted and we have the full power and authority to carry out any object not prohibited by the Cayman Islands law.

Ordinary Shares. Our ordinary shares are divided into Class A ordinary shares and Class B ordinary shares. Holders of our Class A ordinary shares and Class B ordinary shares will have the same rights except for voting and conversion rights. Our ordinary shares are issued in registered form and are issued when registered in our register of members. We may not issue shares to bearer. Our shareholders who are non-residents of the Cayman Islands may freely hold and vote their shares.

Conversion. Each Class B ordinary share is convertible into one Class A ordinary share at any time by the holder thereof. Class A ordinary shares are not convertible into Class B ordinary shares under any circumstances. Upon any sale, transfer, assignment or disposition of any Class B ordinary shares by a holder thereof to any person or entity other than such person or such entity's affiliate, or upon a change of control of the ultimate beneficial ownership of any Class B ordinary shares to any person or entity who is not an affiliate of the registered holder of such Class B ordinary shares, such Class B ordinary shares will be automatically and immediately converted into an equal number of Class A ordinary shares.

Dividends. The holders of our ordinary shares are entitled to such dividends as may be declared by our board of directors or declared by our shareholders by ordinary resolution (provided that no dividend may be declared by our shareholders which exceeds the amount recommended by our directors). Our memorandum and articles of association provide that dividends may be declared and paid out of funds of our Company lawfully available therefor. Under the laws of the Cayman Islands, our company may pay a dividend out of either profit or share premium account, provided that in no circumstances may a dividend be paid if this would result in our company being unable to pay its debts as they fall due in the ordinary course of business.

Voting Rights. Voting at any meeting of shareholders is by show of hands unless a poll is demanded. A poll may be demanded by the chairman of such meeting or any one shareholder present in person or by proxy. In respect to all matters subject to a shareholders' vote, each Class A ordinary share is entitled to one vote, and each Class B ordinary share is entitled to twenty votes, voting together as one class.

An ordinary resolution to be passed at a meeting by the shareholders requires the affirmative vote of a simple majority of the votes attaching to the ordinary shares cast at a meeting, while a special resolution requires the affirmative vote of no less than two-thirds of the votes cast attaching to the outstanding ordinary shares at a meeting. A special resolution will be required for important matters such as a change of name or making changes to our memorandum and articles of association. Our shareholders may, among other things, divide or combine their shares by ordinary resolution.

General Meetings of Shareholders. As a Cayman Islands exempted company, we are not obliged by the Companies Act to call shareholders' annual general meetings. Our memorandum and articles of association provide that we may (but are not obliged to) in each year hold a general meeting as our annual general meeting in which case we shall specify the meeting as such in the notices calling it, and the annual general meeting shall be held at such time and place as may be determined by our directors.

Shareholders' general meetings may be convened by the chairman of our board of directors or by our directors. Advance notice of at least seven calendar days is required for the convening of our annual general shareholders' meeting (if any) and any other general meeting of our shareholders. A quorum required for any general meeting of shareholders consists of at least one shareholder present or by proxy, representing not less than one-third of all votes attaching to the issued and outstanding shares in our company entitled to vote at general meeting.

The Companies Act provides shareholders with only limited rights to requisition a general meeting, and does not provide shareholders with any right to put any proposal before a general meeting. However, these rights may be provided in a company's articles of association. Our memorandum and articles of association provide that upon the requisition of any one or more of our shareholders who together hold shares which carry in aggregate not less than one-third of all votes attaching to the issued and outstanding shares of our company entitled to vote at general meetings, our board will convene an extraordinary general meeting and put the resolutions so requisitioned to a vote at such meeting. However, our memorandum and articles of association do not provide our shareholders with any right to put any proposals before annual general meetings or extraordinary general meetings not called by such shareholders.

Transfer of Ordinary Shares. Subject to the restrictions set out in our memorandum and articles of association as set out below, any of our shareholders may transfer all or any of his or her ordinary shares by an instrument of transfer in the usual or common form or any other form approved by our board of directors.

Our board of directors may, in its absolute discretion, decline to register any transfer of any ordinary share which is not fully paid up or on which we have a lien. Our board of directors may also decline to register any transfer of any ordinary share unless:

- the instrument of transfer is lodged with us, accompanied by the certificate for the ordinary shares to which it relates and such other evidence as our board of directors may reasonably require to show the right of the transferor to make the transfer;
- the instrument of transfer is properly stamped, if required;
- in the case of a transfer to joint holders, the number of joint holders to whom the ordinary share is to be transferred does not exceed four; and
- a fee of such maximum sum as the NYSE may determine to be payable or such lesser sum as our directors may from time to time require is paid to us in respect thereof.

If our directors refuse to register a transfer they shall, within three months after the date on which the instrument of transfer was lodged, send to each of the transferor and the transferee notice of such refusal.

The registration of transfers may, on ten calendar days' notice being given by advertisement in such one or more newspapers, by electronic means or by any other means in accordance with the NYSE rules, be suspended and the register of members closed at such times and for such periods as our board of directors may from time to time determine, provided, however, that the registration of transfers shall not be suspended nor the register of members closed for more than 30 days in any year as our board may determine.

Liquidation. On the winding up of our company, if the assets available for distribution among our shareholders shall be more than sufficient to repay the whole of the share capital at the commencement of the winding up, the surplus shall be distributed among our shareholders in proportion to the par value of the shares held by them at the commencement of the winding up, subject to a deduction from those shares in respect of which there are monies due, of all monies payable to our company for unpaid calls or otherwise. If our assets available for distribution are insufficient to repay all of the paid-up capital, the assets will be distributed so that the losses are borne by our shareholders in proportion to the par value of the shares held by them.

Calls on Shares and Forfeiture of Shares. Our board of directors may from time to time make calls upon shareholders for any amounts unpaid on their shares in a notice served to such shareholders at least 14 days prior to the specified time and place of payment. The shares that have been called upon and remain unpaid are subject to forfeiture.

Redemption, Repurchase and Surrender of Shares. We may issue shares on terms that such shares are subject to redemption, at our option or at the option of the holders of these shares, on such terms and in such manner as may be determined by our board of directors. Our company may also repurchase any of our shares on such terms and in such manner as have been approved by our board of directors. Under the Companies Act, the redemption or repurchase of any share may be paid out of our Company's profits or out of the proceeds of a new issue of shares made for the purpose of such redemption or repurchase, or out of capital (including share premium account and capital redemption reserve) if our company can, immediately following such payment, pay its debts as they fall due in the ordinary course of business. In addition, under the Companies Act no such share may be redeemed or repurchased (a) unless it is fully paid up, (b) if such redemption or repurchase would result in there being no shares outstanding or (c) if the company has commenced liquidation. In addition, our company may accept the surrender of any fully paid share for no consideration.

Variations of Rights of Shares. If at any time, our share capital is divided into different classes or series of shares, the rights attached to any class or series of shares (unless otherwise provided by the terms of issue of the shares of that class or series), whether or not our company is being wound-up, may be materially adversely varied with the consent in writing of at least two-thirds of the holders of the issued shares of that class or series or with the sanction of an ordinary resolution passed by a majority of the votes cast at a separate meeting of the holders of the shares of the class or series. The rights conferred upon the holders of the shares of any class issued shall not, unless otherwise expressly provided by the terms of issue of the shares of that class, be deemed to be varied by the creation or issue of further shares ranking *pari passu* with such existing class of shares.

Issuance of Additional Shares. Our memorandum and articles of association authorize our board of directors to issue additional ordinary shares from time to time as our board of directors shall determine, to the extent of available authorized but unissued shares.

Our memorandum and articles of association also authorize our board of directors to establish from time to time one or more series of preference shares and to determine, with respect to any series of preference shares, the terms and rights of that series, including:

- the designation of the series;
- the number of shares of the series;
- the dividend rights, dividend rates, conversion rights, voting rights; and
- the rights and terms of redemption and liquidation preferences.

Our board of directors may issue preference shares without action by our shareholders to the extent authorized but unissued. Issuance of these shares may dilute the voting power of holders of ordinary shares.

Inspection of Books and Records. Holders of our ordinary shares will have no general right under Cayman Islands law to inspect or obtain copies of our list of shareholders or our corporate records (other than copies of our memorandum and articles of association, our register of mortgages and charges and any special resolutions passed by our shareholders). Under Cayman Islands law, the names of our current directors can be obtained from a search conducted at the Registrar of Companies. However, we will provide our shareholders with annual audited financial statements.

Anti-Takeover Provisions. Some provisions of our memorandum and articles of association may discourage, delay or prevent a change of control of our company or management that shareholders may consider favorable, including provisions that:

- authorize our board of directors to issue preference shares in one or more series and to designate the price, rights, preferences, privileges and restrictions of such preference shares without any further vote or action by our shareholders; and
- limit the ability of shareholders to requisition and convene general meetings of shareholders.

However, under Cayman Islands law, our directors may only exercise the rights and powers granted to them under our memorandum and articles of association for a proper purpose and for what they believe in good faith to be in the best interests of our company.

Exempted Company. We are an exempted company with limited liability incorporated under the Companies Act. The Companies Act distinguishes between ordinary resident companies and exempted companies. Any company that is registered in the Cayman Islands but conducts business mainly outside of the Cayman Islands may apply to be registered as an exempted company. The requirements for an exempted company are essentially the same as for an ordinary company except that an exempted company:

- does not have to file an annual return of its shareholders with the Registrar of Companies;
- is not required to open its register of members for inspection;
- does not have to hold an annual general meeting;
- may issue negotiable or bearer shares or shares with no par value;
- may obtain an undertaking against the imposition of any future taxation (such undertakings are usually given for 30 years in the first instance);
- may register by way of continuation in another jurisdiction and be deregistered in the Cayman Islands;

- may register as a limited duration company; and
- may register as a segregated portfolio company.

“Limited liability” means that the liability of each shareholder is limited to the amount unpaid by the shareholder on the shares of the company (except in exceptional circumstances, such as involving fraud, the establishment of an agency relationship or an illegal or improper purpose or other circumstances in which a court may be prepared to pierce or lift the corporate veil).

Exclusive Forum. Unless we consent in writing to the selection of an alternative forum, the United States District Court for the Southern District of New York (or, if the United States District Court for the Southern District of New York lacks subject matter jurisdiction over a particular dispute, the state courts in New York County, New York) shall be the exclusive forum within the United States for the resolution of any complaint asserting a cause of action arising out of or relating in any way to the federal securities laws of the United States, regardless of whether such legal suit, action, or proceeding also involves parties other than us. Any person or entity purchasing or otherwise acquiring any of our shares, ADSs or other securities shall be deemed to have notice of and consented to the provisions of our memorandum and articles of association. See “Item 3. Key Information—D. Risk Factors—Risks Relating to Our ADSs—Forum selection provisions in our memorandum and articles of association and our deposit agreement with the depository bank could limit the ability of holders of our Class A ordinary shares, ADSs or other securities to obtain a favorable judicial forum for disputes with us, our directors and officers, the depository bank, and potentially others.”

Differences in Corporate Law

The Companies Act (As Revised) is derived, to a large extent, from the older Companies Acts of England but does not follow recent United Kingdom statutory enactments, and accordingly there are significant differences between the Companies Act (As Revised) and the current Companies Act of England.

In addition, the Companies Act (As Revised) differs from laws applicable to United States corporations and their shareholders. Set forth below is a summary of certain significant differences between the provisions of the Companies Act (As Revised) applicable to us and the laws applicable to United States corporations and companies incorporated in the State of Delaware.

Mergers and Similar Arrangements

The Companies Act (As Revised) permits mergers and consolidations between Cayman Islands companies and between Cayman Islands companies and non-Cayman Islands companies. For these purposes, (1) “merger” means the merging of two or more constituent companies and the vesting of their undertaking, property and liabilities in one of such companies as the surviving company and (2) a “consolidation” means the combination of two or more constituent companies into a consolidated company and the vesting of the undertaking, property and liabilities of such companies in the consolidated company.

In order to effect such a merger or consolidation, the directors of each constituent company must approve a written plan of merger or consolidation, which must then be authorized by (1) a special resolution of the shareholders of each constituent company, and (2) such other authorization, if any, as may be specified in such constituent company’s articles of association. The written plan of merger or consolidation must be filed with the Registrar of Companies together with a declaration as to the solvency of the consolidated or surviving company, a list of the assets and liabilities of each constituent company and an undertaking that a copy of the certificate of merger or consolidation will be given to the members and creditors of each constituent company and that notification of the merger or consolidation will be published in the Cayman Islands Gazette. Dissenting shareholders have the right to be paid the fair value of their shares (which, if not agreed between the parties, will be determined by the Cayman Islands court) if they follow the required procedures, subject to certain exceptions. Court approval is not required for a merger or consolidation which is effected in compliance with these statutory procedures.

A merger between a Cayman parent company and its Cayman subsidiary or subsidiaries does not require authorization by a resolution of shareholders of that Cayman subsidiary if a copy of the plan of merger is given to every member of that Cayman subsidiary to be merged unless that member agrees otherwise. For this purpose a company is a “parent” of a subsidiary if it holds issued shares that together represent at least 90% of the votes at a general meeting of the subsidiary.

The consent of each holder of a fixed or floating security interest over a constituent company is required unless this requirement is waived by a court in the Cayman Islands.

Save in certain limited circumstances, a shareholder of a Cayman constituent company who dissents from the merger or consolidation is entitled to payment of the fair value of his shares (which, if not agreed between the parties, will be determined by the Cayman Islands court) upon dissenting to the merger or consolidation, provide the dissenting shareholder complies strictly with the procedures set out in the Companies Act. The exercise of dissenter rights will preclude the exercise by the dissenting shareholder of any other rights to which he or she might otherwise be entitled by virtue of holding shares, save for the right to seek relief on the grounds that the merger or consolidation is void or unlawful.

Separate from the statutory provisions relating to mergers and consolidations, the Companies Act (As Revised) also contains statutory provisions that facilitate the reconstruction and amalgamation of companies by way of schemes of arrangement, provided that the arrangement is approved by (a) 75% in value of the shareholders or class of shareholders, as the case may be, or (b) a majority in number representing 75% in value of the creditors or each class of creditors, as the case may be, with whom the arrangement is to be made, that are, in each case, present and voting either in person or by proxy at a meeting, or meetings, convened for that purpose. The convening of the meetings and subsequently the arrangement must be sanctioned by the Grand Court of the Cayman Islands. While a dissenting shareholder has the right to express to the court the view that the transaction ought not to be approved, the Grand Court can be expected to approve the arrangement if it determines that:

- the statutory provisions as to the required majority vote have been met;
- the shareholders have been fairly represented at the meeting in question and the statutory majority are acting bona fide without coercion of the minority to promote interests adverse to those of the class;
- the arrangement is such that may be reasonably approved by an intelligent and honest man of that class acting in respect of his interest; and
- the arrangement is not one that would more properly be sanctioned under some other provision of the Companies Act.

The Companies Act (As Revised) also contains a statutory power of compulsory acquisition which may facilitate the “squeeze out” of dissentient minority shareholder upon a tender offer. When a tender offer is made and accepted by holders of 90% of the shares affected within four months, the offeror may, within a two-month period commencing on the expiration of such four-month period, require the holders of the remaining shares to transfer such shares to the offeror on the terms of the offer. An objection can be made to the Grand Court of the Cayman Islands but this is unlikely to succeed in the case of an offer which has been so approved unless there is evidence of fraud, bad faith or collusion.

If an arrangement and reconstruction by way of scheme of arrangement is thus approved, the dissenting shareholder would have no rights comparable to appraisal rights, which would otherwise ordinarily be available to dissenting shareholders of Delaware corporations, providing rights to receive payment in cash for the judicially determined value of the shares.

Shareholders’ Suits

In principle, we will normally be the proper plaintiff to sue for a wrong done to us as a company, and as a general rule a derivative action may not be brought by a minority shareholder. However, based on English authorities, which would in all likelihood be of persuasive authority in the Cayman Islands, the Cayman Islands court can be expected to follow and apply the common law principles (namely the rule in *Foss v. Harbottle* and the exceptions

thereto) so that a non-controlling shareholder may be permitted to commence a class action against or derivative actions in the name of our company to challenge actions where:

- an act which is ultra vires or illegal and is therefore incapable of ratification by the shareholders;
- the act complained of, although not ultra vires, could only be effected duly if authorized by more than a simple majority vote that has not been obtained; and
- an act which constitute a fraud against the minority where the wrongdoer are themselves in control of the company.

Indemnification of Directors and Executive Officers and Limitation of Liability

Cayman Islands law does not limit the extent to which a company's memorandum and articles of association may provide for indemnification of officers and directors, except to the extent any such provision may be held by the Cayman Islands courts to be contrary to public policy, such as to provide indemnification against civil fraud or the consequences of committing a crime.

Our memorandum and articles of association permit indemnification of officers and directors for losses, damages, costs and expenses incurred in their capacities as such unless such losses or damages arise from dishonesty or fraud of such directors or officers. This standard of conduct is generally the same as permitted under the Delaware General Corporation Law for a Delaware corporation.

In addition, we have entered into indemnification agreements with our directors and executive officers that provide such persons with additional indemnification beyond that provided in our memorandum and articles of association.

Insofar as indemnification for liabilities arising under the Securities Act may be permitted to our directors, officers or persons controlling us under the foregoing provisions, we have been informed that in the opinion of the SEC, such indemnification is against public policy as expressed in the Securities Act and is therefore unenforceable.

Directors' Fiduciary Duties

Under Delaware corporate law, a director of a Delaware corporation has a fiduciary duty to the corporation and its shareholders. This duty has two components: the duty of care and the duty of loyalty. The duty of care requires that a director act in good faith, with the care that an ordinarily prudent person would exercise under similar circumstances. Under this duty, a director must inform himself of, and disclose to shareholders, all material information reasonably available regarding a significant transaction.

The duty of loyalty requires that a director acts in a manner he or she reasonably believes to be in the best interests of the corporation. He or she must not use his corporate position for personal gain or advantage. This duty prohibits self-dealing by a director and mandates that the best interest of the corporation and its shareholders take precedence over any interest possessed by a director, officer or controlling shareholder and not shared by the shareholders generally.

In general, actions of a director are presumed to have been made on an informed basis, in good faith and in the honest belief that the action taken was in the best interests of the corporation. However, this presumption may be rebutted by evidence of a breach of one of the fiduciary duties. Should such evidence be presented concerning a transaction by a director, the director must prove the procedural fairness of the transaction and that the transaction was of fair value to the corporation.

As a matter of Cayman Islands law, a director of a Cayman Islands company is in the position of a fiduciary with respect to the company and therefore it is considered that he or she owes the following duties to the company:

- a duty to act in good faith in the best interests of the company,

- a duty not to make a personal profit based on his or her position as director (unless the company permits him or her to do so),
- a duty not to put himself or herself in a position where the interests of the company conflict with his or her personal interest or his or her duty to a third party, and
- a duty to exercise powers for the purpose for which such powers were intended.

A director of a Cayman Islands company owes to the company a duty of care, diligence and skill. It was previously considered that a director need not exhibit in the performance of his or her duties a greater degree of skill than may reasonably be expected from a person of his or her knowledge and experience. However, English and Commonwealth courts have moved towards an objective standard with regard to the required skill and care and these authorities are likely to be followed in the Cayman Islands.

Shareholder Action by Written Consent

Under the Delaware General Corporation Law, a corporation may eliminate the right of shareholders to act by written consent by amendment to its certificate of incorporation. Cayman Islands law and our currently effective memorandum and articles of association provide that our shareholders may approve corporate matters by way of a unanimous written resolution signed by or on behalf of all shareholders who would have been entitled to vote on such matter at a general meeting without a meeting being held.

Shareholder Proposals

Under the Delaware General Corporation Law, a shareholder has the right to put any proposal before the annual meeting of shareholders, provided it complies with the notice provisions in the governing documents. A special meeting may be called by the board of directors or any other person authorized to do so in the governing documents, but shareholders may be precluded from calling special meetings.

The Companies Act (As Revised) does not provide shareholders with an express right to put forth any proposal before a general meeting of the shareholders. However, the Companies Act (As Revised) may provide shareholders with limited rights to requisition a general meeting but such rights must be stipulated in the articles of association of the company.

Any one or more shareholders holding not less than one-tenth of the voting rights on a one vote per share basis, in the share capital of the company at the date of deposit of the requisition shall at all times have the right, by written requisition to the board of directors or the secretary of the company, to require an extraordinary general meeting to be called by the board of directors for the transaction of any business specified in such requisition.

Cumulative Voting

Under the Delaware General Corporation Law, cumulative voting for election of directors is not permitted unless the corporation's certificate of incorporation specifically provides for it. Cumulative voting potentially facilitates the representation of minority shareholders on a board of directors since it permits the minority shareholder to cast all the votes to which the shareholder is entitled on a single director, which increases the shareholder's voting power with respect to electing such director.

There are no prohibitions relating to cumulative voting under the laws of the Cayman Islands, but our memorandum and articles of association do not provide for cumulative voting. As a result, our shareholders are not afforded any less protections or rights on this issue than shareholders of a Delaware corporation.

Removal of Directors

Under the Delaware General Corporation Law, a director of a corporation with a classified board may be removed only for cause with the approval of a majority of the issued and outstanding shares entitled to vote, unless the certificate of incorporation provides otherwise. Under our memorandum and articles of association, directors may

be removed with or without cause, by an ordinary resolution of our shareholders at any time before the expiration of his term of office notwithstanding anything in our memorandum and articles of association or in any agreement between our company and such director (but without prejudice to any claim for damages under any such agreement).

Transactions with Interested Shareholders

The Delaware General Corporation Law contains a business combination statute applicable to Delaware public corporations whereby, unless the corporation has specifically elected not to be governed by such statute by amendment to its certificate of incorporation, it is prohibited from engaging in certain business combinations with an “interested shareholder” for three years following the date that such person becomes an interested shareholder. An interested shareholder generally is a person or a group who or which owns or owned 15% or more of the target’s outstanding voting shares within the past three years.

This statute has the effect of limiting the ability of a potential acquirer to make a two-tiered bid for the target in which all shareholders would not be treated equally. The statute does not apply if, prior to the date on which such shareholder becomes an interested shareholder, the board of directors approves either the business combination or the transaction which resulted in the person becoming an interested shareholder. This encourages any potential acquirer of a Delaware corporation to negotiate the terms of any acquisition transaction with the target’s board of directors.

Cayman Islands law has no comparable statute. As a result, we cannot avail ourselves of the types of protections afforded by the Delaware business combination statute. However, although Cayman Islands law does not regulate transactions between a company and its significant shareholders, it does provide that such transactions must be entered into bona fide in the best interests of the company and for a proper purpose and not with the effect of constituting a fraud on the minority shareholders.

Restructuring

A company may present a petition to the Grand Court of the Cayman Islands for the appointment of a restructuring officer on the grounds that the company:

- (a) is or is likely to become unable to pay its debts; and
- (b) intends to present a compromise or arrangement to its creditors (or classes thereof) either pursuant to the Companies Act, the law of a foreign country or by way of a consensual restructuring.

The Grand Court may, among other things, make an order appointing a restructuring officer upon hearing of such petition, with such powers and to carry out such functions as the court may order. At any time (i) after the presentation of a petition for the appointment of a restructuring officer but before an order for the appointment of a restructuring officer has been made, and (ii) when an order for the appointment of a restructuring officer is made, until such order has been discharged, no suit, action or other proceedings (other than criminal proceedings) shall be proceeded with or commenced against the company, no resolution to wind up the company shall be passed, and no winding up petition may be presented against the company, except with the leave of the court. However, notwithstanding the presentation of a petition for the appointment of a restructuring officer or the appointment of a restructuring officer, a creditor who has security over the whole or part of the assets of the company is entitled to enforce the security without the leave of the court and without reference to the restructuring officer appointed.

Dissolution; Winding Up

Under the Delaware General Corporation Law, unless the board of directors approves the proposal to dissolve, dissolution must be approved by shareholders holding 100% of the total voting power of the corporation. Only if the dissolution is initiated by the board of directors may it be approved by a simple majority of the corporation’s outstanding shares. Delaware law allows a Delaware corporation to include in its certificate of incorporation a supermajority voting requirement in connection with dissolutions initiated by the board.

Under Cayman Islands law, a company may be wound up by either an order of the courts of the Cayman Islands or by a special resolution of its members or, if the company is unable to pay its debts as they fall due, by an ordinary

resolution of its members. The court has authority to order winding up in a number of specified circumstances including where it is, in the opinion of the court, just and equitable to do so.

Variation of Rights of Shares

Under the Delaware General Corporation Law, a corporation may vary the rights of a class of shares with the approval of a majority of the outstanding shares of such class, unless the certificate of incorporation provides otherwise. Under Cayman Islands law and our memorandum and articles of association, if our share capital is divided into more than one class of shares, we may vary the rights attached to any class with the sanction of a special resolution passed by a majority of not less than three-fourths of the votes cast at a separate meeting of the holders of the shares of that class.

Amendment of Governing Documents

Under the Delaware General Corporation Law, a corporation's governing documents may be amended with the approval of a majority of the outstanding shares entitled to vote, unless the certificate of incorporation provides otherwise.

Under Cayman Islands law, our memorandum and articles of association may only be amended with a special resolution of our shareholders.

Rights of Non-resident or Foreign Shareholders

There are no limitations imposed by our memorandum and articles of association on the rights of non-resident or foreign shareholders to hold or exercise voting rights on our shares.

In addition, there are no provisions in our memorandum and articles of association governing the ownership threshold above which shareholder ownership must be disclosed.

Inspection of Books and Records

Under the Delaware General Corporation Law, any shareholder of a corporation may for any proper purpose inspect or make copies of the corporation's stock ledger, list of shareholders and other books and records.

Shareholders of Cayman Islands exempted companies like us have no general right under Cayman Islands law to inspect corporate records (other than the memorandum and articles of association, the register of mortgages and charges and any special resolutions passed by our shareholders) or obtain copies of the list of shareholders of these companies. Under Cayman Islands law, the names of our current directors can be obtained from a search conducted at the Registrar of Companies. However, we intend to provide our shareholders with annual reports containing audited financial statements.

C. Material Contracts

We have not entered into any material contracts other than in the ordinary course of business and other than those described in "Item 4. Information on the Company," "Item 7. Major Shareholders and Related Party Transactions—B. Related Party Transactions," this "Item 10. Additional Information—C. Material Contracts" or elsewhere in this annual report on Form 20-F.

D. Exchange Controls

See "Item 4. Information on the Company—B. Business Overview—Regulations—Regulations Relating to Foreign Exchange."

E. Taxation

The following summary of Cayman Islands, PRC and U.S. federal income tax considerations of an investment in the ADSs or Class A ordinary shares is based upon laws and relevant interpretations thereof in effect as of the date of this annual report, all of which are subject to change. This summary does not deal with all possible tax considerations relating to an investment in the ADSs or Class A ordinary shares, such as the tax considerations under U.S. state and local tax laws or under the tax laws of jurisdictions other than the Cayman Islands, the People's Republic of China and the United States.

Cayman Islands Taxation

The Cayman Islands currently levies no taxes on individuals or corporations based upon profits, income, gains or appreciation and there is no taxation in the nature of inheritance tax or estate duty. There are no other taxes likely to be material to holders of our ADSs or ordinary shares levied by the government of the Cayman Islands except for stamp duties which may be applicable on instruments executed in, or, after execution, brought within the jurisdiction of the Cayman Islands. The Cayman Islands is not party to any double tax treaties that are applicable to any payments made to or by our company. There are no exchange control regulations or currency restrictions in the Cayman Islands.

Payments of dividends and capital in respect of our ordinary shares or ADSs will not be subject to taxation in the Cayman Islands and no withholding will be required on the payment of a dividend or capital to any holder of our ordinary shares or ADSs, nor will gains derived from the disposal of our ordinary shares or ADSs be subject to Cayman Islands income or corporate tax.

People's Republic of China Taxation

Under the PRC Enterprise Income Tax Law and its implementation rules, an enterprise established outside of the PRC with a "de facto management body" within the PRC is considered a resident enterprise and will be subject to the enterprise income tax at the rate of 25% on its global income. The implementation rules define the term "de facto management body" as the body that exercises full and substantial control over and overall management of the business, productions, personnel, accounts and properties of an enterprise. In April 2009, the State Administration of Taxation issued a circular, known as SAT Circular 82, which provides certain specific criteria for determining whether the "de facto management body" of a PRC-controlled enterprise that is incorporated offshore is located in China. Although this circular only applies to offshore enterprises controlled by PRC enterprises or PRC enterprise groups, not those controlled by PRC individuals or foreigners, the criteria set forth in the circular may reflect the State Administration of Taxation's general position on how the "de facto management body" test should be applied in determining the tax resident status of all offshore enterprises. According to SAT Circular 82, an offshore incorporated enterprise controlled by a PRC enterprise or a PRC enterprise group will be regarded as a PRC tax resident by virtue of having its "de facto management body" in China only if all of the following conditions are met: (i) the primary location of the day-to-day operational management is in the PRC; (ii) decisions relating to the enterprise's financial and human resource matters are made or are subject to approval by organizations or personnel in the PRC; (iii) the enterprise's primary assets, accounting books and records, company seals, and board and shareholder resolutions, are located or maintained in the PRC; and (iv) at least 50% of voting board members or senior executives habitually reside in the PRC.

We believe that Yatsen Holding Limited is not a PRC resident enterprise for PRC tax purposes. Yatsen Holding Limited is not controlled by a PRC enterprise or PRC enterprise group, and we do not believe that Yatsen Holding Limited meets all of the conditions above. Yatsen Holding Limited is a company incorporated outside of the PRC. For the same reasons, we believe our other entities outside of China are not PRC resident enterprises either. However, the tax resident status of an enterprise is subject to determination by the PRC tax authorities and uncertainties remain with respect to the interpretation of the term "de facto management body." There can be no assurance that the PRC government will ultimately take a view that is consistent with us.

If the PRC tax authorities determine that Yatsen Holding Limited is a PRC resident enterprise for enterprise income tax purposes, we may be required to withhold a 10% withholding tax from dividends we pay to our shareholders that are non-resident enterprises, including the holders of the ADSs. In addition, non-resident enterprise shareholders (including the ADS holders) may be subject to a 10% PRC tax on gains realized on the sale or other disposition of ADSs or ordinary shares, if such income is treated as sourced from within the PRC. It is unclear whether our non-PRC individual shareholders (including the ADS holders) would be subject to any PRC tax on dividends or

gains obtained by such non-PRC individual shareholders in the event we are determined to be a PRC resident enterprise. If any PRC tax were to apply to such dividends or gains, it would generally apply at a rate of 20% unless a reduced rate is available under an applicable tax treaty. It is also unclear whether non-PRC shareholders of Yatsen Holding Limited would be able to claim the benefits of any tax treaties between their country of tax residence and the PRC in the event that Yatsen Holding Limited is treated as a PRC resident enterprise.

Provided that our Cayman Islands holding company, Yatsen Holding Limited, is not deemed to be a PRC resident enterprise, holders of the ADSs and ordinary shares who are not PRC residents will not be subject to PRC income tax on dividends distributed by us or gains realized from the sale or other disposition of our ordinary shares or ADSs. However, under SAT Bulletin 7 and SAT Bulletin 37, where a non-resident enterprise conducts an “indirect transfer” by transferring taxable assets, including, in particular, equity interests in a PRC resident enterprise, indirectly by disposing of the equity interests of an overseas holding company, the non-resident enterprise, being the transferor, or the transferee or the PRC entity which directly owned such taxable assets may report to the tax authority such indirect transfer. Using a “substance over form” principle, the PRC tax authority may disregard the existence of the overseas holding company if it lacks a reasonable commercial purpose and was established for the purpose of reducing, avoiding or deferring PRC tax. As a result, gains derived from such indirect transfer may be subject to PRC enterprise income tax, and the transferee or other person who is obligated to pay for the transfer is obligated to withhold the applicable taxes, currently at a rate of 10% for the transfer of equity interests in a PRC resident enterprise. We and our non-PRC resident investors may be at risk of being required to file a return and being taxed under SAT Bulletin 7 and SAT Bulletin 37, and we may be required to expend valuable resources to comply with SAT Bulletin 7 and SAT Bulletin 37, or to establish that we should not be taxed under these circulars.

United States Federal Income Tax Considerations

The following discussion is a summary of U.S. federal income tax considerations generally applicable to the ownership and disposition of our ADSs or Class A ordinary shares by a U.S. Holder (as defined below) that holds our ADSs or Class A ordinary shares as “capital assets” (generally, property held for investment) within the meaning of Section 1221 of the U.S. Internal Revenue Code of 1986, as amended, or the Code. This discussion is based upon existing U.S. federal tax law, which is subject to differing interpretations or change, possibly with retroactive effect, and there can be no assurance that the Internal Revenue Service, or IRS, or a court will not take a contrary position. This discussion, moreover, does not address the U.S. federal estate, gift, Medicare, or any minimum tax considerations, or any state, local or non-U.S. tax considerations, relating to the ownership or disposition of our ADSs or Class A ordinary shares. The following summary does not address all aspects of U.S. federal income taxation that may be important to particular investors in light of their individual circumstances or to persons in special tax situations such as:

- banks and other financial institutions;
- insurance companies;
- pension plans;
- cooperatives;
- regulated investment companies;
- real estate investment trusts;
- broker-dealers;
- traders that elect to use a mark-to-market method of accounting;
- certain former U.S. citizens or long-term residents;
- tax-exempt entities (including private foundations);
- persons liable for any minimum tax;

- persons who acquire their ADSs or Class A ordinary shares pursuant to any employee share option or otherwise as compensation;
- investors that will hold their ADSs or Class A ordinary shares as part of a straddle, hedge, conversion, constructive sale or other integrated transaction for U.S. federal income tax purposes;
- investors that have a functional currency other than the U.S. dollar;
- persons that actually or constructively own ADSs or Class A ordinary shares representing 10% or more of our stock (by vote or value); or
- partnerships or other entities or arrangements taxable as partnerships for U.S. federal income tax purposes, or persons holding ADSs or Class A ordinary shares through such entities or arrangements;

all of whom may be subject to tax rules that differ significantly from those discussed below.

Each U.S. Holder is urged to consult its tax advisor regarding the application of U.S. federal taxation to its particular circumstances, and the state, local, non-U.S. and other tax considerations of the ownership and disposition of our ADSs or Class A ordinary shares.

General

For purposes of this discussion, a “U.S. Holder” is a beneficial owner of our ADSs or Class A ordinary shares that is, for U.S. federal income tax purposes:

- an individual who is a citizen or resident of the United States;
- a corporation (or other entity treated as a corporation for U.S. federal income tax purposes) created in, or organized under the laws, of the United States or any state thereof or the District of Columbia;
- an estate the income of which is includible in gross income for U.S. federal income tax purposes regardless of its source; or
- a trust (A) the administration of which is subject to the primary supervision of a U.S. court and which has one or more U.S. persons who have the authority to control all substantial decisions of the trust or (B) that has otherwise validly elected to be treated as a U.S. person under the Code.

If a partnership (or other entity or arrangement treated as a partnership for U.S. federal income tax purposes) is a beneficial owner of our ADSs or Class A ordinary shares, the tax treatment of a partner in the partnership will generally depend upon the status of the partner and the activities of the partnership. Partnerships holding our ADSs or Class A ordinary shares and their partners are urged to consult their tax advisors regarding an investment in our ADSs or Class A ordinary shares.

For U.S. federal income tax purposes, a U.S. Holder of ADSs generally will be treated as the beneficial owner of the underlying shares represented by the ADSs. The remainder of this discussion assumes that a U.S. Holder of our ADSs will be treated in this manner. Accordingly, deposits or withdrawals of Class A ordinary shares for ADSs generally will not be subject to U.S. federal income tax.

Passive Foreign Investment Company Considerations

A non-U.S. corporation, such as our company, will be classified as a PFIC for U.S. federal income tax purposes for any taxable year if either (i) 75% or more of its gross income for such year consists of certain types of “passive” income or (ii) 50% or more of the value of its assets (generally determined on the basis of a quarterly average) during such year is attributable to assets that produce or are held for the production of passive income, or the “asset test.” For this purpose, cash and assets readily convertible into cash are categorized as passive assets and the company’s goodwill and other unbooked intangibles not reflected on its balance sheet are taken into account. Passive income generally includes, among other things, dividends, interest, rents, royalties, and gains from the disposition of passive assets. We will be treated as owning a proportionate share of the assets and earning a proportionate share of the income of any other corporation in which we own, directly or indirectly, 25% or more (by value) of the stock.

Although the law in this regard is not entirely clear, we intend to treat the VIE (including its subsidiaries) as being owned by us for U.S. federal income tax purposes, not only because we exercise effective control over the operation of such entity but also because we are entitled to substantially all of its economic benefits, and, as a result, we consolidate its results of operations in our consolidated financial statements.

Based upon the nature and composition of our assets (in particular, the retention of substantial amounts of cash and investments), and the market price of our ADSs, we believe that we were not a PFIC for the taxable year ended December 31, 2025. No assurances can be given with regard to our PFIC status for our current or subsequent taxable years because our PFIC status is a factual determination made annually after the close of each taxable year that will depend, in part, on the composition of our income and assets. Because the value of our assets for purposes of the asset test may be determined by reference to the market price of our ADSs from time to time (which may be volatile), fluctuations in the market price of our ADSs may cause us to be or become a PFIC for the current or subsequent taxable years. The market price of our ADSs may continue to fluctuate considerably and, consequently, we cannot assure you of our PFIC status for any taxable year. In addition, the composition of our income and assets will also be affected by how, and how quickly, we use our liquid assets. As previously disclosed, we believe that we were a PFIC for U.S. federal income tax purposes for our taxable year ended December 31, 2024. In addition, it is possible that one or more of our subsidiaries were also PFICs for U.S. federal income tax purposes for such taxable year.

If we are a PFIC for any year during which a U.S. Holder holds our ADSs or Class A ordinary shares, we generally will continue to be treated as a PFIC for all succeeding years during which such U.S. Holder holds our ADSs or Class A ordinary shares. However, if we cease to be a PFIC, provided that you have not made a mark-to-market election, as described below, you may avoid some of the adverse effects of the PFIC regime by making a “deemed sale” election with respect to the ADSs or Class A ordinary shares, as applicable. If such election is made, you will be deemed to have sold our ADSs or Class A ordinary shares you hold at their fair market value and any gain from such deemed sale would be subject to the rules described below under “Passive Foreign Investment Company Rules.” After the deemed sale election, so long as we do not become a PFIC in a subsequent taxable year, your ADSs or Class A ordinary shares with respect to which such election was made will not be treated as shares in a PFIC and you will not be subject to the rules described below with respect to any “excess distribution” you receive from us or any gain from an actual sale or other disposition of the ADSs or Class A ordinary shares. The rules dealing with deemed sale elections are very complex. Each U.S. Holder should consult its tax advisors regarding the possibility and considerations of making a deemed sale election.

Dividends

Subject to the discussion below under “Passive Foreign Investment Company Rules,” the gross amount of any distributions paid on our ADSs or Class A ordinary shares (including the amount of any PRC tax withheld) out of our current or accumulated earnings and profits, as determined under U.S. federal income tax principles, will generally be includible in the gross income of a U.S. Holder as dividend income on the day actually or constructively received by the U.S. Holder, in the case of Class A ordinary shares, or by the depository, in the case of ADSs. Because we do not intend to determine our earnings and profits on the basis of U.S. federal income tax principles, any distribution we pay will generally be treated as a “dividend” for U.S. federal income tax purposes. Dividends received on our ADSs or Class A ordinary shares will not be eligible for the dividends received deduction allowed to corporations in respect of dividends received from U.S. corporations.

Individuals and other non-corporate U.S. Holders will be subject to tax on any such dividends at the lower capital gains tax rate applicable to “qualified dividend income,” provided that certain conditions are satisfied, including that (1) our ADSs or Class A ordinary shares on which the dividends are paid are readily tradable on an established securities market in the United States, or, in the event that we are deemed to be a PRC resident enterprise under the PRC tax law, we are eligible for the benefit of the U.S.-PRC income tax treaty, or the Treaty, (2) we are neither a PFIC nor treated as such with respect to a U.S. Holder (as discussed below) for the taxable year in which the dividend is paid or the preceding taxable year, and (3) certain holding period requirements are met. For this purpose, ADSs listed on the NYSE will generally be considered to be readily tradable on an established securities market in the United States. As mentioned above, we received a letter on November 2, 2023 from the NYSE notifying us that we were below compliance standards of the NYSE and, if we fail to regain compliance on a timely basis, our ADSs could be delisted from the NYSE. Although we subsequently received a letter from the NYSE on April 10, 2024 stating that we have regained compliance, there can be no assurance that we will remain compliant or that our ADSs

will be considered readily tradeable on an established securities market. U.S. Holders are urged to consult their tax advisors regarding the availability of the lower rate for dividends paid with respect to our ADSs or Class A ordinary shares. In the event that we are deemed to be a PRC resident enterprise under the PRC Enterprise Income Tax Law (see “Item 10. Additional Information—E. Taxation—People’s Republic of China Taxation”), we may be eligible for the benefits of the Treaty. If we are eligible for such benefits, dividends we pay on our Class A ordinary shares, regardless of whether such shares are represented by the ADSs, and regardless of whether our ADSs are readily tradable on an established securities market in the United States, would potentially be eligible for the reduced rate of taxation described above in this paragraph.

For U.S. foreign tax credit purposes, dividends paid on our ADSs or Class A ordinary shares will generally be treated as income from foreign sources and will generally constitute passive category income. In the event that we are deemed to be a PRC resident enterprise under the PRC Enterprise Income Tax Law, a U.S. Holder may be subject to PRC withholding taxes on dividends paid on our ADSs or Class A ordinary shares (see “Item 10. Additional Information—E. Taxation—People’s Republic of China Taxation”). Depending on the U.S. Holder’s particular facts and circumstances and subject to a number of complex conditions and limitations, PRC withholding taxes on dividends that are non-refundable under the Treaty may be treated as foreign taxes eligible for credit against a U.S. Holder’s U.S. federal income tax liability. A U.S. Holder who does not elect to claim a foreign tax credit for foreign tax withheld may instead claim a deduction for U.S. federal income tax purposes, in respect of such withholding, but only for a year in which such holder elects to do so for all creditable foreign income taxes. The rules governing the foreign tax credit are complex and U.S. Holders are urged to consult their tax advisors regarding the availability of the foreign tax credit under their particular circumstances.

As previously disclosed, we believe that we were a PFIC for the taxable year ended December 31, 2024, and as discussed above, no assurances can be given with regard to our PFIC status for our current or subsequent taxable years. U.S. Holders are urged to consult their tax advisors regarding the availability of the reduced rate of taxation on dividends with respect to our ADSs or Class A ordinary shares under their particular circumstances.

Sale or Other Disposition

Subject to the discussion below under “Passive Foreign Investment Company Rules,” a U.S. Holder will generally recognize gain or loss upon the sale or other disposition of ADSs or Class A ordinary shares in an amount equal to the difference between the amount realized upon the disposition and the holder’s adjusted tax basis in such ADSs or Class A ordinary shares. The gain or loss will generally be capital gain or loss. Any capital gain or loss will be long term if the ADSs or Class A ordinary shares have been held for more than one year at the time of disposition. The deductibility of a capital loss may be subject to limitations.

Any such gain or loss that the U.S. Holder recognizes will generally be treated as U.S. source income or loss for foreign tax credit limitation purposes, which will generally limit the availability of foreign tax credits.

In the event that we are deemed to be a PRC resident enterprise under the PRC Enterprise Income Tax Law, gains from the disposition of the ADSs or Class A ordinary shares may be subject to PRC income tax and will generally be U.S. source, which may limit the ability to receive a foreign tax credit. If a U.S. Holder is eligible for the benefits of the Treaty, such holder may be able to elect to treat such gain as PRC source income under the Treaty. Pursuant to the U.S. Treasury regulations (the applicability of which has been postponed until further guidance is issued), however, if a U.S. Holder is not eligible for the benefits of the Treaty or does not elect to apply the Treaty, then such holder may not be able to claim a foreign tax credit arising from any PRC tax imposed on the disposition of the ADSs or Class A ordinary shares. The rules regarding foreign tax credits and deduction of foreign taxes are complex. U.S. Holders are urged to consult their tax advisors regarding the tax consequences if a foreign tax is imposed on a disposition of our ADSs or Class A ordinary shares, including the availability of a foreign tax credit or deduction in light of their particular circumstances, their eligibility for benefits under the Treaty, and the potential impact of the U.S. Treasury regulations.

As previously disclosed, we believe that we were a PFIC for the taxable year ended December 31, 2024, and as discussed above, no assurances can be given with regard to our PFIC status for our current or subsequent taxable years. U.S. Holders are urged to consult their tax advisors regarding the tax considerations of the sale or other disposition of our ADSs or Class A ordinary shares under their particular circumstances.

Passive Foreign Investment Company Rules

As previously disclosed, we believe that we were a PFIC for the taxable year ended December 31, 2024, and as discussed above, no assurances can be given with regard to our PFIC status for our current or subsequent taxable years. If we are classified as a PFIC for any taxable year during which a U.S. Holder holds our ADSs or Class A ordinary shares, and unless the U.S. Holder makes a mark-to-market election (as described below), the U.S. Holder will generally be subject to special tax rules on (i) any excess distribution that we make to the U.S. Holder (which generally means any distribution paid during a taxable year to a U.S. Holder that is greater than 125 percent of the average annual distributions paid to the U.S. Holder in the three preceding taxable years or, if shorter, the U.S. Holder's holding period for the ADSs or Class A ordinary shares), and (ii) any gain recognized on the sale or other disposition (including, under certain circumstances, a pledge) of ADSs or Class A ordinary shares. Under the PFIC rules:

- the excess distribution or gain will be allocated ratably over the U.S. Holder's holding period for the ADSs or Class A ordinary shares;
- the amount allocated to the taxable year of the distribution or gain and any taxable years in the U.S. Holder's holding period prior to the first taxable year in which we are classified as a PFIC, will be taxable as ordinary income; and
- the amount allocated to each prior taxable year, other than each taxable year in the U.S. Holder's holding period prior to the first taxable year in which we are classified as a PFIC, will be subject to tax at the highest income tax rate in effect for individuals or corporations, as appropriate, for that year, increased by an additional tax equal to the interest on the resulting tax deemed deferred with respect to each such taxable year.

If we are a PFIC for any taxable year during which a U.S. Holder holds our ADSs or Class A ordinary shares and any of our subsidiaries, the VIE or any of the subsidiaries of the VIE is also a PFIC, such U.S. Holder would be treated as owning a proportionate amount (by value) of the shares of the lower-tier PFIC for purposes of the application of these rules. U.S. Holders are urged to consult their tax advisors regarding the application of the PFIC rules to any of our subsidiaries, the VIE or any of the subsidiaries of the VIE.

As an alternative to the foregoing rules, a U.S. Holder of "marketable stock" (as defined below) in a PFIC may make a mark-to-market election with respect to such stock. If a U.S. Holder makes this election with respect to our ADSs, the holder will generally (i) include as ordinary income for each taxable year that we are a PFIC the excess, if any, of the fair market value of ADSs held at the end of the taxable year over the adjusted tax basis of such ADSs and (ii) deduct as an ordinary loss the excess, if any, of the adjusted tax basis of the ADSs over the fair market value of such ADSs held at the end of the taxable year, but such deduction will only be allowed to the extent of the net amount previously included in income as a result of the mark-to-market election. The U.S. Holder's adjusted tax basis in the ADSs would be adjusted to reflect any income or loss resulting from the mark-to-market election. If a U.S. Holder makes a mark-to-market election in respect of our ADSs and we cease to be classified as a PFIC, the holder will not be required to take into account the gain or loss described above during any period that we are not classified as a PFIC. If a U.S. Holder makes a mark-to-market election, any gain such U.S. Holder recognizes upon the sale or other disposition of our ADSs in a year when we are a PFIC will be treated as ordinary income and any loss will be treated as ordinary loss, but such loss will only be treated as ordinary loss to the extent of the net amount previously included in income as a result of the mark-to-market election.

The mark-to-market election is available only for "marketable stock," which is stock that is regularly traded on a qualified exchange or other market, as defined in applicable United States Treasury regulations. Our ADSs, but not our ordinary shares, are listed on the NYSE, which is a qualified exchange. As mentioned above, we received a letter on November 2, 2023 from the NYSE notifying us that we were below compliance standards of the NYSE and, if we fail to regain compliance on a timely basis, our ADSs could be delisted from the NYSE. Although we subsequently received a letter from the NYSE on April 10, 2024 stating that we have regained compliance, there can be no assurance that we will remain compliant or that our ADSs will be considered regularly traded on an established securities market.

Because a mark-to-market election cannot technically be made for any lower-tier PFICs that we may own, a U.S. Holder who made a mark-to-market election with respect to our ADSs may continue to be subject to the PFIC rules with respect to such U.S. Holder's indirect interest in any investments held by us that are treated as an equity interest in a PFIC for U.S. federal income tax purposes.

We do not intend to provide information necessary for U.S. Holders to make qualified electing fund elections which, if available, would result in tax treatment different from (and generally less adverse than) the general tax treatment for PFICs described above.

If a U.S. Holder owns our ADSs or Class A ordinary shares during any taxable year that we are a PFIC, the holder must generally file an annual IRS Form 8621. You should consult your tax advisor regarding the U.S. federal income tax considerations of owning and disposing of our ADSs or Class A ordinary shares if we are or become a PFIC. U.S. Holders are urged to consult their tax advisors regarding the reporting requirements that may apply and the U.S. federal income tax consequences of holding and disposing of our ADSs or Class A ordinary shares if we are treated as a PFIC, including the possibility of making a mark-to-market election and the unavailability of the election to treat us as a qualified electing fund.

F. Dividends and Paying Agents

Not Applicable.

G. Statement by Experts

Not Applicable.

H. Documents on Display

We are subject to the periodic reporting and other informational requirements of the Exchange Act. Under the Exchange Act, we are required to file reports and other information with the SEC. Specifically, we are required to file annually a Form 20-F no later than four months after the close of each fiscal year, which is December 31. The SEC maintains a web site at www.sec.gov that contains reports, proxy and information statements, and other information regarding registrants that make electronic filings with the SEC using its EDGAR system. As a foreign private issuer, (i) we are exempt from the rules under the Exchange Act prescribing the furnishing and content of quarterly reports and proxy statements, (ii) our officers and directors are exempt from the short-swing rules contained in Section 16 of the Exchange Act, and (iii) our principal shareholders are exempt from the reporting and short-swing rules contained in Section 16 of the Exchange Act.

We will furnish Deutsche Bank Trust Company Americas, the depositary of the ADSs, with our annual reports, which will include a review of operations and annual audited consolidated financial statements prepared in conformity with U.S. GAAP, and all notices of shareholders' meetings and other reports and communications that are made generally available to our shareholders. The depositary will make such notices, reports and communications available to holders of ADSs and, upon our request, will mail to all record holders of ADSs the information contained in any notice of a shareholders' meeting received by the depositary from us.

I. Subsidiary Information

Not applicable.

J. Annual Report to Security Holders

Not applicable.

ITEM 11. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Foreign exchange risk

Substantially all of our revenues and expenses are denominated in Renminbi. We do not believe that we currently have any significant direct foreign exchange risk and have not used any derivative financial instruments to hedge exposure to such risk. Although our exposure to foreign exchange risks should be limited in general, the value of your investment in our ADSs will be affected by the exchange rate between U.S. dollar and Renminbi because the value of our business is effectively denominated in RMB, while our ADSs will be traded in U.S. dollars.

The conversion of Renminbi into foreign currencies, including U.S. dollars, is based on rates set by the People's Bank of China. The Renminbi has fluctuated against the U.S. dollar, at times significantly and unpredictably. The value of the Renminbi against the U.S. dollar and other currencies is affected by changes in China's political and economic conditions and by China's foreign exchange policies, among other things. It is difficult to predict how market forces or government policies may impact the exchange rate between Renminbi and the U.S. dollar in the future.

To date, we have not entered into any material hedging transactions in an effort to reduce our exposure to foreign currency exchange risk. To the extent that we need to convert U.S. dollars into Renminbi for our operations, appreciation of Renminbi against the U.S. dollar would reduce the Renminbi amount we receive from the conversion. Conversely, if we decide to convert Renminbi into U.S. dollars for the purpose of making payments for dividends on our ordinary shares or ADSs, servicing our outstanding debt, or for other business purposes, appreciation of the U.S. dollar against the Renminbi would reduce the U.S. dollar amounts available to us.

Interest rate risk

Our exposure to interest rate risk primarily relates to the interest income generated by excess cash, which is mostly held in interest-bearing bank deposits and short-term investments. Interest-earning instruments carry a degree of interest rate risk. We have not been exposed to material risks due to changes in interest rates, and we have not used any derivative financial instruments to manage our interest risk exposure. However, our future interest income may fall short of expectations due to changes in market interest rates.

ITEM 12. DESCRIPTION OF SECURITIES OTHER THAN EQUITY SECURITIES

A. Debt Securities

Not applicable.

B. Warrants and Rights

Not applicable.

C. Other Securities

Not applicable.

D. American Depositary Shares

Fees and Charges Our ADS holders May Have to Pay

Our ADS holders will be required to pay the following service fees to the depositary bank and certain taxes and governmental charges (in addition to any applicable fees, expenses, taxes and other governmental charges payable on the deposited securities represented by any of the ADSs held):

Service	Fees
- To any person to which ADSs are issued or to any person to which a distribution is made in respect of ADS distributions pursuant to stock dividends or other free distributions of stock, bonus distributions, stock splits or other distributions (except where converted to cash) - Cancellation of ADSs, including the case of termination of the deposit agreement - Distribution of cash dividends - Distribution of cash entitlements (other than cash dividends) and/or cash proceeds from the sale of rights, securities and other entitlements - Distribution of ADSs pursuant to exercise of rights - Distribution of securities other than ADSs or rights to purchase additional ADSs - Depositary services	Up to US\$0.05 per ADS issued Up to US\$0.05 per ADS cancelled Up to US\$0.05 per ADS held Up to US\$0.05 per ADS held Up to US\$0.05 per ADS held Up to US\$0.05 per ADS held Up to US\$0.05 per ADS held on the applicable record date(s) established by the depositary bank

Our ADS holder will also be responsible for paying certain fees and expenses incurred by the depositary bank and certain taxes and governmental charges (in addition to any applicable fees, expenses, taxes and other governmental charges payable on the deposited securities represented by any of the ADSs held) such as:

- Fees for the transfer and registration of ordinary shares charged by the registrar and transfer agent for the ordinary shares in the Cayman Islands (i.e., upon deposit and withdrawal of ordinary shares).
- Expenses incurred for converting foreign currency into U.S. dollars.
- Expenses for cable, telex and fax transmissions and for delivery of securities.
- Taxes and duties upon the transfer of securities, including any applicable stamp duties, any stock transfer charges or withholding taxes (i.e., when ordinary shares are deposited or withdrawn from deposit).
- Fees and expenses incurred in connection with the delivery or servicing of ordinary shares on deposit.
- Fees and expenses incurred in connection with complying with exchange control regulations and other regulatory requirements applicable to ordinary shares, deposited securities, ADSs and ADRs.
- Any applicable fees and penalties thereon.

The depositary fees payable upon the issuance and cancellation of ADSs are typically paid to the depositary bank by the brokers (on behalf of their clients) receiving the newly issued ADSs from the depositary bank and by the brokers (on behalf of their clients) delivering the ADSs to the depositary bank for cancellation. The brokers in turn charge these fees to their clients. Depositary fees payable in connection with distributions of cash or securities to ADS holders and the depositary services fee are charged by the depositary bank to the holders of record of ADSs as of the applicable ADS record date.

The depositary fees payable for cash distributions are generally deducted from the cash being distributed or by selling a portion of distributable property to pay the fees. In the case of distributions other than cash (i.e., share dividends, rights), the depositary bank charges the applicable fee to the ADS record date holders concurrent with the distribution. In the case of ADSs registered in the name of the investor (whether certificated or uncertificated in direct registration), the depositary bank sends invoices to the applicable record date ADS holders. In the case of ADSs held in brokerage and custodian accounts (via DTC), the depositary bank generally collects its fees through the systems provided by DTC (whose nominee is the registered holder of the ADSs held in DTC) from the brokers and custodians holding ADSs in their DTC accounts. The brokers and custodians who hold their clients' ADSs in DTC accounts in turn charge their clients' accounts the amount of the fees paid to the depositary banks.

In the event of refusal to pay the depositary fees, the depositary bank may, under the terms of the deposit agreement, refuse the requested service until payment is received or may set off the amount of the depositary fees from any distribution to be made to the ADS holder.

Fees and Other Payments Made by the Depositary to Us

The depositary may make payments to us or reimburse us for certain costs and expenses, by making available a portion of the ADS fees collected in respect of the ADR program or otherwise, upon such terms and conditions as we and the depositary bank agree from time to time. For the year ended December 31, 2025, we received US\$0.5 million after deduction of applicable U.S. taxes from the depositary.

PART II

ITEM 13. DEFAULTS, DIVIDEND ARREARAGES AND DELINQUENCIES

None.

ITEM 14. MATERIAL MODIFICATIONS TO THE RIGHTS OF SECURITY HOLDERS AND USE OF PROCEEDS

Material Modifications to the Rights of Security Holders

See “Item 10. Additional Information—B. Memorandum and Articles of Association—Ordinary Shares” for a description of the rights of securities holders, which remain unchanged.

Use of Proceeds

As of December 31, 2025, US\$499.3 million of the net proceeds received from our initial public offering were used for share repurchase program, strategic investments and acquisitions, investment in the joint venture with Cosmax, offline experience store network expansion and operation, research and development, as well as for business operations and other general corporate purposes. These are the reasonable estimates for our actual uses of the net proceeds received from our initial public offering. Our management will have significant flexibility and discretion to apply the net proceeds from our initial public offering. If an unforeseen event occurs or business conditions change, we may use the proceeds of the initial public offering differently than as disclosed previously.

ITEM 15. CONTROLS AND PROCEDURES

Evaluation of Disclosure Controls and Procedures

Under the supervision and with the participation of our management, including our chief executive officer and our chief financial officer, we carried out an evaluation of the effectiveness of our disclosure controls and procedures, which is defined in Rules 13a-15(e) of the Exchange Act, as of December 31, 2025. Disclosure controls and procedures means controls and other procedures that are designed to ensure that information required to be disclosed by us in the reports that we file or submit under the Exchange Act is recorded, processed, summarized and reported, within the time periods specified in the SEC’s rule and forms and that such information required to be disclosed by us in the reports that we file or submit under the Exchange Act is accumulated and communicated to our management, including our principal executive and principal financial officers, or persons performing similar functions, as appropriate to allow timely decisions regarding required disclosures.

Based upon that evaluation, our management, with the participation of our chief executive officer and chief financial officer, has concluded that, as of the end of the period covered by this annual report, our disclosure controls and procedures were effective.

Management's Annual Report on Internal Control over Financial Reporting

Our management is responsible for establishing and maintaining adequate internal control over financial reporting as defined in Rules 13a-15(f) and 15d-15(f) under the Securities Exchange Act of 1934, as amended.

Our internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of our financial reporting and the preparation of financial statements for external purposes in accordance with Generally Accepted Accounting Principles (GAAP) in the United States of America and includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of our company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of consolidated financial statements in accordance with GAAP, and that receipts and expenditures of our company are being made only in accordance with authorizations of our management and directors; and (3) provide reasonable assurance regarding prevention or timely detection of the unauthorized acquisition, use or disposition of our company's assets that could have a material effect on the consolidated financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risks that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

As required by Section 404 of the Sarbanes-Oxley Act of 2002 and related rules as promulgated by the Securities and Exchange Commission, our management including our Chief Executive Officer and Chief Financial Officer assessed the effectiveness of internal control over financial reporting as of December 31, 2025 using the criteria set forth in the report "Internal Control-Integrated Framework (2013)" published by the Committee of Sponsoring Organizations of the Treadway Commission. Based on this evaluation, our management concluded that our internal control over financial reporting was effective as of December 31, 2025.

Attestation Report of the Independent Registered Public Accounting Firm

Our independent registered public accounting firm, PricewaterhouseCoopers Zhong Tian LLP, has audited the effectiveness of our company's internal control over financial reporting as of December 31, 2025, as stated in its report, which appears on page F-2 of this annual report on Form 20-F.

Changes in Internal Control over Financial Reporting

There were no changes in our internal control over financial reporting that occurred during the year ended December 31, 2025 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

ITEM 16. [RESERVED]

ITEM 16A. AUDIT COMMITTEE FINANCIAL EXPERT

See "Item 6. Directors, Senior Management and Employees—C. Board Practices."

ITEM 16B. CODE OF ETHICS

Our board of directors has adopted a code of ethics that applies to all of the directors, officers and employees. We have posted a copy of our code of business conduct and ethics on our website at <https://ir.yatsenglobal.com/Corporate-Governance>.

ITEM 16C. PRINCIPAL ACCOUNTANT FEES AND SERVICES

The following table sets forth the aggregate fees by categories specified below in connection with certain professional services rendered by PricewaterhouseCoopers Zhong Tian LLP, our principal accountant, and by its affiliates, for the periods indicated. We did not pay any other fees to our auditors during the periods indicated below.

	For the Year Ended December 31,	
	2024	2025
	(RMB in thousands)	
Audit fees ⁽¹⁾	8,000	7,800
Tax fees ⁽²⁾	1,326	1,612
All other fees ⁽³⁾	794	607

Notes:

- (1) “Audit fees” means the aggregate fees billed for professional services rendered by our principal accountant for the audit of our annual financial statements and the review of our comparative interim financial statements.
- (2) “Tax fees” represents the aggregate fees billed in each of the fiscal years listed for the professional tax services rendered by our principal accountant and its affiliates.
- (3) “All Other Fees” represents the aggregate fees billed in each of the fiscal years listed for services rendered by our principal accountant and its affiliates other than services reported under “Audit Fees” and “Tax Fees.”

The policy of our audit committee is to pre-approve all audit and other service provided by PricewaterhouseCoopers Zhong Tian LLP and its affiliates as described above, other than those for *de minimis* services which are approved by our audit committee prior to the completion of the audit.

ITEM 16D. EXEMPTIONS FROM THE LISTING STANDARDS FOR AUDIT COMMITTEES

Not applicable.

ITEM 16E. PURCHASES OF EQUITY SECURITIES BY THE ISSUER AND AFFILIATED PURCHASERS

On November 17, 2021, our board of directors approved a share repurchase program, under which we were authorized to repurchase up to US\$100.0 million of our ordinary shares (including in the form of ADSs) over the following 24 months through November 16, 2023. On August 26, 2022, our board of directors authorized a change to the term and size of the share repurchase program, increasing the aggregate value of shares that may be repurchased under the share repurchase program from US\$100.0 million to US\$150.0 million and extending the effective term of the share repurchase program through August 25, 2024. On November 20, 2023, our board of directors further approved and authorized a change to the size and term of the share repurchase program, increasing the aggregate value of shares that may be repurchased under the share repurchase program from US\$150.0 million to US\$200.0 million and extending the effective term of the share repurchase program through November 19, 2025. On May 16, 2025, our board of directors approved a new share repurchase program, under which we may repurchase up to US\$30.0 million of our ordinary shares (including in the form of ADSs) over the following 24 months commencing on May 16, 2025.

As of February 28, 2026, we had repurchased an aggregate of 40.2 million ADSs under this share repurchase program for an aggregate amount of US\$202.2 million (inclusive of broker commissions). The table below is a summary of the shares repurchased by us in 2025. All shares were repurchased in the open market pursuant to the share repurchase program announced on November 18, 2021 and amended on August 26, 2022 and November 20, 2023, and the share repurchase program announced on May 16, 2025.

Period	Total Number of ADSs Purchased	Average Price Paid Per ADS (US\$)	Total Number of ADSs Purchased as Part of the Publicly Announced Programs	Approximate Dollar Value of ADSs that May Yet Be Purchased Under the Programs (US\$, in millions)
May 1, 2025 - May 31, 2025	22,055	\$ 5.46	22,055	30.0
June 1, 2025 - June 30, 2025	8,073	\$ 5.48	8,073	30.0
November 1, 2025 - November 30, 2025	342,181	\$ 6.25	342,181	27.8
Total	372,309	\$ 6.19		

ITEM 16F. CHANGE IN REGISTRANT’S CERTIFYING ACCOUNTANT

Not applicable.

ITEM 16G. CORPORATE GOVERNANCE

As a Cayman Islands company listed on the NYSE, we are subject to the NYSE corporate governance listing standards, which requires listed companies to have, among other things, a majority of their board members to be independent and independent director oversight of executive compensation and nomination of directors. However, NYSE rules permit a foreign private issuer like us to follow the corporate governance practices of its home country. Certain corporate governance practices in the Cayman Islands, which is our home country, may differ significantly from the NYSE listing standards.

We are permitted to elect to rely on home country practice to be exempted from the corporate governance requirements. Section 303A.01 of the NYSE Listed Company Manual requires a listed company to have a majority of independent directors. Section 302.00 of the NYSE Listed Company Manual requires a listed company to hold an annual shareholders’ meeting during each fiscal year. Section 303A.08 requires that shareholders must be given the opportunity to vote on all equity-compensation plans and material revisions thereto, subject to limited exemptions. Section 303A.09 requires that listed companies must adopt and disclose corporate governance guidelines. We currently follow our home country practice in lieu of these requirements. We may also continue to rely on these and other exemptions available to foreign private issuers in the future. As a result, our shareholders may be afforded less protection than they otherwise would under the NYSE corporate governance listing standards applicable to U.S. domestic issuers. See “Item 3. Key Information—D. Risk Factors—Risks Relating to Our ADS—As a company incorporated in the Cayman Islands, we are permitted to adopt certain home country practices in relation to corporate governance matters that differ significantly from the NYSE listing standards.”

ITEM 16H. MINE SAFETY DISCLOSURE

Not applicable.

ITEM 16I. DISCLOSURE REGARDING FOREIGN JURISDICTIONS THAT PREVENT INSPECTIONS

Not applicable.

ITEM 16J. INSIDER TRADING POLICIES

Our board of directors has established insider trading policies and procedures to provide guidance on the purchase, sale, and other dispositions of our securities by our directors, officers, employees, consultants and other relevant persons to promote compliance with applicable insider trading laws, rules and regulations, and listing standards.

Our Amended and Restated Statement of Policies Governing Material Non-Public Information and The Prevention of Insider Trading adopted by our board of directors on November 20, 2023 is filed as Exhibit 11.2 to this annual report on Form 20-F.

ITEM 16K. CYBERSECURITY

Risk Management and Strategy

We have implemented comprehensive cybersecurity risk assessment procedures that are integrated into our overall enterprise risk management system. These procedures aim to identify, assess and manage potential and existing cybersecurity threats. We have implemented a robust three-tier information security management structure, consisting of a data security committee, a data security management team, and a data security execution team, to ensure the Company's information security and manage cybersecurity risks. Below are our schemes and measures to effectively protect information security of the Company and users and manage risks from potential and existing cybersecurity threats:

- *Information protection process.* We have employed both user-end and enterprise-end protection measures to ensure strict management of data of users and employees. To protect consumers' right to know, we formulated user privacy protection policies on our Weixin mini-program and third-party shopping platforms, clarifying relevant provisions on personal information acquisition for personalized advertising and information sharing. At enterprise end, we set up information extraction procedures with multiple approvals required for employees' and customers' information and perform necessary desensitization on the exported data according to management level to reduce the risk of data leakage. Since 2023, we have implemented "Threat Detection Platform" to protect all end users from computer virus, ransomware and phishing email attack. Building on these foundational measures, in 2025, we further fortified our technical defense infrastructure by comprehensively upgrading our internal data loss prevention system. To ensure the seamless implementation and high performance of the system, we established standardized operating procedures and conducted intensive information security awareness training for all employees. By integrating advanced technological interventions with robust management protocols, we have ensured the effective deployment of our data protection mechanisms across complex business scenarios, maintaining a resilient defense for our core data assets.
- *Emergency response mechanism.* We have established a reactive and scientific information security emergency response mechanism to standardize our data processing activities. The emergency response mechanism consists of five steps, including verifying and confirming the content of the incidents, taking measures to prevent further damage and tackle vulnerabilities, post-event evaluating and recording, notifying relevant parties and reviewing and proposing reinforcement plans.
- *Internal and external security assessment.* We have utilized both internal security assessment and external security certification to maintain the effectiveness and compliance of the information systems. Internally, the data security execution team conducts annual data security assessments. These assessments include evaluations of key aspects such as the collection, storage, usage, and transmission of personal information within our systems. Externally, we engage security consulting agencies to conduct regular inspections and assessments of our information systems and network, which constitutes the basis of our ongoing efforts to track and enhance the information security. We have obtained the Grade III Protection of Information Security certification for our core system, including Order Management System and Weixin shopping platforms, since 2022.
- *Information security education.* We hold on-boarding security awareness training and assessments for all employees, and regularly organize targeted training sessions on data compliance to effectively enhance the information security management capabilities. These training sessions are aimed to ensure that our

employees have full access to the basic knowledge and principles of information security, establish a sound responding mechanism for external security attacks and violations and safeguard the confidentiality of information and data of the company, employees and users, making sure information and data can only be obtained and used when necessary.

As of the date of this annual report, we have not experienced any material cybersecurity incidents or identified any material cybersecurity threats that have affected or are reasonably likely to materially affect us, our business strategy, results of operations or financial condition.

Governance

Our board of directors is responsible for maintaining oversight of the disclosure related to cybersecurity matters in the period reports of the Company. Our chief executive officer, chief financial officer and cybersecurity officer are responsible for discussing any material cybersecurity incidents or threats with specific constituencies before sign-off, ensuring thorough review of information and disclosure. The constituencies involve (i) our disclosure committee, comprising the principal accounting officer or the head of financial reporting, the head of the legal department, the principal investor relations officer, the cybersecurity officer and appropriate business unit heads of the Company, (ii) the board of directors and (iii) other members of senior management and external legal counsel, to the extent appropriate. Our chief executive officer, chief financial officer and cybersecurity officer are also responsible for (i) assessing, identifying and managing material risks from cybersecurity threats to the Company, (ii) monitoring the prevention, detection, mitigation and remediation of material cybersecurity incidents (if any) and (iii) maintaining oversight of the disclosure in Form 6-K for material cybersecurity incidents (if any). Our chief executive officer, chief financial officer and cybersecurity officer meet with our board of directors (i) in connection with each quarterly earnings release, update the status of any material cybersecurity incidents or material risks from cybersecurity threats to the Company, if any, and the relevant disclosure issues and (ii) in connection with each annual report, present the disclosure concerning cybersecurity matters in Form 20-F, along with a report highlighting particular disclosure issues, if any, and hold a Q&A session. Our cybersecurity officer is the principal officer in charge of cybersecurity matters of the Company and has over 10 years of experience in the field of software architecture design and development, operations and security in relation to information technology system. His extensive experience will be instrumental in overseeing our cybersecurity risk management program and evaluating related risks to our business.

In addition, on the execution level, our data security committee oversees and manages cybersecurity related matters through formulating data security management strategies and implementing and improving data security management system. Our data security management team is responsible for supervising and managing the implementation of data compliance. Under the oversight of the data security committee and data security management team, our data security execution team is responsible for data asset management, data supply chain security, and metadata management, and our legal, internal control and other departments assist in the formulation of data classification standards and promote standardized data management.

PART III

ITEM 17. FINANCIAL STATEMENTS

We have elected to provide financial statements pursuant to Item 18.

ITEM 18. FINANCIAL STATEMENTS

The consolidated financial statements of Yatsen Holding Limited and its subsidiaries are included at the end of this annual report.

ITEM 19. EXHIBITS

Exhibit Number	Description of Document
1.1	<u>Ninth Amended and Restated Memorandum and Articles of Association of the Registrant (incorporated herein by reference to Exhibit 3.2 to the registration statement on Form F-1, as amended (File No. 333-249747), initially filed with the Securities and Exchange Commission on October 30, 2020).</u>
2.1	<u>Registrant's Specimen American Depositary Receipt (included in Exhibit 2.4)</u>
2.2	<u>Registrant's Specimen Certificate for Class A Ordinary Shares (incorporated herein by reference to Exhibit 4.2 to the to the registration statement on Form F-1, as amended (File No. 333-249747), initially filed with the Securities and Exchange Commission on October 30, 2020)</u>
2.3	<u>Form of Deposit Agreement, among the Registrant, the depositary and holder of the American Depositary Receipts (incorporated herein by reference to Exhibit 4.3 to the registration statement on Form F-1, as amended (File No. 333-249747), initially filed with the Securities and Exchange Commission on October 30, 2020).</u>
2.4	<u>Form of Amendment No. 1 to Deposit Agreement among the Registrant, the depositary and holder of the American Depositary Receipts (incorporated by reference herein to Exhibit (a)(ii) of post-effective amendment No. 1 to the registration statement on Form F-6 filed on March 18, 2024 (file No. 333-250059)).</u>
2.5	<u>Description of Securities (incorporated by reference to Exhibit 2.5 to the annual report on Form 20-F (File No. 001-39703), filed with the Securities and Exchange Commission on April 26, 2024).</u>
2.6	<u>The Seventh Amended and Restated Shareholders Agreement between the Registrant and other parties thereto dated September 11, 2020 (incorporated herein by reference to Exhibit 4.4 to the registration statement on Form F-1, as amended (File No. 333-249747), initially filed with the Securities and Exchange Commission on October 30, 2020)</u>
4.1	<u>2018 Share Option Plan (incorporated herein by reference to Exhibit 10.1 to the registration statement on Form F-1, as amended (File No. 333-249747), initially filed with the Securities and Exchange Commission on October 30, 2020)</u>
4.2	<u>2022 Share Incentive Plan (incorporated herein by reference to Exhibit 4.2 of our Annual Report on Form 20-F (File No. 001-39703) filed with the Securities and Exchange Commission on April 26, 2023).</u>
4.3	<u>Form of Indemnification Agreement between the Registrant and its directors and executive officers (incorporated herein by reference to Exhibit 10.2 to the registration statement on Form F-1, as amended (File No. 333-249747), initially filed with the Securities and Exchange Commission on October 30, 2020)</u>
4.4	<u>Form of Employment Agreement between the Registrant and its executive officers (incorporated herein by reference to Exhibit 10.3 to the registration statement on Form F-1, as amended (File No. 333-249747), initially filed with the Securities and Exchange Commission on October 30, 2020).</u>
4.5*†	<u>English translation of the executed Third Amended and Restated Proxy Agreement and Powers of Attorney granted to our WFOE by shareholders of the VIE dated December 1, 2025</u>
4.6*†	<u>English translation of the Third Amended and Restated Equity Pledge Agreement among our WFOE, the VIE and shareholders of the VIE dated December 1, 2025</u>
4.7	<u>English translation of the Exclusive Business Cooperation Agreement between our WFOE and the VIE dated July 26, 2019 (incorporated herein by reference to Exhibit 10.6 to the registration statement on Form F-1, as amended (File No. 333-249747), initially filed with the Securities and Exchange Commission on October 30, 2020)</u>
4.8*†	<u>English translation of the Third Amended and Restated Exclusive Call Option Agreement among our WFOE, the VIE and shareholders of the VIE dated December 1, 2025</u>
4.9*†	<u>English translation of executed Spousal Consent Letter granted by the spouse of the individual shareholder of the VIE dated December 1, 2025</u>
4.10*†	<u>Convertible Note Purchase Agreement between the Registrant and Polaris Veristas Investment Limited dated March 11, 2026</u>
8.1*	<u>List of Principal Subsidiaries and Consolidated Variable Interest Entity of the Registrant</u>
11.1	<u>Code of Business Conduct and Ethics of the Registrant (incorporated herein by reference to Exhibit 99.1 to the registration statement on Form F-1, as amended (File No. 333-249747), initially filed with the Securities and Exchange Commission on October 30, 2020).</u>

Exhibit Number	Description of Document
11.2	Amended and Restated Statement of Policies Governing Material Non-Public Information and the Prevention of Insider Trading of the Registrant (incorporated herein by reference to Exhibit 11.2 to the annual report on Form 20-F (File No. 001-39703), filed with the Securities and Exchange Commission on April 22, 2025)
12.1*	CEO Certification Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
12.2*	CFO Certification Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
13.1**	CEO Certification Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
13.2**	CFO Certification Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
15.1*	Consent of Zhong Lun Law Firm
15.2*	Consent of PricewaterhouseCoopers Zhong Tian LLP
15.3*	Consent of Maples and Calder (Hong Kong) LLP
97	Clawback Policy of the Registrant (incorporated by reference to Exhibit 97 to the annual report on Form 20-F (File No. 001-39703), filed with the Securities and Exchange Commission on April 26, 2024)
101.INS*	Inline XBRL Instance Document
101.SCH*	Inline XBRL Taxonomy Extension Scheme Document
104	Cover Page Interactive Data File (embedded within the Inline XBRL document)

* Filed with this Annual Report on Form 20-F

** Furnished with this Annual Report on Form 20-F

† Certain information in this exhibit has been redacted in accordance with Item 601(a)(6) and Item 601 (b) (10) of Regulation S-K.

SIGNATURES

The registrant hereby certifies that it meets all of the requirements for filing its annual report on Form 20-F and that it has duly caused and authorized the undersigned to sign this annual report on its behalf.

Yatsen Holding Limited

By:	<u>/s/ Jinfeng Huang</u>
Name:	Jinfeng Huang
Title:	Chairman of the Board of Directors and Chief Executive Officer

Date: April 29, 2026

YATSEN HOLDING LIMITED

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Report of Independent Registered Public Accounting Firm

To the Board of Directors and Shareholders of Yatsen Holding Limited

Opinions on the Financial Statements and Internal Control over Financial Reporting

We have audited the accompanying consolidated balance sheets of Yatsen Holding Limited and its subsidiaries (the “Company”) as of December 31, 2025 and 2024, and the related consolidated statements of operations, of comprehensive income (loss), of changes in shareholders’ equity (deficit) and of cash flows for each of the three years in the period ended December 31, 2025, including the related notes (collectively referred to as the “consolidated financial statements”). We also have audited the Company's internal control over financial reporting as of December 31, 2025, based on criteria established in *Internal Control - Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Company as of December 31, 2025 and 2024, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2025 in conformity with accounting principles generally accepted in the United States of America. Also in our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2025, based on criteria established in *Internal Control - Integrated Framework (2013)* issued by the COSO.

Basis for Opinions

The Company's management is responsible for these consolidated financial statements, for maintaining effective internal control over financial reporting, and for its assessment of the effectiveness of internal control over financial reporting, included in Management’s Annual Report on Internal Control over Financial Reporting appearing under Item 15. Our responsibility is to express opinions on the Company’s consolidated financial statements and on the Company's internal control over financial reporting based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (PCAOB) and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement, whether due to error or fraud, and whether effective internal control over financial reporting was maintained in all material respects.

Our audits of the consolidated financial statements included performing procedures to assess the risks of material misstatement of the consolidated financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audits also included performing such other procedures as we considered necessary in the circumstances. We believe that our audits provide a reasonable basis for our opinions.

Definition and Limitations of Internal Control over Financial Reporting

A company’s internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company’s internal control over financial reporting includes those policies and procedures that (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company’s assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Critical Audit Matters

The critical audit matter communicated below is a matter arising from the current period audit of the consolidated financial statements that was communicated or required to be communicated to the audit committee and that (i) relates to accounts or disclosures that are material to the consolidated financial statements and (ii) involved our especially challenging, subjective, or complex judgments. The communication of critical audit matters does not alter in any way our opinion on the consolidated financial statements, taken as a whole, and we are not, by communicating the critical audit matter below, providing a separate opinion on the critical audit matter or on the accounts or disclosures to which it relates.

Impairment of Inventories

As of December 31, 2025, the Company's net balance of inventories was RMB509 million. As described in Notes 2(k) and 6 to the consolidated financial statements, the Company recorded an impairment allowance of RMB38 million as of December 31, 2025 for excessive, slow moving, expired and obsolete inventories, to adjust the carrying value of such inventories to the lower of their cost or estimated net realizable value. The estimate of net realizable value requires management to make significant assumptions relating to the impairment for inventories, including potential product obsolescence, sales strategy, and marketability of inventories.

The principal considerations for our determination that performing procedures relating to impairment of inventories is a critical audit matter are the significant judgment by management to estimate the impairment of inventories, which in turn led to a high degree of auditor judgment, subjectivity and effort in performing audit procedures and in evaluating audit evidence relating to the significant assumptions underlying the impairment assessment.

Addressing the matter involved performing procedures and evaluating audit evidence in connection with forming our overall opinion on the consolidated financial statements. These procedures included testing the effectiveness of controls relating to the impairment of inventories. These procedures also included, among others, (i) evaluating the appropriateness of management's estimation process of the impairment and net realizable value of inventories; (ii) evaluating the reasonableness of the model used by management to estimate the impairment of inventories; (iii) evaluating the reasonableness of the significant judgements and assumptions used by management in estimating the impairment and net realizable value of inventories, including identifications of excessive, slow moving and obsolete inventory items and relevant impairment provision percentage by (a) reviewing historical sales and sale subsequent to the year end for certain inventories to corroborate management's judgements applied over the identification of excessive, slow moving and obsolete inventory items; and (b) comparing actual inventory write-downs with previously established historical estimates, and (iv) testing key data and key report used in estimating the impairment valuation allowance to arrive at net realizable value of inventories.

/s/ PricewaterhouseCoopers Zhong Tian LLP
Shenzhen, the People's Republic of China
April 29, 2026

We have served as the Company's auditor since 2019.

YATSEN HOLDING LIMITED
CONSOLIDATED BALANCE SHEETS

(All amounts in thousands, except for share, per share data or otherwise noted)

	As of December 31,		
	2024	2025	2025
	RMB	RMB	US\$ (Note2(e))
Assets			
Current assets			
Cash and cash equivalents	817,395	765,379	109,448
Restricted cash	—	42,117	6,023
Short-term investments	539,130	246,008	35,179
Accounts receivable, net	214,558	220,870	31,584
Inventories, net	386,054	508,730	72,747
Prepayments and other current assets	381,404	450,970	64,488
Amounts due from related parties	9,113	114	16
Total current assets	2,347,654	2,234,188	319,485
Non-current assets			
Investments	664,579	653,560	93,458
Property and equipment, net	74,373	77,014	11,013
Goodwill, net	155,029	155,029	22,169
Intangible assets, net	559,708	537,509	76,863
Deferred tax assets	1,381	1,435	205
Right-of-use assets, net	147,501	173,915	24,870
Other non-current assets	20,642	14,332	2,049
Total non-current assets	1,623,213	1,612,794	230,627
Total assets	3,970,867	3,846,982	550,112
Liabilities, redeemable non-controlling interests and shareholders' equity			
Current liabilities			
Accounts and notes payable (including accounts payable of the consolidated VIEs without recourse to the Group of RMB3,481 and RMB2,740 as of December 31, 2024 and 2025, respectively)	72,090	149,371	21,360
Advances from customers (including advances from customers of the consolidated VIEs without recourse to the Group of RMB11,064 and RMB8,317 as of December 31, 2024 and 2025, respectively)	19,574	28,821	4,121
Accrued expenses and other liabilities (including accrued expenses and other liabilities of the consolidated VIEs without recourse to the Group of RMB6,639 and RMB13,690 as of December 31, 2024 and 2025, respectively)	460,143	348,700	49,863
Amounts due to related parties	28,884	21,262	3,040
Income tax payables (including income tax payables of the consolidated VIEs without recourse to the Group of RMB929 and RMB929 as of December 31, 2024 and 2025)	20,088	13,690	1,958
Lease liabilities due within one year	39,409	53,435	7,641
Total current liabilities	640,188	615,279	87,983
Non-current liabilities			
Deferred tax liabilities (including deferred tax liabilities of the consolidated VIEs without recourse to the Group of RMB10,628 and RMB19,204 as of December 31, 2024 and 2025, respectively)	103,306	107,906	15,430
Deferred income-non current	14,832	—	—
Lease liabilities	109,526	123,157	17,611
Total non-current liabilities	227,664	231,063	33,041
Total liabilities	867,852	846,342	121,024
Commitments and contingencies			

YATSEN HOLDING LIMITED

CONSOLIDATED BALANCE SHEETS (Continued)

(All amounts in thousands, except for share, per share data or otherwise noted)

	As of December 31,		
	2024	2025	2025
	RMB	RMB	US\$
			(Note2(e))
Redeemable non-controlling interests	50,984	1,337	191
Shareholders' equity			
Ordinary Shares (US\$0.00001 par value; 10,000,000,000 ordinary shares authorized, comprising of 6,000,000,000 Class A ordinary shares, 960,852,606 Class B ordinary shares and 3,039,147,394 shares each of such classes to be designated as of December 31, 2024 and December 31, 2025; 2,096,600,883 Class A shares and 600,572,880 Class B ordinary shares issued as of December 31, 2024 and December 31, 2025; 1,234,627,468 Class A ordinary shares and 600,572,880 Class B ordinary shares outstanding as of December 31, 2024, 1,276,663,163 Class A ordinary shares and 600,572,880 Class B ordinary shares outstanding as of December 31, 2025)	173	173	25
Treasury shares	(1,276,330)	(1,250,678)	(178,845)
Additional paid-in capital	12,273,767	12,296,367	1,758,357
Statutory reserves	28,147	31,527	4,508
Accumulated deficit	(8,057,297)	(8,141,545)	(1,164,225)
Accumulated other comprehensive income	86,866	74,760	10,693
Total Yatsen Holding Limited shareholders' equity	3,055,326	3,010,604	430,513
Non-controlling interests	(3,295)	(11,301)	(1,616)
Total shareholders' equity	3,052,031	2,999,303	428,897
Total liabilities, redeemable non-controlling interests and shareholders' equity	3,970,867	3,846,982	550,112

The accompanying notes are an integral part of these consolidated financial statements.

YATSEN HOLDING LIMITED

CONSOLIDATED STATEMENTS OF OPERATIONS

(All amounts in thousands, except for share, per share data or otherwise noted)

	Year ended December 31,			
	2023	2024	2025	2025
	RMB	RMB	RMB	US\$
				(Note2(e))
Total net revenues	3,414,774	3,393,414	4,298,124	614,624
Total cost of revenues	(901,455)	(776,236)	(936,780)	(133,958)
Gross profit	2,513,319	2,617,178	3,361,344	480,666
Operating expenses:				
Fulfilment expenses	(229,021)	(216,540)	(253,926)	(36,311)
Selling and marketing expenses	(2,230,974)	(2,268,793)	(2,852,288)	(407,872)
General and administrative expenses	(500,942)	(444,373)	(303,628)	(43,418)
Research and development expenses	(111,698)	(109,287)	(137,296)	(19,633)
Impairment of goodwill	(354,039)	(403,076)	—	—
Total operating expenses	(3,426,674)	(3,442,069)	(3,547,138)	(507,234)
Loss from operations	(913,355)	(824,891)	(185,794)	(26,568)
Financial income	89,020	86,136	40,721	5,823
Foreign currency exchange gain (loss)	7,218	(20,399)	13,374	1,912
Income from equity method investments, net	10,122	1,386	5,940	849
Impairment of investments	—	—	(13,453)	(1,924)
Other income, net	53,558	44,461	46,690	6,677
Loss before income tax expenses (benefits)	(753,437)	(713,307)	(92,522)	(13,231)
Income tax benefits	3,210	3,086	108	15
Net loss	(750,227)	(710,221)	(92,414)	(13,216)
Less: Net loss attributable to non-controlling interests and redeemable non-controlling interests	(5,439)	(2,047)	(11,546)	(1,651)
Accretion to redeemable non-controlling interests	2,975	—	—	—
Net loss attributable to the Yatsen Holding Limited's shareholders	<u>(747,763)</u>	<u>(708,174)</u>	<u>(80,868)</u>	<u>(11,565)</u>
Net loss per ordinary share				
Net loss per ordinary share-basic	(0.34)	(0.35)	(0.04)	(0.01)
Net loss per ordinary share-diluted	(0.34)	(0.35)	(0.04)	(0.01)
Weighted average number of ordinary shares used in computing net loss per ordinary share				
Ordinary shares—basic	2,195,818,231	2,025,072,131	1,862,554,166	1,862,554,166
Ordinary shares—diluted	2,195,818,231	2,025,072,131	1,862,554,166	1,862,554,166

The accompanying notes are an integral part of these consolidated financial statements.

YATSEN HOLDING LIMITED

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)

(All amounts in thousands, except for share, per share data or otherwise noted)

	Year ended December 31,			
	2023	2024	2025	2025
	RMB	RMB	RMB	US\$
				(Note2(e))
Net loss	(750,227)	(710,221)	(92,414)	(13,216)
Other comprehensive income (loss):				
Foreign currency translation adjustment, net of nil tax	134,395	26,666	(12,106)	(1,731)
Total comprehensive loss	(615,832)	(683,555)	(104,520)	(14,947)
Less: Comprehensive loss attributable to the non-controlling interests	(5,439)	(2,047)	(11,546)	(1,651)
Comprehensive loss attributable to the Yatsen Holding Limited's shareholders	(610,393)	(681,508)	(92,974)	(13,296)

The accompanying notes are an integral part of these consolidated financial statements.

YATSEN HOLDING LIMITED

CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY (DEFICIT)

(All amounts in thousands, except for share, per share data or otherwise noted)

	Ordinary Shares		Treasury Shares		Additio nal Paid-in	Statuto ry Reserv es	Accum ulated Deficit	Accum ulated Other Compr ehensiv e Income (Loss)	Non- control ling interest s	Total Sharehol ders' Equity (Deficit)
	Shares	Amount RMB	Shares	Amount RMB	Capital RMB	RMB	RMB	RMB	RMB	RMB
Balance as of December 31, 2022	2,697, 173,7 63	173	(460,9 23,49 9)	(669,1 50)	12,03 8,802	24,17 7	(6,600 ,365)	(74,19 5)	3,160	4,722,6 02
Net loss	—	—	—	—	—	—	(744,7 88)	—	(5,439)	(750,22 7)
Foreign currency translation adjustment	—	—	—	—	—	—	—	134,3 95	—	134,395
Share-based compensation related to vesting of share options	—	—	—	—	79,40 7	—	—	—	—	79,407
Share-based compensation related to accelerated vesting of share options	—	—	—	—	(1,905)	—	—	—	—	(1,905)
Repurchase of ordinary shares	—	—	(119,2 11,86 0)	(213,0 54)	—	—	—	—	—	(213,05 4)
Acquisition of additional equity interests in subsidiaries	—	—	—	—	(549)	—	—	—	549	—
Repurchase of redeemable non- controlling interests	—	—	—	—	186,4 37	—	—	—	—	186,437
Transactions in relation to redeemable non-controlling interests	—	—	—	—	(30,90 7)	—	—	—	—	(30,907)
Exercise of options	—	—	37,08 0,608	17,63 6	(11,07 7)	—	—	—	—	6,559
Balance as of December 31, 2023	2,697, 173,7 63	173	(543,0 54,75 1)	(864,5 68)	12,26 0,208	24,17 7	(7,345 ,153)	60,20 0	(1,730)	4,133,3 07

YATSEN HOLDING LIMITED

CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY (DEFICIT) (Continued)

(All amounts in thousands, except for share, per share data or otherwise noted)

	Ordinary Shares		Treasury Shares		Additio nal Paid-in	Statuto ry Reserv es	Accum ulated	Accum ulated Other Compr ehensiv e Income (Loss)	Non- control ling interest s	Total Sharehol ders' Equity (Deficit)
	Shares	Amount RMB	Shares	Amount RMB	Capital RMB	RMB	Deficit RMB	RMB	RMB	RMB
Balance as of December 31, 2023	2,697, 173,7 63	173	(543,0 54,75 1)	(864,5 68)	12,26 0,208	24,17 7	(7,345 ,153)	60,20 0	(1,730)	4,133,3 07
Net loss	—	—	—	—	—	—	(708,1 74)	—	(1,565)	(709,73 9)
Foreign currency translation adjustment	—	—	—	—	—	—	—	26,66 6	—	26,666
Share-based compensation related to vesting of share options	—	—	—	—	91,17 4	—	—	—	—	91,174
Repurchase of ordinary shares	—	—	(378,5 27,89 6)	(499,8 76)	—	—	—	—	—	(499,87 6)
Appropriation to statutory reserves	—	—	—	—	—	3,970	(3,970)	—	—	—
Exercise of options	—	—	59,60 9,232	88,11 4	(77,61 5)	—	—	—	—	10,499
Balance as of December 31, 2024	2,697, 173,7 63	173	(861,9 73,41 5)	(1,276 ,330)	12,27 3,767	28,14 7	(8,057 ,297)	86,86 6	(3,295)	3,052,0 31

YATSEN HOLDING LIMITED

CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY (DEFICIT) (Continued)

(All amounts in thousands, except for share, per share data or otherwise noted)

	Ordinary Shares		Treasury Shares		Additio nal Paid-in	Statuto ry Reserv es	Accum ulated	Accum ulated Other Compr ehensiv e Income (Loss)	Non- controll ing interest s	Total Sharehol ders' Equity (Deficit)
	Shares	Amount RMB	Shares	Amount RMB	Capital RMB	RMB	Deficit RMB	RMB	RMB	RMB
Balance as of December 31, 2024	2,697, 173,7 63	173	(861,9 73,41 5)	(1,276 ,330)	12,27 3,767	28,14 7	(8,057 ,297)	86,86 6	(3,295)	3,052,0 31
Net loss	—	—	—	—	—	—	(80,86 8)	—	(8,349)	(89,217)
Foreign currency translation adjustment	—	—	—	—	—	—	—	(12,10 6)	—	(12,106)
Share-based compensation related to vesting of share options	—	—	—	—	59,03 1	—	—	—	—	59,031
Repurchase of ordinary shares	—	—	(7,446 ,180)	(16,33 4)	—	—	—	—	—	(16,334)
Repurchase of non-controlling interests and redeemable non-controlling interests	—	—	—	—	390	—	—	—	343	733
Appropriation to statutory reserves	—	—	—	—	—	3,380	(3,380)	—	—	—
Exercise of options	—	—	49,48 1,875	41,98 6	(36,82 1)	—	—	—	—	5,165
Balance as of December 31, 2025	2,697, 173,7 63	173	(819,9 37,72 0)	(1,250 ,678)	12,29 6,367	31,52 7	(8,141 ,545)	74,76 0	(11,30 1)	2,999,3 03

The accompanying notes are an integral part of these consolidated financial statements.

YATSEN HOLDING LIMITED
CONSOLIDATED STATEMENTS OF CASH FLOWS

(All amounts in thousands, except for share, per share data or otherwise noted)

	Year ended December 31,			
	2023	2024	2025	2025
	RMB	RMB	RMB	US\$
				(Note 2(e))
Cash flows from operating activities				
Net loss	(750,227)	(710,221)	(92,414)	(13,216)
Adjustments to reconcile net loss to net cash used in operating activities:				
Depreciation of property and equipment	53,683	37,994	36,872	5,273
Amortization of intangible assets	61,077	112,631	49,251	7,043
Share-based compensation	77,502	91,174	59,031	8,441
Amortization of right-of-use assets	88,645	69,439	59,958	8,574
Recognition of deferred income	(15,733)	(16,061)	(14,667)	(2,097)
Impairment allowance of inventory	(38,246)	(22,798)	(4,522)	(647)
Current expected credit losses	19,887	617	(2,265)	(324)
Deferred income tax (benefits) expenses	(8,655)	(8,644)	1,435	205
Impairment of and (gain) loss on disposal of property and equipment	(1,188)	(1,122)	(732)	(105)
Loss on disposal of intangible assets	381	—	—	—
Impairment of investments	—	—	13,453	1,924
Share of income from equity investments	(10,122)	(1,386)	(5,940)	(849)
Impairment of goodwill	354,039	403,076	—	—
Dividend received from equity method investments	—	—	11,084	1,585
Changes in operating assets and liabilities:				
Accounts receivable	(4,472)	(16,324)	(4,047)	(579)
Interest receivables on short-term investments	937	257	—	—
Prepayments and other current assets	(7,270)	(65,260)	(89,081)	(12,737)
Inventories	109,443	(11,165)	(124,792)	(17,845)
Other non-current assets	25,785	6,458	6,310	902
Amounts due from related parties	(27,969)	11,086	8,999	1,287
Amounts due to related parties	(17,811)	19,453	(7,621)	(1,090)
Accounts and notes payable	(14,156)	(33,601)	77,282	11,051
Accrued expenses and other liabilities	65,322	(22,516)	(16,391)	(2,344)
Advances from customers	24,927	(22,005)	9,246	1,322
Income tax payables	(3,880)	2,142	(6,398)	(915)
Lease liabilities	(89,341)	(66,890)	(58,714)	(8,396)
Net cash used in operating activities	(107,442)	(243,666)	(94,663)	(13,537)
Cash flows from investing activities				
Purchases of intangible assets	(321)	(4,280)	(1,735)	(248)
Purchases of property and equipment	(43,648)	(52,740)	(42,065)	(6,015)
Proceeds from disposal of property and equipment	1,953	2,099	4,117	589
Purchases of short-term investments	(2,341,533)	(1,316,051)	(601,901)	(86,071)
Sales of short-term investments	2,222,376	2,005,095	888,378	127,036
Investments on equity investments	(121,547)	(42,000)	—	—
Proceeds from disposal of investments	22,233	—	—	—
Net cash (used in) provided by investing activities	(260,487)	592,123	246,794	35,291
Cash flows from financing activities				
Proceeds from exercise of vested share options	4,902	11,566	5,490	785
Repurchases of ordinary shares	(212,693)	(405,792)	(111,019)	(15,875)
Repurchase of non-controlling interests and redeemable non-controlling interests	(134,664)	—	(45,916)	(6,566)
Net cash used in financing activities	(342,455)	(394,226)	(151,445)	(21,656)
Effect of exchange rate changes on cash and cash equivalents and restricted cash	14,192	5,028	(10,585)	(1,513)
Net decrease in cash and cash equivalents and restricted cash	(696,192)	(40,741)	(9,899)	(1,415)
Cash and cash equivalents and restricted cash at the beginning of the year	1,554,328	858,136	817,395	116,886
Cash and cash equivalents and restricted cash at the end of the year	858,136	817,395	807,496	115,471
Supplemental disclosures of cash flow information				
Income taxes paid	(7,750)	(2,910)	(4,897)	(700)
Supplemental schedule of non-cash investing and financing activities				
Purchases of property and equipment	12,687	9,141	9,553	1,366
Purchases of intangible assets	397	828	65	9
Receivables of exercise price of share options	1,633	577	212	30
Payable for repurchases of Ordinary Shares	442	94,701	—	—
Repurchase of redeemable non-controlling interests	22,197	—	—	—
Recognition of redeemable non-controlling interests	50,129	—	—	—

The accompanying notes are an integral part of these consolidated financial statements.

YATSEN HOLDING LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(All amounts in thousands, except for share, per share data or otherwise noted)

1. ORGANIZATION AND PRINCIPAL ACTIVITIES

(a) Principal activities

Yatsen Holding Limited (the “Company”) was incorporated in the Cayman Islands on September 6, 2016. The Company, through its consolidated subsidiaries, the variable interest entities (“VIEs”) and VIE’s subsidiaries (collectively referred to as the “Group”), is primarily engaged in selling beauty products and is a consumer-centric, technology-and-data-driven beauty platform in the People's Republic of China (“the PRC”). The Company was listed on the New York Stock Exchange on November 19, 2020.

As of December 31, 2025, details of the Company's significant subsidiaries and VIE were as follows:

	Place of incorporation	Date of incorporation	Percentage of beneficial ownership	Principal activities
Principal subsidiaries:				
Yatsen (HK) Limited	Hong Kong	June 4, 2019	100%	Cosmetics Sales
Guangzhou Yatsen Global Co., Ltd. (“Guangzhou Yatsen”)	PRC	July 29, 2015	100%	Cosmetics Sales
Guangzhou Yatsen Cosmetics Co., Ltd.	PRC	March 24, 2017	100%	Cosmetics Sales
Guangzhou Yixun Cosmetics Co., Ltd.	PRC	October 22, 2020	100%	Cosmetics Sales
Yatsen Investment Limited	Hong Kong	October 18, 2019	100%	Investment
Aoyan Holding Limited	Cayman Islands	January 8, 2020	100%	Cosmetics Sales
Aoyan (HK) Limited	Hong Kong	February 17, 2020	100%	Cosmetics Sales
Aoyan (Shanghai) Cosmetics Trading Co., Ltd.	PRC	June 4, 2019	100%	Cosmetics Sales
Yatsen Global Holding Limited	British Virgin Islands	March 13, 2020	100%	Cosmetics Sales
Yatsen Global Pte. Ltd.	Singapore	March 28, 2020	100%	Cosmetics Sales
Yalenic Global Holding Pte. Ltd.	Singapore	September 5, 2020	90%	Cosmetics Sales
Galenic Cosmetics Laboratory	France	September 24, 2020	90%	Cosmetics Sales
Galenic (Shanghai) Trading Co., Ltd.	PRC	January 18, 2021	90%	Cosmetics Sales
Galenic (Shanghai) E-commerce Co., Ltd.	PRC	January 28, 2021	90%	Cosmetics Sales
Skintech Global Holding Limited	British Virgin Islands	October 2, 2020	100%	Cosmetics Sales
Dskin (HK) Limited	Hong Kong	November 16, 2020	100%	Cosmetics Sales
Guangzhou Duoxin E-commerce Co., Ltd.	PRC	December 24, 2020	100%	Cosmetics Sales
Guangzhou DR.WU Cosmetics Co., Ltd.	PRC	January 5, 2021	100%	Cosmetics Sales
Shanghai DR.WU Cosmetics Co., Ltd.	PRC	April 11, 2023	100%	Cosmetics Sales
Eve Lom Limited	British Virgin Islands	March 2, 2021	100%	Cosmetics Sales
Space Brands Limited	United Kingdom	February 1, 2012	100%	Cosmetics Sales
Space Brands (HK) Limited	Hong Kong	June 19, 2018	100%	Cosmetics Sales
SNK (Shanghai) Limited	PRC	July 31, 2018	100%	Cosmetics Sales
VIE:				
Huizhi Weimei (Guangzhou) Trading Co., Ltd. (“HZ VIE”)	PRC	February 22, 2019	100%	Cosmetics Sales

YATSEN HOLDING LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(All amounts in thousands, except for share, per share data or otherwise noted)

1. ORGANIZATION AND PRINCIPAL ACTIVITIES (Continued)

(b) *VIE Arrangements between the VIEs and the Company's PRC subsidiary*

To comply with the relevant PRC laws and regulations, the Group operates its internet-based business, in which foreign investment is restricted or prohibited, through the VIEs. The Group obtained the control of the VIEs by entering into a series of contractual arrangements with the VIEs or their equity holders as follows:

Powers of Attorney

The shareholders of VIEs, have each executed a power of attorney to irrevocably appoint Guangzhou Yatsen or its designated person as their attorney-in-fact to exercise all of their rights as shareholders of VIEs, including, but not limited to, the right to convene and attend shareholder meetings, vote on any resolution that requires a shareholder vote, such as the appointment or removal of directors and executive officers, and other voting rights pursuant to the then-effective articles of association of VIEs. The power of attorney will remain in force for so long as the controlling shareholders remain the shareholders of VIEs.

Exclusive Technology Consulting and Service Agreement

Under the exclusive technology consulting and service agreement between Guangzhou Yatsen and VIEs, Guangzhou Yatsen has the exclusive right to provide to VIEs technology consulting and services related to, among other things, research and development, system operation, advertising, internal training and technical support. Guangzhou Yatsen has the exclusive ownership of intellectual property rights created as a result of the performance of this agreement. In exchange, VIEs agree to pay Guangzhou Yatsen an annual service fee, at an amount that is agreed by Guangzhou Yatsen. Unless Guangzhou Yatsen provides valid notice of termination 30 days prior to the term of agreement ending, this agreement will remain effective for 10 years to be automatically renewed for another 10 years thereafter.

Equity Pledge Agreement

Pursuant to the equity pledge agreement among Guangzhou Yatsen, VIEs, and the shareholders of VIEs, the shareholders pledged all of their equity interests in VIEs to guarantee their and VIEs' performance of their obligations under the contractual arrangements including the exclusive technology consulting and service agreement, the exclusive option agreement and the power of attorney. In the event of a breach by VIEs or their shareholders of contractual obligations under these agreements, Guangzhou Yatsen, as pledgee, will have the right to dispose of the pledged equity interests in VIEs. The shareholders of VIEs also undertake that, during the term of the equity pledge agreement, they will not dispose of the pledged equity interests or create or allow any encumbrance on the pledged equity interests. During the term of the equity pledge agreement, Guangzhou Yatsen has the right to receive all of the dividends and profits distributed on the pledged equity interests. As of the date of this annual report, the equity pledge for the variable interest equity has been registered with local PRC authorities.

Exclusive Call Option Agreement

Pursuant to the exclusive call option agreement between Guangzhou Yatsen, VIEs and their shareholders, the shareholders of VIEs irrevocably grant Guangzhou Yatsen an exclusive option to purchase, at its discretion, or have its designated person to purchase, to the extent permitted under PRC law, all or part of the equity interests in VIEs. The purchase price shall be the lowest price permitted by applicable PRC law. In addition, VIEs have granted Guangzhou Yatsen an exclusive option to purchase, at its discretion, or have its designated person to purchase, to the extent permitted under PRC law, all or part of VIEs' assets at the book value of such assets, or at the lowest price permitted by applicable PRC law, whichever is higher. The shareholders of VIEs undertake that, without the Company's prior written consent or the prior written consent of Guangzhou Yatsen, they may not increase or decrease the registered capital, dispose of its assets, incur any debt or guarantee liabilities, enter into any material purchase agreements, conduct any merger, acquisition or investments, amend its articles of association or provide any loans to third parties. The exclusive call option agreement will remain effective until all equity interest in VIEs held by their shareholders and all assets of VIEs are transferred or assigned to Guangzhou Yatsen or its designated representatives.

Under accounting principles generally accepted in the United States of America ("U.S. GAAP"), a VIE is consolidated if the Company bears the risks and enjoys the rewards normally associated with, ownership of the entity. Through these contractual agreements, the Company has the power to direct the activities that most significantly impact the VIEs' economic performance, bears the risks of and enjoys the rewards normally associated with ownership of the VIEs. Therefore, the Company is the ultimate primary beneficiary of the VIEs and the financial results of the VIEs are included in the Group's consolidated financial statements. The PRC variable interest entity, HZ VIE, developed e-commerce platforms for the business and holds an ICP license.

YATSEN HOLDING LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(All amounts in thousands, except for share, per share data or otherwise noted)

1. ORGANIZATION AND PRINCIPAL ACTIVITIES (Continued)

(b) VIE Arrangements between the VIEs and the Company's PRC subsidiary (Continued)

The following consolidated financial information of the consolidated VIEs is included in the accompanying consolidated financial statements as of and for the year ended:

	As of December 31,	
	2024	2025
	RMB	RMB
Cash and cash equivalents	3,967	10,448
Accounts receivable, net	10,636	5,167
Inventories, net	285	359
Prepayments and other current assets	11,991	15,164
Amounts due from non-VIE subsidiaries	2	24,913
Total current assets	26,881	56,051
Investments	360,102	365,731
Property and equipment, net	48	80
Total non-current assets	360,150	365,811
Total assets	387,031	421,862
Accounts payable	3,481	2,740
Advances from customers	11,064	8,317
Accrued expenses and other liabilities	6,639	13,690
Income tax payables	929	929
Amounts due to non-VIE subsidiaries ⁽²⁾	306,573	317,843
Total current liabilities	328,686	343,519
Deferred tax liabilities	10,628	19,204
Total non-current liabilities	10,628	19,204
Total liabilities	339,314	362,723

	Year ended December 31,		
	2023	2024	2025
	RMB	RMB	RMB
Net revenues	183,737	167,319	175,203
Net income	2,922	37,463	11,422
Net cash provided by operating activities	36,473	8,241	19,033
Net cash (used in) provided by investing activities	(107,721)	(41,976)	248
Net cash provided by (used in) financing activities ⁽¹⁾	74,526	25,500	(12,800)
Net increase (decrease) in cash and cash equivalents	3,278	(8,235)	6,481

- (1) The proceeds from advances from Group companies to the consolidated VIEs in 2023, 2024 and 2025 are in the amount of RMB117,000, RMB45,500 and RMB14,500, respectively and the repayment of advances to Group companies by the consolidated VIEs in 2023, 2024 and 2025 are in the amount of RMB42,000, RMB20,000 and RMB27,300, respectively. All of these transactions have been eliminated in consolidation.
- (2) As at December 31, 2024 and 2025, amounts due to non-VIE subsidiaries included RMB193,500 and RMB180,700 for debt financing from Group companies to the consolidated VIEs not yet returned.

YATSEN HOLDING LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(All amounts in thousands, except for share, per share data or otherwise noted)

1. ORGANIZATION AND PRINCIPAL ACTIVITIES (Continued)

(b) *VIE Arrangements between the VIEs and the Company's PRC subsidiary (Continued)*

In accordance with the aforementioned agreements, the Company has the power to direct activities of the VIEs, and can have assets transferred out of VIEs. Therefore, the Company considers that there is no asset in VIEs that can be used only to settle obligations of the VIEs, except for registered capital and non-distributable reserve funds, as of December 31, 2025. As VIEs were incorporated as limited liability companies under the PRC Company Law, the creditors do not have recourse to the general credit of the Company for all the liabilities of VIEs. There is currently no contractual arrangement that would require the Company to provide additional financial support to the VIEs. As the Group is conducting certain businesses in the PRC through the VIEs, the Group may provide additional financial support on a discretionary basis in the future, which could expose the Group to a loss. There is no VIEs where the Company has variable interest but is not the primary beneficiary. The Group believes that the contractual arrangements among its shareholders and Guangzhou Yatsen comply with PRC law and are legally enforceable. However, uncertainties in the PRC legal system could limit the Company's ability to enforce these contractual arrangements and if the shareholders of VIEs were to reduce their interest in the Company, their interests may diverge from that of the Company and that may potentially increase the risk that they would seek to act contrary to the contractual terms. The Company's ability to control the VIEs also depends on the voting rights proxy and the effect of the share pledge under the Equity Pledge Agreement and Guangzhou Yatsen has to vote on all matters requiring shareholder approval in VIEs. As noted above, the Company believes this voting right proxy is legally enforceable but may not be as effective as direct equity ownership.

2. SIGNIFICANT ACCOUNTING POLICIES

(a) *Basis of presentation*

The consolidated financial statements of the Group have been prepared in accordance with U.S. GAAP. Significant accounting policies followed by the Group in the preparation of the consolidated financial statements are summarized below.

(b) *Basis of consolidation*

The Group's consolidated financial statements include the financial statements of the Company, its subsidiaries and VIEs for which the Company or its subsidiary is the primary beneficiary.

A subsidiary is an entity in which the Company, directly or indirectly, controls more than one half of the voting powers; or has the power to appoint or remove the majority of the members of the board of directors; or to cast a majority of votes at the meeting of directors; or has the power to govern the financial and operating policies of the investee under a statute or agreement among the shareholders or equity holders.

A VIE is an entity in which the Company, or its subsidiary, through contractual agreements, bears the risks of, and enjoys the rewards normally associated with ownership of the entity, and therefore the Company or its subsidiary is the primary beneficiary of the entity.

All transactions and balances among the Company, its subsidiaries and VIEs have been eliminated upon consolidation.

(c) *Use of estimates*

The preparation of the consolidated financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the amounts reported and disclosed in the consolidated financial statements and accompanying notes. Significant accounting estimates reflected in the Group's consolidated financial statements include inventory valuation, useful life of intangible assets, valuation allowance for deferred tax asset, fair value of share options. The management bases the estimates and judgments on historical information and on various other assumptions that management believes are reasonable under the circumstances. Actual results could differ materially from such estimates.

YATSEN HOLDING LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(All amounts in thousands, except for share, per share data or otherwise noted)

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(d) *Functional currency and foreign currency translation*

The Group uses Renminbi (“RMB”) as its reporting currency. The functional currency of the Company and its subsidiaries incorporated in Cayman Islands is United States dollar (“US\$”), in Hong Kong is US\$ or Hong Kong dollar (“HKD”), in United Kingdom is Great Britain Pound (“GBP”), in France is Euro (“EUR”), and in Japan is Japanese Yen (“JPY”) while the functional currency of the Group’s entities in PRC is RMB, which is their respective local currency. In the consolidated financial statements, the financial information of the Company and its subsidiaries, which use foreign currency as their functional currency, have been translated into RMB. Assets and liabilities are translated at the exchange rates on the balance sheet date, equity amounts are translated at historical exchange rates, and revenues, expenses, gains, and losses are translated using the average exchange rate for the period. Translation adjustments arising from these are reported as foreign currency translation adjustments and are shown as a component of other comprehensive income (loss) in the consolidated statement of comprehensive income (loss).

Foreign currency transactions denominated in currencies other than functional currency are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are remeasured at the applicable rates of exchange in effect at that date. Foreign exchange gains and losses resulting from the settlement of such transactions and from remeasurement at year-end are recognized in foreign currency exchange gains (losses), net in the consolidated statement of operations.

(e) *Convenience translation*

Translations of balances in the consolidated balance sheets, consolidated statements of operations, consolidated statements of comprehensive income (loss) and consolidated statements of cash flows from RMB into US\$ as of and for the year ended December 31, 2025 are solely for the convenience of the reader and were calculated at the noon buying rate of US\$ 1.00 = RMB 6.9931 on December 31, 2025 as set forth in the H.10 statistical release of the U.S. Federal Reserve Board. No representation is made that the RMB amounts could have been, or could be, converted, realized or settled into US\$ at that rate on December 31, 2025, or at any other rate.

(f) *Cash and cash equivalents*

Cash and cash equivalents represent cash on hand and demand deposits placed with banks or other financial institutions, and all highly liquid investments with original maturities of three months or less. Cash and cash equivalents are placed with financial institutions with high-credit ratings and quality.

(g) *Restricted cash*

Restricted cash primarily represents bank collateral for bank notes and lease. As at December 31, 2024 and 2025, the restricted cash amounted to nil and RMB42,117, respectively.

(h) *Short-term investment*

Short-term investment represents time deposits placed with banks with original maturities between three months and one year. Interest earned is recorded as interest income in the consolidated statements of operations during the periods presented.

(i) *Accounts receivable, net*

Accounts receivable are stated at the historical carrying amount net of allowance for doubtful accounts. The accounts receivable mainly include receivables from platform distributor customers, wholesale customers and independent payment channels or payment channel functions operated by platforms, who collect from end customers on behalf of the Group before the Group’s delivery of products (“Payment Channels”). The receivables from platform distributor customers and wholesale customers are settled in accordance with credit terms mutually agreed. The receivables from Payment Channels is settled upon pre-agreed days after the Group delivers products to end customers, or when customers confirm their receipts of products, whichever is earlier.

The allowance for doubtful accounts reflects the Group’s best estimate of expected losses. Since January 1, 2021, the Group determines the expected credit loss provisions based on ASC Topic 326, detailed as Note 2(j).

YATSEN HOLDING LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(All amounts in thousands, except for share, per share data or otherwise noted)

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(j) Expected credit losses

The Group's accounts receivable, amount due from related parties and other receivables classified as other current assets and other non-current assets are within the scope of ASC Topic 326. The Group has identified the relevant risk characteristics of its customers and the related receivables and other receivables which include size, type of the services or products the Group provides, or a combination of these characteristics. Receivables with similar risk characteristics have been grouped into pools. For each pool, the Group considers the historical credit loss experience, current economic conditions, supportable forecasts of future economic conditions, and any recoveries in assessing the lifetime expected credit losses. Other key factors that influence the expected credit loss analysis include customer demographics, payment terms offered in the normal course of business to customers, and industry-specific factors that could impact the Group's receivable. The Group also provides specific provisions for allowance when facts and circumstances indicate that the receivable is unlikely to be collected.

For the years ended December 31, 2023, 2024 and 2025, the Group recorded/(reversed) RMB19,887, RMB617 and RMB(2,265) in expected credit loss expense in general and administrative expenses, respectively. As of December 31, 2024, the expected credit loss provision recorded in current and non-current assets were RMB20,504 and nil, respectively. As of December 31, 2025, the expected credit loss provision recorded in current and non-current assets were RMB18,304 and nil, respectively.

The movements in the allowance for credit losses were as follows:

	As of December 31,		
	2023	2024	2025
	RMB	RMB	RMB
Balance as of January 1	—	19,887	20,504
Amounts charged/(reversed) to expenses	19,887	617	(2,265)
Foreign currency translation adjustments	—	—	65
Balance as of December 31	19,887	20,504	18,304

Amounts charged/(reversed) to expenses for the year ended 2023, 2024 and 2025 included RMB6,464, RMB617 and RMB(2,265) provided for accounts receivable, respectively, and RMB13,423, nil and nil provided for amount due from a related party, respectively.

(k) Inventories

Inventories are stated at the lower of cost or net realizable value. Cost is determined using the weighted average method. Impairment is recognized for excessive, slow moving, expired and obsolete inventories as well as for inventories with carrying values in excess of market. Certain factors could impact the realizable value of inventory, so the Group continually estimates the net realizable value based on assumptions, including potential product obsolescence, sales strategy, and marketability of inventories. The estimation may take into consideration historical sales, inventory aging, expiration dates, expected sales, anticipated selling prices, new product development schedules, the effect new products might have on the sale of existing products, and other factors. The impairment is equal to the difference between the cost of inventory and the estimated net realizable value.

YATSEN HOLDING LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(All amounts in thousands, except for share, per share data or otherwise noted)

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(l) Property and equipment, net

Property and equipment is carried at cost less accumulated depreciation and impairment, if any. Depreciation is calculated on a straight-line basis over the following estimated useful lives.

Category	Estimated useful lives
Machinery	3-10 years
Electronic equipment	1.33-10 years
Office furniture and equipment	3 -10 years
Vehicles	4 years
Leasehold improvements	Shorter of the term of the lease or the estimated useful lives of the assets

Repairs and maintenance costs are charged to expenses as incurred, whereas the costs of renewals and betterment that extend the useful lives of property and equipment are capitalized as additions to the related assets. The Group recognizes the gain or loss on the disposal of property and equipment in the consolidated statements of operations.

Construction in progress represents direct costs that are related to the construction of property and equipment and incurred in connection with bringing the assets to their intended use. The costs of construction in progress are transferred to specific property and equipment accounts and the depreciation of these assets commences when the assets are ready for their intended use.

(m) Intangible assets, net

Intangible assets purchased from third parties are initially recorded at cost and amortized on a straight-line basis over the estimated economic useful lives. The acquired intangible assets are recognized and measured at fair value and are expensed or amortized using the straight-line approach over the estimated economic useful lives of the assets.

The estimated useful lives of intangible assets are as follows:

Category	Estimated useful lives
Trademarks	9-20 years
Software	5-10 years
Customer Relationship	3.75 years
Techniques	10 years
Non-compete	5years

YATSEN HOLDING LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(All amounts in thousands, except for share, per share data or otherwise noted)

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(n) *Goodwill*

Goodwill represents the excess of the purchase price over the amounts assigned to the fair value of the identifiable assets acquired and the liabilities assumed of an acquired business. The Group conducts an impairment test as of December 31 of each year, or more frequently if events or circumstances indicate that the carrying value of goodwill may be impaired.

In accordance with ASC 350, the Group does not amortize goodwill, but tests it for impairment. The Group adopted Accounting Standards Update (“ASU”) No. 2017-04, Intangibles - Goodwill and Other (Topic 350): Simplifying the Test for Goodwill Impairment, and in accordance with the Financial Accounting Standards Board (“FASB”), pursuant to which the Group has the option to choose whether it will apply a qualitative assessment first and then a quantitative assessment, if necessary, or to apply a quantitative assessment directly. For reporting units applying a qualitative assessment first, the Group starts the goodwill impairment test by assessing qualitative factors to determine whether it is more likely than not that the fair value of a reporting unit is less than its carrying amount. If it is more likely than not that the fair value of a reporting unit is less than its carrying amount, the quantitative impairment test is mandatory. Otherwise, no further testing is required. The quantitative impairment test consists of a comparison of the fair value of the reporting unit with its carrying value, including goodwill. If the carrying value of each reporting unit, including goodwill, exceeds its fair value, an impairment loss is recognized in an amount equal to that excess, but limited to the total amount of goodwill allocated to that reporting unit.

Application of a goodwill impairment test requires significant management judgment, including the identification of reporting units, assigning assets and liabilities to reporting units, assigning goodwill to reporting units, and determining the fair value of each reporting unit.

(o) *Business combination*

Business combinations are recorded using the purchase method of accounting, and the cost of an acquisition is measured as the aggregate of the fair values at the date of exchange of the assets given, liabilities incurred, and equity instruments issued as well as the contingent considerations and all contractual contingencies as of the acquisition date. The costs directly attributable to the acquisition are expensed as incurred. Identifiable assets, liabilities and contingent liabilities acquired or assumed are measured separately at their fair value as of the acquisition date, irrespective of the extent of any non-controlling interests. The excess of the (i) the total of consideration paid, fair value of the non-controlling interests and acquisition date fair value of any previously held equity interest in the subsidiary acquired over (ii) the fair value of the identifiable net assets of the subsidiary acquired is recorded as goodwill. If the consideration of acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognized directly in the consolidated statements of comprehensive income.

The Group treats transactions with non-controlling interests that do not result in a loss of control as transactions with equity owners of the Group. A change in ownership interest results in an adjustment between the carrying amounts of the controlling and non-controlling interests to reflect their relative interests in the subsidiary. Any difference between the amount of the adjustment to non-controlling interests and any consideration paid or received is recognized in additional paid-in capital.

(p) *Investments*

1) Equity investments accounted for using the equity method

The Group accounts for its equity investments over which it has significant influence but does not own a majority equity interest or otherwise control using the equity method. The Group adjusts the carrying amount of the investment and recognizes investment income or loss for its share of the earnings or losses of the investee after the date of investment.

2) Equity investments without readily determinable fair values

The Group elected to record equity investments without readily determinable fair values and not accounted for by the equity method at cost, less impairment, adjusted for subsequent observable price changes, and will report changes in the carrying value of the equity investments in current earnings. Changes in the carrying value of the equity investment will be required to be made whenever there are observable price changes in orderly transactions for the identical or similar investment of the same issuer.

YATSEN HOLDING LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(All amounts in thousands, except for share, per share data or otherwise noted)

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(p) Investments (Continued)

3) Available-for-sale debt investments

Available-for-sale debt investments are convertible debt instruments issued by private companies and investments in preferred shares that are redeemable merely by the passage of time and at the option of the Group as a holder, which are measured at fair value. Interest income is recognized in consolidated statements of operations. All other unrealized gains and losses recorded in the consolidated statements of comprehensive income (loss).

The Group monitors its investments for other-than-temporary impairment by considering factors including, but not limited to, current economic and market conditions, the operating performance of the companies including current earnings trends and other company-specific information.

(q) Impairment of long-lived assets

Long-lived assets are evaluated for impairment whenever events or changes in circumstances (such as a significant adverse change to market conditions that will impact the future use of the assets) indicate that the carrying value of an asset may not be fully recoverable or that the useful life is shorter than the Group had originally estimated. When these events occur, the Group evaluates the impairment for the long-lived assets by comparing the carrying value of the assets to an estimate of future undiscounted cash flows expected to be generated from the use of the assets and their eventual disposition. If the sum of the expected future undiscounted cash flows is less than the carrying value of the assets, the Group recognizes an impairment loss based on the excess of the carrying value of the assets over the fair value of the assets.

(r) Leases

As a lessee

Operating lease

The Group includes a right-of-use asset and lease liability related to substantially all of the Group's lease arrangements in the consolidated balance sheets. All of the Group's leases are operating leases. Operating lease assets are included within right-of-use assets, and the corresponding lease liabilities are included in either current or long-term liabilities.

The Group has elected not to present short-term leases on the consolidated balance sheet as these leases have a lease term of 12 months or less at commencement date of the lease and do not include options to purchase or renew that the Group is reasonably certain to exercise. The Group recognizes lease expenses for such short-term lease generally on a straight-line basis over the lease term. All other lease assets and lease liabilities are recognized based on the present value of lease payments over the lease term at commencement date. Because most of the Group's leases do not provide an implicit rate of return, the Group uses the Group's incremental borrowing rate based on the information available at adoption date or lease commencement date in determining the present value of lease payments.

YATSEN HOLDING LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(All amounts in thousands, except for share, per share data or otherwise noted)

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(s) Redeemable non-controlling interests

The Group determined that the non-controlling interest with redemption rights should be classified as redeemable non-controlling interest since they are contingently redeemable upon the occurrence of certain conditional events, which are not solely within the control of the Group.

For the redeemable non-controlling interests arising from business combination, the redeemable non-controlling interests is recognized at fair value on the acquisition date. For other redeemable non-controlling interests, the Group considers the calculated redemption amount, fair value and proportionate ownership interest of the redeemable non-controlling interests on the issuance date to determine the initial recognized amount. The Group records accretion on the redeemable non-controlling interest to the redemption value over the period from the date of the acquisition or issuance to the date of earliest redemption. The accretion using the effective interest method, is recorded as deemed dividends to preferred shareholders, which reduce retained earnings and equity classified non-controlling interests, and earnings available to common shareholders in calculating basic and diluted earnings per share.

The process of adjusting redeemable non-controlling interests to its redemption value (the “Mezzanine Adjustment”) should be performed after attribution of the subsidiary’s net income or loss pursuant to ASC 810, Consolidation. The carrying amount of redeemable non-controlling interests will equal the higher of the amount resulting from application of ASC 810 or the amount resulting from the Mezzanine Adjustment. As the expected redemption value was higher than the carrying value of the redeemable non-controlling interests, mezzanine adjustment of RMB 2,975 was recognized for the year ended December 31, 2023.

In May 2023, the Group entered into agreements with a non-controlling shareholder and an investor (the “Investor”) respectively. According to the agreements, the Group assigned the Investor to purchase all 10% equity interests held by non-controlling shareholder at a consideration of RMB22,197. The transaction was completed in July 2023. According to the agreement with the Investor, the equity interest purchased and held by the Investor was classified as redeemable non-controlling interests and was initially recognized at RMB50,129. In August 2025, the Group purchased 10% equity interest from the Investor at a consideration of RMB45,749. Accordingly, relevant redeemable non-controlling interest was derecognized. The difference between the consideration paid and carrying amount of redeemable non-controlling interest derecognized was recognized in additional paid-in capital.

In October 2023, the Group purchased 9.99% equity interest in certain subsidiary from a non-controlling shareholder at a consideration of RMB134,664. Accordingly, relevant redeemable non-controlling interest was derecognized. The difference between the consideration paid and carrying amount of redeemable non-controlling interest derecognized was recognized in additional paid-in capital.

YATSEN HOLDING LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(All amounts in thousands, except for share, per share data or otherwise noted)

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(t) Revenue recognition

The Group adopted ASC 606 for all periods presented. According to ASC 606, revenue is recognized when control of the promised good or service is transferred to the customer in an amount that reflects the consideration the Group expects to receive in exchange for those goods or services, after considering estimated sales return allowances, price concessions, discount and value added tax ("VAT"). Consistent with the criteria of Topic 606, the Group follows five steps for its revenue recognition: (i) identify the contract(s) with a customer, (ii) identify the performance obligations in the contract, (iii) determine the transaction price, (iv) allocate the transaction price to the performance obligations in the contract, and (v) recognize revenue when (or as) the entity satisfies a performance obligation.

The Group's revenues are primarily derived from (i) sales of the Group's products to third party platform distributor customers and wholesale customers who then sell to end customers and (ii) sales of the Group's products to end customers directly through the Group's online stores run on third party e-commerce platforms and through offline stores operated by the Group. Refer to Note 15 to the consolidated financial statements for disaggregation of the Group's revenues for the years ended December 31, 2023, 2024 and 2025.

The Group enters into two types of agreements with third party e-commerce platforms:

1) Distribution Agreements

Under the distribution agreements, the platform distributor customers purchase products from the Group and sell to end customers under the platform distributor customer's name. According to the agreements, the platform distributor customers take control of the products and are entitled to rights of return and price protection. After taking control of the products, the platform distributor customer is responsible for selling and fulfilling all obligations in its sales contracts with end customers, including delivering the products and providing customer support. Under the distribution agreement, the Group has a sale contract with the platform distributor customer and has no sales contract with the end customers. Based on these indicators, the Group determines the e-commerce platform distributors (as opposed to the end customers) as its customers according to ASC 606-10-55-39.

2) Platform Service Agreements

Under the platform service agreements, the Group sets up online stores on the platforms to sell the Group's product to end customers. The platforms provide services to support the operations of the online store including processing sales orders and collecting from end customers. The platforms charge the Group service fees based on the Group's sales through the online stores. The Group enters sale contracts directly with the end customers. The platforms do not take control of the goods and do not include sales contracts with end customers. The Group is responsible for selling and fulfilling all obligations according to its sales contracts with end customers, including delivering products and providing customer support. Accordingly, the Group determines the end customers (as opposed to the platforms) as its customers according to ASC 606-10-55-39. The sales contracts with end customers normally include a customer's right to return products within 7 days after receipt of goods.

The Group identifies its performance obligation to both e-commerce platform distributor customers and end customers as to transfer the control of the products ordered to the customers. Contracts with customers may include multiple performance obligations if there is a need to separate one order into multiple deliveries. In those scenarios, transaction price will be allocated to different performance obligations based on relative standalone selling prices.

The Group recognizes revenue from sales to e-commerce platform distributors and wholesale customers upon delivery of the products to their warehouses in an amount equal to the contract sales prices less estimated sales allowances for sales returns, rebates and price protection. The Group recognizes revenues from sales to end customers upon delivery of the product to end customers in an amount equal to the contract sales prices less estimated sales allowances for sales returns and sales incentives. Estimated sales allowances for sales returns, rebates, incentives and price protection are made based on contract terms and historical patterns.

YATSEN HOLDING LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(All amounts in thousands, except for share, per share data or otherwise noted)

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(t) Revenue recognition (Continued)

Sales incentives

The Group grants points to customers when they purchase goods from its online platforms and offline stores. The points can be used to offset against payments or exchanged for goods when customers make their future purchases. The Group considers the points as a separate performance obligation and allocates the transaction price proportionally between the product sold and the points granted on a relative standalone selling price basis in consideration of the likelihood of future redemption based on historical experience and the equivalent value per point when they are redeemed. The deferred income recorded for the point is considered as a contract liability. As of December 31, 2024 and 2025, the Group recorded contract liability related to the points of RMB3,905 and RMB11,177, respectively.

Contract balances

A receivable is recorded when the Group has an unconditional right to consideration. A right to consideration is unconditional if only the passage of time is required before payment of that consideration is due. A contract asset is recorded when the Group has transferred products to the customer before payment is received or is due, and the Group's right to consideration is conditional on future performance or other factors in the contract. No contract asset was recorded as at December 31, 2024 and 2025.

Sales to e-commerce platform distributor customers and wholesale customers are on credit terms, and receivables are recorded upon recognizing revenues. Sales through online stores on platforms are paid by the end customers to Payment Channels before the Group delivers the products. Payment Channels settle with the Group based upon pre-agreed days after the Group delivers products to end customers, or when the end customers confirm their receipts of products, whichever is earlier.

A contract liability is recorded when the Group's obligation to transfer goods to a customer has not yet occurred but for which the Group has received consideration from the customer. The Group presents such amounts as advances from customers on the consolidated balance sheets.

As of December 31, 2024 and 2025, advances from customers were RMB19,574 and RMB28,821, respectively. All contract liability balances at the beginning of the years were recognized as revenue in the following year due to generally short-term duration of contracts.

During the years ended December 31, 2023, 2024 and 2025, the Group did not have any revenue recognized from performance obligations satisfied (or partially satisfied) in previous periods.

Practical Expedients

The transaction price allocated to performance obligations that are unsatisfied or partially unsatisfied has not been disclosed, as substantially all of the Group's contracts have a duration of one year or less.

Payment terms with platform distributor customers, wholesale customers and Payment Channels generally require settlement within one year or less. The Group has determined that its contracts generally do not include a significant financing component.

The Group generally expenses sales commissions when incurred because the amortization period is one year or less. These costs are recorded within selling and marketing expenses.

YATSEN HOLDING LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(All amounts in thousands, except for share, per share data or otherwise noted)

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(u) Cost of revenues

Cost of revenues consists primarily of material costs, consignment manufacturing cost and related costs that are directly attributable to the production of products.

(v) Fulfilment expenses

Fulfilment expenses primarily represent expenses incurred for warehousing, shipping and delivering products to customers, mainly including rental and personnel costs for warehouses as well as third party shipping costs.

(w) Selling and marketing expenses

Selling and marketing expenses primarily consist of (i) advertising and marketing promotion expenses (ii) platform and other commissions (iii) personnel costs for sales and marketing staff (iv) rental, depreciation expenses, personnel and other costs for offline experience stores and (v) share-based compensation expenses. For the years ended December 31, 2023, 2024 and 2025 advertising and marketing promotion expenses totaled to RMB1,259,999, RMB1,369,364 and RMB1,829,521 respectively.

(x) Research and development expenses

Research and development expenses primarily consist of personnel costs for research and development staff and product development, general expenses and depreciation expenses associated with research and development activities.

(y) General and administrative expenses

General and administrative expenses consist of personnel costs including share-based compensation expenses and other expenses which are related to the general corporate functions, including accounting, finance, tax, legal and human relations, costs associated with facilities and equipment use by these functions, such as depreciation expenses, rental and other general corporate related expenses.

(z) Employee social security and welfare benefits

Employees of the Group in the PRC are entitled to staff welfare benefits including pension, work-related injury benefits, maternity insurance, medical insurance, unemployment benefit and housing fund plans through a PRC government-mandated multi-employer defined contribution plan. The Group is required to accrue and pay the government for these benefits based on certain percentages of the employees' salaries, up to a maximum amount specified by the local government. The PRC government is responsible for the medical benefits and the pension liability to be paid to these employees, and the Group's obligations are limited to the amounts contributed with no legal obligation beyond the contributions made. Employee social security and welfare benefits, as part of the personnel costs, included as expenses in the accompanying consolidated statement of operations amounted to RMB66,743, RMB65,286 and RMB70,941 for the years ended December 31, 2023, 2024 and 2025, respectively.

YATSEN HOLDING LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(All amounts in thousands, except for share, per share data or otherwise noted)

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(aa) Share-based compensation

The Group grants share options to its management and other key employees ("Share-based Awards"). Such compensation is accounted for in accordance with ASC 718, Compensation—Stock Compensation. Share-based Awards with service conditions only are measured at the grant date fair value of the awards and recognized as expenses using the graded vesting method, net of estimated forfeitures, if any, over the requisite service period. For awards with performance conditions, the Group would recognize compensation cost if and when it concludes that it is probable that the performance condition will be achieved.

The fair value of share options is estimated on the grant date using the Binomial option pricing model. The assumptions used in share-based compensation expense recognition represent management's best estimates, but these estimates involve inherent uncertainties and application of management judgment. If factors change or different assumptions are used, the share-based compensation expenses could be materially different for any period. Moreover, the estimates of fair value of the awards are not intended to predict actual future events or the value that ultimately will be realized by grantees who receive these awards, and subsequent events are not indicative of the reasonableness of the original estimates of fair value made by the Group for accounting purposes.

(ab) Income taxes

Current income taxes are provided on the basis of net income for financial reporting purposes, adjusted for income and expense items which are not assessable or deductible for income tax purposes, in accordance with the regulations of the relevant tax jurisdictions. Deferred income taxes are accounted for using an asset and liability method. Under this method, deferred income taxes are recognized for the tax consequences of temporary differences by applying enacted statutory rates applicable to future years to differences between the financial statement carrying amounts and the tax bases of existing assets and liabilities. The tax base of an asset or liability is the amount attributed to that asset or liability for tax purpose. The effect on deferred taxes of a change in tax rates is recognized in consolidated statement of operations in the period of change. A valuation allowance is provided to reduce the amount of deferred tax assets if it is considered more likely than not that some portion of, or all of the deferred tax assets will not be realized.

Uncertain tax positions

The guidance on accounting for uncertainties in income taxes prescribes a more likely than not threshold for financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. Guidance also applies to the recognition of income tax assets and liabilities, classification of current and deferred income tax assets and liabilities, accounting for interest and penalties associated with tax positions, accounting for income taxes in interim periods, and income tax disclosures. Significant judgment is required in evaluating the Group's uncertain tax positions and determining its provision for income taxes. The Group recognizes interest and penalties, if any, under accrued expenses and other current liabilities on its balance sheet and under other expenses in its consolidated statement of operations. There were no interest and penalties associated with uncertain tax positions for the years ended December 31, 2023, 2024 and 2025. As of December 31, 2024 and 2025, the Group did not have any significant unrecognized uncertain tax positions.

(ac) Comprehensive income (loss)

Comprehensive income (loss) is defined to include all changes in equity except those resulting from investments by owners and distributions to owners. During the periods presented, comprehensive income (loss) is reported in the consolidated statements of comprehensive income (loss), and other comprehensive income (loss) includes foreign currency translation adjustments.

YATSEN HOLDING LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(All amounts in thousands, except for share, per share data or otherwise noted)

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(ad) Statutory reserves

In accordance with the PRC Company Laws, the subsidiaries and consolidated VIEs of the Company incorporated in the PRC must make appropriations from annual after-tax profits as determined under the generally accepted accounting principles in the PRC ("PRC GAAP") to non-distributable reserve funds including statutory surplus fund and discretionary surplus fund. The appropriation to the statutory surplus fund must be 10% of the annual after-tax profits as determined under PRC GAAP. Appropriation is not required if the statutory surplus fund has reached 50% of the registered capital of the company. Appropriation to the discretionary surplus fund is made at the discretion of the Company.

The uses of the statutory surplus fund and discretionary surplus fund are restricted to offsetting of losses or increasing of the registered capital of the respective company. None of these reserves is allowed to be transferred to the Company in terms of cash dividends, loans or advances, nor can the reserves be distributed except under liquidation.

For the years ended December 31, 2023, 2024 and 2025, the profit appropriation to statutory surplus fund for the Group's entities incorporated in the PRC was nil, RMB3,970 and RMB3,380, respectively. No appropriation to other reserve funds was made for any of the periods presented.

(ae) Income (loss) per share

Basic income (loss) per share is computed by dividing net income (loss) attributable to ordinary shareholders by the weighted average number of ordinary shares outstanding during the year. Diluted income (loss) per share reflects the potential dilution that could occur if securities or other contracts to issue ordinary shares were exercised or converted into ordinary shares. Ordinary equivalent shares are not included in the denominator of the diluted income (loss) per share calculation when inclusion of such share would be anti-dilutive.

(af) Related parties

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control or significant influence, such as a family member or relative, shareholder, or a related corporation.

(ag) Segment reporting

Operating segments are defined as components of an enterprise for which separate financial information is available that is evaluated regularly by the chief operating decision maker ("CODM"), or decision-making group, in deciding how to allocate resources and in assessing performance. The Group's CODM is the Chief Executive Officer.

The Group's principal operations are currently organized into three major segments on a product category basis, namely Color Cosmetics Brands, Skincare Brands and others.

YATSEN HOLDING LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(All amounts in thousands, except for share, per share data or otherwise noted)

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(ah) Recent accounting pronouncements

1) Recently adopted accounting pronouncements

In December 2023, the FASB issued ASU No. 2023-09, Improvements to Income Tax Disclosures (Topic 740). The ASU requires disaggregated information about a reporting entity's effective tax rate reconciliation as well as additional information on income taxes paid. The ASU is effective on a prospective basis for annual periods beginning after December 15, 2024. Early adoption is also permitted for annual financial statements that have not yet been issued or made available for issuance. The Group adopted the new standard beginning January 1, 2025 on a prospective basis.

2) Recent accounting pronouncements issued not yet adopted

On November 4, 2024, the FASB issued ASU 2024-03, which requires disaggregated disclosure of income statement expenses for public business entities. The ASU does not change the expense captions an entity presents on the face of the income statement; rather, it requires disaggregation of certain relevant expense captions into specified categories in disclosures within the footnotes to the financial statements. On January 6, 2025, the FASB issued ASU 2025-01, which clarifies the effective date of ASU 2024-03 with respect to interim periods. ASU 2024-03 is effective for fiscal years beginning after December 15, 2026, and interim periods within fiscal years beginning after December 15, 2027. Early adoption is permitted. The Group is currently evaluating the ASU to determine its impact on consolidated financial statements.

On July 30, the FASB issued ASU 2025-05, which relates to estimating credit losses under CECL for current accounts receivable and current contract assets arising from revenue transactions accounted for under ASC 606. For all entities, the ASU provides a practical expedient to assume that current conditions as of the balance sheet date will persist through the reasonable and supportable forecast period for eligible assets. Entities will still be required to adjust historical data used in the estimation to reflect current conditions. In addition, entities other than public business entities can also make an accounting policy election to consider subsequent collections of balances received after the balance sheet date through a date selected by the entity. The new guidance will be effective for interim and annual periods beginning after December 15, 2025 and is to be adopted on a prospective basis. Early adoption is permitted. The Group is currently evaluating the ASU to determine its impact on consolidated financial statements.

On December 4, 2025, the FASB issued ASU 2025-10, Accounting for Government Grants Received by Business Entities, to establish guidance on the recognition, measurement, and presentation of government grants received by business entities. Under ASU 2025-10, the recognition, measurement, and presentation of a government grant depends on whether the grant is related to an asset or to income. Regardless of whether a government grant is related to an asset or to income, an entity will not be able to recognize the grant until it is probable that both of the following criteria will be met: (a) the entity will comply with the conditions attached to the government grant; and (b) the government grant will be received. The new guidance is effective for public business entities in annual periods beginning after December 15, 2028 (including interim periods within) and one year later for all other entities, with early adoption permitted. The guidance can be applied on a modified prospective basis, a modified retrospective basis, or a full retrospective basis. The Group is currently evaluating the ASU to determine its impact on consolidated financial statements.

YATSEN HOLDING LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(All amounts in thousands, except for share, per share data or otherwise noted)

3. CONCENTRATION AND RISKS

(a) Foreign exchange risk

The majority of the Group's operations were in RMB. The RMB is not freely convertible into foreign currencies. Remittances of foreign currencies into the PRC or remittances of RMB out of the PRC as well as exchange between RMB and foreign currencies require approval by foreign exchange administrative authorities and certain supporting documentation. The State Administration for Foreign Exchange, under the authority of the People's Bank of China, controls the conversion of RMB into other currencies.

(b) Credit risk

The Group's credit risk arises from cash and cash equivalents, restricted cash, short-term investments, other receivables classified as other current assets and other non-current assets, amount due from related parties and accounts receivable. The carrying amounts of these financial instruments represent the maximum amount of loss due to credit risk.

The Group expects that there is no significant credit risk associated with cash and cash equivalents, restricted cash and short-term investments which are held by reputable financial institutions in the jurisdictions where the Company, its subsidiaries and the VIEs are located. The Group believes that it is not exposed to unusual risks as these financial institutions have high credit quality. The Group has no significant concentrations of credit risk with respect to its other receivables classified as other current assets and other non-current assets.

Accounts receivable are typically unsecured and are derived from revenue earned through third party customers. Amount due from related parties and other receivables classified as other current assets and other non-current assets are typically unsecured. In evaluating the collectability of the accounts receivable and amounts due from related parties, the Group considers many factors, including the customers' and related parties' repayment history and their credit-worthiness. The Group maintains reserves for estimated credit losses and these losses have generally been within its expectations. The risk with respect to accounts and other receivables and amount due from related parties is mitigated by credit evaluations the Group performs on its customers or suppliers and its ongoing monitoring processes of outstanding balances.

(c) Concentration of customers and suppliers

There were no customers which individually represented greater than 10% of the total net revenue for the years ended December 31, 2023, 2024 and 2025. There were accounts receivable due from one platform distributor customer which individually represented greater than 10% and totally contributed to 21%, 21% and 21% of the Group's total accounts receivable as of December 31, 2023, 2024 and 2025, respectively.

There were purchases from two suppliers which individually represented greater than 10% and totally contributed to 45% of the total purchases amount for the year ended December 31, 2023 and the corresponding accounts payable due to these two suppliers individually represented greater than 8% and totally contributed to 22% of the Group's total accounts payable and amounts due to related parties as of December 31, 2023.

There were purchases from two suppliers which individually represented greater than 10% and totally contributed to 60% of the total purchases amount for the year ended December 31, 2024 and the corresponding accounts payable due to these two suppliers individually represented greater than 22% and totally contributed to 50% of the Group's total accounts payable and amounts due to related parties as of December 31, 2024.

There were purchases from two suppliers which individually represented greater than 10% and totally contributed to 68% of the total purchases amount for the year ended December 31, 2025 and the corresponding accounts payable due to these two suppliers individually represented greater than 12% and totally contributed to 31% of the Group's total accounts payable and amounts due to related parties as of December 31, 2025.

YATSEN HOLDING LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(All amounts in thousands, except for share, per share data or otherwise noted)

4. CASH AND CASH EQUIVALENTS AND RESTRICTED CASH

Cash and cash equivalents represent cash on hand and demand deposits placed with banks or other financial institutions, and all highly liquid investments with original maturities of three months or less. Cash and cash equivalents and restricted cash balances as of December 31, 2024 and 2025 primarily consist of the following currencies:

	As of December 31,			
	2024		2025	
	Amount	RMB	Amount	RMB
Cash and cash equivalents				
RMB	280,888	280,888	195,377	195,377
US\$	69,535	499,843	77,264	543,070
GBP	1,220	11,071	765	7,213
EUR	1,743	13,120	539	4,437
HKD	2,076	1,922	235	213
JPY	160,069	7,400	267,972	12,005
SGD	592	3,151	561	3,064
Total cash and cash equivalents		817,395		765,379
Restricted cash				
RMB	—	—	37,176	37,176
EUR	—	—	600	4,941
Total cash, cash equivalents and restricted cash		817,395		807,496

5. ACCOUNTS RECEIVABLE

Accounts receivable, net consisted of the following:

	As of December 31,	
	2024	2025
	RMB	RMB
Accounts receivable	221,639	239,174
Allowance for credit losses (Note2(j))	(7,081)	(18,304)
Accounts receivable, net	214,558	220,870

6. INVENTORIES

Inventories consisted of the following:

	As of December 31,	
	2024	2025
	RMB	RMB
Raw materials and packing materials	32,218	72,879
Products	396,810	473,534
Less: impairment allowance	(42,974)	(37,683)
Inventories	386,054	508,730

YATSEN HOLDING LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(All amounts in thousands, except for share, per share data or otherwise noted)

7. PREPAYMENTS AND OTHER CURRENT ASSETS

Prepayments and other current assets consisted of the following:

	As of December 31,	
	2024	2025
	RMB	RMB
Prepayments of promotion fees (a)	159,235	178,562
VAT recoverable (b)	103,215	143,026
Deposits, prepaid rental and property management fees	44,890	49,937
Prepayments for products procurement (c)	13,593	14,529
Loans to employees	18,600	17,390
Others	41,871	47,526
	<u>381,404</u>	<u>450,970</u>

- (a) Prepayments of promotion fees mainly include prepayments made to online platforms for future services to promote the Group's products through online advertising and prepaid short-term service fees to celebrity agencies and key opinion leaders.
- (b) VAT recoverable represent the balances that the Group can utilize to deduct its value-added tax liabilities in the future.
- (c) Prepayments for products procurement represent cash prepaid to the Group's third-party suppliers for the procurement of products.

8. INVESTMENTS

The following sets forth the Group's investments:

	As of December 31,	
	2024	2025
	RMB	RMB
Equity method investments (a)	576,852	581,082
Equity investments without readily determinable fair values (b)	75,656	72,478
Available-for-sale debt investments (c)	13,604	13,302
Total	666,112	666,862
Less: impairment on investments (d)	(1,533)	(13,302)
Investment, net	<u>664,579</u>	<u>653,560</u>

- (a) As at December 31, 2025 and 2024 the balances represented the Group's investments made in five private entities.
- (b) As at December 31, 2025 and 2024, the balances represented the Group's investments made in two and three private entities.
- (c) As at December 31, 2025 and 2024, the balances represented the Group's investments made in two private entities.
- (d) During the years ended December 31, 2023, 2024 and 2025, impairment losses on available-for-sale debt investments of nil, nil and RMB13,453, respectively, were recorded in impairment of investments in the consolidated income statements.

YATSEN HOLDING LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(All amounts in thousands, except for share, per share data or otherwise noted)

8. INVESTMENTS (Continued)

For the years ended December 31, 2024 and 2025, equity method investments held by the Group in aggregate have met the significance criteria as defined under Rule 4-08 (g) of Regulation S-X. Set out below is the summary of combined financial information for all the equity method investments of the Group:

	As of December 31,	
	2024	2025
	RMB	RMB
Statements of Balance Sheet		
Current assets	496,285	520,028
Non-current assets	2,700,315	3,074,505
Current liabilities	129,274	158,936
Non-current liabilities	162,848	131,826

	Year ended December 31,		
	2023	2024	2025
	RMB	RMB	RMB
Statements of Operation			
Total revenues	386,856	619,533	597,206
Costs and expenses applicable to net sales or gross revenues	(213,386)	(431,997)	(457,344)
Income from operations	173,469	187,536	139,862
Net income	173,462	187,535	139,961

9. PROPERTY AND EQUIPMENT, NET

Property and equipment, net consisted of the following:

	As of December 31,	
	2024	2025
	RMB	RMB
Leasehold improvements	114,319	93,898
Electronic equipment	42,363	47,463
Machinery	18,225	7,610
Office furniture and equipment	15,499	15,373
Vehicles	3,927	3,969
Construction in progress	12	12,253
Total	194,345	180,566
Less: accumulated depreciation	(119,972)	(103,552)
Property and equipment, net	74,373	77,014

The Group recorded depreciation expense of RMB53,683, RMB37,994 and RMB36,872 for the years ended December 31, 2023, 2024 and 2025 respectively.

No impairment was recorded for the years ended December 31, 2023, 2024 and 2025.

YATSEN HOLDING LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(All amounts in thousands, except for share, per share data or otherwise noted)

10. GOODWILL

The changes in the carrying amount of goodwill by segment for the years ended December 31, 2023, 2024 and 2025 are as follows:

	Color Cosmetics Brands	Skincare Brands	Total
		RMB	
Balance as of December 31, 2023	25,862	530,705	556,567
Foreign currency translation adjustments	—	1,538	1,538
Impairment provided(i)	(5,266)	(397,810)	(403,076)
Balance as of December 31, 2024 and 2025	20,596	134,433	155,029

- (i) The Group tested goodwill for impairment at reporting unit level. Management performed impairment testing using the quantitative impairment method and recorded goodwill impairment loss of RMB354.0 million and RMB397.8 million of Eve Lom reporting unit for the year ended December 31, 2023 and 2024.
- (ii) As at December 31, 2024 and 2025, the goodwill associated with the DR.WU reporting unit was RMB134,433.

Key assumptions used in quantitative impairment test

The quantitative and qualitative impairment tests were performed for the years ended December 31, 2023 and 2024. No goodwill at reporting units that are at risk of failing the quantitative impairment tests as of December 31, 2025 based on qualitative impairment tests. The quantitative impairment test consists of a comparison of the fair value of each reporting unit with its carrying amount, including goodwill. The Group used a discounted cash flow model ("DCF model") to estimate the fair value of the reporting units, as management believes forecasted operating cash flows were the best indicator of fair value. A number of significant assumptions were involved in the preparation of the DCF models including revenue growth rates, gross profit ratios, the discount rate and terminal value. The financial projection covering a ten-year period of each reporting unit adopted in DCF models for impairment test purpose is based on the financial budgets approved by the management of the Group, which considering the historical performance and its expectation for future market development. Cash flows beyond the ten-year period are extrapolated using a long-term growth rate. Post-tax discount rates reflect market assessment of the weighted average cost of capital in the industry the Group operates and the specific risks relating to the Group.

Impairment of goodwill recognized for the years ended December 31, 2023, 2024 and 2025 were RMB354.0 million, RMB403.1 million and nil, respectively. As of December 31, 2023, 2024 and 2025, the original gross amounts of goodwill were RMB910.6 million, RMB913.5 and RMB943.1 million, respectively, and accumulated impairment losses were RMB354.0, RMB758.5 and RMB788.1 million, respectively.

YATSEN HOLDING LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(All amounts in thousands, except for share, per share data or otherwise noted)

11. INTANGIBLE ASSETS, NET

Intangible assets, net consisted of the following:

	As of December 31,	
	2024	2025
	RMB	RMB
Cost:		
Trademark	652,911	679,384
Software	45,223	45,942
Customer relationship	95,303	99,063
Technique	45,383	52,263
Non-compete	6,900	6,900
Total cost	845,720	883,552
Less: accumulated amortization (i)	(286,012)	(346,043)
Intangible assets, net	559,708	537,509

- (i) In 2024, considering the change of sales strategy with certain UK-based distributor involving in Eve Lom business, the Group determined to shorten remaining useful life of related Customer Relationship from 6.25 years to 3.75 years. Additional amortization costs of Customer Relationship due to such change recognized for the year ended December 31, 2024 were RMB46,072.

Amortization costs recognized for the years ended December 31, 2023, 2024 and 2025 were RMB61,077, RMB112,631 and RMB49,251 respectively.

No impairment was recorded for the years ended December 31, 2023, 2024 and 2025.

As of December 31, 2025, estimated amortization expenses for future periods are expected to be as follows:

	Year ended December 31, RMB
2026	48,312
2027	46,826
2028	46,702
2029	46,577
2030 and thereafter	349,092
Total expected amortization expense	537,509

12. OTHER NON-CURRENT ASSETS

Other non-current assets consisted of the following:

	As of December 31,	
	2024	2025
	RMB	RMB
Long-term rental deposits	9,413	6,441
Prepaid service fees	7,903	6,891
Loans to employees	2,800	—
Others	526	1,000
	20,642	14,332

YATSEN HOLDING LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(All amounts in thousands, except for share, per share data or otherwise noted)

13. ACCRUED EXPENSES AND OTHER LIABILITIES

Accrued expenses and other liabilities consisted of the following:

	As of December 31,	
	2024	2025
	RMB	RMB
Accrued payroll related expenses	94,553	100,844
Accrued advertising and marketing expenses	143,313	95,011
Accrued storage and transportation fees	27,879	23,512
Accrued leasehold improvement costs	9,141	9,617
Other taxes payable	24,115	47,383
Payable related to repurchase of ordinary shares	94,701	—
Others	66,441	72,333
	<u>460,143</u>	<u>348,700</u>

14. LEASES

The Group has operating leases for warehouses, stores, office spaces, and delivery centers that the Group utilizes under lease arrangements.

A summary of supplemental information related to operating leases is as follows:

	As of December 31,	
	2024	2025
	RMB	RMB
Operating lease ROU assets	<u>147,501</u>	<u>173,915</u>
Operating lease liabilities-non-current	109,526	123,157
Operating lease liabilities-current	<u>39,409</u>	<u>53,435</u>
Total operating lease liabilities	<u>148,935</u>	<u>176,592</u>
Weighted average remaining lease term	4.00 years	3.58 years
Weighted average discount rate	3.65%	3.42%

A summary of lease cost recognized in the Group's consolidated statements of operations and supplemental cashflow information related to operating leases is as follows:

	As of December 31,		
	2023	2024	2025
	RMB	RMB	RMB
Operating lease cost	87,251	71,888	59,958
Short-term lease cost	2,080	1,898	2,826
Variable cost	1,117	358	1,602
Cash paid for operating leases	96,296	74,550	58,731
Right-of-use assets obtained in exchange for operating lease liabilities	36,263	150,747	90,321

YATSEN HOLDING LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(All amounts in thousands, except for share, per share data or otherwise noted)

14. LEASES (Continued)

A summary of maturity of operating lease liabilities under the Group's non-cancellable operating leases as of December 31, 2025 is as follows:

	As of December 31, 2025 RMB
2026	61,282
2027	48,228
2028	37,814
2029	31,458
2030	10,147
2031 and thereafter	703
Total lease payment	189,632
Less: interest	(13,040)
Present value of operating lease liability	176,592

15. REVENUES

The Group's revenue by channel for the respective periods are detailed as follows:

	Year ended December 31,		
	2023	2024	2025
	RMB	RMB	RMB
Sales of product by channel			
—Sales to end customers	2,890,229	2,812,370	3,646,257
—Sales to distributor customers	514,781	572,541	641,332
—Others	9,764	8,503	10,535
Total revenues	3,414,774	3,393,414	4,298,124

Please refer to Note 25 for the disclosure of the Group's revenues by product categories for the years ended December 31, 2023, 2024 and 2025.

YATSEN HOLDING LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(All amounts in thousands, except for share, per share data or otherwise noted)

16. INCOME TAX EXPENSES

Cayman Islands

Under the current tax laws of Cayman Islands, the Company and its subsidiaries are not subject to tax on income or capital gains. No Cayman Islands withholding tax is imposed upon payment of dividends by the Company to its shareholders.

Hong Kong

For the subsidiaries incorporated in Hong Kong, they were subject to Hong Kong profits tax at a rate of 16.5% for taxable income earned in Hong Kong. Commencing on April 1, 2018, the two-tiered profits tax regime took effect, under which the tax rate is 8.25% for assessable profits on the first HK\$2 million and 16.5% for any assessable profits in excess of HK\$2 million. The payments of dividends to shareholders are not subject to withholding tax in Hong Kong.

PRC

In accordance with the Enterprise Income Tax Law ("EIT Law"), Foreign Investment Enterprises ("FIEs") and domestic companies are subject to Enterprise Income Tax ("EIT") at a uniform rate of 25%. The subsidiaries of the Group and the consolidated VIEs in the PRC are subject to a uniform income tax rate of 25% for years presented. According to relevant policies promulgated by the State Administration of Taxation of the PRC and effective from 2023 onwards, enterprises engaged in research and development activities are entitled to claim an additional tax deduction amounting to 100% (previously 75%) of qualified research and development expenses incurred in determining its tax assessable profits for that year ("Super Deduction"). The additional deduction of 100% of qualified R&D expenses is claimed during the annual EIT filing under a self-assessment mechanism, subject to subsequent tax examinations by the relevant tax authorities.

The EIT Law also provides that an enterprise established under the laws of a foreign country or region but whose "de facto management body" is located in the PRC be treated as a resident enterprise for PRC tax purposes and consequently be subject to the PRC income tax at the rate of 25% for its global income. The Implementing Rules of the EIT Law merely define the location of the "de facto management body" as "the place where the exercising, in substance, of the overall management and control of the production and business operation, personnel, accounting, properties, etc., of a non-PRC company is located." Based on a review of surrounding facts and circumstances, the Group does not believe that it is likely that its entities registered outside of the PRC should be considered as resident enterprises for the PRC tax purposes.

The EIT Law also imposes a withholding income tax of 10% on dividends distributed by a FIE to its immediate holding company outside of China, if such immediate holding company is considered as a non-resident enterprise without any establishment or place within China or if the received dividends have no connection with the establishment or place of such immediate holding company within China, unless such immediate holding company's jurisdiction of incorporation has a tax treaty with China that provides for a different withholding arrangement. The Cayman Islands, where the Company incorporated, does not have such tax treaty with China. According to the arrangement between the mainland China and Hong Kong Special Administrative Region on the Avoidance of Double Taxation and Prevention of Fiscal Evasion issued in August 2006, dividends paid by a FIE in China to its immediate holding company in Hong Kong will be subject to withholding tax at a rate of no more than 5% (if the immediate holding company in Hong Kong is the beneficial owner of the FIE and owns directly at least 25% of the shares of the FIE). In accordance with accounting guidance, all undistributed earnings are presumed to be transferred to the parent company and withholding taxes should be accrued accordingly. All FIEs are subject to the withholding tax from January 1, 2008. The presumption may be overcome if the Group has sufficient evidence to demonstrate that the undistributed dividends from its PRC subsidiaries will be re-invested and the remittance of the dividends from its PRC subsidiaries will be postponed indefinitely.

Aggregate undistributed earnings and reserves of the Group entities located in the PRC that are available for distribution to the Company as of December 31, 2024 and 2025 were approximately RMB106,411 and RMB135,301, respectively. The Group plans to indefinitely reinvest undistributed earnings earned from its PRC subsidiaries in its operations in PRC. Therefore, no withholding income tax for undistributed earnings of its subsidiaries were provided as at December 31, 2024 and 2025 respectively.

YATSEN HOLDING LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(All amounts in thousands, except for share, per share data or otherwise noted)

16. INCOME TAX EXPENSES (Continued)

Composition of loss before income tax expenses and income tax expenses

The current and deferred components of income taxes appearing within the consolidated statements of operations for the year ended 2023 and 2024 are as follows:

	Year ended December 31,	
	2023	2024
	RMB	RMB
Loss before income tax expenses (benefits)	(753,437)	(713,307)
Current tax expenses	5,445	5,558
Deferred tax benefits	(8,655)	(8,644)
Total income tax expenses (benefits)	(3,210)	(3,086)

The components of loss before income tax expenses (benefits) and current and deferred components of income tax expenses (benefits) pursuant to the disclosure requirements of ASU 2023-09 for the year ended 2025 are as follows:

	Year ended December 31,	
	2025	
	RMB	
Loss before income tax expenses (benefits)		
Domestic - PRC		(63,667)
Other jurisdictions		(28,855)
Total		(92,522)
Income tax expenses (benefits)		
Current tax expenses (benefits)		
Domestic - PRC		972
Other jurisdictions		(2,515)
Total current tax expenses (benefits)		(1,543)
Deferred tax expenses (benefits)		
Domestic - PRC		1,435
Other jurisdictions		—
Total deferred tax expenses (benefits)		1,435
Total income tax expenses (benefits)		
Domestic - PRC		2,407
Other jurisdictions		(2,515)
Total income tax expenses (benefits)		(108)

YATSEN HOLDING LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(All amounts in thousands, except for share, per share data or otherwise noted)

The income tax expenses for each of the years ended December 31, 2023 and 2024 differs from the amount computed by applying the PRC statutory income tax rate of 25% to income before income tax expense due to the following:

	Year ended December 31,	
	2023	2024
PRC statutory income tax rate (i)	25%	25%
Permanent differences	(15)%	(18)%
Tax effect of different tax rate of different jurisdictions	0%	2%
Tax effect of Super Deduction and others	0%	0%
Changes in valuation allowance	(10)%	(9)%
Effective tax rates	0%	0%

Below is a tabular rate reconciliation pursuant to the disclosure requirements of ASU 2023-09 for the year ended December 31, 2025:

	Year ended December 31,	
	2025	
	RMB	%
Loss before income tax expenses	(92,522)	
PRC statutory income tax rate (i)	(23,131)	25%
Tax credits		
Effect of preferential tax rates	1,887	(2)%
Others	(978)	1%
Nontaxable and nondeductible items		
Share-based compensation	14,758	(16)%
Other nontaxable and nondeductible items	(704)	1%
Changes in valuation allowances	1,640	(2)%
Other reconciling items	1,721	(2)%
Other jurisdictions tax effects		
France		
Statutory tax rate difference	(8,921)	9%
Changes in valuation allowances	24,148	(26)%
Others	165	(0)%
Cayman Island		
Statutory tax rate difference	(10,057)	11%
Hong Kong		
Statutory tax rate difference	1,886	(2)%
Others	1,197	(1)%
Singapore		
Statutory tax rate difference	(1,658)	2%
Nontaxable capital transactions	(4,284)	5%
Others	761	(1)%
United States		
Changes in valuation allowances	3,247	(4)%
Others	637	(1)%
Japan		
Changes in valuation allowances	(1,647)	2%
Others	383	(0)%
Other jurisdictions	(1,158)	1%
Total income tax expenses (benefits)	(108)	0%

(i) The PRC statutory income tax rate is used because the majority of the Group's operations are based in the PRC.

YATSEN HOLDING LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(All amounts in thousands, except for share, per share data or otherwise noted)

Deferred tax assets

The significant components of the Group's deferred tax assets were as follows:

	As of December 31,	
	2024	2025
	RMB	RMB
Net operating loss carry forwards	708,089	656,267
Inventory valuation allowance	10,860	9,360
Accrued expenses and others	29,044	82,797
Total deferred tax assets	747,993	748,424
Less: valuation allowance	(746,612)	(746,989)
Deferred tax assets, net	1,381	1,435

Movement of valuation allowance

	Year ended December 31,		
	2023	2024	2025
	RMB	RMB	RMB
Balance at beginning of the year	632,378	706,751	746,612
Additions	74,373	39,861	377
Balance at end of the year	706,751	746,612	746,989

YATSEN HOLDING LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(All amounts in thousands, except for share, per share data or otherwise noted)

16. INCOME TAX EXPENSES (Continued)

The valuation allowance is provided against deferred tax assets when the Group determines that it is more likely than not that the deferred tax assets will not be utilized in the future. In making such determination, the Group considered factors including future taxable income exclusive of reversing temporary differences and tax loss carry forwards. Valuation allowances as of December 31, 2024 and 2025 were mainly provided for net operating loss carry forward. As of December 31, 2025, the Group had net operating loss carryforwards of approximately RMB1,798,978 which mainly arose from the Group's certain subsidiaries and VIEs established in the PRC, which can be carried forward to offset future taxable income and will expire during the period from 2026 to 2035. Because such deferred tax assets are not more likely than not to be realized based on the Group's estimate of its future taxable income. If events occur in the future that allow the Group to realize more of its deferred income tax than the presently recorded amounts, an adjustment to the valuation allowances will result in a decrease in tax expense when those events occur.

Deferred tax liabilities

The Group's deferred tax liability was as follows:

	As of December 31,	
	2024	2025
	RMB	RMB
Related to acquired intangible assets	92,678	88,702
Equity method investees	10,628	19,204
Total deferred tax liabilities	103,306	107,906

Income Tax Payments

Disclosed below is a summary of income taxes paid by jurisdiction pursuant to the disclosure requirements of ASU 2023-09 for the year ended December 31, 2025:

	Year ended	
	December 31,	
	2025	
	RMB	
Domestic - PRC		2,972
Other jurisdictions		
United Kingdom		1,592
Japan		355
Other		(22)
Total		4,897

Uncertain tax positions

The Group evaluates the level of authority for each uncertain tax position (including the potential application of interest and penalties) based on the technical merits, and measures the unrecognized benefits associated with the tax positions. As of December 31, 2024 and 2025, the Group did not have any significant unrecognized uncertain tax positions.

17. ORDINARY SHARES

During the year ended December 31, 2023, 37,080,608 share options were exercised. The Company also repurchased an aggregate of 5,960,593 ADSs, representing 119,211,860 Class A ordinary shares at an average price of RMB35.7437 per ADS or RMB1.7872 per Class A ordinary share, for aggregate consideration of RMB213,054.

During the year ended December 31, 2024, 59,609,232 share options were exercised. The Company also repurchased an aggregate of 18,926,395 ADSs, representing 378,527,896 Class A ordinary shares at an average price of RMB26.4116 per ADS or RMB1.3206 per Class A ordinary share, for aggregate consideration of RMB499,876.

YATSEN HOLDING LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(All amounts in thousands, except for share, per share data or otherwise noted)

During the year ended December 31, 2025, 49,481,875 share options were exercised. The Company also repurchased an aggregate of 372,309 ADSs, representing 7,446,180 Class A ordinary shares at an average price of RMB43.8723 per ADS or RMB2.1936 per Class A ordinary share, for aggregate consideration of RMB16,334.

Since the shares repurchased have not been cancelled, the excess of repurchase price over par value was recorded as treasury shares upon the repurchase date.

Effective from March 18, 2024, the Company changed its ADS to Class A Ordinary Share (“Share”) ratio from one ADS representing four ordinary shares to one ADS representing twenty ordinary shares. The ADS ratio presented has been retrospectively applied for all periods.

YATSEN HOLDING LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(All amounts in thousands, except for share, per share data or otherwise noted)

18. SHARE-BASED COMPENSATION

Share-based compensation expenses recognized during the years presented are as follows:

	Year ended December 31,		
	2023 RMB	2024 RMB	2025 RMB
Share-based compensation expenses			
- Related to accelerated vesting of share options (a)	(1,905)	—	—
- Related to modification of exercise price of share options on modification day (b)	—	—	11,490
- Related to vesting of share options (c)	79,407	91,174	47,541
Total	77,502	91,174	59,031

(a) Accelerated vesting of share options

For the year ended December 31, 2023, 386,843 options were accelerated to vest immediately, which was treated as an “improbable to probable” modification of equity-classified awards under ASC 718. The previously recorded compensation expense for the unvested options amounting to RMB2,308 was reversed and RMB403, the fair value of modified options at the date of modification, was recognized in the Group’s consolidated statement of operations immediately.

(b) Related to modification of exercise price of share options on modification

For the year ended December 31, 2025, exercise prices for certain share options held by one of the ex-senior management has been waived. Such modification of exercise price led to recognition of additional share-based compensation expenses, of which RMB11,490 was charged to the Group’s consolidated statements of operations on the modification day for vested options.

(c) Vesting of share options

The Group adopted two share incentive plans since inception. The 2018 Share option Plan and 2022 Share Incentive Plan both terminated at the end of their respective ten-year terms.

The Group have adopted a Share Option Plan in September 2018, which was amended and restated respectively in July 2019, March 2020 and September 2020. The Share Option Plan shall be valid and effective for ten years from September 11, 2020. The maximum aggregate number of ordinary shares which may be issued pursuant to all awards under Share Option Plan is 249,234,508.

As of December 31, 2025, options to purchase an aggregate amount of 216,427,246 Class A ordinary shares under the 2018 Share Option Plan had been granted, excluding awards that were forfeited or canceled after the relevant grant dates.

The Group’s board of directors have approved and authorized the adoption of the 2022 Share Incentive Plan, effective on January 1, 2023. The 2022 Share Incentive Plan will expire on the tenth anniversary of its effective date. Under the 2022 Share Incentive Plan, the maximum aggregate number of ordinary shares of our company available for issuance is 1.5% of the total number of issued and outstanding shares (on an as-converted fully-diluted basis) as of December 31, 2023, plus an annual increase by (i) (A) 1.5% of the total number of issued and outstanding shares (on an as-converted fully-diluted basis) as of the last day of the immediately preceding fiscal year for each of the first two fiscal years of our company beginning January 1, 2024, and (B) 1.0% of the total number of issued and outstanding shares (on an as-converted fully-diluted basis) as of the last day of the immediately preceding fiscal year for each subsequent fiscal year of our company during the term of the 2022 Share Incentive Plan, or (ii) such fewer number of shares as may be determined our board of directors.

As of December 31, 2025, options to purchase an aggregate amount of 10,798,054 Class A ordinary shares under the 2022 Share Incentive Plan had been granted, excluding awards that were forfeited or canceled after the relevant grant dates.

YATSEN HOLDING LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(All amounts in thousands, except for share, per share data or otherwise noted)

18. SHARE-BASED COMPENSATION (Continued)

(c) Vesting of share options (Continued)

(i) Options

Grant of options

During the year ended December 31, 2023, 2024 and 2025, the Company granted 110,582,949 share options, 9,549,320 share options and 11,680,440 respectively, to its management and other key employees.

Vesting of options

The share options include both service conditions and performance conditions. With respect to the service conditions, there are 4 types of vesting schedule, which are: (i) 25% of the share options shall become vested on each anniversary of the vesting commencement date for 4 years thereafter; (ii) 100% of the share options shall become vested on anniversary of the vesting commencement date for 1 year thereafter; (iii) three fourteenths of the share options shall become vested on each anniversary of the vesting commencement date for 4 years thereafter and one fourteenth of the share options become vested on each anniversary of the vesting commencement date for 2 years thereafter; (iv) immediate vesting of the share options on the grant date. Even though the service condition might have been satisfied, employees are required to provide continued service through the occurrence of change of control or an initial public offering, collectively, the Liquidity Event, in order to retain the award. Given the vesting of the share options granted is contingent upon the occurrence of the Liquidity Event, there is no share-based compensation expense is to be recognized until the date of consummation of Liquidity Event.

Movements in the number of share options granted and their related weighted average exercise prices are as follows:

	Number of options	Weighted average exercise price (US\$)	Weighted average remaining contractual life (years)	Aggregate intrinsic value (US\$'000)
As of January 1, 2023	287,099,713	0.0448	11.99	91,942
Granted	110,582,949	0.0250		
Forfeited	(36,543,665)	0.0254		
Exercised	(37,080,608)	0.0248		
As of December 31, 2023	324,058,389	0.0407	11.11	53,820
Granted	9,549,320	0.0250		
Forfeited	(35,826,066)	0.0252		
Exercised	(59,609,232)	0.0252		
As of December 31, 2024	238,172,411	0.0527	11.45	34,839
Granted	11,680,440	0.0250		
Forfeited	(13,663,347)	0.0250		
Exercised	(49,481,875)	0.0146		
As of December 31, 2025	186,707,629	0.0468	11.06	51,225
Exercisable as of December 31, 2025	122,866,944			33,710

The Company has used binomial option-pricing model to determine the fair value of the share options as of the grant dates. Key assumptions are set as below:

YATSEN HOLDING LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(All amounts in thousands, except for share, per share data or otherwise noted)

18. SHARE-BASED COMPENSATION (Continued)

(c) Vesting of share options (Continued)

	Year ended December 31,		
	2023	2024	2025
	US\$	US\$	US\$
Weighted average fair value per option granted	0.2839	0.1450	0.2063
Weighted average exercise price	0.0250	0.0250	0.0250
Risk-free interest rate ⁽¹⁾	3.49%-4.75%	4.01%-4.43%	4.38%-4.89%
Expected term (in year) ⁽²⁾	14	14	14
Expected volatility ⁽³⁾	65.49%-68.03%	32.52%-32.54%	33.63%-34.02%
Dividend yield ⁽⁴⁾	0%	0%	0%

- (1) The risk-free interest rates of periods within the contractual life of the share option are based on the daily treasury long-term rate of U.S. Department of the Treasury as of the valuation dates.
- (2) The expected term is the contract life of the option.
- (3) Expected volatility is estimated based on the average of historical volatilities of the comparable companies in the same industry as at the valuation dates.
- (4) The Company has no history or expectation of paying dividend on its ordinary shares. The expected dividend yield was estimated based on the Company's expected dividend policy over the expected term of the option.

For the years ended December 31, 2023, 2024 and 2025, RMB79,407, RMB91,174 and RMB47,541 share-based compensation expenses were recognized for share options.

As of December 31, 2025, there were RMB43,174 of unrecognized compensation expenses related to stock options for which the service conditions will be met over a weighted average period of 2.18 years.

(d) Share-based compensation expenses

For the years ended December 31, 2023, 2024 and 2025, share-based compensation expenses have been included in the following accounts in the consolidated statement of operations:

	Year ended December 31,		
	2023	2024	2025
	RMB	RMB	RMB
Fulfilment expenses	2,055	387	213
Selling and marketing expenses	23,518	(42)	4,959
General and administrative expenses	46,902	89,941	48,646
Research and development expenses	5,027	888	5,213

YATSEN HOLDING LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(All amounts in thousands, except for share, per share data or otherwise noted)

19. NET LOSS PER SHARE

Basic and diluted net loss per share for the years ended December 31, 2023, 2024 and 2025 are calculated as follow:

	Year ended December 31,		
	2023	2024	2025
	RMB	RMB	RMB
Numerator:			
Net loss attributable to the Yatsen Holding Limited's shareholders	(747,763)	(708,174)	(80,868)
Denominator:			
Denominator for basic and diluted calculation—weighted average number of ordinary shares outstanding	2,195,818,231	2,025,072,131	1,862,554,166
Net loss per ordinary share			
—Basic	(0.34)	(0.35)	(0.04)
—Diluted	(0.34)	(0.35)	(0.04)

For the years ended December 31, 2023, 2024 and 2025, the following shares outstanding were excluded from the calculation of diluted net loss per ordinary share, as their inclusion would have been anti-dilutive for the years prescribed.

	Year ended December 31,		
	2023	2024	2025
Shares issuable upon exercise of share options	335,091,531	277,244,735	209,526,581

20. RELATED PARTY TRANSACTIONS

Material transactions and balances amount with related parties were as follows:

Transactions with related parties

	Year ended December 31,		
	2023	2024	2025
	RMB	RMB	RMB
Purchases of inventories and services from an affiliated company	211,027	285,539	372,021
Sales of inventories to an affiliated company	—	1,762	—
Sales of inventories to a company controlled by the Chief Executive Officer of the Group	20,113	10,418	—

Affiliated company is a company over which the Group has significant influence.

Balance amounts with related parties

	As of December 31,	
	2024	2025
	RMB	RMB
Amounts due from a company controlled by the Chief Executive Officer of the Group, net	5,113	—
Amounts due from affiliated companies	4,000	114
	9,113	114
Amounts due to an affiliated company	28,884	21,262

YATSEN HOLDING LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(All amounts in thousands, except for share, per share data or otherwise noted)

21. FAIR VALUE MEASUREMENTS

Fair value reflects the price that would be received from selling an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. When determining the fair value measurements for assets and liabilities required or permitted to be recorded at fair value, the Group considers the principal or most advantageous market in which it would transact and considers assumptions that market participants would use when pricing the assets or liabilities.

The Group applies a fair value hierarchy that requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. A financial instrument's categorization within the fair value hierarchy is based upon the lowest level of input that is significant to the fair value measurement. This guidance specifies a hierarchy of valuation techniques, which is based on whether the inputs into the valuation technique are observable or unobservable. The hierarchy is as follows:

Level 1—Valuation techniques in which all significant inputs are unadjusted quoted prices from active markets for assets or liabilities that are identical to the assets or liabilities being measured.

Level 2—Valuation techniques in which significant inputs include quoted prices from active markets for assets or liabilities that are similar to the assets or liabilities being measured and/or quoted prices for assets or liabilities that are identical or similar to the assets or liabilities being measured from markets that are not active. Also, model-derived valuations in which all significant inputs and significant value drivers are observable in active markets are Level 2 valuation techniques.

Level 3—Valuation techniques in which one or more significant inputs or significant value drivers are unobservable. Unobservable inputs are valuation technique inputs that reflect the Group's own assumptions about the assumptions that market participants would use in pricing an asset or liability.

The fair value guidance describes three main approaches to measure the fair value of assets and liabilities: (1) market approach; (2) income approach and (3) cost approach. The market approach uses prices and other relevant information generated from market transactions involving identical or comparable assets or liabilities. The income approach uses valuation techniques to convert future amounts to a single present value amount. The measurement is based on the value indicated by current market expectations about those future amounts. The cost approach is based on the amount that would currently be required to replace an asset.

Recurring

The Group measures the available-for-sale debt investments at fair value on a recurring basis. As of December 31, 2024 and 2025, the balances of the available-for-sale debt investments were RMB13,604 and nil, respectively. Such debt investments are classified within Level 3 of the fair value hierarchy, as there is little or no observable market data to determine the respective fair values. Under these circumstances, the Group has adopted certain valuation techniques using unobservable inputs to measure their respective fair values.

When available, the Group uses quoted market prices to determine the fair value of an asset or liability. If quoted market prices are not available, the Group will measure fair value using valuation techniques that use, when possible, current market-based or independently sourced market parameters, such as interest rates and currency rates.

Non-Recurring

As of December 31, 2024 and 2025, the Group had no financial assets or financial liabilities that are measured at fair value on a non-recurring basis.

The equity securities without readily determinable fair value, equity method investments and certain non-financial assets are recorded at fair value only if an impairment or observable price adjustment is recognized in the current period. If an impairment or observable price adjustment is recognized on the equity securities during the period, the Group classify these assets as Level 3 within the fair value hierarchy based on the nature of the fair value inputs.

The Group reviews the long-lived assets and certain identifiable intangible assets other than goodwill for impairment whenever events or changes in circumstances indicate that the carrying amount of such assets may not be recoverable. Determination of recoverability is based on an estimate of undiscounted future cash flows resulting from the use of the asset and its eventual disposition. In accordance with the Group policy to perform an impairment assessment of its goodwill on an annual basis as of the balance sheet date or when facts and circumstances warrant a review, the Group performed an impairment assessment on its goodwill of reporting units annually.

YATSEN HOLDING LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(All amounts in thousands, except for share, per share data or otherwise noted)

22. COMMITMENTS AND CONTINGENCIES

(a) Capital commitment

As at December 31, 2025, the Group had capital commitments of nil related to capital expenditures.

(b) Operating lease commitment

As at December 31, 2025, the Group's outstanding commitment of operating lease contracted but not yet reflected in the consolidated financial statements amounted to RMB434.

(c) Products and services purchase commitment

As at December 31, 2025, the Group's products and services purchase commitment amounted to RMB227,509.

(d) Legal proceedings

On September 23, 2022, the Group, certain of its current and former directors and officers were named as defendants in a class action filed in federal court, which was purportedly brought on behalf of a class of persons who allegedly suffered damages as a result of alleged misstatements and omissions in the Group's public disclosure documents. The Court has appointed Lead Plaintiff and the Co-lead Plaintiff filed the amended complaint to the Court in 2023. The Group has filed a Motion to Dismiss to the court in December 2023 and briefing on the motion to dismiss was completed in March 2024. In July 2024, the Court granted the Company motion to dismiss all claims. The plaintiffs filed a motion for leave to file a second amended complaint in August 2024. The Company filed an opposition to the motion in September 2024. On July 31, 2025, the Court denied plaintiffs' request and this case was dismissed with prejudice. As the plaintiffs did not appeal within a month, the case has been closed.

In addition to the above, from time to time, the Group is subject to legal proceedings, investigations and claims incidental to the conduct of its business. As of December 31, 2024 and, 2025, the Group was not involved in any legal or administrative proceedings that the Group believes may have a material adverse impact on the Group's business, balance sheets or results of operations and cash flows.

(e) Financial guarantees

As at December 31, 2025, the Group provided guarantees up to a limit of approximately RMB98.0 million in respect of bank loans borrowed by an affiliated company over which the Group has significant influence, among which guarantees of approximately RMB97.6 million were utilized.

YATSEN HOLDING LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(All amounts in thousands, except for share, per share data or otherwise noted)

23. SUBSEQUENT EVENTS

On March 11, 2026, the Company entered into a definitive agreement with an investment vehicle affiliated with Trustar Capital and Mr. Jinfeng Huang, the Company's founder, Chairman of the Board of Directors and Chief Executive Officer for the private placement of RMB-denominated convertible senior notes with an aggregate principal amount of approximately US\$120 million, to be issued in two equal tranches (the "First Note" and the "Second Note"; together, the "Notes"), together with warrants to purchase Class A ordinary shares of the Company (the "Warrants").

The Notes bear interest at 1.5% per annum, payable semi-annually. The First Note has an initial maturity of 364 days from issuance, which will automatically extend to five years upon the Company's receipt of a foreign debt registration certificate from the National Development and Reform Commission of the People's Republic of China (the "NDRC Certificate"). The Second Note, if issued following the satisfaction of the applicable closing conditions (including receipt of the NDRC Certificate), will mature on the fifth anniversary of the issue date of the First Note. Following an initial period of 364 days from the issue date, the Notes may be converted into the Company's Class A ordinary shares or American depositary shares, each representing twenty Class A ordinary shares, subject to the terms of the Notes at a conversion price of \$4.63.

At each closing, the Company will also issue the Warrants entitling the Warrant holder to acquire, on a cashless basis, a number of Class A ordinary shares equal in the aggregate to one-tenth of the Class A ordinary shares issued upon conversion of the corresponding Note, at an exercise price of US\$0.50 per Class A ordinary share (equivalent to US\$10.00 per ADS).

Holders of the Notes have the right to require the Company to repurchase all or part of the Notes for cash on the third anniversary of the issue date of the First Note at a repurchase price reflecting a 4% internal rate of return (with any interests already paid deducted from the amount payable).

Following the Company's announcement of the transaction, a significant shareholder of the Company objected to, and concerns regarding, the consummation of the transaction as contemplated under the Note Purchase Agreement, and sought to participate in the transaction. The Company have been engaging in communications with the purchaser and such shareholder in an effort to resolve this matter, including the potential participation of such shareholder in the transaction through an investment in the purchaser. Such discussions remain ongoing. As a result of this development, the closing of the first tranche of the notes and warrants contemplated by the Note Purchase Agreement has not yet occurred as of the date of this annual report.

YATSEN HOLDING LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(All amounts in thousands, except for share, per share data or otherwise noted)

24. RESTRICTED NET ASSETS

Relevant PRC laws and regulations permit payment of dividends by the Group's entities incorporated in the PRC only out of their retained earnings, if any, as determined in accordance with PRC accounting standards and regulations. In addition, the Group's entities in the PRC are required to annually appropriate 10% of their net after-tax income to the statutory surplus reserve fund prior to payment of any dividends, unless such reserve funds have reached 50% of their respective registered capital. As a result of these and other restrictions under PRC laws and regulations, the Group's entities and the VIEs subsidiary incorporated in the PRC are restricted in their ability to transfer a portion of their net assets to the Company either in the form of dividends, loans or advances, which restricted portion as calculated under U.S. GAAP amounted to RMB721,539 as of December 31, 2025. There is no significant difference between U.S. GAAP and PRC accounting standards in connection with the reported net assets of the legally owned subsidiaries in the PRC and the VIEs. Even though the Company currently does not require any such dividends, loans or advances from the PRC entities for working capital and other funding purposes, the Company may in the future require additional cash resources from them due to changes in business conditions, to fund future acquisitions and development, or merely to declare and pay dividends or distributions to its shareholders. Except for the above, there is no other restriction on the use of proceeds generated by the Group's subsidiaries and the VIEs to satisfy any obligations of the Company.

The Company performed a test on the restricted net assets of consolidated subsidiaries in accordance with Securities and Exchange Commission Regulation S-X Rule 4-08 (e) (3), "General Notes to Financial Statements" and concluded that the restricted net assets did not exceed 25% of the consolidated net assets of the Company as of December 31, 2025 and it was not applicable for the Company to disclose the condensed financial information of the parent company.

Cash transfers from the Company's PRC subsidiaries to their parent companies outside of China are subject to PRC government control of currency conversion. Shortages in the availability of foreign currency may temporarily restrict the ability of the PRC subsidiaries and consolidated affiliated entities to remit sufficient foreign currency to pay dividends or other payments to the Company, or otherwise satisfy their foreign currency denominated obligations.

YATSEN HOLDING LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(All amounts in thousands, except for share, per share data or otherwise noted)

25. SEGMENT INFORMATION

Reportable operating segments include components of an enterprise about which separate financial information is available that is evaluated regularly by the CODM in deciding how to allocate resources and in assessing performance. The Group's CODM has been identified as the Chief Executive Officer. The Group currently reports the results of operations in three segments on a product category basis, namely Color Cosmetics Brands, Skincare Brands and others. The CODM measures the performance of each segment based on metrics of net revenues and segment income (loss) from operations and uses these results to evaluate the performance of, and to allocate resources to, each of the segments. Cost of revenues, advertising, marketing and commission expenses, and impairment of goodwill are significant segment expenses identified by the Group.

The table below provides a summary of the Group's reportable segment results for the years ended December 31, 2023, 2024 and 2025:

	For the year ended December 31, 2025			
	Color Cosmetics Brands	Skincare Brands	Others	Total segments
	RMB			
Total net revenues	2,005,911	2,277,334	14,879	4,298,124
Total cost of revenues	(510,809)	(418,434)	(7,537)	(936,780)
Advertising, marketing and commission expenses ^(a)	(1,004,529)	(1,352,874)	—	(2,357,403)
Other expenses ^(b)	(549,950)	(536,763)	(1,262)	(1,087,975)
Segment (loss) income from operations	(59,377)	(30,737)	6,080	(84,034)

	For the year ended December 31, 2024			
	Color Cosmetics Brands	Skincare Brands	Others	Total segments
	RMB			
Total net revenues	1,968,350	1,393,259	31,805	3,393,414
Total cost of revenues	(488,394)	(269,185)	(18,657)	(776,236)
Advertising, marketing and commission expenses ^(a)	(1,003,978)	(743,423)	—	(1,747,401)
Impairment of goodwill	(5,266)	(397,810)	—	(403,076)
Other expenses ^(b)	(656,131)	(431,560)	(6,342)	(1,094,033)
Segment (loss) income from operations	(185,419)	(448,719)	6,806	(627,332)

	For the year ended December 31, 2023			
	Color Cosmetics Brands	Skincare Brands	Others	Total segments
	RMB			
Total net revenues	1,973,726	1,383,578	57,470	3,414,774
Total cost of revenues	(574,995)	(292,305)	(34,155)	(901,455)
Advertising, marketing and commission expenses ^(a)	(993,920)	(683,229)	—	(1,677,149)
Impairment of goodwill	—	(354,039)	—	(354,039)
Other expenses ^(b)	(756,958)	(485,273)	(21,456)	(1,263,687)
Segment (loss) income from operations	(352,147)	(431,268)	1,859	(781,556)

YATSEN HOLDING LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(All amounts in thousands, except for share, per share data or otherwise noted)

25. SEGMENT INFORMATION (Continued)

The following table presents the reconciliation from the segment (loss) income from operations to the consolidated loss before income tax expenses for the years ended December 31, 2023, 2024 and 2025:

	For the year ended December 31,		
	2023	2024	2025
	RMB	RMB	RMB
Segment loss from operations	(781,556)	(627,332)	(84,034)
Unallocated expenses (c)	(131,799)	(197,559)	(101,760)
Financial income	89,020	86,136	40,721
Foreign currency exchange gain (loss)	7,218	(20,399)	13,374
Income from equity method investments, net	10,122	1,386	5,940
Impairment of investments	—	—	(13,453)
Other income, net	53,558	44,461	46,690
Loss before income tax expenses	(753,437)	(713,307)	(92,522)

(a) Advertising, marketing and commission expenses mainly represent (i) advertising and marketing promotion expenses, (ii) platform and other commissions.

(b) Other expenses represent fulfilment expenses related to warehousing, shipping and delivery of products to customers include rental and personnel costs for warehouses, third-party shipping costs and customer service-related expenses, other selling and marketing expenses related to personnel costs for sales and marketing staff and rental, depreciation expenses, personnel and other costs for offline experience stores, general and administrative expenses and research and development expenses which consist of personnel costs and other expenses which are related to general corporate functions and research and development and product development activities.

(c) Unallocated expenses represent share-based compensation and amortization of intangible assets resulting from assets and business acquisitions, which are not allocated to segments.

Depreciation of property and equipment, net (included in the measurement of segment profit or loss):

	For the year ended December 31,		
	2023	2024	2025
	RMB	RMB	RMB
Total depreciation of property and equipment, net			
Color Cosmetics	31,588	18,199	14,607
Skincare	21,509	19,542	22,204
Others	586	253	61
	53,683	37,994	36,872

No asset information is provided for reportable segments as no such information provides to the CODM to evaluate the segment performance and most assets are managed at the group level.

Substantially all revenues and long-lived assets of Group are derived from and located in the PRC.

Third Amended and Restated Proxy Agreement and Power of Attorney

This Third Amended and Restated Proxy Agreement and Power of Attorney (this “**Agreement**”) is executed on December 1, 2025 by and among:

- (1) **Guangzhou Yatsen Global Co., Ltd.** (the “**WFOE**”), a wholly foreign owned enterprise incorporated under the laws of the People’s Republic of China (the “**PRC**” or “**China**”);
- (2) **Huizhi Weimei (Guangzhou) Trading Co., Ltd.** (the “**Company**”), a limited liability company incorporated under the laws of the PRC;
- (3) **Jinfeng HUANG**, a PRC citizen (PRC ID No.: *****);
- (4) **Yuemei (Guangzhou) Trading Co., Ltd.**, a limited liability company established under the laws of the PRC (together with Jinfeng HUANG, the “**Existing Shareholders**”).

The above parties shall be referred to individually as a “**Party**” and collectively as the “**Parties**”.

RECITALS

- (A) **WHEREAS**, the Existing Shareholders collectively own 100% of the equity interest in the Company.
- (B) **WHEREAS**, the WFOE and the Company entered into the Exclusive Business Cooperation Agreement on July 26, 2019 (the “**Exclusive Business Cooperation Agreement**”), pursuant to which the Company shall pay service fees to the WFOE for the services provided by the WFOE.
- (C) **WHEREAS**, the WFOE, the Company and the Existing Shareholders entered into the Third Amended and Restated Equity Pledge Agreement on December 1, 2025 (the “**Equity Pledge Agreement**”).
- (D) **WHEREAS**, the WFOE, the Company and the Existing Shareholders entered into the Third Amended and Restated Exclusive Call Option Agreement on December 1, 2025 (the “**Exclusive Call Option Agreement**”).
- (E) **WHEREAS**, the WFOE, the Company, Jinfeng HUANG and other parties entered into the Second Amended and Restated Proxy Agreement and Power of Attorney dated October 28, 2020 (the “**Original Agreement**”). The Parties agree to amend and restate the Original Agreement through consultations, and this Agreement shall supersede the Original Agreement and the matters set forth in the Original Agreement shall be governed by this Agreement, and the Original Agreement shall terminate.

THEREFORE, the Parties agree as follows:

AGREEMENT

Article 1

Each Existing Shareholder hereby irrevocably entrusts the WFOE (the “**Proxy**”, including any substitute proxy in accordance with this Agreement) to, on their behalf, exercise any and all rights entitled to such Existing Shareholders with respect to their equity interest (including the equity interest acquired by the Existing Shareholders in the Company through capital increase, equity transfer or other methods after the execution of this Agreement) in the Company under relevant laws and regulations and the articles of association of the Company, including without limitation the rights set forth below (collectively, the “**Existing Shareholder Rights**”):

- (a) convene and attend shareholders meetings of the Company;
- (b) execute and deliver any written resolutions in the name and on behalf of the Existing Shareholders;

- (c) vote in person or by proxy on any matter to be discussed at the Company's shareholder meetings (including but not limited to any sale, transfer, mortgage, pledge or disposition of any or all of the Company's assets);
- (d) sell, transfer, pledge or dispose of any or all of the equity interest in the Company;
- (e) nominate, appoint or remove directors of the Company, if necessary;
- (f) supervise the performance of the Company;
- (g) access to the Company's financial information at any time;
- (h) institute shareholders litigations or other legal actions against any director or senior officer of the Company where such director or senior officer's conduct prejudices the interests of the Company or the Existing Shareholders;
- (i) approve the annual budget or declare dividend distribution; and
- (j) any other rights conferred on the Existing Shareholders by the articles of association of the Company or relevant laws and regulations.

The Existing Shareholders further agree and undertake that they shall not exercise any of their Existing Shareholder Rights without the prior written consent of the WFOE.

Article 2

The WFOE agrees to accept the entrustment to become the Proxy; the WFOE shall have the right to, in its sole discretion, to appoint one or more substitute candidates to exercise any or all rights of the Proxy hereunder, and the WFOE shall also have the right to revoke its appointment of such substitute candidates in its sole discretion, and neither prior notice to the Company or the Existing Shareholders nor consent or instruction from the Company or the Existing Shareholders is required for the WFOE to make or revoke such appointment.

Article 3

The Company confirms, acknowledges and agrees that the Proxy can exercise any and all the rights of the Existing Shareholders on their behalf. The Company further confirms and acknowledges that any action having been done or to be done, any decision having been made or to be made, any instrument or other documents having been executed or to be executed by the Proxy, shall have the same legal force and effect as if they had been done, made or executed by the Existing Shareholders in person.

Article 4

(a) The Existing Shareholders hereby agree that, in the event of any increase in the Existing Shareholders' equity interest in the Company, whether or not by additional increase in capital, the increased equity interest held by any of the Existing Shareholder shall be subject to the provisions of this Agreement, and the Proxy shall have the right, on behalf of the Existing Shareholders, to exercise the Existing Shareholder Rights as set forth in Article 1 hereof with respect to any increased equity interest; likewise, if any person acquires any equity interest in the Company, whether by voluntary transfer, transfer in accordance with the laws, compulsory auction or any other means, all equity interest acquired by such transferee in the Company shall remain subject to the provisions of this Agreement, and the Proxy shall have the right to continue exercising the Existing Shareholder Rights as set forth in Article 1 hereof with respect to such equity interest.

(b) For avoidance of doubt, if the Existing Shareholders are required to transfer their equity interest to the WFOE or its designated persons in accordance with the Exclusive Call Option Agreement and the Equity Pledge Agreement (including future amended agreements) entered into by them, the Proxy shall have the right to execute the equity transfer agreements and other relevant agreements on behalf of the Existing Shareholders, and perform all the obligations of the Existing Shareholders under the Exclusive Call Option Agreement and the Equity Pledge Agreement. If so requested by the WFOE, the Existing Shareholders shall execute any documents, affix their official seals and/or other seals, and take any other contractual actions necessary to complete the foregoing equity transfers.

The Existing Shareholders shall ensure the completion of such equity transfers, and urge any transferees to enter into an agreement with the WFOE in substantially the same form and substance as this Agreement.

Article 5

The Existing Shareholders further agree and undertake to the WFOE that if the Existing Shareholders, due to their equity interest in the Company, receive any dividends, interests, any other forms of capital distribution, residual assets after liquidation, or income or consideration arising from the transfer of equity interest in the Company, they shall pay all such dividends, interests, capital distribution, assets, income or consideration to the WFOE to the extent permitted by the laws, without claiming any compensation therefor.

Article 6

The Existing Shareholders hereby authorize the Proxy to exercise the Existing Shareholder Rights in its absolute discretion without any further oral or written instruction from the Existing Shareholders. The Existing Shareholders undertake to approve and acknowledge any lawful action done, or caused to be done by the Existing Shareholders, by the Proxy or any substitute proxy or agent appointed by the Proxy in accordance with this Agreement.

Article 7

This Agreement, upon due execution by the Parties, shall become effective from the date of execution specified herein and continue to be effective during the existence of the Company. Without the prior written consent of the WFOE, the Existing Shareholders shall not amend or terminate this Agreement or revoke its appointment of the Proxy. This Agreement shall be binding upon the successors and assignees of the Parties. All Parties further agree that regarding the Newly Increased Registered Capital, the rights the WFOE enjoy under this Agreement shall be binding upon all parties retrospectively upon the date when the Capital Increase was completed.

Article 8

This Agreement constitutes the entire agreement among the Parties with respect to the subject matter hereof.

Article 9

This Agreement shall be construed in accordance with and governed by the PRC laws.

Article 10

Any dispute arising from or in connection with this Agreement shall be submitted to China International Economic and Trade Arbitration Commission, and the arbitration shall be conducted in accordance with the commission's arbitration rules in effect at the time of applying for arbitration. The arbitral award shall be final and binding on the Parties. The arbitration place is in Beijing.

Article 11

This Agreement shall be executed by the Parties in four (4) originals, and each Party shall hold one original. All originals shall have the same legal effect. This Agreement may be executed in one or more counterparts.

Article 12

If the SEC (U.S. Securities and Exchange Commission) or any other regulatory authority proposes any revising suggestions to this Agreement, or there is any change in the listing rules or related requirements of the SEC in connection with this Agreement, the Parties shall amend this Agreement accordingly.

[SIGNATURE PAGE FOLLOWS]

IN WITNESS WHEREOF, the Parties have duly executed this Agreement as of the date first above written.

Guangzhou Yatsen Global Co., Ltd.
(Seal)

By: /s/ Jinfeng HUANG
Name: Jinfeng HUANG
Title: Legal Representative

Huizhi Weimei (Guangzhou) Trading Co., Ltd.
(Seal)

By: /s/ Jinfeng HUANG
Name: Jinfeng HUANG
Title: Legal Representative

Jinfeng HUANG

By: /s/ Jinfeng HUANG

Yuemei (Guangzhou) Trading Co., Ltd.
(Seal)

By: /s/ Jinfeng HUANG
Name: Jinfeng HUANG
Title: Authorized Signatory

Signature Page to Third Amended and Restated Proxy Agreement and Power of Attorney

Power of Attorney

I, Jinfeng HUANG, a citizen of the People's Republic of China (the "PRC" or "China") with ID No. *****, the holder of certain registered capital of Huizhi Weimei (Guangzhou) Trading Co., Ltd. (the "Company") ("My Equity Interest", including the equity interest acquired by me in the Company through capital increase, equity transfer or other methods after the execution of this Agreement), on December 1, 2025, hereby irrevocably authorize Guangzhou Yatsen Global Co., Ltd. (the "WFOE") to exercise the following rights with respect to My Equity Interest during the valid term of this Power of Attorney:

The WFOE is hereby authorized to act on behalf of myself as my sole proxy and attorney in relation to all matters concerning My Equity Interest, including without limitation to: 1) execute and deliver any written resolutions in the name and on behalf of the Existing Shareholders; 2) vote in person or by proxy on any matter to be discussed at the Company's shareholder meetings (including but not limited to sale, transfer, mortgage, pledge or dispose of any or all of the Company's assets); 3) sell, transfer, pledge or dispose of any or all of the equity interest in the Company; 4) nominate, appoint or remove directors of the Company, if necessary; 5) supervise the performance of the Company; 6) access to the Company's financial information at any time; 7) institute shareholders litigations or other legal actions against any director or senior officer of the Company where such director or senior officer's conduct prejudices the interests of the Company or the Existing Shareholders; 8) approve the annual budget or declare dividend distribution; and 9) any other rights conferred on the Existing Shareholders by the Company's articles of association or relevant laws and regulations.

Without limiting the generality of the powers granted hereunder, the WFOE shall have the powers under this Power of Attorney, to be authorized to execute the transfer agreements set forth in the Exclusive Call Option Agreement on my behalf (when I am required to be a party to such agreements), and to be authorized to perform the terms of the Equity Pledge Agreement and the Exclusive Call Option Agreement to which I am a party, both executed on the same date hereof.

All the actions related to My Equity Interest conducted by the WFOE shall be deemed as my own actions, and all the documents executed by the WFOE shall be deemed to be executed by myself. The WFOE can act in its sole discretion in performing the foregoing actions without prior consent from me, and I hereby acknowledge and approve such actions conducted and/or documents executed by the WFOE.

The WFOE is entitled to, in its sole discretion, to sub-authorize or transfer its rights in relation to the foregoing matters to any other person or entity, without prior notifying me or obtaining consent from me.

During my term as a shareholder of the Company, this Power of Attorney shall be irrevocable and continuously valid from the date of execution, unless otherwise instructed by the WFOE in writing. Upon reception of written notice from the WFOE that it wants to terminate this Power of Attorney in whole or in part, I shall immediately withdraw my entrustment and authorization hereby. And execute a power of attorney in the same form as this Power of Attorney to authorize and entrust other persons designated by the WFOE the same matters covered in this Power of Attorney.

Throughout the valid term of this Power of Attorney, I hereby waive all the rights associated with My Equity Interest, which have been authorized to the WFOE herein, and shall not be exercised by myself.

[SIGNATURE PAGE FOLLOWS]

[Signature Page to Power of Attorney]

IN WITNESS WHEREOF, I have executed this Power of Attorney as of the date first above written.

Name: Jinfeng HUANG

By: /s/ Jinfeng HUANG

Power of Attorney

This signing Party, Yuemei (Guangzhou) Trading Co., Ltd., a limited liability company established under the laws of the People's Republic of China (the “**PRC**” or “**China**”) with Unified Social Credit Code 91440101MA5CUHFL4M , the holder certain registered capital of Huizhi Weimei (Guangzhou) Trading Co., Ltd. (the “**Company**”) (“**This Party's Equity Interest**”, including the equity interest acquired by this signing Party in the Company through capital increase, equity transfer or other methods after the execution of this Agreement), on December 1, 2025, hereby irrevocably authorizes Guangzhou Yatsen Global Co., Ltd. (the “**WFOE**”) to exercise the following rights with respect to This Party's Equity Interest during the valid term of this Power of Attorney:

The WFOE is hereby authorized to act on behalf of this Party as its sole proxy and attorney in relation to all matters concerning This Party's Equity Interest, including without limitation to: 1) execute and deliver any written resolutions in the name and on behalf of the Existing Shareholders; 2) vote in person or by proxy on any matter to be discussed at the Company's shareholder meetings (including but not limited to sale, transfer, mortgage, pledge or disposition of any or all of the Company's assets); 3) sell, transfer, pledge or dispose of any or all of the equity interest in the Company; 4) nominate, appoint or remove directors of the Company, if necessary; 5) supervise the performance of the Company; 6) access to the Company's financial information at any time; 7) institute shareholder litigations or other legal actions against any director or senior officer of the Company where such director or senior officer's conduct prejudices the interests of the Company or the Existing Shareholders; 8) approve the annual budget or declare dividend distribution; and 9) any other rights conferred on the Existing Shareholders by the Company's articles of association or relevant laws and regulations.

Without limiting the generality of the powers granted hereunder, the WFOE shall have the powers under this Power of Attorney, to be authorized to execute the transfer agreements set forth in the Exclusive Call Option Agreement on this Party's behalf (when this Party is required to be a party to such agreements), and to be authorized to perform the terms of the Equity Pledge Agreement and the Exclusive Call Option Agreement to which this Party is a party, both executed on the same date hereof.

All the actions related to This Party's Equity Interest conducted by the WFOE shall be deemed as this Party's own actions, and all the documents executed by the WFOE shall be deemed to be executed by this Party itself. The WFOE may act in its sole discretion in performing the foregoing actions without prior consent from this Party, and this Party hereby acknowledges and approves such actions conducted and/or documents executed by the WFOE.

The WFOE is entitled to, in its sole discretion, to sub-authorize or transfer its rights in relation to the foregoing matters to any other person or entity, without prior notifying or obtaining consent from this Party.

During the term that this Party is a shareholder of the Company, this Power of Attorney shall be irrevocable and continuously valid from the date of execution, unless otherwise instructed by the WFOE in writing. Upon reception of written notice from the WFOE that it wants to terminate this Power of Attorney in whole or in part, this Party shall immediately withdraw its entrustment and authorization hereby. And execute a power of attorney in the same form as this Power of Attorney, to authorize and entrust other persons designated by the WFOE the same matters covered in this Power of Attorney.

Throughout the valid term of this Power of Attorney, this Party hereby waives all the rights associated with This Party's Equity Interest, which have been authorized to the WFOE herein, and shall not be exercised by itself.

[SIGNATURE PAGE FOLLOWS]

[Signature Page to Power of Attorney]

IN WITNESS WHEREOF, I have executed this Power of Attorney as of the date first above written.

Yuemei (Guangzhou) Trading Co., Ltd.
(Seal)

By: /s/ Jinfeng HUANG
Name: Jinfeng HUANG
Title: Authorized Signatory

Third Amended and Restated Equity Pledge Agreement

This Third Amended and Restated Equity Pledge Agreement (this “**Agreement**”) is entered into as of December 1, 2025 by and among the following parties:

- (1) **Guangzhou Yatsen Global Co., Ltd.** (the “**Pledgee**”), a wholly foreign owned enterprise incorporated under the laws of the People’s Republic of China (the “**PRC**” or “**China**”);
- (2) **Huizhi Weimei (Guangzhou) Trading Co., Ltd.** (the “**Company**”), a limited liability company incorporated under the laws of the PRC;
- (3) **Jinfeng HUANG**, a PRC citizen (PRC ID No.: ***);
- (4) **Yuemei (Guangzhou) Trading Co., Ltd.**, a limited liability company established under the laws of the PRC (together with Jinfeng HUANG, the “**Pledgers**”).

(The Pledgee, the Company and the Pledgers above shall be referred to individually as a “**Party**” and collectively as the “**Parties**”).

RECITALS

- (A) **WHEREAS**, as of the date hereof, the Pledgers hold 100% of the equity interest in the Company, with a total capital contribution amount of RMB 10 million.
- (B) **WHEREAS**, the Pledgee and the Company entered into an Exclusive Business Cooperation Agreement on July 26, 2019 (the “**Exclusive Business Cooperation Agreement**”), pursuant to which the Company shall pay service fees to the Pledgee for the corresponding services provided by the Pledgee.
- (C) **WHEREAS**, the Pledgee, the Pledgers and the Company entered into a Third Amended and Restated Exclusive Call Option Agreement on December 1, 2025 (the “**Exclusive Call Option Agreement**”), pursuant to which the Pledgers respectively grant to the Pledgee the exclusive right to purchase the equity interest in the Company in accordance with the terms thereof and the Company grants to the Pledgee the exclusive right to purchase the assets of the Company in accordance with the terms thereof.
- (D) **WHEREAS**, the Pledgee, the Company, Jinfeng HUANG and other parties entered into a Second Amended and Restated Equity Pledge Agreement on October 28, 2020 (the “**Original Agreement**”). The Parties agree to amend and restate the Original Agreement through consultations, and this Agreement shall supersede the Original Agreement and the matters set forth in the Original Agreement shall be governed by this Agreement, and the Original Agreement shall terminate.

THEREFORE, the Parties agree as follows:

AGREEMENT

1. Principal Agreements

The Parties hereto acknowledge and confirm that the Principal Agreements guaranteed by the Pledge hereunder include the Exclusive Business Cooperation Agreement, the Exclusive Call Option Agreement and other agreements entered into by the Pledgers, the Company and Pledgee from time to time.

2. Pledge

- 2.1 The Pledgers agree to unconditionally and irrevocably pledge all of the equity interest they hold in the Company (the “**Pledged Equity Interest**”, including the equity interest acquired by the Pledgers in the Company through capital increase, equity transfer or other methods after the execution of this Agreement and

any interests or dividends paid in connection therewith) to the Pledgee, as a guarantee for the performance of their obligations under the Principal Agreements by the Pledgers and the Company (the “**Pledge**”).

3. Scope of Pledge Guarantee

- 3.1 The scope of pledge guarantee under this Agreement includes all of the obligations of the Pledgers and the Company under the Principal Agreements, including but not limited to, under the Principal Agreements, the loans and the interests accrued thereon (if applicable), all service fees that the Pledgee is entitled to receive, all debts, obligations and liabilities (including but not limited to any amounts payable to relevant persons), liquidated damages (if any), damages, expenses incurred in the exercise of the creditor’s rights and the pledgee’s rights (including but not limited to attorneys’ fees, arbitration fees, appraisal and auction expenses of the Pledged Equity Interest) and any other relevant expenses. For avoidance of doubt, the scope of pledge guarantee shall not be limited to the amount of capital contribution by the relevant shareholder.

4. Term of Pledge

- 4.1 The Pledge shall remain valid until the earlier of the following: (1) the date on which all the outstanding guaranteed debts have been fully repaid or have been repaid in other applicable methods; (2) the date on which the Pledgee exercises the pledge right in accordance with the terms and conditions hereof to fully realize its rights to the guaranteed debts and the Pledged Equity Interest; or (3) the date on which the Pledgers transfer all of their equity interest to the Pledgee or a third party (either a natural or legal person) designated by the Pledgee in accordance with the Exclusive Call Option Agreement and no longer hold any equity interest in the Company.
- 4.2 During the valid term of the Pledge, in the event that the Pledgers or the Company fails to perform their respective obligations under the Principal Agreements, the Pledgee is entitled to dispose the Pledged Equity Interest in accordance with the provisions of this Agreement.
- 4.3 The Pledgee is entitled to receive any or all dividends or other distributable benefits arising from the Pledged Equity Interest, and to determine, in its sole discretion, the distribution or disposal of such dividends or benefits.

5. Registration

- 5.1 The Company shall (1) register the Pledge in its register of shareholders and provide such register of shareholders to the Pledgee on the date of execution of this Agreement, and (2) submit an application to the market regulatory authority for the registration of the Pledge and obtain relevant supporting documents as soon as possible after the execution of this Agreement. The Pledgers and the Company shall submit all documents and complete all procedures required by laws and regulations of the PRC and relevant market regulatory authority so as to ensure that the relevant registration procedures are completed as soon as possible after submitting the application for registration of the Pledge to the market regulatory authority.
- 5.2 Without limitation to any provisions of this Agreement, during the term of the Pledge, the original of the register of shareholders of the Company shall be kept by the Pledgee or its designees.
- 5.3 With prior consent of the Pledge, the Pledgers may increase their capital contribution to the Company, provided that any capital contribution made by the Pledgers to the Company shall be subject to the provisions of this Agreement, and the newly-increased capital contribution shall also be deemed as the Pledged Equity Interest. The Company shall promptly change its register of shareholders in accordance with this Article 5 and complete the change of registration of the Pledge with the market regulatory authority within five (5) working days.

6. Representations and Warranties of Pledgers

- 6.1 The Pledgers are the sole legitimate beneficial owners of the Pledged Equity Interest.
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- 6.2 Except for the Pledge hereunder and the Equity Call Option provided in the Exclusive Call Option Agreement, the Pledgers have not created any security interests or other encumbrances on the Pledged Equity Interest.
- 6.3 The Company is a limited liability company duly incorporated and validly existing under the laws of the PRC and is duly registered with the competent market regulatory authority.

7. Further Undertakings and Warranties of Pledgers

- 7.1 The Pledgers hereby undertake to the Pledgee that during the term of this Agreement, the Pledgers:
- 7.1.1 without prior written consent of the Pledgee, shall not transfer, create or permit the creation of any security interests or other encumbrances on, or otherwise dispose of in any other way, the Pledged Equity Interest, except for the performance of the Exclusive Call Option Agreement;
 - 7.1.2 shall comply with the provisions of all relevant laws and regulations applicable to the Pledge, and within five (5) working days upon receipt of any notice, order or suggestion issued or drafted by relevant regulatory authority in respect of the Pledge, deliver such notice, order or suggestion to the Pledgee and comply with the foregoing notice, order or suggestion or, upon the Pledgee's reasonable request or consent, to claim rights or make a complaint with respect to the foregoing matters;
 - 7.1.3 shall immediately notify the Pledgee of any relevant event or notice which may affect the Pledgee's rights in respect of the Pledged Equity Interest or the Pledgers' other obligations under this Agreement.
- 7.2 The Pledgers agree that the rights in connection with the Pledge acquired by the Pledgee in accordance with this Agreement shall not be suspended or prejudiced by the Company, the Pledgers, the Pledgers' successors or representatives, or any other persons (collectively, the "**Relevant Persons**") through any legal proceedings. Each of the Pledgers hereby undertakes to the Pledgee that it has made all proper arrangements and signed all necessary documents, so that in the event of death, incapacity, bankruptcy, divorce or any other events which may affect the Pledgers' exercise of the equity interest, their heirs, guardians, creditors, spouses and other persons who may acquire the equity interest or related rights thereof shall not affect or hinder the performance of this Agreement.
- 7.2.1 Without the prior written consent of the Pledgee, the Relevant Persons will not supplement, modify or amend the Company's articles of association and bylaws in any form, increase or decrease the registered capital of the Company or otherwise change the registered capital structure of the Company;
 - 7.2.2 Without the prior written consent of the Pledgee, none of the Relevant Persons will, after the execution of this Agreement, sell, transfer, mortgage or dispose of, in any manner, any assets or legal or beneficial interests in the business or incomes of the Company or any of its subsidiaries, or permit the creation of any security interests thereon;
 - 7.2.3 Without the prior written consent of the Pledgee, the Relevant Persons shall ensure that the Company will not distribute dividends, divide assets, reduce registered capital, initiate liquidation procedure or distribute the Company's assets in any other forms to the shareholders. Any distribution (including but not limited to the distributed assets or the remainder of the property during liquidation) shall be deemed as part of the Pledge; or
 - 7.2.4 Without the prior written consent of the Pledgee, none of the Relevant Persons shall take any act which will or may cause the value of the Pledged Equity Interest to decrease or jeopardize the validity of the Pledge hereunder. If the decrease in the value of the Pledged Equity Interest is sufficient enough to prejudice the rights of the Pledgee, the Relevant Persons shall immediately notify the Pledgee, provide other properties satisfactory to the Pledge as guarantee upon the Pledgee's reasonable request, and take necessary actions to resolve the above problems or reduce the adverse effects.
- 7.3 To protect or perfect the security interests created by this Agreement for the payment relating to the Principal Agreements, the Pledgers hereby undertake to execute in good faith and urge other parties related to the Pledge to execute all certificates, agreements, deeds and/or covenants required by the Pledgee. The Pledgers also undertake to take and to urge other parties related to the Pledge to take such actions required by the Pledgee for purpose of exercising its rights and powers granted by this Agreement, and to enter into all relevant documents
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in connection with the ownership of the Pledged Equity Interest with the Pledgee or its designees. The Pledgers undertake to provide the Pledgee with all notices, orders and decisions required by the Pledgee in connection with the Pledge within a reasonable time.

- 7.4 The Pledgers hereby undertake to comply with and perform all warranties, undertakings, agreements, representations and conditions hereunder. In the event of failure to perform or only partial performance of such warranties, undertakings, agreements, representations and conditions, the Pledgers shall indemnify the Pledgee for all losses caused thereby.

8. Exercise of Pledge Right

- 8.1 The following events shall constitute events of default (“**Default Events**”) under this Agreement (unless remedied or waived, Default Events shall be deemed to be continuing):
- 8.1.1 any representation, warranty or statement made by the Pledgers or the Company under this Agreement or any Principal Agreement is untrue, incomplete or inaccurate in any respect; or there is any breach of or any failure of the Pledgers or the Company to perform any of its obligations under this Agreement or any Principal Agreement, or any failure to comply with any undertaking under this Agreement or any Principal Agreement; or
 - 8.1.2 one or more of the obligations of the Pledgers or the Company under this Agreement or any Principal Agreement be deemed as unlawful or invalid.
- 8.2 Upon the occurrence and continuance of any Default Event, the Pledgee shall be entitled to exercise all of the rights relating to the Pledged Equity Interest in accordance with the relevant PRC laws (including the provisions of the Security Law of the People’s Republic of China and the Property Law of the People’s Republic of China), including but not limited to:
- 8.2.1 sell part or all of the Pledged Equity Interest in one or more public or private transactions markets and give written notice to the Pledgers three (3) days prior to the transactions, and such sale may be conducted by way of cash, credit transaction or future delivery; or
 - 8.2.2 enter into an agreement with the Pledgers to purchase the Pledged Equity Interest based on the monetary value determined by reference to the market price of the Pledged Equity Interest.

The Pledgee is entitled to enjoy priority in receiving payment provided in the terms of Article 3 of this Agreement from the proceeds of any above disposal of the Pledged Equity Interest.

- 8.3 If requested by the Pledgee, the Pledgers and the Company shall take all lawful and appropriate actions to ensure the exercise by the Pledgee of its pledge rights. In relation to the foregoing, the Pledgers and the Company shall execute all documents and materials and take all measures and actions as the Pledgee may reasonably request.

9. Assignment

- 9.1 The Company and the Pledgers shall not assign any of their respective rights and obligations under this Agreement to any third party without the prior written consent of the Pledgee.
- 9.2 The Company and the Pledgers hereby agree that the Pledgee may, in its sole discretion, assign its rights and obligations hereunder on its own and only prior written notice to the Company and the Pledgers is required.

10. Termination

This Agreement shall terminate upon the expiration of the term of the Pledge in accordance with Article 4 hereof.

11. Entire Agreement and Amendment

- 11.1 This Agreement and all agreements and/or documents expressly mentioned or contained herein shall constitute the entire agreement with respect to the subject matter hereof and supersede all prior oral agreements, contracts, understandings and communications among the parties with respect to the subject matter of this Agreement.
- 11.2 Any amendment to this Agreement shall be in writing and shall come into effect only after the execution of the Parties hereto. The amendment agreements or supplementary agreements duly executed by the Parties shall constitute an integral part of this Agreement and shall have the same legal effect as this Agreement.

12. Governing Law and Dispute Resolution

- 12.1 This Agreement shall be governed by and construed in accordance with the PRC laws.
- 12.2 Any dispute arising from or in connection with this Agreement shall be submitted to China International Economic and Trade Arbitration Commission for arbitration, and the arbitration shall be conducted in accordance with the commission's arbitration rules in effect at the time of applying for arbitration. The arbitral award shall be final and binding upon the Parties. The place of arbitration shall be Beijing.

13. Effective Date and Term

- 13.1 This Agreement shall become effective upon due execution by the Parties on the date first written above.
- 13.2 This Agreement shall remain valid during the term of the Pledge.

14. Notices

Notices or other communications given by any Party pursuant to this Agreement shall be written in English or Chinese, and may be delivered by hand, registered mail, postage-prepaid mail or by a recognized courier service or by facsimile to the address designated by the relevant Parties from time to time for the receipt of notices. The date on which a notice shall be deemed to have actually arrived shall be determined as follows: (a) if delivered by hand, on the date when the notice is delivered; (b) if delivered by mail, on the tenth (10th) day after the date on which the air registered mail with postage prepaid has been sent out (as indicated by the postmark thereon), or on the fourth (4th) day after the delivery to the courier service agency; (c) if sent by facsimile, on the time of receipt shown on the confirmation of transmission of the relevant document; and (d) if sent by email, on the time when the notice has been sent, unless a response of failure to transmit or a report of non-delivery is received.

15. Severability

If any term of this Agreement is invalid or unenforceable due to its inconsistency with relevant laws, such term shall be deemed invalid or unenforceable only to the extent governed by relevant laws, and the validity, legality and enforceability of other terms of this Agreement shall not be affected thereby.

16. Counterparts

This Agreement shall be executed in six (6) originals, and each Party shall hold one original, and the remaining originals shall be used for the registration with the competent market regulatory authority. All the originals shall have the same legal effect. This Agreement may be executed in one or more counterparts.

17. Miscellaneous

If the SEC (U.S. Securities and Exchange Commission) or any other regulatory authority proposes any amendment to this Agreement, or there is any change in the listing rules or related requirements of the SEC in connection with this Agreement, the Parties shall amend this Agreement accordingly.

[SIGNATURE PAGE FOLLOWS]

Guangzhou Yatsen Global Co., Ltd.
(Seal)

Huizhi Weimei (Guangzhou) Trading Co., Ltd.
(Seal)

Jinfeng HUANG

Yuemei (Guangzhou) Trading Co., Ltd
(Seal)

By: /s/ Jinfeng HUANG
Name: Jinfeng HUANG
Title: Authorized Signatory

Signature Page to Third Amended and Restated Equity Pledge Agreement

Register of Shareholders of Huizhi Weimei (Guangzhou) Trading Co., Ltd.

(Prepared on December 1, 2025, with the registered capital of RMB 10 million and the paid-in capital of RMB ____)

Item	Name of Shareholder	ID No./Unified Social Credit Code	Address	Amount of Capital Contribution (Equity Ratio)	Method of Capital Contribution	Information of Pledge
001	Jinfeng HUANG	***	***	RMB 7,500,000 (75%)	Cash	Capital contribution in the amount of RMB 7,500,000 has been pledged to Guangzhou Yatsen Global Co., Ltd.
002	Yuemei (Guangzhou) Trading Co., Ltd.	***	***	RMB 2,500,000 (25%)	Cash	Capital contribution in the amount of RMB 2,500,000 has been pledged to Guangzhou Yatsen Global Co., Ltd.;

[SIGNATURE PAGE FOLLOWS]

[Signature Page to Register of Shareholders of Huizhi Weimei (Guangzhou) Trading Co., Ltd.]

Huizhi Weimei (Guangzhou) Trading Co., Ltd.
(Seal)

By : /s/ Jinfeng HUANG
Name : Jinfeng HUANG
Title : Legal Representative

Third Amended and Restated Exclusive Call Option Agreement

This Third Amended and Restated Exclusive Call Option Agreement (this “**Agreement**”) is entered into as of December 1, 2025 by and between:

- (1) Guangzhou Yatsen Global Co., Ltd. (the “**WFOE**”), a company incorporated under the laws of the People’s Republic of China (the “**PRC**” or “**China**”);
- (2) Jinfeng HUANG, a PRC citizen (PRC Identity Card No.: ***);
- (3) Yuemei (Guangzhou) Trading Co., Ltd. a limited liability company incorporated under the Laws of PRC (together with Jinfeng HUANG, the “**Existing Shareholders**” and each, an “**Existing Shareholder**”); and
- (4) Huizhi Weimei (Guangzhou) Trading Co., Ltd. (the “**Company**”), a limited liability company incorporated under the laws of the PRC.

The above parties shall be referred to individually as a “**Party**” and collectively as the “**Parties**”.

RECITALS

- (A) **WHEREAS**, the Existing Shareholders in aggregate hold 100% of the Target Equity Interest of the Company.
- (B) **WHEREAS**, the WFOE and the Company have entered into an Exclusive Business Cooperation Agreement on July 26, 2019 (the “**Exclusive Business Cooperation Agreement**”), pursuant to which the Company shall pay service fees to the WFOE for the services provided by the WFOE.
- (C) **WHEREAS**, the WFOE, the Company and the Existing Shareholders have entered into a Third Amended and Restated Equity Pledge Agreement on December 1, 2025 (the “**Equity Pledge Agreement**”).
- (D) **WHEREAS**, the WFOE, the Company, Jinfeng HUANG and other parties have entered into a Second Amended and Restated Exclusive Call Option Agreement on October 28, 2020 (the “**Original Agreement**”). The Parties agree to amend and restate the Original Agreement, this Agreement shall supersede the Original Agreement, the matters set forth in the Original Agreement shall be governed by this Agreement, and the Original Agreement shall terminate with immediate effect.

NOW, THEREFORE, the Parties agree as follows:

AGREEMENT

1. Target Equity Interest

- 1.1 The Existing Shareholders agree to, and hereby irrevocably, unconditionally and exclusively grant, to the WFOE a right to require the Existing Shareholders to transfer all or part of its target equity interest in the Company (the “**Target Equity Interest**”, including the target equity interest acquired by the Existing Shareholders in the Company through capital increase, equity transfer or other methods after the execution of this Agreement) to the WFOE or its designated third party/parties (the “**Designee(s)**”), to the extent permitted by the PRC laws, under any circumstances that the WFOE deems advisable or necessary in its sole discretion (the “**Equity Call Option**”).
 - 1.2 The Company hereby agrees to the grant of the Equity Call Option by the Existing Shareholders to the WFOE.
 - 1.3 The WFOE shall have the right to exercise the Equity Call Option in whole or in part at any time and acquire all or part of the Target Equity Interest without limitation to the number of exercises.
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- 1.4 The WFOE shall have the right to designate any third party to acquire all or part of the Target Equity Interest, which shall not be refused by the Existing Shareholders, and the Existing Shareholders shall transfer all or part of the Target Equity Interest to such Designee(s) as requested by the WFOE.
- 1.5 Prior to the transfer of the equity to the WFOE or the Designee(s) in accordance with this Agreement, without the prior written consent of the WFOE, the Existing Shareholders shall not transfer any Target Equity Interest.

2. Assets

- 2.1 The Company agrees to grant and hereby grants irrevocably, exclusively and unconditionally, to the WFOE an exclusive right to require the Company to transfer to the WFOE or the Designee(s) all or part of its assets (“**Target Assets**”, as specifically required by the WFOE under any circumstances that the WFOE deems advisable or necessary in its sole discretion and to the extent permitted by the PRC laws) (the “**Asset Purchase Option**”).
- 2.2 The Existing Shareholders hereby agree that the Company grants the Asset Purchase Option to the WFOE.
- 2.3 The WFOE shall have the right to exercise the call option for all or part of assets and acquire all or part of the Target Assets at any time without limitation as to the number of times of exercise.
- 2.4 The WFOE shall have the right to designate any third party to acquire all or part of the Purchased Assets, which shall not be refused by the Company or the Existing Shareholders, and the Company and the Existing Shareholders shall transfer all or part of the Target Assets to such Designee(s) as requested by the WFOE.
- 2.5 Prior to the transfer of the Target Assets to the WFOE or the Designee(s) in accordance with this Agreement, without the prior written consent of the WFOE, neither the Company nor the Existing Shareholders shall transfer any of such Target Assets.

3. Procedure for Exercise of Equity Call Option

- 3.1 If the WFOE decides to exercise the Equity Call Option in accordance with Section 1.1 above, it shall give a written notice to the Company and the Existing Shareholders, specifying the amount of the Target Equity Interest to be acquired and the identity of the Designee(s) (the “**Equity Purchase Notice**”).
- 3.2 The Company and the Existing Shareholders shall provide all materials and documents necessary for the registration of the transfer of the Target Equity Interest and take all necessary actions and measures within thirty (30) days from the date upon the receipt of the Equity Purchase Notice, including but not limited to convening a shareholders’ or directors’ meeting to approve such Target Equity Interest transfer, and obtaining written documents from any other Shareholder (s) agreeing to waive any right of first refusal in connection with the Target Equity Interest transfer.
- 3.3 With respect to each of the equity transfer in accordance with this Agreement and the Equity Purchase Notice, the Existing Shareholders shall enter into an equity transfer agreement, in the form of Annex I or in such other form and substance prescribed by PRC laws, with the WFOE and/or each Designee (as the case may be).
- 3.4 If the WFOE decides to exercise the Equity Call Option in accordance with the above Section 1.1, the relevant Parties shall execute all necessary contracts, agreements or documents, obtain all necessary governmental licenses and approvals and take all necessary actions to transfer the valid ownership of the Target Equity Interest to the WFOE and/or the Designee(s), free and clear of any encumbrance, and cause the WFOE and/or the Designee(s) to become the registered owner (s) of the Target Equity Interest. For the purpose of this Clause and this Agreement, “**Encumbrance**” shall include guarantee, mortgages, third party rights or interests, stock options, any option to purchase shares, rights of first refusal, rights to set-off, title liens or other security arrangements, except any Encumbrance created by this Agreement, the Equity Pledge Agreement and the Exclusive Business Cooperation Agreement.

4. Procedure for Exercise of Asset Purchase Option

- 4.1 If the WFOE decides to exercise the Asset Purchase Option in accordance with Section 2.1 above, it shall give a written notice to the Company, specifying the status of the underlying assets to be transferred and the identity of the Designee(s) (the “**Asset Purchase Notice**”).
- 4.2 The Company and the Existing Shareholders shall provide all materials and documents necessary for the above asset transfer and registration of transfer (if applicable) and take all necessary actions and measures within thirty days from the date upon the receipt of the Asset Purchase Notice, including without limitation, convening a shareholder’s or director’s meeting to approve such asset transfer.
- 4.3 With respect to each transfer of the Target Assets in accordance with this Agreement and the Asset Purchase Notice, the Existing Shareholders shall cause the Company and the WFOE and/or each Designee (as the case may be) to enter into an asset transfer agreement in the form of Annex II or in such other form and substance prescribed by PRC laws.
- 4.4 The relevant Parties shall execute all necessary contracts, agreements or documents, obtain all necessary government licenses and permits and take all necessary actions to transfer the valid title of the Target Assets to the WFOE and/or the Designee(s) free and clear of any security interests, and cause the WFOE and/or the Designee(s) to become the registered owner (s) of the Target Assets.

5. Transfer Price

- 5.1 The transfer price for the Target Equity Interest and/or the Assets shall be Renminbi one (RMB1.00); if the aforesaid Target Equity Interest and/or the Assets are subject to mandatory provisions of the PRC laws and administrative regulations at the time of transfer, the transfer price shall be the lowest price permitted by the applicable PRC laws and administrative regulations (the “**Transfer Price**”). If the Target Equity Interest and/or the Target Assets are transferred by installments, the corresponding transfer price shall be determined based on the proportion of the Target Equity Interest and/or the Target Assets to be transferred.
- 5.2 All taxes, expenses and disbursements arising from the transfer of the Target Equity Interest and/or the Target Assets shall be borne by the relevant parties prescribed under the PRC laws.

6. Covenants

6.1 Covenants of the Company and the Existing Shareholders

Each of the Existing Shareholders and the Company hereby undertakes as follows:

- 6.1.1 Without the prior written consent of the WFOE, it will not supplement, modify or amend the articles of association and internal rules of the Company in any form, increase or decrease the registered capital of the Company or otherwise change the registered capital structure of the Company;
- 6.1.2 It shall maintain the financial position and business standard and practice, and ensure that the Company is validly existing, and continue to carry out its business and manage its affairs in a diligent and effective way;
- 6.1.3 Without the prior written consent of the WFOE, it will not sell, transfer, mortgage, pledge or dispose of, in any manner, any assets of the Company (other than disposals of assets arising in the ordinary course of business) or legal or beneficial interest in the business or revenues of the Company, or permit the creation of any security interests thereon, after the execution of this Agreement;
- 6.1.4 Without the prior written consent of the WFOE, it will not incur, inherit, guarantee or incur any debts, except for debts incurred in the ordinary course of business;
- 6.1.5 It shall preserve the value of the Company’s assets at all times in the ordinary operation of the Company’s business, and nothing that may have a material effect on the condition of business and asset value of the Company shall be caused by its action or omission;
- 6.1.6 Without the prior written consent of the WFOE, it will not cause the Company to enter into any material contract except in the ordinary course of business;
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- 6.1.7 Without the prior written consent of the WFOE, it will not cause the Company to provide any loan or credit to any person or third party, other than in the ordinary course of business;
 - 6.1.8 Upon request by the WFOE, it will provide the operational and financial information of the Company;
 - 6.1.9 If requested by the WFOE, it shall cause the Company to purchase and hold insurance policies for the assets and business of the Company from insurance companies meeting the WFOE's requirements, the insured amount and types shall be consistent with those purchased by similar companies;
 - 6.1.10 Without the prior written consent of the WFOE, it will not cause or permit the Company to merge or consolidate with, or acquire or invest in, any person or business;
 - 6.1.11 It shall immediately notify the WFOE of any actual or possible litigation, arbitration or administrative proceedings relating to the assets, business or income of the Company;
 - 6.1.12 To retain the title of the Company to all of its assets, it shall execute all the necessary or appropriate documents, take all necessary or appropriate actions, file all necessary or appropriate complaints, or raise necessary and appropriate defenses against all claims;
 - 6.1.13 Without the prior written consent of the WFOE, the Existing Shareholders shall ensure that no dividend, asset or any distributable interest will be distributed to the Existing Shareholders by the Company in any manner, provided that upon written request of the WFOE, the Company shall immediately distribute all or part of its distributable profits to the Existing Shareholders and then the Existing Shareholders shall immediately and unconditionally pay or transfer such distribution to the WFOE;
 - 6.1.14 If the total Transfer Price obtained by the Existing Shareholders in respect of their Target Equity Interest in the Company is higher than their capital contribution to the Company, or the Existing Shareholders receive profit distribution, dividend or bonus in any form from the Company, the Existing Shareholders shall, to the extent permitted under the PRC laws, waive the premium income and any profit distribution, dividend or bonus and the WFOE shall have the right to receive such proceeds; otherwise, the Existing Shareholders shall compensate the WFOE and/or any third party designated by it for the losses suffered thereby; and
 - 6.1.15 At the request of the WFOE, it shall appoint any person designated by the WFOE as a Director and/or an executive director of the Company.
- 6.2 Covenants Regarding Target Equity Interest in the Company
- Each of the Existing Shareholders hereby undertakes as follows:
- 6.2.1 Without the prior written consent of the WFOE, it shall not sell, transfer, pledge or dispose of, in any manner, any legal or beneficial interest in the Equity, nor shall it permit the encumbrance thereon of any security interest, except for the pledge of the Target Equity Interest in accordance with the Equity Pledge Agreement;
 - 6.2.2 Without the prior written consent of the WFOE, it shall cause the shareholders' meeting and/or the board meeting (or the executive director) of the Company not to approve, or allow the encumbrance thereon, any legal or beneficial interest in the sale, transfer, pledge or disposal in any manner of the Target Equity Interest, except for the pledge of the Target Equity Interest in accordance with the Equity Pledge Agreement;
 - 6.2.3 Without the prior written consent of the WFOE, the Existing Shareholders shall cause the shareholders' meeting and/or the board of directors (or the executive director) meeting of the Company not to approve the merger or consolidation of the Company with any Person or the acquisition of or investment in any Person;
 - 6.2.4 The Existing Shareholders shall promptly notify the WFOE of the actual or possible occurrence of any litigation, arbitration or administrative proceedings relating to the Equity;
 - 6.2.5 Upon the request of the WFOE, the Existing Shareholders shall promptly and unconditionally cause the transfer of the Target Equity Interest to be approved and completed in accordance with this Agreement;
-

- 6.2.6 To maintain the Existing Shareholders' ownership of the Company, the Existing Shareholders shall execute all necessary or appropriate documents, take all necessary or appropriate actions, file all necessary or appropriate complaints, or raise necessary and appropriate defenses against all claims;
- 6.2.7 At the request of the WFOE, the Existing Shareholders shall appoint any person designated by the WFOE as a Director and/or Executive Director of the Company;
- 6.2.8 The Existing Shareholders shall strictly comply with the provisions of this Agreement and other contracts jointly or severally executed by and among the Existing Shareholders, the WFOE and the Company and perform the obligations thereunder, and refrain from any act/omission that may affect the validity and enforceability of those contracts. To the extent that the Existing Shareholders have any remaining rights with respect to the Target Equity Interest herein, the Equity Pledge Agreement, or the Proxy, the Existing Shareholders shall not exercise such rights, unless pursuant to the written instructions of the WFOE.

7. Representations and Warranties

Each of the Existing Shareholders and the Company hereby represents and warrants to the WFOE severally but not jointly that, as of the date hereof and the date of transfer of each Equity:

- 7.1 It has the right to execute this Agreement and the relevant equity transfer agreements relating to the equity transfer and has the capability to perform its obligations hereunder and thereunder;
- 7.2 The execution and delivery of this Agreement or any equity transfer agreement and the performance of any obligations hereunder will not: (i) result in any violation of any applicable PRC laws; (ii) be inconsistent with the articles of association, by-laws or other constitutional documents of the Company; (iii) result in any violation of, or constitute a default under, any contract or instrument entered into by or binding upon it; (iv) result in any violation of and/or continued effective conditions under any license or permit issued to it; and (v) result in the revocation or forfeiture of, or imposition of additional conditions under, any license or permit issued to it;
- 7.3 The Existing Shareholders have valid and transferrable title to the Target Equity Interest. Except for the Equity Pledge Agreement, the Existing Shareholder has not created any encumbrance on the Target Equity Interest;
- 7.4 The Company has valid and transferrable title to all of its assets, and no Security Interest has been created upon the foregoing assets, except for security interests that have been disclosed to and agreed by the WFOE in writing;
- 7.5 The Company has no outstanding debts, except for (i) debts incurred in the ordinary course of business; and (ii) debts which have been disclosed to the WFOE and for which written consent of the WFOE has been obtained; and
- 7.6 The Company has complied with all PRC laws and regulations relating to the acquisition of assets.

8. Taxes and Expenses

During the preparation and execution of this Agreement, the related equity transfer agreement and the asset transfer agreement and the consummation of the transactions contemplated hereby and thereby, the Company or the WFOE shall pay all transfer and registration taxes, expenses and costs levied or incurred under PRC laws.

9. Confidentiality

The Parties acknowledge that any oral or written information exchanged by them in connection with this Agreement shall be considered as confidential information. Each Party shall keep all such information confidential and shall not disclose any relevant information to any third party without the written consent of other Parties, except for the information that: (a) is or will be in the public domain (other than as a result of the receiving Party's public disclosure); (b) is required to be disclosed pursuant to the applicable laws or

regulations or stock exchange requirements; or (c) is required to be disclosed by any Party to its legal counsels or financial advisors in connection with the transactions contemplated hereby, provided, however, that such legal counsels or financial advisors shall be bound by the confidentiality obligations similar to those set forth in this Section. If any staff or agency engaged by any Party disclose the confidential information, such Party shall be deemed to have disclosed such confidential information and shall bear the liabilities for breach of contract. The abovementioned obligations of confidentiality on each Party hereto are continuous and shall survive the termination of this Agreement.

10. Assignment

- 10.1 Without the prior written consent of the WFOE, neither the Company nor the Existing Shareholder may assign any of their respective rights or obligations hereunder to any third party.
- 10.2 The Company and the Existing Shareholders hereby agree that the WFOE can assign its rights and obligations hereunder at its sole discretion and only prior written notice of assignment of rights and obligations hereunder to the Company and the Existing Shareholders is required.

11. Entire Agreement and Amendments

- 1.1 This Agreement and all agreements and/or documents expressly referred to or contained herein shall constitute the entire agreement with respect to the subject matter hereof and supersede all prior oral agreements, contracts, understandings and communications between the parties with respect to the subject matter of this Agreement.
- 11.1 Neither the Company nor the Existing Shareholders shall have the right to amend, supplement or rescind this Agreement without the prior written consent of the WFOE.
- 11.2 The annexes are integral part of this Agreement and shall have the same legal effect as the other parts of this Agreement.

12. Governing Law and Dispute Resolution

- 12.1 This Agreement shall be construed in accordance with and governed by the PRC laws.
- 12.2 Any dispute arising from or in connection with this Agreement shall be submitted to PRC International Economic and Trade Arbitration Commission for arbitration, and shall be conducted in accordance with the commission's arbitration rules in effect at the time of applying for arbitration. The arbitral award shall be final and binding upon the Parties. The arbitration place is in Beijing.

13. Effective

- 13.1 This Agreement shall become effective upon due execution by the Parties hereto on the date first written above.
- 13.2 Unless terminated as provided herein, this Agreement shall be valid for a term of ten (10) years and may be automatically renewed for unlimited periods of ten (10) years upon expiration.

14. Termination

Neither the Company nor the Existing Shareholders shall have the right to terminate this Agreement. Notwithstanding the foregoing, the WFOE shall have the right, at its sole discretion, to terminate this Agreement at any time by giving ten (10) days' prior written notice to the Company and the Existing Shareholders.

15. Notices

Notices or other communications required to be given by any Party pursuant to this Agreement shall be written in English or Chinese and may be delivered by hand or sent by registered mail, postage prepaid mail or

recognized courier service or sent by facsimile transmission to the address for the receipt of notices designated by the relevant Parties from time to time. The date on which a notice shall be deemed to have been duly served shall be determined as follows: (a) if delivered by hand, on the date when the notice is delivered; (b) if sent by mail, on the tenth (10th) day after the date on which the air registered mail with postage prepaid has been sent out (as indicated by the postmark thereon), or on the fourth (4th) day after the delivery to the courier service agency; (c) if sent by facsimile, on the time shown on the confirmation of transmission of the relevant document; and (d) if sent by email, on the time when the notice has been sent, unless a response of failure to transmit or a report of non-delivery is received.

16. Severability

If any term of this Agreement is deemed invalid or unenforceable due to its inconsistency with relevant laws, such term shall be deemed invalid or unenforceable only within the jurisdiction of relevant laws, and the validity, legality and enforceability of other terms of this Agreement shall not be affected thereby.

17. Counterparts

This Agreement shall be executed by the Parties in four (4) originals, with each Party holding one original. All the originals shall have the same legal effect. This Agreement may be executed in one or more counterparts.

18. Miscellaneous

If the SEC (U.S. Securities and Exchange Commission) or any other regulatory authorities proposes any amendment to this Agreement, or there is any change in the listing rules or related requirements of the SEC in connection with this Agreement, the Parties shall amend this Agreement accordingly.

[Signature page follows.]

IN WITNESS WHEREOF, the Parties have duly executed this Agreement as of the date first above written.

Guangzhou Yatsen Global Co., Ltd.
(Seal)

By: /s/ Jinfeng HUANG
Name: Jinfeng HUANG
Title: Legal Representative

Huizhi Weimei (Guangzhou) Trading Co., Ltd.
(Seal)

By: /s/ Jinfeng HUANG
Name: Jinfeng HUANG
Title: Legal Representative

Jinfeng HUANG

By: /s/ Jinfeng HUANG

Yuemei (Guangzhou) Trading Co., Ltd.
(Seal)

By: /s/ Jinfeng HUANG
Name: Jinfeng HUANG
Title: Authorized Signatory

ANNEX I

EQUITY TRANSFER AGREEMENT

This Equity Transfer Agreement (this “**Agreement**”) is entered into in Beijing, by and between the following parties:

Transferor:

Transferee:

The parties hereby agree on the equity transfer as follows:

1. The Transferor agrees to transfer ___% of the Target Equity Interest in Huizhi Weimei (Guangzhou) Trading Co. Ltd. to Transferee and the Transferee agrees to acquire such Target Equity Interest.
2. Upon completion of the equity transfer, the Transferor shall no longer enjoy the corresponding rights or obligations of the existing shareholder in respect of the transferred equity. The Transferee shall enjoy the rights and assume the obligations of the existing shareholder of Huizhi Weimei (Guangzhou) Trading Co. Ltd.
3. The Parties may sign a supplementary agreement to cover the matters not mentioned herein.
4. This Agreement shall become effective from the date of duly execution by the Parties.
5. This Agreement is made in four counterparts with each Party holding one copy. Other copies are for change of registration with relevant governmental authorities.

Transferor:

Authorized signature:

Dated:

Transferee:

Authorized signature:

Dated:

ANNEX II

Assets Transfer Agreement

This Assets Transfer Agreement (this “**Agreement**”) is entered into by and between the following parties in Beijing:

Transferor: Huizhi Weimei (Guangzhou) Trading Co., Ltd.

Transferee:

The Parties hereby agree upon the transfer of assets as follows:

1. The Transferor agrees to transfer the assets listed in the attached list of assets to the Transferee, and the Transferee agrees to accept the transfer of such assets.
2. Upon completion of the transfer of assets, the Transferors shall no longer have the corresponding rights or relevant obligations with respect to the transferred assets. The Transferee shall enjoy the rights and assume the relevant obligations of such assets.
3. The Parties may sign a supplementary agreement to cover the matters not mentioned herein.
4. This Agreement shall become effective from the date of duly execution by the Parties.
5. This Agreement shall be made in four counterparts with each Party holding one copy, other documents shall be used for changes of registration (if any).

Transferor:

Huizhi Weimei (Guangzhou) Co., Ltd.
[Seal]

Authorized signature:

Dated:

Transferee:

Authorized signature:

Dated:

Annex: Assets List

Spousal Consent Letter

I, Jinfeng HUANG (ID No.: ***, hereinafter referred to as the “**Shareholder**”) and my spouse, Lei SUN (ID No.: ***, hereinafter referred to as the “**Spouse**”), pursuant to each of the Share Purchase Agreements (hereinafter collectively referred to as the “**Subscription Agreements**”) jointly entered into by and among the Shareholder, Yatsen Holding Limited (hereinafter referred to as the “**Company**”), Guangzhou Yatsen Global Co., Ltd. (hereinafter referred to as the “**WFOE**”) and other related parties, and as a condition to the Closing (as defined in the Subscription Agreements) thereunder, unconditionally and irrevocably acknowledge and agree as follows as of December 1, 2025:

1. As of the date hereof, the Shareholder holds certain equity interest in Huizhi Weimei (Guangzhou) Trading Co., Ltd. (hereinafter referred to as the “**Domestic Company**”). The Shareholder enjoys the full and ultimate shareholder rights and interests corresponding to such equity interest above.

2. The Spouse knows and acknowledges the following documents executed by the Shareholder (hereinafter referred to as the “**Controlling Documents**”), and agrees to dispose of the equity interest in the Domestic Company, which is held by the Shareholder and registered under his name, pursuant to the following documents:

- (1) The Third Amended and Restated Equity Pledge Agreement, dated as of December 1, 2025, by and among the Shareholder, the WFOE, the Domestic Company and other shareholder of the Domestic Company;
- (2) The Third Amended and Restated Exclusive Call Option Agreement, dated as of December 1, 2025, by and among the Shareholder, the WFOE, the Domestic Company and other shareholder of the Domestic Company;
- (3) The Third Amended and Restated Agreement for Shareholder Rights Entrustment and Power of Attorney, dated as of December 1, 2025, executed and issued by the Shareholder.

3. The Spouse undertakes that she will not, at any time, take any action to hinder the disposition of the equity interest under the Controlling Documents.

4. The Spouse further acknowledges that the Shareholder’s performance of the Subscription Agreements, the other Transaction Documents (as defined in the Subscription Agreements) and the Controlling Documents, and further modification or termination by the Shareholder of such documents do not require separate authorization or consent of the Spouse.

5. The Spouse undertakes to execute all necessary documents and take all necessary actions to ensure the due performance of the Subscription Agreements, other Transaction Documents and the Controlling Documents (as amended from time to time).

6. During the continuation of marriage, the Spouse undertakes not to make any claim with respect to the equity interest directly or indirectly held by the Shareholder in the Company or the Domestic Company, the full and ultimate shareholder rights and interests corresponding to such equity interest, and any other interests (if any) then to which the Shareholder is entitled to in any Group Company (as defined in the Subscription Agreements) (collectively, the “**Subject Rights and Interests**”); the Shareholder shall be entitled to the exclusive and complete voting and disposal rights with respect to the Subject Rights and Interests, and the Spouse shall not make any objection to the Shareholder’s exercise of such rights.

7. If the Shareholder and the Spouse need to divide their jointly-owned property due to divorce, the Shareholder and the Spouse shall use their best efforts in good faith to negotiate and make proper arrangement for the division of the jointly-owned property, and such division shall not adversely affect the normal operation of any Group Company.

8. If, after divorce and property division, a portion of the Shareholder’s Subject Rights and Interests are divided to the Spouse, the Spouse hereby irrevocably agrees that the Shareholder then shall remain the only shareholder corresponding to such Subject Rights and Interests recorded in the register of members and Charter Documents (as defined in the Subscription Agreements) of any Group Company, and/or registered with relevant government authorities (if applicable), and the Spouse shall irrevocably delegate to the Shareholder all voting rights

with respect to such Subject Rights and Interests, and the Shareholder shall exercise such voting rights in good faith. Moreover, except for the voting rights, other rights with respect to such Subject Rights and Interests shall still belong to the Spouse.

9. If the Spouse is registered as a shareholder of the Domestic Company by the relevant government authorities for any reason, the Spouse shall be bound by the Controlling Documents (as amended from time to time), and comply with the obligations thereunder as the shareholder of the Domestic Company. And for such purpose, upon request of the WFOE, the Spouse shall execute a series of written documents in substantially the similar form and substance as the Controlling Documents (as amended from time to time); and in no event shall the Spouse, directly or indirectly, actively or passively, take any action, or bring any claim or action that is inconsistent with the above arrangements.

Moreover, the Spouse agrees and undertakes that the Spouse shall be bound by the Controlling Documents and the Exclusive Business Cooperation Agreement (as amended from time to time) entered into between the WFOE and the Domestic Company dated as of July 26, 2019 (hereinafter referred to as the “**Exclusive Business Cooperation Agreement**”), and shall comply with the obligations thereunder as the shareholder of the Domestic Company and, for such purpose, upon request of the WFOE, shall execute a series of written documents that are necessary for the continuation and performance of the Controlling Documents and the Exclusive Business Cooperation Agreement (as amended from time to time).

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/s/ Jinfeng HUANG
Jinfeng HUANG

/s/ Lei SUN
Lei SUN

Certain information in this document has been excluded pursuant to Item 601(a)(6) and Item 601(b)(10) of Regulation S-K. Such excluded information is not material and is the type the registrant treats as private or confidential. Such omitted information is indicated by brackets (“”) in this exhibit.***

CONVERTIBLE NOTE PURCHASE AGREEMENT

between

YATSEN HOLDING LIMITED

and

Polaris Veritas Investment Limited

Dated as of March 11, 2026

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This CONVERTIBLE NOTE PURCHASE AGREEMENT (this “Agreement”) is made and entered into on March 11, 2026, by and between:

- (1) Yatsen Holding Limited, a Cayman Islands exempted company (the “Company”); and
- (2) Polaris Veritas Investment Limited, a Cayman Islands exempted company (the “Purchaser”).

RECITALS

WHEREAS, the Company desires to issue, sell and deliver to the Purchaser, and the Purchaser desires to purchase and acquire from the Company, the Notes (as defined below) upon and subject to the terms and conditions set forth in this Agreement, together with accompanying warrants to purchase Class A Ordinary Shares substantially in the form attached hereto as Exhibit C (the “Warrants”); and

NOW, THEREFORE, in consideration of the premises set forth above, the mutual promises and covenants set forth herein and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto, intending to be legally bound, agree as follows:

ARTICLE I **DEFINITIONS AND INTERPRETATION**

Section 1.1 Definitions. As used herein, the following terms shall have the meanings set forth below:

“ADS” means the American depositary shares of the Company, each representing twenty Class A Ordinary Shares.

“Affiliate” means, with respect to any specified Person, any other Person that, directly or indirectly, Controls, is Controlled by, or is under common Control with, such specified Person.

“Agreement” has the meaning set forth in the preamble.

“Anticorruption Laws” mean laws, regulations or orders relating to anti-bribery or anticorruption (governmental or commercial) applicable to the business and dealings of the Company and each Subsidiary of the Company, including applicable laws that prohibit the corrupt payment, offer, promise, or authorization of the payment or transfer of anything of value (including gifts or entertainment) to any Government Official, commercial entity, or any other Person to obtain a business advantage; such as, without limitation, the PRC anticorruption laws, the U.S. Foreign Corrupt Practices Act of 1977, as amended from time to time, the UK Bribery Act 2010 and all national and international laws enacted to implement the OECD Convention on Combating Bribery of Foreign Officials in International Business Transactions.

“Back Leverage” means with respect to the Purchaser, the: (a) incurrence of indebtedness by the Purchaser (or an Affiliate thereof) to (i) finance all or a portion of its purchase of the Second Note, (ii) finance a return of capital with respect to its investment in the Notes, or (iii) refinance or replace indebtedness described in this clause (a), and (b) granting of Encumbrance by the Purchaser to secure payment of such indebtedness, including on the Notes, Warrants, Conversion Securities and Warrant Shares.

“Bankruptcy and Equity Exception” means bankruptcy, insolvency, fraudulent transfer, reorganization, moratorium and similar Laws of general applicability relating to or affecting creditors’ rights, and specific performance, injunctive relief, other equitable remedies and general equity principles.

“Board” means the board of directors of the Company.

“Business Day” means any day that is not a Saturday, a Sunday or another day on which banks are required or authorized by Law to be closed in the PRC, Hong Kong, Singapore, or the Cayman Islands.

“Class A Ordinary Shares” means Class A ordinary shares, par value US\$0.00001 per share, in the share capital of the Company.

“Class B Ordinary Shares” means the Class B ordinary shares, par value US\$0.00001 per share, in the share capital of the Company.

“Closing” means the First Closing or the Second Closing, as applicable.

“Closing Date” means the First Closing Date or the Second Closing Date, as applicable.

“Company” has the meaning set forth in the preamble.

“Contract” means any agreement, contract, lease, indenture, instrument, note, debenture, bond, mortgage or deed of trust or other agreement, commitment, arrangement or understanding.

“Control” (including the terms “Controlled by” and “under common Control with”) means, with respect to any Person, the possession, directly or indirectly, of the power to direct or cause the direction of the management and policies of such Person, whether through the ownership of voting securities, by contract or otherwise, provided that such power shall conclusively be presumed to exist upon possession of beneficial ownership or power to direct the vote of fifty percent (50%) of the outstanding voting securities of such Person or the power to elect a majority of the board of directors or similar body governing the affairs of such Person.

“Conversion Securities” has the meaning set forth in Section 3.1(c).

“CSRC” has the meaning set forth in Section 4.3.

“CSRC Filing” has the meaning set forth in Section 4.3.

“Encumbrance” means any security interest, pledge, mortgage, lien, charge, claim, hypothecation, title defect, right of first option or refusal, right of pre-emption, third-party right or interests, put or call right, adverse claim of ownership or use, or other encumbrance of any kind, other than encumbrances created by virtue of the transactions contemplated by any Transaction Document.

“Exchange Act” means the U.S. Securities Exchange Act of 1934, as amended, and the rules and regulations promulgated thereunder.

“Financial Statements” has the meaning set forth in Section 3.1(j).

“First Closing” has the meaning set forth in Section 2.3(a).

“First Closing Date” has the meaning set forth in Section 2.3(a).

“First Note” means the convertible senior note in the principal amount of RMB415,458,000 to be issued by the Company to the Purchaser at the First Closing, substantially in the form attached hereto as Exhibit A.

“First Note Purchase Price” means the U.S. Dollar Equivalent Amount of the principal amount of the First Note, calculated using the Spot Rate for the Rate Calculation Date.

“Fundamental Representations” means with respect to the Company, the representations and warranties set forth in the first sentence in Sections 3.1(a), 3.1(b), 3.1(c), 3.1(d), 3.1(g), and 3.1(s); and with respect to the Purchaser and solely for the purpose of Article VII, the representations and warranties set forth in Sections 3.2(a) and 3.2(b).

“GAAP” means the United States generally accepted accounting principles.

“Government Official” means (i) any official, officer, employee, or representative of, or any Person acting in an official capacity for or on behalf of, any Governmental Entity, (ii) any political party or party official or candidate for political office, (iii) a Politically Exposed Person (PEP) as defined by the Financial Action Task Force (FATF) or Groupe d’action Financière sur le Blanchiment de Capitaux (GAFI); or (iv) any company, business, enterprise or other entity owned, in whole or in part, or Controlled by any Person described in the foregoing clause (i), (ii) or (iii) of this definition.

“Governmental Entity” means (i) any national, federal, state, provincial, municipal, local or foreign government or any entity exercising executive, legislative, judicial, regulatory, taxing, or administrative functions of or pertaining to government, (ii) any public international organization, (iii) any agency, division, bureau, department, or other political subdivision of any government, entity or organization described in the foregoing clause (i) or (ii) of this definition, (iv) any company, business, enterprise, or other entity owned, in whole or in part, or Controlled by any Person described in the foregoing clause (i), (ii) or (iii) of this definition, or (v) any political party.

“Indemnified Liabilities” has the meaning set forth in Section 7.2(a).

“Indemnitees” has the meaning set forth in Section 7.2(a).

“Indemnitor” has the meaning set forth in Section 7.2(a).

“Intellectual Property” means any and all rights in any of the following: (a) trademarks and service marks, trade dress, trade names and other indications of origin, applications or registrations in any jurisdiction pertaining to the foregoing and all goodwill associated therewith; (b) inventions, discoveries, improvements, ideas, know-how, formula methodology, processes, technology, software (including rights in password unprotected interpretive code or source code, object code, development documentation, programming tools, drawings, specifications and data) and patent applications and patents in any jurisdiction pertaining to the foregoing, including re-issues, continuations, divisions, continuations-in-part, renewals or extensions; (c) trade secrets, including confidential information and the right in any jurisdiction to limit the use or disclosure thereof; (d) copyrights in writings, designs software, mask works or other works, applications or registrations in any jurisdiction for the foregoing and all moral rights related thereto; (e) database rights; (f) rights in Internet websites, domain names and applications and registrations pertaining thereto; (g) books and records pertaining to the foregoing; and (h) claims or causes of action arising out of past, present or future infringement or misappropriation of any of the foregoing.

“Judgment” means any judgment, order, injunction or decree of any Governmental Entity.

“knowledge” means, with respect to any Person, the actual or constructive knowledge of such Person’s executive officers (as defined in Rule 405 under the Securities Act).

“Law” means any federal, national, foreign, supranational, state, provincial or local statute, law, ordinance, regulation, rule, code, order, requirement or rule of law (including common law) enacted, issued, promulgated, enforced or entered by any Governmental Entity.

“Material Adverse Effect” means a material adverse effect on (a) the business, properties, assets, liabilities, operations, results of operations or financial condition of the Company and its Subsidiaries, taken as a whole, or (b) the authority or ability of the Company to enter into the Transaction Documents and to perform its obligations thereunder; provided, however, that for purposes of clause (a) above, in no event shall any of the following exceptions, alone or in combination with the other enumerated exceptions below, be deemed to constitute, nor shall be taken into account in determining whether there has been or will be, a Material Adverse Effect: (i) any effect resulting from compliance with the terms and conditions of, or from the announcement of the transactions contemplated by the Transaction Documents, (ii) any effect that results from changes affecting any industry in which the Company or its Subsidiaries operate generally or the economy generally, (iii) any effect that results from changes affecting general worldwide economic or securities, credit or financial markets (including interest rates and exchange rates), so long as such changes in (ii) or (iii), as applicable, do not disproportionately affect the Company and its Subsidiaries taken as a whole in any material respect relative to other similarly situated industry participants, (iv) any pandemic, earthquake, typhoon, tornado or other natural disaster or similar force majeure event, or outbreak or escalation of hostilities or acts of war (whether or not declared) or terrorism, (v) any failure to

meet any internal or public projections, forecasts, guidance or analysts' expectations (but the underlying causes that lead to such failure are not exceptions to a Material Adverse Effect unless otherwise indicated in other enumerated exceptions in this paragraph), (vi) any change in the Company's stock price or trading volume or in the Company's credit rating (but the underlying causes that lead to such change are not exceptions to a Material Adverse Effect unless otherwise indicated in other enumerated exceptions in this paragraph), or (vii) changes or developments in GAAP, other applicable accounting rules or applicable Law, or the enforcement or interpretation thereof, or changes or developments in political, regulatory or legislative conditions, in each case as proposed, adopted or enacted after the date hereof.

"Memorandum and Articles" means the memorandum and articles of association of the Company, as amended and/or restated from time to time and as in effect at the relevant time.

"Money Laundering Laws" means all money laundering-related laws applicable to the Company and its Subsidiaries.

"NDRC" has the meaning set forth in Section 4.4.

"NDRC Administrative Measures" has the meaning set forth in Section 4.4.

"NDRC Certificate" has the meaning set forth in Section 4.4.

"Notes" means the First Note and the Second Note, collectively.

"NYSE" means the New York Stock Exchange.

"Ordinary Shares" means the Class A Ordinary Shares and Class B Ordinary Shares, collectively.

"PRC Overseas Offering and Listing Regulations" has the meaning ascribed to it in Section 4.3.

"Permits" has the meaning set forth in Section 3.1(o).

"Permitted Transferee" means, with respect to any Person, (i) any Affiliate of such Person, (ii) any successor entity of such Person, (iii) with respect to any Person that is an investment fund, vehicle or similar entity, any other investment fund, vehicle or similar entity of which such Person or an Affiliate, advisor or manager of such Person serves as the general partner, manager or advisor, and (iv) with respect to the Purchaser, any partner, member or shareholder of the Purchaser or their respective Affiliates.

"Person" means any individual, partnership, corporation, association, joint stock company, trust, joint venture, limited liability company, organization, entity or Governmental Entity.

"PRC" means the People's Republic of China.

“Proceedings” means any legal, administrative, arbitral or other claims, suits, actions or proceedings or governmental or regulatory investigations of any nature.

“Public Documents” means all reports, schedules, forms, statements and other documents required to be filed or furnished by the Company with the SEC from time to time pursuant to the Securities Act or the Exchange Act, together with all exhibits included therein and financial statements, notes and schedules thereto and documents incorporated by reference thereto.

“Purchaser” has the meaning set forth in the preamble.

“Rate Calculation Date” means, with respect to any payment date or other date on which the U.S. Dollar Equivalent Amount of any Renminbi amount or the Renminbi Equivalent Amount of any U.S. dollar amount is to be determined under the Transaction Documents, the day that is two (2) Business Days prior to such payment date or other date.

“Registered Intellectual Property” has the meaning set forth in Section 3.1(g).

“Renminbi”, “RMB” or “CNY” means the lawful currency of the People’s Republic of China.

“Renminbi Equivalent Amount” means, in respect of any amount denominated in U.S. dollars, the amount in Renminbi calculated by multiplying such U.S. dollar amount by the Spot Rate for the relevant Rate Calculation Date.

“Sanctions Law and Regulations” means any sanctions administered or enforced by the U.S. Department of the Treasury’s Office of Foreign Assets Control (“OFAC”), the U.S. Department of State, the United Nations Security Council, the European Union, His Majesty’s Treasury, or other relevant sanctions authority.

“Sanctions Target” means (i) any country or territory that is the subject of country-wide or territory-wide sanctions, including, without limitation, as of the date of this Agreement, Iran, Cuba, Syria, Crimea and North Korea, (ii) a Person that is on the list of Specially Designated Nationals and Blocked Persons published by OFAC or any equivalent list of sanctioned persons issued by the U.S. Department of State, or (iii) a Person that is located in or organized under the laws of a country or territory that is identified as the subject of country-wide or territory-wide Sanctions Law and Regulations.

“SEC” means the U.S. Securities and Exchange Commission.

“Second Closing” has the meaning set forth in Section 2.3(b).

“Second Closing Date” has the meaning set forth in Section 2.3(b).

“Second Closing Termination Fee” has the meaning set forth in Section 6.3(a).

“Second Long Stop Date” has the meaning set forth in Section 6.1(d).

“Second Note” means the convertible senior note in the principal amount of RMB415,458,000 to be issued by the Company to the Purchaser at the Second Closing, substantially in the form attached hereto as Exhibit B.

“Second Note Purchase Price” means the principal amount of the Second Note, payable in Renminbi.

“Securities” means any Ordinary Shares or any equity interest in, or shares of any class in the share capital (ordinary, preferred or otherwise) of, the Company, and any convertible securities, options, warrants and any other type of equity or equity-linked securities convertible, exercisable or exchangeable for any Ordinary Shares or such equity interest or shares of any class in the share capital of the Company.

“Securities Act” means the U.S. Securities Act of 1933, as amended, and the rules and regulations promulgated thereunder.

“Significant Subsidiary” means a Subsidiary of the Company that meets the definition of “significant subsidiary” in Article 1, Rule 1-02 of Regulation S-X under the Exchange Act.

“Spot Rate” means, for any Rate Calculation Date, the USD/RMB spot exchange rate determined as follows: (a) the USD/CNY official fixing rate, expressed as the amount of CNY per USD 1.00 as reported by the Treasury Markets Association, Hong Kong (www.tma.org.hk) as its USD/CNY(HK) spot rate at approximately 11:30 a.m., Hong Kong time, with respect to such Rate Calculation Date; (b) if it becomes impossible to obtain the USD/CNY official fixing rate on the Rate Calculation Date as outlined in limb (a), the Spot Rate shall be the USD/CNY official fixing rate, expressed as the amount of CNY per USD1.00, authorized by the People’s Bank of China of the People’s Republic of China for reporting by the China Foreign Exchange Trade System (www.chinamoney.com.cn) at approximately 9:15 a.m., Beijing time, with respect to such Rate Calculation Date; and (c) if none of the foregoing is available, such rate as the Company and the Purchaser shall mutually agree in good faith and in a commercially reasonable manner.

“Subsidiary” means, with respect to any specified Person, any other Person that is Controlled by such specified Person and, for the avoidance of doubt, the Subsidiaries of any Person shall include any variable interest entity over which such Person or any of its Subsidiaries effects Control pursuant to contractual arrangements and which is consolidated with such Person in accordance with the accounting standards applicable to such Person.

“Transaction Documents” means this Agreement, the Notes, the Warrants, and each of the other agreements and documents entered into or delivered thereunder or in connection therewith.

“U.S.” or “United States” means the United States of America.

“U.S. Dollar Equivalent Amount” means, in respect of any amount denominated in Renminbi, the amount in U.S. dollars calculated by dividing such Renminbi amount by the Spot Rate for the relevant Rate Calculation Date.

“Voting Company Debt” has the meaning set forth in Section 3.1(d).

“Warrants” has the meaning set forth in the recitals.

“Warrant Shares” means the Class A Ordinary Shares issuable upon exercise of the Warrants.

Section 1.2 Interpretation.

(a) The headings contained in this Agreement are for reference purposes only and do not affect in any way the meaning or interpretation of this Agreement.

(b) In this Agreement, except as otherwise provided:

- (i) the terms “include”, “includes” and “including” shall be deemed to be followed by the words “without limitation”;
- (ii) where a reference is made herein to an Article, Section, Exhibit or Schedule, such reference is to an Article, Section, Exhibit or Schedule of this Agreement;
- (iii) the words “hereof,” “herein” and “hereunder” and words of similar import refer to this Agreement as a whole;
- (iv) any noun or pronoun shall be deemed to include the plural as well as the singular and to cover all genders;
- (v) references to a Person are also to its successors and permitted assigns; and
- (vi) references to any legislation or to any provision of any legislation shall include any modification, amendment, re-enactment thereof, any legislative provision substituted therefor and all rules, regulations and statutory instruments issued or related to such legislation.

ARTICLE II **THE NOTES AND THE WARRANTS**

Section 2.1 Sale and Issuance of the Notes. Subject to the terms and conditions of this Agreement, (a) at the First Closing, the Company shall issue and sell to the Purchaser the First Note with an aggregate principal amount of RMB415,458,000, and the Purchaser shall subscribe for and purchase the First Note from the Company for the First Note Purchase Price, and (b) at the Second Closing, the Company shall issue and sell to the Purchaser the Second Note with an aggregate principal amount of RMB415,458,000, and the Purchaser shall subscribe for and purchase the Second Note from the Company for the Second Note Purchase Price.

Section 2.2 Warrants. Subject to the terms and conditions of this Agreement, the Company shall issue and grant to the Purchaser at each Closing, two (2) Warrants (“Warrant A” and “Warrant B”), each in the form hereto as Exhibit C and exercisable in accordance with the

terms and conditions thereof, for no additional consideration. Each of Warrant A and Warrant B shall be exercisable for such number of Warrant Shares (rounded down to the nearest whole number) up to 50% and 50%, respectively, of one-tenth (1/10) of the number of Class A Ordinary Shares (including Class A Ordinary Shares represented by ADSs) actually issued by the Company upon conversion of all or a portion of the corresponding Note.

Section 2.3 Closing; Deliverables.

(a) The closing of the transactions set forth in Section 2.1(a) (the “First Closing”) shall take place remotely via the exchange of documents and signatures on a date that is no later than ten (10) Business Days following the date on which all conditions to the First Closing set forth in Article V (other than those conditions that by their nature are to be satisfied at the First Closing) have been satisfied or waived by the party entitled to the benefit thereof, or such other date as the parties hereto may mutually agree in writing (the “First Closing Date”).

(b) The closing of the transactions set forth in Section 2.1(b) (the “Second Closing”) shall take place remotely via the exchange of documents and signatures on a date that is no later than the later of (i) forty-five (45) Business Days following the First Closing and (ii) ten (10) Business Days following the date on which all conditions to the Second Closing set forth in Article V (other than those conditions that by their nature are to be satisfied at the Second Closing) have been satisfied or waived by the party entitled to the benefit thereof, or such other date as the parties hereto may mutually agree in writing (the “Second Closing Date”).

(c) At each Closing, as applicable:

(i) the Company shall deliver to the Purchaser:

(A) the First Note or the Second Note (as applicable), duly executed by the Company and registered in the name of the Purchaser;

(B) a copy of the Company’s register maintained for registration or transfer of the Notes, evidencing the duly registration of the Purchaser as the holder of the relevant Notes; and

(C) the Warrants corresponding to the applicable Note, duly executed by the Company and registered in the name of the Purchaser;

(ii) the Purchaser shall pay, or cause to be paid, (A) the First Note Purchase Price in U.S. dollars, or (B) the Second Note Purchase Price in Renminbi, as applicable, by wire transfer of immediately available funds to a bank account designated in writing by the Company at least three (3) Business Days prior to the applicable Closing Date.

ARTICLE III

REPRESENTATIONS AND WARRANTIES

Section 3.1 Representations and Warranties of the Company. The Company represents and warrants to the Purchaser as of the date hereof and as of the First Closing Date and the Second Closing Date (except to the extent that any representation or warranty is expressly made as of a specified date, in which case as of such date) that, except as set forth in the Public Documents filed prior to the date of this Agreement (without giving effect to any amendment thereto filed on or after the date of this Agreement and excluding disclosures of non-specific risks faced by the Company included in any forward-looking statement, disclaimer, risk factor disclosure or other similarly non-specific statements that are predictive and general in nature; it being further agreed that (i) any information disclosed in any such Public Documents shall be deemed disclosure only with respect to a Section of this Agreement to which the relevance of such information is reasonably apparent to the Purchaser from the text of such information contained in such Public Documents and (ii) no information disclosed in any such Public Documents shall be deemed to qualify or modify the Fundamental Representations):

(a) Organization and Qualification. The Company is an exempted company with limited liability duly incorporated, validly existing and in good standing under the Laws of the Cayman Islands, and each Subsidiary of the Company is duly incorporated or organized, validly existing and in good standing (with respect to jurisdictions that recognize the concept of good standing) under the Laws of its jurisdiction of organization. Each of the Company and its Subsidiaries has the requisite power and authority to own, lease and operate its properties and to carry on its business as currently being conducted, and is duly qualified or licensed to do business in all material respects in each jurisdiction in which the property owned, leased or operated by it or the nature of the business conducted by it makes such qualification or licensing necessary.

(b) Authorization; Enforcement; Validity. The Company has the requisite corporate power and authority to execute and deliver the Transaction Documents and to perform its obligations thereunder. The execution, delivery and performance by the Company of the Transaction Documents, including the issuance of the Notes, the Warrants, the Conversion Securities, and the Warrant Shares, have been duly authorized by all necessary corporate action on the part of the Company. Each Transaction Document has been or will be duly executed and delivered by the Company, and, assuming the due authorization, execution and delivery by the Purchaser, constitutes a legal, valid and binding obligation of the Company, enforceable against it in accordance with its terms, subject to the Bankruptcy and Equity Exception.

(c) Valid Issuance.

(i) The Notes have been duly authorized for issuance and sale to the Purchaser and, when issued and delivered by the Company against payment therefor by the Purchaser in accordance with the terms hereof, the Notes will be validly issued and constitute legally binding and valid obligations of the Company, enforceable against the Company in accordance with their terms, subject to the Bankruptcy and Equity Exception.

(ii) The Securities issuable upon the conversion of the Notes (the “Conversion Securities”) have been duly authorized and validly reserved for issuance. When issued in compliance with the provisions of this Agreement, the Notes and the Memorandum and Articles, the Conversion Securities will be (A) validly issued, fully paid and non-assessable, (B) issued in compliance with applicable securities Laws, and (C) free from any preemptive or similar rights or any Encumbrance (it being understood that the Conversion Securities may be subject to restrictions on transfer under the applicable securities Laws).

(iii) The Warrants have been duly authorized for issuance and grant to the Purchaser and, when issued and granted in accordance with the terms hereof, will constitute legally binding and valid obligations of the Company, enforceable against the Company in accordance with their terms, subject to the Bankruptcy and Equity Exception.

(iv) The Warrant Shares have been duly authorized and validly reserved for issuance. When issued upon exercise of the Warrants in accordance with their terms, the Warrant Shares will be (A) validly issued, fully paid and non-assessable, (B) issued in compliance with applicable securities Laws, and (C) free from any preemptive or similar rights or any Encumbrance (it being understood that the Warrant Shares may be subject to restrictions on transfer under the applicable securities Laws).

(d) Capitalization.

(i) As of the date hereof, the authorized share capital of the Company consists of 10,000,000,000 shares with a par value of US\$0.00001 each, comprising 6,000,000,000 Class A Ordinary Shares, 960,852,606 Class B Ordinary Shares and 3,039,147,394 shares of such class or classes (however designated) as the Board may determine in accordance with the Memorandum and Articles. All issued and outstanding Ordinary Shares (including Ordinary Shares represented by ADSs) as of the date hereof have been duly authorized and validly issued and are fully paid and non-assessable.

(ii) Except (A) as described in Section 3.1(d)(i), (B) as contemplated under the Transaction Documents or (C) share incentive awards that have been granted and may be granted from time to time pursuant to the Company’s share incentive plans as disclosed in the Public Documents, as of the date hereof, (1) no Securities are issued or outstanding; (2) there are no bonds, debentures, notes or other indebtedness of the Company having the right to vote (or convertible into, or exchangeable for, Securities having the right to vote) on matters on which holders of the Ordinary Shares may vote generally (“Voting Company Debt”); and (3) there are no Securities, stock-based performance units, share appreciation rights or other rights, Contracts or undertakings of any kind to which the Company or any of its Subsidiaries is a party or by which the Company is bound, that obligate the Company or any of its Subsidiaries to issue or sell any Securities or Voting Company Debt.

(e) No Conflicts. The execution, delivery and performance by the Company of the Transaction Documents, including the issuance of the Notes, the Warrants, the Conversion Securities, and the Warrant Shares will not (i) result in a violation of the Memorandum and Articles, (ii) conflict with, or constitute a default (or an event which with notice or lapse of time or both would become a default) under, or give to others any rights of termination, amendment,

acceleration or cancellation of, any Contract to which the Company is a party, or (iii) result in a violation of any Law applicable to the Company or by which any property or asset thereof is bound, except in the case of clauses (ii) and (iii) above, for such conflicts, defaults, rights or violations which would not, individually or in the aggregate, reasonably be expected to have a Material Adverse Effect.

(f) Consents. Subject to the accuracy of the representations and warranties of the Purchaser in Section 3.2, the execution, delivery and performance by the Company of the Transaction Documents, including the issuance of the Notes, the Warrants, the Conversion Securities, and the Warrant Shares, do not and will not require any consent, approval, authorization or other order of, action by, filing with, or notification to, any Governmental Entity, except for (i) the NDRC Certificate to be obtained by the Company or one of its Subsidiaries in accordance with Section 4.4, (ii) the CSRC Filings to be made by the Company or one of its Subsidiaries in accordance with Section 4.3 and (iii) filings that may be required to be made with the SEC (e.g., a Form 6-K) or the NYSE.

(g) Sale of Securities. Subject to the accuracy of the representations and warranties of the Purchaser in Section 3.2, the offer, sale and issuance of the Notes and the issuance of the Warrants, the Conversion Securities, and the Warrant Shares are exempt from the registration requirements of the Securities Act. Without limiting the foregoing, neither the Company nor, to the knowledge of the Company, any other Person authorized by the Company to act on its behalf, has engaged in any “directed selling efforts” into the United States (as defined in Rule 902 of Regulation S under the Securities Act) or in a general solicitation or general advertising (within the meaning of Regulation D of the Securities Act) of investors with respect to offers or issuances of the Notes, the Warrants, the Conversion Securities, and the Warrant Shares, and neither the Company nor, to the knowledge of the Company, any Person acting on its behalf has made any offers or issuances of any security or solicited any offers to buy any security, under circumstances that would cause the offering or issuance of the Notes, the Warrants, the Conversion Securities, and the Warrant Shares under the Transaction Documents to be integrated with prior offerings by the Company for purposes of the Securities Act that would result in none of applicable exemptions from registration under the Securities Act to be available, nor will the Company take any action or steps, other than pursuant to the Transaction Documents, that would cause the offering or issuance of the Notes, the Warrants, the Conversion Securities, and the Warrant Shares under the Transaction Documents to be integrated with other offerings by the Company. The Company is a “foreign issuer” (as defined in Regulation S under the Securities Act).

(h) Listing. Both of the Class A Ordinary Shares (not for trading but in connection with the listing of the ADSs) and the ADSs are registered pursuant to Section 12(b) of the Exchange Act and the ADSs are listed on the NYSE, and the Company has taken no action to terminate the registration of the Class A Ordinary Shares under the Exchange Act or delist the ADSs from the NYSE. The Company has not received any notification that the SEC or the NYSE is currently contemplating terminating such registration or listing, and the Company is not in violation in all material respects of the applicable listing requirements of the NYSE and has no knowledge of any facts that would reasonably be expected to lead to the delisting or suspension of the ADSs from the NYSE in the foreseeable future.

(i) Public Documents. The Company has timely filed or furnished all Public Documents. As of their respective filing or furnishing dates, the Public Documents complied in all material respects with the requirements of the Sarbanes-Oxley Act, the Securities Act or the Exchange Act as applicable to the respective Public Documents, and, other than as corrected, clarified or otherwise modified in a subsequent Public Document, none of the Public Documents, at the time they were filed or furnished, contained any untrue statement of a material fact or omitted to state a material fact required to be stated therein or necessary in order to make the statements therein, in the light of the circumstances under which they were made, not misleading. As of the date of this Agreement, there are no outstanding or unresolved comment letters received from the SEC or its staff and to the Company's knowledge, none of the Public Documents is the subject of ongoing SEC review, outstanding SEC comment or outstanding SEC investigation.

(j) Financial Statements. As of their respective dates, the consolidated financial statements of the Company (including any related notes thereto) included in the Public Documents (the "Financial Statements") (i) complied as to form in all material respects with applicable accounting requirements and the published rules and regulations of the SEC with respect thereto, (ii) fairly presented the consolidated financial position of the Company as of the dates indicated therein and the consolidated results of operations, cash flows and changes in shareholders' equity for the periods specified therein, except as corrected or clarified in a subsequent Public Document, (iii) were prepared in accordance with GAAP applied on a consistent basis (except, in the case of unaudited interim statements, to the extent they may exclude footnotes or may be condensed to summary statements), except as disclosed therein and as permitted under the Exchange Act and (iv) were prepared in accordance with the books of account and other financial records of the Company and its Subsidiaries (except as may be indicated in the notes thereto).

(k) No Undisclosed Liabilities. The Company and its Subsidiaries do not have any liabilities, guarantees or obligations (including contingent payment obligations) other than those (i) reflected on, reserved against, or disclosed in the Financial Statements or in the notes thereto, (ii) incurred in the ordinary course of business, (iii) that would not, individually or in the aggregate, reasonably be expected to have a Material Adverse Effect, or (iv) arising under the Transaction Documents. There are no unconsolidated Subsidiaries of the Company or any off-balance sheet arrangements of any type that have not been so described in the Public Documents or the Financial Statements nor any obligations to enter into any such arrangements.

(l) Internal Controls and Procedures. The Company has established and maintains disclosure controls and procedures as such terms are defined in, and required by, Rule 13a-15 or Rule 15d-15 under the Exchange Act. The Company's management evaluated the effectiveness of the Company's internal controls over financial reporting as of December 31, 2024 in compliance with the requirements of Section 404 of the Sarbanes-Oxley Act of 2002, and concluded that such controls were effective as of December 31, 2024. The Company's independent registered accountant concluded in its opinion on financial statements that the Company maintained in all material respects effective internal control over financial reporting as of December 31, 2024. Since December 31, 2024, there has been no change in the Company's internal control over financial reporting that has materially adversely affected, or is reasonably likely to materially adversely affect, the Company's internal control over financial reporting.

(m) Absence of Changes. Since December 31, 2024, there has not been any event, circumstance, development or change that, individually or in the aggregate, has or would reasonably be expected to have a Material Adverse Effect.

(n) Legal Proceedings; Restraint. Except as would not reasonably be expected to have a Material Adverse Effect, there is no, and there has not been any, (i) pending or, to the Company's knowledge, threatened Proceedings against the Company or any of its Subsidiaries, or (ii) outstanding Judgment imposed upon the Company or any of its Subsidiaries. There are no pending or, to the Company's knowledge, threatened Proceedings that seek to restrain or enjoin the consummation of the transactions contemplated by the Transaction Documents.

(o) Compliance with Applicable Laws; Permits. The Company and each of its Subsidiaries have conducted their businesses in compliance with all applicable Laws except for noncompliance, if any, which would not, individually or in the aggregate, reasonably be expected to have a Material Adverse Effect. The Company and each of its Subsidiaries have all permits, licenses, authorizations, consents, orders and approvals (collectively, "Permits") of, and have made all filings, applications and registrations with, any Governmental Entity that are required in order to carry on their business as currently conducted, except where the failure to have such Permits or to make such filings, applications or registrations would not, individually or in the aggregate, reasonably be expected to have a Material Adverse Effect; and all such Permits are in full force and effect and, to the knowledge of the Company, no suspension or cancellation of any of them is threatened, and all such filings, applications and registrations are current, except where such absence, suspension or cancellation would not, individually or in the aggregate, reasonably be expected to have a Material Adverse Effect.

(p) Anticorruption and Sanctions. The Company and its Subsidiaries are in compliance in all material respects with all applicable Anticorruption Laws, Money Laundering Laws and Sanctions Law and Regulations. Neither the Company nor any of its Subsidiaries is currently knowingly engaged in any dealings or transactions with any Person, or in any country or territory, that is a Sanctions Target.

(q) Intellectual Property. The Company and its Subsidiaries own, or possess the right to use, all of the Intellectual Property, licenses, permits and other authorizations that are reasonably necessary for the operation of their respective businesses. All material registered Intellectual Property and applications for registration of material Intellectual Property anywhere in the world that are owned or filed by the Company or a Subsidiary of the Company (collectively, "Registered Intellectual Property") are owned by the Company or its Subsidiaries, free and clear of any Encumbrance. All Registered Intellectual Property is subsisting, valid and enforceable, currently in compliance with any and all legal requirements necessary to maintain the validity and enforceability thereof and not subject to any outstanding Judgment materially and adversely affecting the Company's use thereof or rights thereto or that would materially impair the validity or enforceability thereof. The conduct of the business of the Company and its Subsidiaries as currently conducted does not infringe or otherwise violate any proprietary right or Intellectual Property of any third party, except for such infringements and violations which, individually or in the aggregate, would not reasonably be expected to have a Material Adverse Effect. There are no infringements or other violations of any Intellectual Property owned by the

Company or any of its Subsidiaries by any third party, except for such infringements and violations which would not, individually or in the aggregate, reasonably be expected to have a Material Adverse Effect.

(r) Solvency. The Company, on a consolidated basis, is not, as of the date hereof, and after giving effect to the transactions contemplated by the Transaction Documents, will not be, Insolvent (as defined below). For purposes of this provision, “Insolvent” means, with respect to any Person, (a) the present fair saleable value of such Person’s assets is less than the amount required to pay such Person’s total indebtedness, (b) such Person is unable to pay its debts and liabilities, subordinated, contingent or otherwise, as such debts and liabilities become absolute and matured, (c) such Person intends to incur or believes that it will incur debts that would be beyond its ability to pay as such debts mature or (d) such Person has unreasonably small capital with which to conduct the business in which it is engaged as such business is now conducted and is currently proposed to be conducted.

(s) Brokers and Finders. Neither the Company nor any Person authorized by the Company to act on its behalf is a party to any agreement, arrangement or understanding with any Person that would give rise to any valid right, interest or claim against or upon the Purchaser for any brokerage commission, finder’s fee or other similar compensation, as a result of the transactions contemplated by the Transaction Documents.

(t) No Additional Representations. The Company makes no representations or warranties as to any matter whatsoever except as expressly set forth in the Transaction Documents.

Section 3.2 Representations and Warranties of the Purchaser. The Purchaser represents and warrants to the Company as of the date hereof and as of the First Closing Date and the Second Closing Date (except to the extent that any representation or warranty is expressly made as of a specified date, in which case as of such date) that:

(a) Organization. The Purchaser is duly organized, validly existing and in good standing under the Laws of its jurisdiction of incorporation, and has the requisite power and authority to carry on its business as currently being conducted.

(b) Authorization; Enforcement; Validity. The Purchaser has the requisite corporate power and authority to execute and deliver the Transaction Documents to which it is a party and to perform its obligations thereunder. The execution, delivery and performance by the Purchaser of the Transaction Documents to which it is a party have been duly authorized by all necessary corporate action on the part of the Purchaser. Each Transaction Document to which the Purchaser is a party has been or will be duly executed and delivered by the Purchaser, and, assuming the due authorization, execution and delivery by the Company, constitutes a legal, valid and binding obligation of the Purchaser, enforceable against it in accordance with its terms, subject to the Bankruptcy and Equity Exception.

(c) No Conflicts. The execution, delivery and performance by the Purchaser of the Transaction Documents to which it is a party will not (i) result in a violation of the organizational or constitutional documents of the Purchaser, (ii) conflict with, or constitute a

default (or an event which with notice or lapse of time or both would become a default) under, or give to others any rights of termination, amendment, acceleration or cancellation of, any Contract to which the Purchaser is a party, or (iii) result in a violation of any Law applicable to the Purchaser, except in the case of clauses (ii) and (iii) above, for such conflicts, defaults, rights or violations which would not, individually or in the aggregate, reasonably be expected to have a material adverse effect on the ability of the Purchaser to perform its obligations under the Transaction Documents to which it is a party. There are no pending or, to the Purchaser's knowledge, threatened Proceedings that seek to restrain or enjoin the consummation of the transactions contemplated by the Transaction Documents.

(d) Consents. Subject to the accuracy of the representations and warranties of the Company in Section 3.1, the execution, delivery and performance by the Purchaser of the Transaction Documents to which it is a party do not and will not require any consent, approval, authorization or other order of, action by, filing with, or notification to, any Governmental Entity or any other Person, except for filings that may be required to be made with the SEC.

(e) Status and Investment Intent.

(i) The Purchaser is either (A) an "accredited investor" within the meaning of Rule 501 of Regulation D under the Securities Act or (B) not a "U.S. person" within the meaning of Regulation S under the Securities Act.

(ii) The Purchaser has sufficient knowledge and experience in financial and business matters so as to be capable of evaluating the merits and risks of its investment under the Transaction Documents, and is capable of bearing the economic risks of such investment.

(iii) The Purchaser acknowledges that the Company is a public reporting company and that the Company and its Affiliates and their respective directors, officers, employees and advisors may possess information regarding the Company or its securities that is material and non-public. The Purchaser represents that it is sophisticated, has reviewed the Public Documents to the extent it deems appropriate, and is entering into the transactions contemplated by the Transaction Documents notwithstanding any informational disadvantage and without reliance on any such material non-public information. The Purchaser agrees that neither the Company nor any of the foregoing Persons has any duty to disclose any such information to the Purchaser in connection with the transactions contemplated hereby, except as required by applicable Law.

(iv) The Purchaser is acquiring the Notes and the Warrants for its own account and not with a view to the distribution thereof in violation of the Securities Act.

(v) The Purchaser was not identified or contacted through the marketing of the transactions contemplated by this Agreement. The Purchaser did not contact the Company as a result of any general solicitation or directed selling efforts.

(vi) The Purchaser acknowledges that the Notes and the Warrants are "restricted securities" that have not been registered under the Securities Act or any applicable state securities Law, and may only be offered, sold or otherwise transferred except pursuant to an

effective registration statement under the Securities Act or an exemption from registration under the Securities Act.

(f) Sufficient Funding. The Purchaser will have at its disposal sufficient funding on the First Closing Date to pay the First Note Purchase Price and (subject to Section 6.3) on the Second Closing Date to pay the Second Note Purchase Price, in each case to consummate the transactions contemplated hereby.

(g) Restrictive Legend. The Purchaser understands that each share certificate representing any Class A Ordinary Shares received by the Purchaser upon conversion of the Notes or exercise of the Warrants will be endorsed, until no longer required, with the following legend:

THE SECURITIES REPRESENTED HEREBY HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933 (AS AMENDED, THE “SECURITIES ACT”) OR UNDER THE SECURITIES LAWS OF ANY OTHER JURISDICTIONS. THESE SECURITIES MAY NOT BE TRANSFERRED, SOLD, OFFERED FOR SALE, PLEDGED OR HYPOTHECATED IN THE ABSENCE OF (1) AN EFFECTIVE REGISTRATION STATEMENT UNDER THE SECURITIES ACT OR (2) AN EXEMPTION OR QUALIFICATION UNDER APPLICABLE SECURITIES LAWS. ANY ATTEMPT TO TRANSFER, SELL, PLEDGE OR HYPOTHECATE THESE SECURITIES IN VIOLATION OF THE FOREGOING RESTRICTIONS SHALL BE NULL AND VOID.

(h) Brokers and Finders. Neither the Purchaser nor any Person authorized by the Purchaser to act on its behalf is a party to any agreement, arrangement or understanding with any Person that would give rise to any valid right, interest or claim against or upon the Company for any brokerage commission, finder’s fee or other similar compensation, as a result of the transactions contemplated by the Transaction Documents.

(i) No Additional Representations. The Purchaser makes no representations or warranties as to any matter whatsoever except as expressly set forth in the Transaction Documents or in any certificate delivered by the Purchaser to the Company in accordance with the terms thereof.

ARTICLE IV **COVENANTS**

Section 4.1 Reservation of Shares. At any time when any portion of the Notes is outstanding or any Warrants remain exercisable, the Company shall maintain a reserve from its duly authorized but unissued shares, sufficient Class A Ordinary Shares to enable the Company to comply with its obligations to issue the Conversion Securities upon the conversion of the Notes in accordance with the terms and conditions of the Notes, and issue the Warrant Shares upon exercise of the Warrants in accordance with the terms and conditions of the Warrants.

Section 4.2 Use of Proceeds. The Company shall use the proceeds received pursuant to this Agreement for (a) acquisitions of, or investments in, other companies, businesses or assets,

and/or (b) business growth initiatives including product research and development, global supply chain integration, and overseas market expansion.

Section 4.3 CSRC Filing. The Company shall, and shall cause its Subsidiaries (i) prepare, submit and complete the filing and reporting procedures regarding the issuance of the Notes and Warrants contemplated by the Transaction Documents with the China Securities Regulatory Commission (中國證券監督管理委員會) (the “CSRC”) in accordance with the Trial Administrative Measures of Overseas Securities Offering and Listing by Domestic Companies (《境內企業境外發行證券和上市管理試行辦法》), promulgated by the CSRC and effective as of March 31, 2023, as amended, supplemented or interpreted from time to time, and related CSRC notices, rules, Q&As and interpretations issued from time to time (collectively, the “PRC Overseas Offering and Listing Regulations”) promptly following the date hereof (the “CSRC Filing”), (ii) respond promptly and in good faith to any comments, supplemental information requests or inquiries from the CSRC, and (iii) provide the Purchaser with copies of all material filing submissions, comment letters and responses relating to the CSRC Filing.

Section 4.4 NDRC Foreign Debt Registration and Reporting. The Company shall, and shall cause its Subsidiaries to (i) obtain an enterprise foreign debt registration certificate (the “NDRC Certificate”) from the National Development and Reform Commission (國家發展改革委員會) (“NDRC”) in connection with (A) any extension of the maturity of the First Note beyond one (1) year and (B) the issuance of the Second Note as promptly as practicable following the date hereof in accordance with the Administrative Measures for the Review and Registration of Medium and Long-Term Foreign Debts of Enterprises (《企業中長期外債審核登記管理辦法》 (中華人民共和國國家發展和改革委員會令第56號)) (the “NDRC Administrative Measures”); and (ii) report and complete the requisite filing with the NDRC in respect of the issuance (or the extension of the maturity) of the Notes (as applicable) within ten (10) Business Days after the date of issuance (or the extension of the maturity) of the Notes, and shall duly perform all obligations required thereunder.

Section 4.5 Further Assurances; Filings.

(a) Each party hereto agrees to use its reasonable best efforts to fulfill or obtain the fulfillment of the conditions precedent to the consummation of the transactions contemplated by this Agreement on a timely basis. The parties shall cooperate with each other and, generally, do such other reasonable acts and things in good faith as may be necessary to effectuate the intents and purposes of the Transaction Documents, subject to the terms and conditions thereof and compliance with applicable Law.

(b) Each of the Company and the Purchaser shall use its reasonable best efforts to (i) cooperate in all respects with the other party in connection with any filing, reporting or submission with a Governmental Entity (including without limitation to provide, or cause its Affiliates to provide, such information regarding such party and its Affiliates as may be reasonably required by any Governmental Entity in connection with the CSRC Filing or the NDRC Certificate in accordance with Sections 4.3 and 4.4) in connection with the transactions contemplated by the Transaction Documents and in connection with any investigation or other inquiry by or before a Governmental Entity relating to the transactions, including any proceeding

initiated by a private Person, (ii) keep the other party informed in all material respects and on a reasonably timely basis of any material communication received by the Company or the Purchaser, as the case may be, from or given by the Company or the Purchaser, as the case may be, to any Governmental Entity and of any material communication received or given in connection with any proceeding by a private Person, in each case regarding the transactions contemplated by the Transaction Documents, (iii) subject to applicable Law relating to the exchange of information, and to the extent reasonably practicable, consult with the other party with respect to information relating to such party and its respective Subsidiaries, as the case may be, that appears in any filing made with, or written materials submitted to, any third Person or any Governmental Entity in connection with the transactions contemplated by the Transaction Documents, and (iv) to the extent permitted by the applicable Governmental Authority or other Person, give the other party the opportunity to attend and participate in such meetings and conferences.

(c) Notwithstanding anything to the contrary in this Agreement, nothing in this Section 4.5 shall require the Purchaser to take any action with respect to any of its Affiliates, including selling, divesting, conveying, holding separate, or otherwise limiting its freedom of action with respect to any assets, rights, products, licenses, businesses, operations, or interest therein, of any such Affiliates or any direct or indirect portfolio companies of investment funds advised or managed by one or more Affiliates of the Purchaser. The parties understand and agree that all obligations of Purchaser related to regulatory approvals shall be governed exclusively by this Section 4.5.

Section 4.6 Legend Removal. Upon request of the Purchaser, upon receipt by the Company of an opinion of counsel and other customary representations and other documentation from the Purchaser, in each case, reasonably satisfactory to the Company to the effect that the restrictive legend is no longer required under the Securities Act or applicable Law, as the case may be, the Company shall promptly cause the legend to be removed from any certificate or any other instrument for any ADSs or Class A Ordinary Shares received by the Purchaser upon conversion of the Notes or exercise of the Warrants. Upon the Purchaser's request, the Company shall provide all reasonably necessary assistance to promptly facilitate the conversion into ADSs of the Class A Ordinary Shares received by the Purchaser upon conversion of the Notes and/or exercise of the Warrants that are no longer subject to the restrictive legend.

Section 4.7 Conduct of the Business. Prior to each Closing Date (unless this Agreement is terminated pursuant to Article VI prior to such Closing Date), the Company shall, and shall cause each of its Subsidiaries to, (i) conduct its business in the ordinary course consistent with past practice, including customary financing arrangements and facilities, (ii) use commercially reasonable efforts to preserve intact its current business organizations and its rights and permits issued by Governmental Entities, keep available the services of its current officers and key employees and preserve its relationships with customers, suppliers, Governmental Entities and others having business dealings with it to the end that its goodwill and ongoing businesses shall be unimpaired, and (iii) not take any action that would reasonably be expected to materially adversely affect or materially delay the consummation of the transactions contemplated by the Transaction Documents.

Section 4.8 Registration Rights. The Holders (as defined in Exhibit D hereto) shall be entitled to certain registration rights on the terms and subject to the conditions as set forth in Exhibit D hereto.

ARTICLE V

CONDITIONS PRECEDENT

Section 5.1 Conditions to Each Party's Obligations. The obligations of the parties to consummate the transactions contemplated under this Agreement at each Closing are subject to the satisfaction, on the applicable Closing Date, of the following condition:

(a) No Law or Judgment entered by or with any Governmental Entity with competent jurisdiction shall be enacted, enforced or issued and in effect that enjoins or prohibits or fundamentally alters the terms of the transactions contemplated by the Transaction Documents.

Section 5.2 Conditions to the Purchaser's Obligations. The obligations of the Purchaser to consummate the transactions contemplated under this Agreement at each Closing are subject to the satisfaction, on the applicable Closing Date, of the following conditions, any of which may be waived in writing by the Purchaser in its sole discretion:

(a) (i) The Fundamental Representations shall be true and correct (other than for *de minimis* inaccuracies) as of the date hereof and as of the applicable Closing Date with the same effect as though made as of the applicable Closing Date (except to the extent expressly made as of an earlier date, in which case as of such earlier date); and (ii) the representations and warranties of the Company contained in Section 3.1 (other than the Fundamental Representations) shall be true and correct in all material respects as of the applicable Closing Date with the same effect as though made as of the date hereof and as of the applicable Closing Date (except to the extent expressly made as of an earlier date, in which case as of such earlier date), except for those representations and warranties that are qualified by materiality or Material Adverse Effect, which shall be true and correct to such extent.

(b) The Company shall have performed and complied with, in all material respects, the covenants, obligations and agreements required under the Transaction Documents to be performed or complied with by the Company on or prior to the applicable Closing Date.

(c) There shall not exist or have occurred any event, circumstance, development or change that, individually or in the aggregate, has or would reasonably be expected to have a Material Adverse Effect.

(d) The Company shall have duly attended to and completed all corporate procedures and other actions that are required in connection with the Transaction Documents and the transactions contemplated thereby.

(e) Solely for the Second Closing, the Company shall have obtained the NDRC Certificate.

Section 5.3 Conditions to the Company's Obligations. The obligations of the Company to consummate the transactions contemplated under this Agreement at each Closing are subject to the satisfaction, on the applicable Closing Date, of the following conditions, any of which may be waived in writing by the Company in its sole discretion:

(a) The representations and warranties of the Purchaser contained in Section 3.2 hereof shall be true and correct as of the applicable date in all material respects as of the date hereof and as of the applicable Closing Date with the same effect as though made as of the applicable Closing Date (except to the extent expressly made as of an earlier date, in which case as of such earlier date).

(b) The Purchaser shall have performed and complied with, in all material respects, the covenants, obligations and agreements required under the Transaction Documents to be performed or complied with by the Purchaser on or prior to the applicable Closing Date.

ARTICLE VI **TERMINATION**

Section 6.1 Termination. This Agreement may be terminated and the transactions contemplated by this Agreement abandoned in whole or in part at any time prior to the applicable Closing:

(a) by mutual written agreement of the parties hereto;

(b) by either party hereto if any Law or final, non-appealable injunction or order shall have been enacted or issued which has the effect of prohibiting the transactions contemplated hereunder; provided, however, that the right to terminate this Agreement pursuant to this Section 6.1(b) shall not be available to a party if the issuance of such Law, injunction or order was initiated by, or primarily due to a breach by, such party of this Agreement;

(c) by either party hereto if the First Closing shall not have occurred within 30 Business Days of the date hereof or another date as agreed in writing by the parties hereto; provided, however, that the right to terminate this Agreement pursuant to this Section 6.1(c) shall not be available to any party if the failure of the First Closing to occur on or prior to such date was primarily due to a breach by such party of this Agreement;

(d) after the occurrence of the First Closing, by either party hereto if the Second Closing shall not have occurred within 90 Business Days of the date hereof or another date as agreed in writing by the parties hereto (the "Second Long Stop Date"); provided that if, on or prior to the Second Long Stop Date, all required applications, filings, or submissions for any governmental or regulatory approval or consent required for the Second Closing have been duly made in accordance with this Agreement, but such approval or consent has not been obtained by the Second Long Stop Date for reasons not attributable to the breach, failure to act, or delay of either party, then the Second Long Stop Date shall be extended for a period as the parties hereto mutually agree in writing to permit the receipt of such approval or consent; provided further, however, that the right to terminate this Agreement pursuant to this Section 6.1(d) shall not be available to any party if the failure of the Second Closing to occur on or prior to such date was primarily due to a breach by such party of this Agreement, and that any such

termination shall only terminate the obligations of the parties with respect to the Second Closing and shall not affect the rights and obligations of the parties with respect to the First Note;

(e) after the occurrence of the First Closing, by the Purchaser with respect to the Second Closing only and subject to Section 6.3, if the Purchaser is in good faith unable to obtain necessary external financing to fund the Second Note Purchase Price on or prior to the agreed date for the Second Closing; provided that any such termination shall only terminate the obligations of the parties with respect to the Second Closing and shall not affect the rights and obligations of the parties with respect to the First Note;

(f) by the Purchaser if there is a material breach by the Company of any of its representations, warranties, covenants, obligations or agreement hereunder that would give rise to failure of the conditions set forth in Section 5.2 to be satisfied, which breach is not cured within 20 Business Days following the Purchaser's delivery of a written notice thereof to the Company; provided that the Purchaser shall not have the right to terminate this Agreement pursuant to this Section 6.1(f) if the Purchaser is then in material breach of any of its representations, warranties, covenants or agreements hereunder;

(g) by the Company if there is a material breach by the Purchaser of any of its representations, warranties, covenants, obligations or agreement hereunder that would give rise to failure of the conditions set forth in Section 5.3 to be satisfied, which breach is not cured within 20 Business Days following the Company's delivery of a written notice thereof to the Purchaser; provided that the Company shall not have the right to terminate this Agreement pursuant to this Section 6.1(g) if the Company is then in material breach of any of its representations, warranties, covenants or agreements hereunder;

(h) by the Company if (i) all of the conditions set forth in Section 5.1 and Section 5.2 have been satisfied or, in the case of any condition set forth in Section 5.2, waived by the Purchaser (other than delivery of items to be delivered at the applicable Closing and other than satisfaction of those conditions that by their nature are to be satisfied by actions taken at the applicable Closing), (ii) the Company has notified the Purchaser that all conditions set forth in Section 5.3 have been satisfied or that the Company is willing to irrevocably waive any unsatisfied conditions in Section 5.3, and the Company is ready, willing and able to consummate the transactions contemplated by this Agreement, and (iii) the Purchaser fails to consummate the First Closing by the agreed date for the First Closing, or (with respect to the Second Closing only) the Second Closing by the agreed date for the Second Closing (and in each case such failure is not primarily caused by the Company); or

(i) by the Purchaser if (i) all of the conditions set forth in Section 5.1 and Section 5.3 have been satisfied or, in the case of any condition set forth in Section 5.3, waived by the Company (other than delivery of items to be delivered at the applicable Closing and other than satisfaction of those conditions that by their nature are to be satisfied by actions taken at the applicable Closing), (ii) the Purchaser has notified the Company that all conditions set forth in Section 5.2 have been satisfied or that the Purchaser is willing to irrevocably waive any unsatisfied conditions in Section 5.2, and the Purchaser is ready, willing and able to consummate the transactions contemplated by this Agreement, and (iii) the Company fails to consummate the First Closing by the agreed date for the First Closing, or (with respect to the Second Closing

only) the Second Closing by the agreed date for the Second Closing (and in each case such failure is not primarily caused by the Purchaser).

Section 6.2 Effect of Termination. If this Agreement is terminated pursuant to Section 6.1, it shall become null and void and of no further force and effect (except that in the case of a termination with respect to the Second Closing only, only the provisions relating to the Second Closing shall become null and void and the rights and obligations of the parties with respect to the First Note shall not be affected), except that the provisions of this Section 6.2, Section 6.3, Article I, and Article VII shall remain in full force and effect; provided that nothing herein shall relieve any party hereto from liability (i) for any breach of this Agreement that occurred prior to such termination, or (ii) resulting from fraud. Notwithstanding anything to the contrary in this Agreement, if the First Closing has occurred, any termination of this Agreement (whether in whole or with respect to the Second Closing only) shall not affect (a) the validity, binding effect or enforceability of the First Note and the Warrants issued at the First Closing, and (b) the rights and obligations of the parties under the Transaction Documents with respect to the First Note and the Warrants issued at the First Closing.

Section 6.3 Second Closing Termination Fee.

(a) In the event this Agreement is terminated (i) by the Purchaser pursuant to Section 6.1(e) with respect to the Second Closing, or (ii) by the Company pursuant to Section 6.1(h) with respect to the Second Closing, the Purchaser shall pay to the Company, as liquidated damages and not as a penalty, a fee equal to 1% of the Second Note Purchase Price (the “Second Closing Termination Fee”), payable in Renminbi. The Second Closing Termination Fee (together with, if applicable, the cost and expense reimbursement and interest described in the second sentence of paragraph (b) of this Section 6.3) shall be the Company’s sole and exclusive remedy against the Purchaser in respect of the Purchaser’s failure to fund the Second Closing. The Second Closing Termination Fee shall be payable in immediately available funds by wire transfer no later than five (5) Business Days after such termination.

(b) The parties hereto acknowledge and agree that (i) the Second Closing Termination Fee is an integral part of the transactions contemplated by this Agreement, (ii) in the event that this Agreement is terminated by the Company pursuant to Section 6.1(h) with respect to the Second Closing, the damages resulting from the Purchaser’s failure to fund the Second Closing are uncertain and incapable of accurate calculation, and therefore the Second Closing Termination Fee constitutes liquidated damages in a reasonable amount that will fully compensate the Company for the opportunities foregone in reliance on this Agreement, and (iii) without this agreement contained in this Section 6.3, the Company would not enter into this Agreement. Accordingly, if the Purchaser fails to timely pay the Second Closing Termination Fee, and, in order to obtain such payment, the Company commences a suit, action or other proceeding that results in a judgment in its favor, the Purchaser shall pay to the Company its reasonable and documented out-of-pocket costs and expenses (including attorneys’ fees and expenses) in connection with such suit, action or other proceeding, together with interest on the amount of such payment from the date such payment was required to be made until the date of payment at a rate per annum equal to the prime interest rate published in The Wall Street Journal on the date such interest begins accruing.

ARTICLE VII

MISCELLANEOUS

Section 7.1 Survival. The representations and warranties of the parties set forth in Article III shall survive the applicable Closing until the date that is 12 months after such Closing (or until final resolution of any claim or action arising from the breach of any such representation and warranty, if notice of such breach was provided prior to the end of such period); provided that the Fundamental Representations shall survive until the date that is five (5) years after the applicable Closing (or until final resolution of any claim or action arising from the breach of any such Fundamental Representation, if notice of such breach was provided prior to the end of such period). All of the covenants, obligations and agreements of the parties contained in this Agreement shall survive the First Closing and the Second Closing until fully performed in accordance with their terms.

Section 7.2 Indemnification.

(a) From and after the First Closing, each party (the “Indemnitor”) shall indemnify, defend and hold harmless the other party, its Affiliates and their respective officers, directors, employees and agents (collectively, the “Indemnitees”) from and against any and all suits, claims, losses, costs, penalties, fees, liabilities and damages, and expenses in connection therewith, including reasonable attorneys’ fees and disbursements (the “Indemnified Liabilities”), incurred by any Indemnatee as a result of or arising out of the breach by the Indemnitor of any representation, warranty, covenant, obligation or agreement contained in the Transaction Documents.

(b) No Indemnitor shall be liable for any Indemnified Liabilities in respect of punitive damages (except to the extent that such punitive damages are awarded to a third party against an Indemnatee in connection with a third party claim). No Indemnatee shall be entitled to recover from the Indemnitor more than once in respect of the same Indemnified Liabilities suffered. Any Second Closing Termination Fee paid by the Purchaser shall be credited against any indemnification amounts payable by the Purchaser as the Indemnitor for any Indemnified Liabilities arising out of the same facts or circumstances.

(c) The maximum aggregate amount of Indemnified Liabilities that the Indemnitees will be entitled to recover, other than with respect to breaches of any Fundamental Representations, shall be limited to 50% of the purchase price actually paid by the Purchaser. The maximum aggregate amount of Indemnified Liabilities that the Indemnitees will be entitled to recover for breaches of Fundamental Representations (inclusive and not in duplication of the amounts referred to in the preceding sentence) shall be limited to 100% of the purchase price actually paid by the Purchaser.

(d) The amount of any Indemnified Liabilities for which indemnification is provided under this Section 7.2 shall be reduced by (i) any amounts that have been actually and irrevocably recovered by any Indemnatee from any third party, and (ii) any insurance proceeds or other cash receipts or source of reimbursement that have been actually and irrevocably received by any Indemnatee, in each case with respect to such Indemnified Liabilities and net of any costs of recovery. If any amount to be reduced under this Section 7.2(d) from any payment required

under this Section 7.2 is determined after the date on which the Indemnitor has paid such indemnification claim, the Indemnitee shall reasonably promptly reimburse the Indemnitor any amount that the Indemnitor would not have had to pay had such determination been made at the time of such indemnification payment by the Indemnitor.

(e) Notwithstanding any other provision contained herein and except in the case of fraud or willful misconduct, other than the payment of any Second Closing Termination Fee expressly provided for under this Agreement, the remedies contained in this Section 7.2 shall be the sole and exclusive monetary remedy of the Indemnitees for any claim arising out of or resulting from this Agreement and the other Transaction Documents; provided that the foregoing shall not limit a party's right to seek specific performance or other equitable remedies in any court of competent jurisdiction.

(f) Notwithstanding any other provision contained herein, no limitation or exceptions with respect to the obligations or liabilities on either party provided hereunder shall apply to Indemnified Liabilities incurred by any Indemnitee arising due to the fraud or willful misconduct of an Indemnitor.

Section 7.3 Costs and Expenses. Each party shall bear and pay its own costs, fees and expenses incurred in connection with the Transaction Documents and the transactions contemplated thereby; provided, however, that the Company shall reimburse the Purchaser for its reasonable legal counsel expenses incurred in connection with the negotiation, execution and delivery of the Transaction Documents and the consummation of the transactions contemplated thereby, in an aggregate amount not to exceed US\$[***] (or the Renminbi Equivalent Amount, as applicable).

Section 7.4 Confidentiality. Except as required by applicable Law, the existence, status and provisions of the Transaction Documents, the status and content of any discussion between the Company and the Purchaser, and any information exchanged between the parties and their respective Affiliates and representatives in connection with the Transaction Documents and the transactions contemplated thereby, will be kept confidential by the parties and will not be disclosed by any of them to any third party without the prior written consent of the other party, unless such information is or becomes known to the recipient from a source other than the parties, or is or becomes publicly known; provided that (a) any party may disclose such information to its Affiliates, partners, financing providers and any officer, director, employee, adviser, accountant or representative of such party or its Affiliates, partners or financing providers, on a need-to-know and confidential basis, and (b) the Company may disclose such information to any Governmental Entity having jurisdiction including but not limited to the SEC and the NYSE.

Section 7.5 Governing Law; Dispute Resolution.

(a) This Agreement shall be governed by and construed in accordance with the laws of the State of New York, without regard to principles of conflict of laws thereunder.

(b) Any dispute, controversy, difference or claim arising out of or relating to this Agreement, including its existence, validity, interpretation, performance, breach or termination hereof or any dispute regarding non-contractual obligations arising out of or relating

to it, shall be referred to and finally resolved by arbitration administered by the Hong Kong International Arbitration Centre under the HKIAC Administered Arbitration Rules in force when the notice of arbitration is submitted. The law of this arbitration clause shall be Hong Kong law. The seat of arbitration shall be Hong Kong.

(c) It shall not be incompatible with this arbitration agreement for any party to seek interim or conservatory relief from courts of competent jurisdiction before the constitution of the arbitral tribunal.

Section 7.6 Notices. All notices and other communications given under this Agreement shall be in writing and shall be deemed to have been duly given: (a) upon receipt, when delivered personally; (b) one (1) Business Day after deposit with an internationally recognized overnight courier service; or (c) when sent by confirmed electronic mail if sent during normal business hours of the recipient, or if not, then on the next Business Day, in each case properly addressed to the party to receive the same. The addresses of the parties for such communications are:

If to the Company:

Yatsen Holding Limited

Address: Floor 39, Poly Development Plaza
No. 832 Yue Jiang Zhong Road
Haizhu District, Guangzhou 510335
The People's Republic of China

Email: [***]

Attention: [***]

with a copy (which shall not constitute notice) to:

Skadden, Arps, Slate, Meagher & Flom LLP

Address: c/o 42/F Edinburgh Tower, The Landmark
15 Queen's Road Central, Hong Kong

Email: [***]

Attention: [***]

If to the Purchaser:

Polaris Veritas Investment Limited

Address: [***]

Email: [***]

Attention: [***]

A party may change or supplement the addresses given above by giving the other party written notice thereof in the manner set forth above.

Section 7.7 Successors and Assigns; No Third Party Beneficiaries.

(a) Neither this Agreement nor any of the rights, interests, or obligations hereunder shall be assigned by any party hereto without the prior written consent of the other party; provided, however, that the Purchaser may (i) assign any of its rights, interests or obligations hereunder to its successor or any of its Permitted Transferees, (ii) grant a pledge or security over any Note, Warrant, Conversion Securities or Warrant Shares in connection with any Back Leverage, (iii) transfer any of its rights, interests or obligations hereunder in connection with a change of Control of the Company, or a sale, transfer, merger, or other disposition (in one transaction or a series of related transactions) of any of the Significant Subsidiaries, or assets of the Company or any of the Significant Subsidiaries, where such Subsidiaries or assets, as applicable, represent 50% or more of the consolidated total assets or consolidated total revenues of the Company (in each case other than in connection with any internal reorganization or restructuring that does not result in a change of ultimate beneficial ownership or control of such Significant Subsidiary or assets), and (iv) make any disposition of Conversion Securities or Warrant Shares in compliance with the Securities Act and applicable state securities laws, as well as any distribution in-kind of any Note, Warrant, Conversion Securities, or Warrant Shares by the Purchaser to its shareholders (and such shareholders and their respective Permitted Transferees may make further distributions thereof in compliance with the Securities Act and any applicable state securities laws), in each case, without the consent of the Company.

(b) This Agreement shall be binding upon and inure solely to the benefit of the parties hereto and their respective successors and permitted assignees as set forth in Section 7.7(a). Except as expressly provided in this Agreement, nothing herein, express or implied, is intended to or shall confer upon any other Person any legal or equitable right, benefit or remedy of any nature whatsoever.

Section 7.8 Specific Performance. The parties hereto acknowledge and agree that irreparable harm would occur for which money damages would not be an adequate remedy if any provision of this Agreement was not performed in accordance with its specific terms or was otherwise breached. It is accordingly agreed that, in addition to any other remedies at law or in equity and except as otherwise provided in Section 6.3, each party hereto shall be entitled to injunctions to prevent breaches or threatened breaches of this Agreement and to enforce specifically the terms and provisions of this Agreement without posting any bond or other undertaking.

Section 7.9 Amendment; Waiver.

(a) This Agreement may be amended, modified or supplemented only by a written instrument duly executed by all the parties hereto.

(b) The observance of any provision in this Agreement may be waived only by the written consent of the party against whom such waiver is to be effective. No failure or delay on the part of any party to exercise any right hereunder shall operate as waiver thereof, nor shall any single or partial exercise by any party of any right preclude any other or future exercise thereof or the exercise of any other right.

Section 7.10 Entire Agreement. This Agreement and the other Transaction Documents, together with all the schedules and exhibits hereto and thereto and the certificates and other written instruments delivered in connection therewith from time to time on and following the date hereof, constitute and contain the entire agreement of the parties with respect to the subject matters hereof and thereof and supersedes any and all prior negotiations, correspondence, agreements, understandings, duties or obligations between the parties with respect to such subject matters.

Section 7.11 Severability. If any provision of this Agreement is found to be invalid or unenforceable, then such provision shall be construed, to the extent feasible, so as to render the provision enforceable and to provide for the consummation of the transactions contemplated hereby on substantially the same terms as originally set forth herein, and if no feasible interpretation would save such provision, it shall be severed from the remainder of this Agreement, which shall remain in full force and effect unless the severed provision is essential to the rights or benefits intended by the parties. In such event, the parties shall use commercially reasonable efforts to negotiate, in good faith, a substitute, valid and enforceable provision or agreement, which most nearly effects the parties' intent in entering into this Agreement.

Section 7.12 Counterparts. This Agreement may be executed in any number of counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same document.

[Signature Page Follows]

IN WITNESS WHEREOF, the parties hereto have caused their respective signature page to this Agreement to be duly executed as of the date first written above.

YATSEN HOLDING LIMITED

By: /s/ Donghao Yang
Name: Donghao Yang
Title: Chief Financial Officer and Director

[Signature Page to Convertible Note Purchase Agreement]

IN WITNESS WHEREOF, the parties hereto have caused their respective signature page to this Agreement to be duly executed as of the date first written above.

POLARIS VERITAS INVESTMENT LIMITED

By: /s/ Cheng Xike
Name: Cheng Xike
Title: Director

[Signature Page to Convertible Note Purchase Agreement]

LIST OF EXHIBITS

Exhibit A Form of the First Note

Exhibit B Form of the Second Note

Exhibit C Form of the Warrant

Exhibit D Registration Rights

Exhibit A

Form of the First Note

THIS NOTE AND THE SECURITIES ISSUABLE UPON CONVERSION OF THIS NOTE HAVE NOT BEEN REGISTERED UNDER THE UNITED STATES SECURITIES ACT OF 1933, AS AMENDED (THE “SECURITIES ACT”), OR UNDER ANY OTHER SECURITIES LAWS. THIS NOTE AND THE SECURITIES ISSUABLE UPON CONVERSION OF THIS NOTE ARE SUBJECT TO RESTRICTIONS ON TRANSFERABILITY AND RESALE AND MAY NOT BE TRANSFERRED OR RESOLD EXCEPT AS PERMITTED UNDER THE SECURITIES ACT AND OTHER APPLICABLE SECURITIES LAWS, PURSUANT TO REGISTRATION OR EXEMPTION THEREFROM. HOLDERS SHOULD BE AWARE THAT THEY MAY BE REQUIRED TO BEAR THE FINANCIAL RISKS OF THIS INVESTMENT FOR AN INDEFINITE PERIOD OF TIME.

CONVERTIBLE SENIOR NOTE

RMB415,458,000

[●], 2026

Subject to the terms and conditions of this Convertible Senior Note (the “Note”), for good and valuable consideration received, Yatsen Holding Limited, an exempted company incorporated with limited liability under the laws of the Cayman Islands (the “Company”), promises to pay to the order of Polaris Veritas Investment Limited, an exempted company incorporated with limited liability under the laws of the Cayman Islands (such party and any other permitted transferee, the “Holder”), the principal amount of RMB415,458,000, plus accrued and unpaid interest thereon at the rate provided below, on the Maturity Date or the Extended Maturity Date (each as defined below), as applicable, or such earlier date as may be otherwise provided herein, unless the outstanding principal, together with accrued interest, is settled in accordance with Article 3 of this Note.

The “Maturity Date” shall be [●], 2027, being the date that is 364 days after the Issue Date; provided that, upon the receipt of the NDRC Certificate (as defined in the Note Purchase Agreement (as defined below)), the Maturity Date shall automatically be extended to [●], 2031, being the date that is five (5) years after the Issue Date (the “Extended Maturity Date”), without any further action by any party.

The Note is issued pursuant to, and in accordance with, the Convertible Note Purchase Agreement, dated March 11, 2026 (the “Note Purchase Agreement”), between the Company and the Holder, and is subject to the provisions thereof. This Note is the First Note as defined in the Note Purchase Agreement. Any capitalized terms used but not defined herein shall have the meanings given to them in the Note Purchase Agreement.

The following is a statement of the rights of the Holder of the Note and the terms and conditions to which the Note is subject, and to which the Holder hereof, by the acceptance of the Note, agrees:

ARTICLE 1

DEFINITIONS

“ADS” means an American depositary share of the Company, representing twenty Class A Shares of the Company as of the date of this Note.

“ADS Depositary” means the depositary for the ADSs, being Deutsche Bank Trust Company Americas as of the date of this Note.

“Affiliate” means, with respect to any specified Person, any other Person that, directly or indirectly, Controls, is Controlled by, or is under common Control with, such specified Person.

“Board of Directors” means the board of directors of the Company or a committee of such board duly authorized to act for it hereunder.

“Business Day” means any day that is not a Saturday, a Sunday or another day on which banks are required or authorized by Law to be closed in the People’s Republic of China, Hong Kong, Singapore or the Cayman Islands.

“Capital Stock” means for any Person, any and all shares, interests, rights to purchase, warrants, options, participations or other equivalents of or interests in (however designated) stock issued by that Person.

“Class A Shares” means Class A ordinary shares in the share capital of the Company, par value US\$0.00001 per share as of the date of this Note, subject to Section 4.2.

“Clause A Distribution” shall have the meaning ascribed to such term in Section 4.1(c).

“Clause B Distribution” shall have the meaning ascribed to such term in Section 4.1(c).

“Clause C Distribution” shall have the meaning ascribed to such term in Section 4.1(c).

“close of business” means 5:00 p.m. (New York City time).

“Common Equity” of any Person means ordinary share capital or Capital Stock of such Person that is generally entitled (a) to vote in the election of directors of such Person or (b) if such Person is not a corporation, to vote or otherwise participate in the selection of the governing body, partners, managers or others that will control the management or policies of such Person.

“Company” shall have the meaning ascribed to such term in the Preamble.

“Control” (including the terms “Controlled by” and “under common Control with”) means, with respect to any Person, the possession, directly or indirectly, of the power to direct or cause the direction of the management and policies of such Person, whether through the ownership of voting securities, by contract or otherwise, provided, that such power shall conclusively be presumed to exist upon possession of beneficial ownership or power to direct the vote of fifty percent (50%) of the outstanding voting securities of such Person or the power to elect a majority of the board of directors or similar body governing the affairs of such Person.

“Conversion Date” shall have the meaning ascribed to such term in Section 3.3(a).

“Conversion Notice” shall have the meaning ascribed to such term in Section 3.3(a).

“Conversion Period” means the period commencing on the date that falls three hundred and sixty-four (364) days after the Issue Date, and ending on the third Business Day immediately preceding the Extended Maturity Date (both dates inclusive); provided that, if the Maturity Date is not extended to the Extended Maturity Date, the Conversion Period shall consist solely of such Maturity Date.

“Conversion Rate” shall have the meaning ascribed to such term in Section 3.2.

“Default” means any event that is, or after notice or passage of time, or both, would be, an Event of Default.

“Defaulted Amounts” means any amounts on this Note (including principal, interest, the Repurchase Price and the Fundamental Change Repurchase Price) that are payable but are not punctually paid or duly provided for.

“Distributed Property” shall have the meaning ascribed to such term in Section 4.1(c).

“Event of Default” shall have the meaning ascribed to such term in Section 2.4.

“Ex-Dividend Date” means the first date on which the Class A Shares, ADSs representing Class A Shares (or other applicable securities) trade on the applicable exchange or in the applicable market, regular way, without the right to receive the issuance, dividend or distribution in question, from the Company, the ADS Depositary, or, if applicable, from the seller of the Class A Shares, ADSs representing Class A Shares (or other applicable securities) on such exchange or market (in the form of due bills or otherwise) as determined by such exchange or market.

“Exchange Act” means the U.S. Securities Exchange Act of 1934, as amended, and the rules and regulations promulgated thereunder.

“Expiring Rights” means any rights, options or warrants to purchase Class A Shares or ADSs that expire on or prior to the Maturity Date or the Extended Maturity Date (as applicable).

“Extended Maturity Date” shall have the meaning ascribed to such term in the Preamble.

“Financial Indebtedness” means, without duplication, all interest-bearing obligations of the Company and its Subsidiaries for borrowed money owed to any bank, financial institution or other institutional lender, whether evidenced by a loan agreement, credit facility, note, bond, debenture or other similar instrument. For the avoidance of doubt, such Financial Indebtedness shall not include: (a) any obligations under the Notes (as defined in the Note Purchase Agreement); (b) trade payables, accounts payable or other similar obligations incurred in the ordinary course of business; (c) indebtedness incurred in connection with the acquisition of goods, equipment or services in the ordinary course of business; (d) operating lease obligations; (e) customer advances or deferred revenue; and (f) obligations under employee benefit plans or compensation arrangements.

“Fundamental Change” shall be deemed to have occurred at the time after the Note is originally issued if any of the following occurs:

(a) a “person” or “group” within the meaning of Section 13(d) of the Exchange Act, other than the Company, its Subsidiaries, the employee benefit plans of the Company and its Subsidiaries and any of the Permitted Holders, files any schedule, form or report under the Exchange Act disclosing that such person or group has become the direct or indirect “beneficial owner,” as defined in Rule 13d-3 under the Exchange Act, of the Company’s Common Equity (including Common Equity held in the form of ADSs) representing more than 50% of the voting power of the Company’s Common Equity;

(b) the consummation of (i) any recapitalization, reclassification or change of the Class A Shares or the ADSs (other than changes resulting from a subdivision or combination) as a result of which the Class A Shares or the ADSs would be converted into, or exchanged for, stock, other securities, other property or assets; (ii) any share exchange, consolidation, merger, amalgamation or scheme of arrangement of the Company pursuant to which the Class A Shares or the ADSs will be converted into cash, securities or other property; or (iii) any sale, lease or other transfer in one transaction or a series of transactions of all or substantially all of the consolidated assets of the Company and its Subsidiaries, taken as a whole, to any Person other than one of the Company’s Subsidiaries; provided, however, that a transaction described in clause (ii) in which the holders of all classes of the Company’s Common Equity immediately prior to such transaction own, directly or indirectly, more than 50% of the voting power of all classes of Common Equity of the continuing or surviving corporation or transferee or the parent thereof immediately after such transaction in substantially the same proportions vis-a-vis each other as such ownership immediately prior to such transaction shall not be a Fundamental Change pursuant to this clause (b);

(c) the shareholders of the Company approve any plan or proposal for the liquidation or dissolution of the Company; or

(d) the ADSs (or other common equity or ADSs in respect of common equity underlying the Note) cease to be listed or quoted on any of The New York Stock Exchange, The NASDAQ Global Select Market or The NASDAQ Global Market (or any of their respective successors);

provided, however, that a transaction or transactions described in clause (a) or (b) above shall not constitute a Fundamental Change if at least 90% of the consideration received or to be received by holders of the ADSs, excluding cash payments for any fractional ADS and cash payments made in connection with dissenters' appraisal rights, in connection with such transaction or transactions consists of shares of Common Equity or American depositary shares in respect of Common Equity that are listed or quoted on any of The New York Stock Exchange, The NASDAQ Global Select Market or The NASDAQ Global Market (or any of their respective successors) or will be so listed or quoted when issued or exchanged in connection with such transaction or transactions, and, as a result of such transaction or transactions, the Note becomes convertible into such consideration, excluding cash payments for any fractional ADS and cash payments made in connection with dissenters' appraisal rights,

provided, further, that notwithstanding anything to the contrary in the foregoing, none of the events described in clauses (a), (b), (c) or (d) above shall constitute a Fundamental Change if such event or transaction (i) was initiated or proposed by the Holder or any of its Affiliates, (ii) was approved or consented to by the Holder or any of its Affiliates (whether in its capacity as a shareholder, director, officer, noteholder or otherwise), (iii) resulted from any action taken or supported by the Holder or any of its Affiliates, or (iv) is a transaction in which the Holder or any of its Affiliates (or any Person acting in concert with the Holder or any of its Affiliates) is the counterparty, acquirer, recipient or transferee (or an Affiliate of any of the foregoing).

“Fundamental Change Repurchase Date” shall have the meaning ascribed to such term in Section 5.2(a).

“Fundamental Change Repurchase Notice” shall have the meaning ascribed to such term in Section 5.2(b)(i).

“Fundamental Change Repurchase Price” shall have the meaning ascribed to such term in Section 5.2(a).

“Governmental Authority” means any federal, national, foreign, supranational, state, provincial, local, municipal or other political subdivision or other government, governmental, regulatory or administrative authority, agency, board, bureau, department, instrumentality or commission, any court, tribunal, judicial or arbitral body of competent jurisdiction, any self-regulatory organization or any stock exchange.

“HKIAC” shall have the meaning ascribed to such term in Section 10.7(a).

“Holder” shall have the meaning ascribed to such term in the Preamble.

“Initial Conversion Price” means RMB32.06 per ADS, calculated as (a) the volume weighted average price of the ADSs on The New York Stock Exchange for the five (5) consecutive Trading Days ending on, and including, the Trading Day immediately preceding the

date of the Note Purchase Agreement, multiplied by (b) 1.20, and multiplied by (c) the applicable Spot Rate of 6.9243.

“Interest Payment Date” means each of June 30 and December 31 of each year, beginning on June 30, 2026; provided that Interest Payment Dates falling after the date that is 364 days after the Issue Date shall only be applicable if the Maturity Date has been extended to the Extended Maturity Date pursuant hereto.

“Interest Rate” shall have the meaning ascribed to such term in Section 2.1.

“Issue Date” means [●], 2026.

“Last Reported Sale Price” of any securities on any date means the closing sale price per security (or if no closing sale price is reported, the average of the bid and ask prices or, if more than one in either case, the average of the average bid and the average ask prices) on that date as reported in composite transactions for the New York Stock Exchange (or the principal U.S. national or regional securities exchange on which such securities are traded). If such securities are not listed for trading on a U.S. national or regional securities exchange on the relevant date, the “Last Reported Sale Price” shall be the last quoted bid price for such securities in the over-the-counter market on the relevant date as reported by OTC Markets Group Inc. or a similar organization. If such securities are not so quoted, the “Last Reported Sale Price” shall be the average of the midpoint of the last bid and ask prices for such securities on the relevant date from each of at least three nationally recognized independent investment banking firms selected by the Company for this purpose. If there is no bid price or no ask price for such securities on the relevant date, then the “Last Reported Sale Price” shall be the value per security of such securities as of the close of business on the relevant date as determined by a nationally recognized independent investment banking firm retained by the Company for such purpose as most accurately reflecting the per security price that a fully informed buyer, acting on his own accord, would pay to a fully informed seller, acting on his own accord in an arm’s-length transaction, for one such security. For so long as the Class A Shares are represented by ADSs, the “Last Reported Sale Price” of the Class A Shares on any date shall be the Last Reported Sale Price of the ADSs on that date, *divided by* the number of Class A Shares then represented by one ADS.

“Law” means any federal, national, foreign, supranational, state, provincial or local statute, law, ordinance, regulation, rule, code, order, requirement or rule of law (including common law) enacted, issued, promulgated, enforced or entered by any Governmental Authority.

“Maturity Date” shall have the meaning ascribed to such term in the Preamble.

“Make-Whole Amount” means, with respect to any principal amount of the Note to be repurchased on the Repurchase Date, an amount equal to (a) the total amount (inclusive of such principal amount and all interest paid or payable thereon from the Issue Date to the Repurchase Date) that would result in an aggregate return to the Holder equivalent to a four percent (4%) per annum internal rate of return (compounded annually) on such principal amount from the Issue Date to the Repurchase Date, minus (b) such principal amount, minus (c) the

aggregate amount of interest that has been paid or is payable on such principal amount from the Issue Date to, but excluding, the Repurchase Date.

“Merger Event” shall have the meaning ascribed to such term in Section 4.2(a).

“Note” shall have the meaning ascribed to such term in the Preamble.

“Note Purchase Agreement” shall have the meaning ascribed to such term in the Preamble.

“Officer” means, with respect to the Company, the Chairman of the Board of Directors, President, the Chief Executive Officer, the Chief Financial Officer, the Treasurer, the Secretary, any Executive or any Vice President (whether or not designated by a number or numbers or word or words added before or after the title “Vice President”).

“open of business” means 9:00 a.m. (New York City time).

“Permitted Holders” means Mr. Jinfeng Huang, together with any other respective “person” or “group” subject to aggregation of ordinary share capital of the Company (including ordinary share capital held in the form of ADSs) with Mr. Jinfeng Huang under Section 13(d) of the Exchange Act and the rules and regulations promulgated thereunder.

“Permitted Transferee” means, with respect to any Person, (i) any Affiliate of such Person, (ii) any successor entity of such Person, (iii) with respect to any Person that is an investment fund, vehicle or similar entity, any other investment fund, vehicle or similar entity of which such Person or an Affiliate, advisor or manager of such Person serves as the general partner, manager or advisor, and (iv) with respect to the Holder, any partner, member or shareholder of such Holder (and any of their respective Affiliates).

“Person” means any individual, partnership, corporation, association, joint stock company, trust, joint venture, limited liability company, organization, entity or Governmental Authority.

“PFIC” shall have the meaning ascribed to such term in Section 6.7.

“PRC” means the People’s Republic of China.

“Rate Calculation Date” means, with respect to any payment date or other date on which the Renminbi Equivalent Amount of any U.S. dollar amount is to be determined under the Transaction Documents, the day that is two (2) Business Days prior to such payment date or other date.

“Record Date” means, with respect to any dividend, distribution or other transaction or event in which the holders of the Class A Shares (directly or in the form of ADSs) (or other applicable security) have the right to receive any cash, securities or other property or in which the Class A Shares (directly or in the form of ADSs) (or such other security) is exchanged for or converted into any combination of cash, securities or other property, the date fixed for

determination of security holders entitled to receive such cash, securities or other property (whether such date is fixed by the Board of Directors, statute, contract or otherwise).

“Reference Property” and “unit of Reference Property” have the meanings ascribed thereto in Section 4.2(a).

“Regular Record Date” means, with respect to any Interest Payment Date, the June 15 or December 15 (whether or not such day is a Business Day) immediately preceding the applicable June 30 or December 31 Interest Payment Date, respectively.

“Renminbi”, “RMB” or “CNY” means the lawful currency of the People’s Republic of China.

“Renminbi Equivalent Amount” means, in respect of any amount denominated in U.S. dollars, the amount in Renminbi calculated by multiplying such U.S. dollar amount by the Spot Rate for the relevant Rate Calculation Date.

“Repurchase Date” shall have the meaning ascribed to such term in Section 5.1(a).

“Repurchase Notice” shall have the meaning ascribed to such term in Section 5.1(b).

“Repurchase Price” shall have the meaning ascribed to such term in Section 5.1(a).

“SEC” means the U.S. Securities and Exchange Commission.

“Securities Act” means the U.S. Securities Act of 1933, as amended, and the rules and regulations promulgated thereunder.

“Significant Subsidiary” means a Subsidiary of the Company that meets the definition of “significant subsidiary” in Article 1, Rule 1-02 of Regulation S-X under the Exchange Act.

“Spin-Off” shall have the meaning ascribed to such term in Section 4.1(c).

“Spot Rate” means, for any Rate Calculation Date, the USD/RMB spot exchange rate determined as follows: (a) the USD/CNY official fixing rate, expressed as the amount of CNY per USD 1.00 as reported by the Treasury Markets Association, Hong Kong (www.tma.org.hk) as its USD/CNY(HK) spot rate at approximately 11:30 a.m., Hong Kong time, with respect to such Rate Calculation Date; (b) if it becomes impossible to obtain the USD/CNY official fixing rate on the Rate Calculation Date as outlined in limb (a), the Spot Rate shall be the USD/CNY official fixing rate, expressed as the amount of CNY per USD 1.00, authorized by the People’s Bank of China of the People’s Republic of China for reporting by the China Foreign Exchange Trade System (www.chinamoney.com.cn) at approximately 9:15 a.m., Beijing time, with respect to such Rate Calculation Date; and (c) if none of the foregoing is

available, such rate as the Company and the Holder shall mutually agree in good faith and in a commercially reasonable manner.

“Subsidiary” means, with respect to any specified Person, any other Person that is Controlled by such specified Person and, for the avoidance of doubt, the Subsidiaries of any Person shall include any variable interest entity over which such Person or any of its Subsidiaries effects Control pursuant to contractual arrangements and which is consolidated with such Person in accordance with the accounting standards applicable to such Person.

“Trading Day” means a day on which (i) trading in the ADSs (or other security for which a closing sale price must be determined) generally occurs on The New York Stock Exchange or, if the ADSs (or such other security) are not then listed on The New York Stock Exchange, on another principal U.S. national or regional securities exchange on which the ADSs (or such other security) are then listed or, if the ADSs (or such other security) are not then listed on a U.S. national or regional securities exchange, on another principal market on which the ADSs (or such other security) are then traded and (ii) a Last Reported Sale Price of the ADSs (or closing sale price for such other security) is available on such securities exchange or market; provided that if the ADSs (or such other security) are not so listed or traded, “Trading Day” means a Business Day.

“Transaction Documents” shall have the meaning ascribed to such term in the Note Purchase Agreement.

“Trigger Event” shall have the meaning ascribed to such term in Section 4.1(c).

“U.S.” means the United States of America.

“US\$” or “\$” means the United States dollar, the lawful currency of the United States of America.

“Valuation Period” shall have the meaning ascribed to such term in Section 4.1(c).

ARTICLE 2

INTEREST; PAYMENTS; DEFAULTS

2.1 Interest Rate. The principal amount outstanding under the Note shall bear interest at a rate of 1.5% per annum (the “Interest Rate”) until the Maturity Date or the Extended Maturity Date (as applicable) or such earlier time as the principal becomes due and payable hereunder, whether through redemption upon an Event of Default or otherwise. Interest on the Note shall accrue from the Issue Date or from the most recent date on which interest then accrued has been fully paid for or duly provided for. Interest shall be payable semi-annually in arrears on each Interest Payment Date. Accrued interest on the Note shall be computed on the basis of a 360-day year composed of twelve 30-day months and, for partial months, on the basis of actual days elapsed over a 30-day month. Notwithstanding anything to the contrary, if the Maturity Date is not extended solely due to the Company’s failure in obtaining the NDRC Certificate for reasons not attributable to the breach, failure to act, or delay of the Holder, the Company shall pay to the Holder, in addition to 100% of the outstanding principal amount of the

Note that has not been converted pursuant to the terms and conditions of Article 3 of this Note and any accrued and unpaid interest on such outstanding principal amount, an amount equal to (a) the total amount (inclusive of such outstanding principal amount and all interest paid or payable thereon from the Issue Date to the Maturity Date) that would result in an aggregate return to the Holder equivalent to a four percent (4%) per annum internal rate of return on such outstanding principal amount from the Issue Date to the Maturity Date, *minus* (b) such outstanding principal amount, minus (c) the aggregate amount of interest that has been paid or is payable on such outstanding principal amount from the Issue Date to the Maturity Date.

2.2 Payment. All amounts payable on or in respect of the Note or the indebtedness evidenced hereby shall be paid to the Holder in Renminbi in immediately available funds on the date that any principal or interest payment is due and payable hereunder. The Company shall make such principal or interest payments to the Holder by wire transfer of immediately available funds for the account of the Holder as the Holder may designate from time to time; provided that any such designation (or change of designation) shall have been notified in writing to the Company at least three (3) Business Days prior to the relevant payment date. If any such payment date or the Maturity Date or the Extended Maturity Date falls on a day that is not a Business Day, the required payment will be made on the next succeeding Business Day and no interest on such payment will accrue in respect of the delay.

2.3 Seniority. The Note ranks senior in right of payment to any of the Company's future indebtedness that is expressly subordinated in right of payment to the Note, equal in right of payment to any of the Company's future indebtedness and other liabilities of the Company that are not so subordinated, junior in right of payment to any of the Company's secured indebtedness to the extent of the value of the assets securing such indebtedness and structurally junior to all future indebtedness incurred by the Company's Subsidiaries and their other liabilities.

2.4 Events of Default. For purposes of the Note, an "Event of Default" shall be deemed to have occurred if any of the following events occurs, whatever the reason or cause for such Event of Default and whether it is voluntary or involuntary or is effected by operation of Law or pursuant to any judgment, decree or order of any court or any order, rule or regulation of any Governmental Authority or otherwise:

(a) Failure to Pay Principal. The Company defaults in the payment of principal of the Note when due and payable on the Maturity Date or the Extended Maturity Date (as applicable) or upon declaration of acceleration (provided that no default shall occur with respect to any principal amount that has been converted, or is deemed to have been converted, in accordance with Section 3.3(a)), or the Company defaults in the payment of Repurchase Price or Fundamental Change Repurchase Price upon any required repurchase, in each case in accordance with the terms hereof;

(b) Failure to Pay Interest. The Company defaults in the payment of interest, or any additional amount required to be paid under Section 2.1 or Section 3.3(g)(i), when any such payment becomes due and payable and the default continues for a period of thirty (30) days;

(c) Breach of Conversion Obligation. The Company fails to comply with its obligation to convert all or a portion of the Note in accordance with Article 3 upon Holder's exercise of its conversion rights and such failure continues for a period of five (5) Business Days;

(d) Breach of Other Obligations. The Company fails for sixty (60) days after written notice from the Holder has been received by the Company to comply with any of its other agreements contained in the Note;

(e) Bankruptcy. The Company or any Significant Subsidiary shall commence a voluntary case or other proceeding seeking liquidation, winding-up, reorganization or other relief with respect to the Company or any such Significant Subsidiary or its debts under any bankruptcy, liquidation, insolvency or other similar Law now or hereafter in effect or seeking the appointment of a trustee, receiver, liquidator, custodian or other similar official of the Company or any such Significant Subsidiary or all or substantially all of its property, or shall consent to any such relief or to the appointment of or taking possession by any such official in an involuntary case or other proceeding commenced against it, or shall make a general assignment for the benefit of creditors, or shall fail generally to pay its debts as they become due;

(f) Involuntary Proceedings. An involuntary case or other proceeding shall be commenced against the Company or any Significant Subsidiary seeking liquidation, winding-up, reorganization or other relief with respect to the Company or such Significant Subsidiary or its debts under any bankruptcy, liquidation, insolvency or other similar Law now or hereafter in effect or seeking the appointment of a trustee, receiver, liquidator, custodian or other similar official of the Company or such Significant Subsidiary or all or substantially all of its property, and such involuntary case or other proceeding shall remain undismissed and unstayed for a period of thirty (30) consecutive days;

(g) Failure to Deliver Notice. The Company fails to issue a Fundamental Change Company Notice when due, and such failure continues for a period of ten (10) Business Days;

(h) Breach of Net Cash Covenant. The Company fails to comply with its covenant with respect to Net Cash under Section 6.9, and such failure continues for a period of fifteen (15) days after written notice from the Holder has been received by the Company;

(i) Cross-Default. Any default by the Company or any Significant Subsidiary of the Company with respect to any Financial Indebtedness in a total amount, either individually or when aggregated with any such default by the Company or any other Significant Subsidiary, in excess of US\$10,000,000 (or the RMB or other foreign currency equivalent thereof), whether such indebtedness now exists or shall hereafter be created, where such default (A) results in such indebtedness becoming or being declared due and payable, or (B) constitutes a failure to pay the principal or interest of any such debt when due and payable at its stated maturity, or upon required repurchase, acceleration, or otherwise, and, in each case, such default continues in effect for more than thirty (30) days after the expiration of any grace period or extension of time for payment applicable thereto; or

(j) Event of Default under the Second Note. An Event of Default (as defined in the Second Note) has occurred under the Second Note; provided that this Section 2.4(j) shall not apply to the extent such Event of Default under the Second Note results from an event or circumstance that constitutes an Event of Default under this Note.

2.5 Consequences of Event of Default.

(a) The Company shall promptly deliver a written notice to the Holder upon the occurrence of an Event of Default. If one or more Events of Default shall have occurred and be continuing (whatever the reason for such Event of Default and whether it shall be voluntary or involuntary or be effected by operation of law or pursuant to any judgment, decree or order of any court or any order, rule or regulation of any Governmental Authority), then, and in each and every such case (other than an Event of Default specified in Section 2.4(e) or Section 2.4(f)), unless the principal of the Note shall have already become due and payable, the Holder may by notice in writing to the Company, declare 100% of the outstanding principal of, and accrued and unpaid interest on, the Note to be due and payable immediately, and upon any such declaration the same shall become and shall automatically be immediately due and payable. If an Event of Default specified in Section 2.4(e) or Section 2.4(f) occurs and is continuing, 100% of the outstanding principal of, and accrued and unpaid interest on, the Note shall become and shall automatically be immediately due and payable without any action on the part of the Holder. Subject to the terms and conditions hereof and without limiting any other rights or remedies of the Holder hereunder, at law or in equity, upon the occurrence and during the continuance of an Event of Default under Section 2.4(c), the Company shall pay to the Holder, as liquidated damages and not as a penalty, such an amount of additional fees in accordance with Section 3.3(g) (to the extent Section 3.3(g) applies).

(b) Subsection (a), however, is subject to the conditions that if, at any time after the outstanding principal of the Note shall have been so declared due and payable, and before any judgment, decree or arbitral award for the payment of the monies due shall have been obtained or entered as hereinafter provided, the Company shall pay or shall deposit with the Holder a sum sufficient to pay installments of accrued and unpaid interest upon the Note and the outstanding principal of the Note that shall have become due otherwise than by acceleration (with interest on overdue installments of accrued and unpaid interest to the extent that payment of such interest is enforceable under applicable Law, and on such principal at the rate per annum borne by the Note, and if (1) rescission would not conflict with any applicable judgment, decree or arbitral award and (2) any and all existing Events of Default under the Note, other than the nonpayment of the principal of and accrued and unpaid interest on the Note that shall have become due solely by such acceleration, shall have been cured or waived, then and in every such case the Holder, by written notice to the Company, may waive all Default or Events of Default with respect to the Note and rescind and annul such declaration and its consequences and such Default shall cease to exist, and any Event of Default arising therefrom shall be deemed to have been cured for every purpose of the Note; but no such waiver or rescission and annulment shall extend to or shall affect any subsequent Default or Event of Default, or shall impair any right consequent thereon.

2.6 Defaulted Amounts. Any Defaulted Amounts shall accrue interest at the rate per annum borne by the Note, subject to the enforceability thereof under applicable Law, from, and

including, such relevant payment date, and such Defaulted Amounts together with such interest thereon shall be paid by the Company to the Holder by wire transfer of immediately available funds pursuant to the procedures set forth in Section 2.2.

ARTICLE 3 **CONVERSION**

3.1 Conversion by Holder. Subject to and upon compliance with the provisions of this Article 3, and provided that a registration statement for the resale of Class A Shares issuable upon conversion of the Note, or an exemption from registration for such resale, is available, the Holder shall have the right from time to time, at the Holder's option, to convert all or any portion (if the portion to be converted is (i) an integral multiple of RMB10,000 and (ii) at least RMB5,000,000 or constitutes the entire principal amount of the Note then held by the Holder) of the Note to the Company's fully paid ADSs at the applicable Conversion Rate at any time during the Conversion Period; provided that at the Holder's option, or if neither such registration statement nor such exemption is available, the Note (or applicable portion thereof) shall be converted into fully paid Class A Shares. Where any portion of the Note is converted into Class A Shares, all references in this Note to the ADSs shall be deemed to have been replaced by a reference to the number of Class A Shares represented by the ADSs (taking into account the number of Class A Shares each ADS represents), *mutatis mutandis*.

3.2 Conversion Price; Conversion Rate. Subject to adjustments as provided in Article 4, the initial conversion price of the Note shall be equal to the Initial Conversion Price, representing an initial conversion rate of 311.92 ADSs (the "Conversion Rate") per RMB10,000 principal amount of the Note.

3.3 Conversion Procedure; Settlement Upon Conversion.

(a) Subject to Section 3.3(b), this Note shall be deemed to have been converted immediately prior to the close of business on the date (the "Conversion Date") that the Holder has delivered a duly completed irrevocable written notice (the "Conversion Notice") and the Note for cancellation to the Company. Notwithstanding the foregoing, if the Maturity Date is not extended to the Extended Maturity Date, and provided that the Holder has delivered a Conversion Notice and the Note for cancellation to the Company at least five (5) Business Days prior to the Maturity Date, this Note (or the applicable portion thereof) shall be deemed to have been converted immediately prior to the close of business on the Maturity Date, and in such case, the Company shall have no further obligation to pay the principal or interest with respect to the converted amount. Within five (5) Business Days after the delivery of the Note and the Conversion Notice to the Company pursuant to Section 3.1 above (such fifth (5th) Business Day, the "Share Delivery Deadline"), the Company shall (i) take all actions and execute all documents necessary to effect the issuance of the full number of ADSs to which the Holder shall be entitled in satisfaction of any conversion pursuant to Section 3.1, (ii) in the case that the Holder elects to convert the Note into Class A Shares, deliver to the Holder a copy of the register of members of the Company, reflecting the Holder's ownership of the Class A Shares delivered upon such conversion, and (iii) subject to Section 3.3(b), cancel the Note. No Conversion Notice may be delivered and the Note may not be surrendered by the Holder for conversion thereof if the Holder has also delivered a Fundamental Change Repurchase Notice to the Company in respect of the

Note and not validly withdrawn such Fundamental Change Repurchase Notice in accordance with Article 5.

(b) In the event the Holder surrenders this Note pursuant to Section 3.3(a) for partial conversion, the Company shall, in addition to cancelling the Note upon such surrender, execute and deliver to the Holder a new note denominated in Renminbi and in an aggregate principal amount equal to the unconverted portion of the surrendered Note, without payment of any service charge by the Holder.

(c) If the Holder submits the Note for conversion, the Company shall pay any documentary, stamp or similar issue or transfer tax due on the delivery of the ADSs or the issuance and delivery of the Class A Shares upon such conversion of the Note, unless the tax is due because the Holder requests such ADSs to be issued in a name other than the Holder's name, in which case the Holder shall pay that tax. The Company shall not be responsible for the relevant depositary's fees for the issuance of the ADSs, or, in the case of issuance of Class A Shares, for any future conversion of such issued Class A Shares into the ADSs.

(d) Except as provided in Section 4.1, no adjustment shall be made for dividends on any ADSs delivered upon any conversion of this Note as provided in this Article 3.

(e) Upon any conversion, the Holder shall not receive any separate cash payment for accrued and unpaid interest, if any, except as set forth below. The Company's settlement of each conversion pursuant to this Article 3 shall be deemed to satisfy in full its obligation to pay the principal amount of the Note converted and accrued and unpaid interest thereon, if any. As a result, such accrued and unpaid interest, if any, shall be deemed to be paid in full rather than cancelled, extinguished or forfeited. Notwithstanding the foregoing, if this Note is converted after the close of business on a Regular Record Date, the Holder will receive the full amount of interest payable on the Note on the corresponding Interest Payment Date notwithstanding the pending conversion for so long as it remains a holder of the Note and there remains outstanding principal. Any issuance of ADSs upon conversion of the Note during the period from the close of business on any Regular Record Date to the open of business on the immediately following Interest Payment Date must be accompanied by funds equal to the amount of interest payable on the Note; provided that no such payment shall be required (1) for conversions following the Regular Record Date immediately preceding the Maturity Date or the Extended Maturity Date (as applicable), (2) if the Company has specified a Fundamental Change Repurchase Date that is after a Regular Record Date and on or prior to the corresponding Interest Payment Date or (3) to the extent of any Defaulted Amounts, if any Defaulted Amounts exist at the time of conversion with respect to the Note.

(f) The Company shall not issue any fractional ADS upon conversion of the Note and shall instead pay cash in Renminbi in lieu of any fractional ADS deliverable upon conversion, calculated as the Renminbi Equivalent Amount of the Last Reported Sale Price of the ADSs on the relevant Conversion Date.

(g) If the Company fails to issue and deliver to the Holder the ADSs to which the Holder is entitled upon conversion of this Note on or prior to the applicable Share Delivery Deadline and such failure continues for a period of five (5) Business Days, then:

(i) the Company shall pay in cash to the Holder on each day after such Share Delivery Deadline during which such failure is continuing an amount equal to 0.1% of the product of (A) the number of ADSs not issued to the Holder on or prior to the Share Delivery Deadline and to which the Holder is entitled, multiplied by (B) the Last Reported Sale Price of the ADSs on the Conversion Date; provided, however, that no such amount shall be payable by the Company if such failure was not caused by, and did not result from, any act, omission, or negligence of the Company or any of its agents, evidenced by supporting materials delivered by the Company to the Holder within two (2) Business Days after the Share Delivery Deadline, setting forth in reasonable detail the circumstances giving rise to such failure; and

(ii) the Holder, upon written notice to the Company, may void its Conversion Notice with respect to any portion of this Note that has not been converted pursuant to such Conversion Notice.

Nothing in this Section 3.3(g) shall limit the Holder's right to pursue any other remedies available to it hereunder, at law or in equity.

ARTICLE 4

ADJUSTMENTS

4.1 Adjustment of Conversion Rate.

If the number of Class A Shares represented by the ADSs is changed, after the date of this Note, for any reason other than one or more of the events described in this Article 4, the Company shall make an appropriate adjustment to the Conversion Rate such that the number of Class A Shares represented by the ADSs upon which any conversion of this Note is based remains the same.

Notwithstanding the adjustment provisions described in this Section 4.1, if the Company distributes to holders of the Class A Shares any cash, rights, options, warrants, shares of Capital Stock or similar equity interest, evidences of indebtedness or other assets or property of the Company (but excluding Expiring Rights) and a corresponding distribution is not made to holders of the ADSs, but, instead, the ADSs shall represent, in addition to Class A Shares, such cash, rights, options, warrants, shares of Capital Stock or similar equity interest, evidences of indebtedness or other assets or property of the Company, then an adjustment to the Conversion Rate described in this Section 4.1 shall not be made until and unless a corresponding distribution (if any) is made to holders of the ADSs, and such adjustment to the Conversion Rate shall be based on the distribution made to the holders of the ADSs and not on the distribution made to the holders of the Class A Shares. However, in the event that the Company issues or distributes to all holders of the Class A Shares any Expiring Rights, notwithstanding the immediately preceding sentence, the Company shall adjust the Conversion Rate pursuant to Section 4.1(b) (in the case of Expiring Rights entitling holders of the Class A Shares for a period of not more than

45 calendar days after the announcement date of such issuance to subscribe for or purchase Class A Shares or ADSs) or Section 4.1(c) (in the case of all other Expiring Rights).

For the avoidance of doubt, if any event described in this Section 4.1 results in a change to the number of Class A Shares represented by the ADSs, then such a change shall be deemed to satisfy the Company's obligation to effect the relevant adjustment to the Conversion Rate on account of such an event to the extent to which such change reflects what a corresponding change to the Conversion Rate would have been on account of such an event.

The Conversion Rate shall be adjusted from time to time by the Company if any of the following events occurs, except that the Company shall not make any adjustments to the Conversion Rate if the Holder participates (other than in the case of a share split or share combination), at the same time and upon the same terms as holders of the Class A Shares (directly or in the form of ADSs) and solely as a result of holding the Note, in any of the transactions described in this Section 4.1, without having to convert the Note, as if it held a number of Class A Shares equal to the number of Class A Shares to which the principal amount of the Note then held by the Holder is convertible (without regard to any limitation on conversion period hereunder).

(a) If the Company exclusively issues Class A Shares (directly or in the form of ADSs) as a dividend or distribution on the Class A Shares (directly or in the form of ADSs), or if the Company effects a share split or share combination, the Conversion Rate shall be adjusted based on the following formula:

$$CR_1 = CR_0 \cdot \frac{OS_1}{OS_0}$$

where,

- CR_0 = the Conversion Rate in effect immediately prior to the close of business on the Record Date for such dividend or distribution, or immediately prior to the close of business on the effective date of such share split or share combination, as applicable;
- CR_1 = the Conversion Rate in effect immediately after the close of business on such Record Date or immediately after the close of business on such effective date, as applicable;
- OS_0 = the number of Class A Shares outstanding immediately prior to the close of business on such Record Date or immediately prior to the close of business on such effective date, as applicable; and
- OS_1 = the number of Class A Shares outstanding immediately after giving effect to such dividend, distribution, share split or share combination.

Any adjustment made under this Section 4.1(a) shall become effective immediately after the close of business on the Record Date for such dividend or distribution, or

immediately after the open of business on the effective date for such share split or share combination, as applicable. If any dividend or distribution of the type described in this Section 4.1(a) is declared but not so paid or made, the Conversion Rate shall be immediately readjusted, effective as of the date the Board of Directors determines not to pay such dividend or distribution, to the Conversion Rate that would then be in effect if such dividend or distribution had not been declared.

(b) If the Company issues to all or substantially all holders of the Class A Shares (directly or in the form of ADSs) any rights, options or warrants entitling them, for a period of not more than 45 calendar days after the announcement date of such issuance, to subscribe for or purchase Class A Shares (directly or in the form of ADSs) at a price per Class A Share that is less than the average of the Last Reported Sale Prices of the Class A Shares, for the 10 consecutive Trading Day period ending on, and including, the Trading Day immediately preceding the date of announcement of such issuance, the Conversion Rate shall be increased based on the following formula:

$$CR_1 = CR_0 \cdot \frac{OS_0 + X}{OS_0 + Y}$$

where,

- CR_0 = the Conversion Rate in effect immediately prior to the close of business on the Record Date for such issuance;
- CR_1 = the Conversion Rate in effect immediately after the close of business on such Record Date;
- OS_0 = the number of Class A Shares outstanding immediately prior to the close of business on such Record Date;
- X = the total number of Class A Shares (directly or in the form of ADSs) deliverable pursuant to such rights, options or warrants; and
- Y = the number of Class A Shares equal to (i) the aggregate price payable to exercise such rights, options or warrants, *divided by* (ii) the average of the Last Reported Sale Prices of the Class A Shares over the 10 consecutive Trading Day period ending on, and including, the Trading Day immediately preceding the date of announcement of the issuance of such rights, options or warrants.

Any increase made under this Section 4.1(b) shall be made successively whenever any such rights, options or warrants are issued and shall become effective immediately after the close of business on the Record Date for the Class A Shares (directly or in the form of ADSs), as applicable, for such issuance. To the extent that Class A Shares or ADSs are not delivered after the expiration of such rights, options or warrants, the Conversion Rate shall be decreased to the Conversion Rate that would then be in effect had the increase with respect to the issuance of

such rights, options or warrants been made on the basis of delivery of only the number of Class A Shares actually delivered (directly or in the form of ADSs). If such rights, options or warrants are not so issued, the Conversion Rate shall be decreased to the Conversion Rate that would then be in effect if the Record Date for such issuance had not occurred.

For purposes of this Section 4.1(b), in determining whether any rights, options or warrants entitle the holders to subscribe for or purchase Class A Shares (directly or in the form of ADSs) at a price per Class A Share that is less than such average of the Last Reported Sale Prices of the Class A Shares, for the 10 consecutive Trading Day period ending on, and including, the Trading Day immediately preceding the date of announcement for such issuance, and in determining the aggregate offering price of such Class A Shares (directly or in the form of ADSs), there shall be taken into account any consideration received by the Company for such rights, options or warrants and any amount payable on exercise or conversion thereof, the value of such consideration, if other than cash, to be determined by the Board of Directors.

(c) If the Company distributes shares of its Capital Stock, evidences of its indebtedness, other assets or property of the Company or rights, options or warrants to acquire its Capital Stock or other securities (any of such shares of Capital Stock, evidences of indebtedness, other assets or property or rights, options or warrants to acquire Capital Stock or other securities of the Company, the “Distributed Property”) to all or substantially all holders of the Class A Shares (directly or in the form of ADSs), excluding (i) dividends, distributions or issuances as to which an adjustment was effected pursuant to Section 4.1(a) or Section 4.1(b), (ii) dividends or distributions paid exclusively in cash as to which an adjustment was effected pursuant to Section 4.1(d), and (iii) Spin-Offs as to which the provisions set forth below in this Section 4.1(c) shall apply, then the Conversion Rate shall be increased based on the following formula:

$$CR_1 = CR_0 \cdot \frac{SP_0}{SP_0 - FMV}$$

where,

- CR₀ = the Conversion Rate in effect immediately prior to the close of business on the Record Date for such distribution;
- CR₁ = the Conversion Rate in effect immediately after the close of business on such Record Date;
- SP₀ = the average of the Last Reported Sale Prices of the Class A Shares over the 10 consecutive Trading Day period ending on, and including, the Trading Day immediately preceding the Ex-Dividend Date for such distribution; and
- FMV = the fair market value (as determined by the Board of Directors) of the Distributed Property with respect to each outstanding Class A Share (directly or in the form of ADSs) on the Record Date for such distribution.

Any increase made under the portion of this Section 4.1(c) above shall become effective immediately after the close of business on the Record Date for such distribution. If such distribution is not so paid or made, the Conversion Rate shall be decreased to the Conversion Rate that would then be in effect if such distribution had not been declared. Notwithstanding the foregoing, if “FMV” (as defined above) is equal to or greater than “SP₀” (as defined above), in lieu of the foregoing increase, the Holder shall receive, in respect of each RMB10,000 principal amount thereof, at the same time and upon the same terms as holders of the ADSs receive the Distributed Property, the amount and kind of Distributed Property the Holder would have received if the Holder owned a number of ADSs equal to the Conversion Rate in effect on the Record Date for the distribution.

With respect to an adjustment pursuant to this Section 4.1(c) where there has been a payment of a dividend or other distribution on the Class A Shares (directly or in the form of ADSs) of shares of Capital Stock of any class or series, or similar equity interest, of or relating to a Subsidiary or other business unit of the Company, that are, or, when issued, will be, listed or admitted for trading on a U.S. national securities exchange (a “Spin-Off”), the Conversion Rate shall be increased based on the following formula:

$$CR_1 = CR_0 \cdot \frac{FMV_0 + MP_0}{MP_0}$$

where,

CR₀ = the Conversion Rate in effect immediately prior to the end of the Valuation Period;

CR₁ = the Conversion Rate in effect immediately after the end of the Valuation Period;

FMV₀ = the average of the Last Reported Sale Prices of the Capital Stock or similar equity interest distributed to holders of the Class A Shares (directly or in the form of ADSs) applicable to one Class A Share over the first 10 consecutive Trading Day period after, and including, the Ex-Dividend Date of the Spin-Off (the “Valuation Period”); and

MP₀ = the average of the Last Reported Sale Prices of the Class A Shares over the Valuation Period.

The adjustment to the Conversion Rate under the preceding paragraph shall occur on the last Trading Day of the Valuation Period; provided that in respect of any conversion during the Valuation Period, references in the portion of this Section 4.1(c) related to Spin-Offs to 10 Trading Days shall be deemed to be replaced with such lesser number of Trading Days as have elapsed from, and including, the Ex-Dividend Date of such Spin-Off to, and including, the Conversion Date in determining the Conversion Rate.

For purposes of this Section 4.1(c), rights, options or warrants distributed by the Company to all holders of the Class A Shares (directly or in the form of ADSs) entitling them to subscribe for or purchase shares of the Company's Capital Stock, including Class A Shares (either initially or under certain circumstances), which rights, options or warrants, until the occurrence of a specified event or events ("Trigger Event"): (i) are deemed to be transferred with such Class A Shares (directly or in the form of ADSs); (ii) are not exercisable; and (iii) are also issued in respect of future issuances of the Class A Shares (directly or in the form of ADSs), shall be deemed not to have been distributed for purposes of this Section 4.1(c) (and no adjustment to the Conversion Rate under this Section 4.1(c) will be required) until the occurrence of the earliest Trigger Event, whereupon such rights, options or warrants shall be deemed to have been distributed and an appropriate adjustment (if any is required) to the Conversion Rate shall be made under this Section 4.1(c). If any such right, option or warrant, including any such existing rights, options or warrants distributed prior to the date of this Note, are subject to events, upon the occurrence of which such rights, options or warrants become exercisable to purchase different securities, evidences of indebtedness or other assets, then the date of the occurrence of any and each such event shall be deemed to be the date of distribution and Record Date with respect to new rights, options or warrants with such rights (in which case the existing rights, options or warrants shall be deemed to terminate and expire on such date without exercise by any of the holders thereof). In addition, in the event of any distribution (or deemed distribution) of rights, options or warrants, or any Trigger Event or other event (of the type described in the immediately preceding sentence) with respect thereto that was counted for purposes of calculating a distribution amount for which an adjustment to the Conversion Rate under this Section 4.1(c) was made, (1) in the case of any such rights, options or warrants that shall all have been redeemed or purchased without exercise by any holders thereof, upon such final redemption or purchase (x) the Conversion Rate shall be readjusted as if such rights, options or warrants had not been issued and (y) the Conversion Rate shall then again be readjusted to give effect to such distribution, deemed distribution or Trigger Event, as the case may be, as though it were a cash distribution, equal to the per Class A Share redemption or purchase price received by a holder or holders of Class A Shares (directly or in the form of ADSs) with respect to such rights, options or warrants (assuming such holder had retained such rights, options or warrants), made to all holders of Class A Shares (directly or in the form of ADSs) as of the date of such redemption or purchase, and (2) in the case of such rights, options or warrants that shall have expired or been terminated without exercise by any holders thereof, the Conversion Rate shall be readjusted as if such rights, options and warrants had not been issued.

For purposes of Section 4.1(a), Section 4.1(b) and this Section 4.1(c), if any dividend or distribution to which this Section 4.1(c) is applicable also includes one or both of:

(A) a dividend or distribution of Class A Shares (directly or in the form of ADSs) to which Section 4.1(a) is applicable (the "Clause A Distribution"); or

(B) a dividend or distribution of rights, options or warrants to which Section 4.1(b) is applicable (the "Clause B Distribution"),

then (1) such dividend or distribution, other than the Clause A Distribution and the Clause B Distribution, shall be deemed to be a dividend or distribution to which this Section

4.1(c) is applicable (the “Clause C Distribution”) and any Conversion Rate adjustment required by this Section 4.1(c) with respect to such Clause C Distribution shall then be made, and (2) the Clause A Distribution and Clause B Distribution shall be deemed to immediately follow the Clause C Distribution and any Conversion Rate adjustment required by Section 4.1(a) and Section 4.1(b) with respect thereto shall then be made, except that, if determined by the Company (I) the “Record Date” of the Clause A Distribution and the Clause B Distribution shall be deemed to be the Record Date of the Clause C Distribution and (II) any Class A Shares (directly or in the form of ADSs) included in the Clause A Distribution or Clause B Distribution shall be deemed not to be “outstanding immediately prior to the close of business on such Record Date or immediately after the open of business on such effective date, as applicable” within the meaning of Section 4.1(a) or “outstanding immediately prior to the close of business on such Record Date” within the meaning of Section 4.1(b).

(d) If any cash dividend or distribution is made to all or substantially all holders of the Class A Shares (directly or in the form of ADSs), the Conversion Rate shall be adjusted based on the following formula:

$$CR_1 = CR_0 \cdot \frac{SP_0}{SP_0 - C}$$

where,

- CR₀ = the Conversion Rate in effect immediately prior to the close of business on the Record Date for such dividend or distribution;
- CR₁ = the Conversion Rate in effect immediately after the close of business on such Record Date;
- SP₀ = the Last Reported Sale Price of the Class A Shares on the Trading Day immediately preceding the Ex-Dividend Date for such dividend or distribution; and
- C = the amount in cash per Class A Share the Company distributes to all or substantially all holders of the Class A Shares (directly or in the form of ADSs).

Any increase pursuant to this Section 4.1(d) shall become effective immediately after the close of business on the Record Date for such dividend or distribution. If such dividend or distribution is not so paid, the Conversion Rate shall be decreased, effective as of the date the Board of Directors determines not to make or pay such dividend or distribution, to be the Conversion Rate that would then be in effect if such dividend or distribution had not been declared. Notwithstanding the foregoing, if “C” (as defined above) is equal to or greater than “SP₀” (as defined above), in lieu of the foregoing increase, the Holder shall receive, for each RMB10,000 principal amount of the Note, at the same time and upon the same terms as holders of the ADSs, the amount of cash that the Holder would have received if the Holder owned a

number of ADSs equal to the Conversion Rate on the Record Date for such cash dividend or distribution.

(e) If the Company or any of its Subsidiaries make a payment in respect of a tender or exchange offer for all or any portion of the Class A Shares (directly or in the form of ADSs), to the extent that the cash and value of any other consideration included in the payment per Class A Share exceeds the average of the Last Reported Sale Prices of the Class A Shares over the 10 consecutive Trading Day period commencing on, and including, the Trading Day next succeeding the date such tender or exchange offer expires, the Conversion Rate shall be increased based on the following formula:

$$CR_1 = CR_0 + \frac{AC + (SP_1 \times OS_1)}{OS_0 \times SP_1}$$

where,

- CR₀ = the Conversion Rate in effect immediately prior to the close of business on the 10th Trading Day immediately following, and including, the Trading Day next succeeding the date such tender or exchange offer expires;
- CR₁ = the Conversion Rate in effect immediately after the close of business on the 10th Trading Day immediately following, and including, the Trading Day next succeeding the date such tender or exchange offer expires;
- AC = the aggregate value of all cash and any other consideration (as determined by the Board of Directors) paid or payable for Class A Shares (directly or in the form of ADSs) purchased in such tender or exchange offer;
- OS₀ = the number of Class A Shares outstanding immediately prior to the date such tender or exchange offer expires (prior to giving effect to the purchase of all Class A Shares (directly or in the form of ADSs) accepted for purchase or exchange in such tender or exchange offer);
- OS₁ = the number of Class A Shares outstanding immediately after the date such tender or exchange offer expires (after giving effect to the purchase of all Class A Shares (directly or in the form of ADSs) accepted for purchase or exchange in such tender or exchange offer); and
- SP₁ = the average of the Last Reported Sale Prices of the Class A Shares over the 10 consecutive Trading Day period commencing on, and including, the Trading Day next succeeding the date such tender or exchange offer expires.

The adjustment to the Conversion Rate under this Section 4.1(e) shall occur at the close of business on the 10th Trading Day immediately following, and including, the Trading Day next succeeding the date such tender or exchange offer expires; provided that in respect of any conversion within the 10 Trading Days immediately following, and including, the Trading

Day next succeeding the expiration date of any tender or exchange offer, references in this Section 4.1(e) with respect to 10 Trading Days shall be deemed replaced with such lesser number of Trading Days as have elapsed from, and including, the Trading Day next succeeding the expiration date of such tender or exchange offer to, and including, the Conversion Date in determining the Conversion Rate. No adjustment to the Conversion Rate under this Section 4.1(e) shall be made if such adjustment would result in a decrease in the Conversion Rate. In the event that the Company or one of the Company's Subsidiaries is obligated to purchase Class A Shares (directly or in the form of ADSs) pursuant to any such tender offer or exchange offer, but the Company or such Subsidiary is permanently prevented by applicable Law from effecting any such purchases, or all such purchases are rescinded, then the Conversion Rate shall be readjusted to be the Conversion Rate that would then be in effect if such tender offer or exchange offer had not been made.

(f) Except as stated herein, the Company shall not adjust the Conversion Rate for the issuance of Class A Shares or ADSs or any securities convertible into or exchangeable for Class A Shares or ADSs or the right to purchase Class A Shares or ADSs or such convertible or exchangeable securities.

(g) In addition to those adjustments required by subsections (a), (b), (c), (d) and (e) of this Section 4.1, and to the extent permitted by applicable Law and subject to the applicable rules of The New York Stock Exchange and any other securities exchange on which any of the Company's securities are then listed, the Company from time to time may increase the Conversion Rate by any amount for a period of at least 20 Business Days if the Board of Directors determines that such increase would be in the Company's best interest, and the Company may (but is not required to) increase the Conversion Rate to avoid or diminish any income tax to holders of the Class A Shares or the ADSs or rights to purchase Class A Shares or ADSs in connection with a dividend or distribution of Class A Shares or ADSs (or rights to acquire Class A Shares or ADSs) or similar event.

(h) Notwithstanding anything to the contrary in this Section 4.1, the Conversion Rate shall not be adjusted:

(i) upon the issuance of any Class A Shares or ADSs pursuant to any present or future plan providing for the reinvestment of dividends or interest payable on the Company's securities and the investment of additional optional amounts in Class A Shares or ADSs under any plan;

(ii) upon the issuance of any Class A Shares or ADSs or options or rights to purchase those Class A Shares or ADSs pursuant to any present or future employee, director or consultant benefit plan or program of or assumed by the Company or any of the Company's Subsidiaries;

(iii) upon the issuance of any Class A Shares or ADSs pursuant to any option, warrant, right or exercisable, exchangeable or convertible security not described in clause (ii) of this subsection and outstanding as of the date this Note was first issued;

(iv) solely for a change in the par value of the Class A Shares or ADSs; or

(v) for accrued and unpaid interest, if any.

(i) All calculations and other determinations under this Section 4.1 shall be made by the Company and shall be made to the nearest one-ten thousandth (1/10,000) of an ADS.

(j) Whenever the Conversion Rate is adjusted as herein provided, the Company shall promptly prepare a notice of such adjustment of the Conversion Rate setting forth the adjusted Conversion Rate and the date on which each adjustment becomes effective and shall mail such notice of such adjustment of the Conversion Rate to the Holder.

(k) For purposes of this Article 4, the number of Class A Shares at any time outstanding shall not include Class A Shares held in the treasury of the Company (directly or in the form of ADSs) so long as the Company does not pay any dividend or make any distribution on Class A Shares held in the treasury of the Company (directly or in the form of ADSs), but shall include Class A Shares issuable in respect of scrip certificates issued in lieu of fractions of Class A Shares.

(l) For purposes of this Section 4.1, the “effective date” means the first date on which the ADSs trade on the applicable exchange or in the applicable market, regular way, reflecting the relevant share split or share combination, as applicable.

4.2 Effect of Recapitalizations, Reclassifications and Changes of the Class A Shares.

(a) In the case of:

(i) any recapitalization, reclassification or change of the Class A Shares (other than changes resulting from a subdivision or combination),

(ii) any consolidation, merger, combination or similar transaction involving the Company,

(iii) any sale, lease or other transfer to a third party of all or substantially all of the consolidated assets of the Company and the Company’s Subsidiaries, taken as a whole; or

(iv) any statutory share exchange,

in each case, as a result of which the ADSs would be converted into, or exchanged for, stock, other securities, other property or assets (including cash or any combination thereof) (any such event, a “Merger Event”), then, prior to or at the effective time of such Merger Event, the Company or the successor or purchasing Person, as the case may be, shall execute an amendment to this Note providing that, at and after the effective time of such Merger Event, the right to convert the Note shall be changed into a right to convert the Note into the kind and amount of shares of stock, other securities or other property or assets (including

cash or any combination thereof) that a holder of a number of ADSs equal to the Conversion Rate immediately prior to such Merger Event would have owned or been entitled to receive (the “Reference Property”, with each “unit of Reference Property” meaning the kind and amount of Reference Property that a holder of one ADS is entitled to receive) upon such Merger Event; provided, however, that at and after the effective time of the Merger Event the number of ADSs otherwise deliverable upon any conversion of the Note in accordance with Article 3 shall instead be deliverable in the amount and type of Reference Property that a holder of that number of ADSs would have been entitled to receive in such Merger Event.

If the Merger Event causes the ADSs to be converted into, or exchanged for, the right to receive more than a single type of consideration (determined based in part upon any form of holder election), then (i) the Reference Property into which the Note will be convertible shall be deemed to be the weighted average of the types and amounts of consideration received by the holders of ADSs that affirmatively make such an election (or, in the event that no holder of ADSs affirmatively makes such an election, the weighted average of the types and amounts of consideration actually received by the holders of ADSs), and (ii) the unit of Reference Property for purposes of the immediately preceding paragraph shall refer to the consideration referred to in clause (i) attributable to one ADS. The Company shall provide written notice to the Holder of such weighted average as soon as practicable after such determination is made.

Such amendment described in the second immediately preceding paragraph shall provide for anti-dilution and other adjustments that shall be as nearly equivalent as is practicable to the adjustments provided for in this Article 4 (it being understood that no such adjustments shall be required with respect to any portion of the Reference Property that does not consist of shares of Common Equity (however evidenced) or depositary receipts in respect thereof). If, in the case of any Merger Event, the Reference Property includes shares of stock, securities or other property or assets (including cash or any combination thereof) of a Person other than the Company or the successor or purchasing Person, as the case may be, in such Merger Event, then such other Person shall also execute such amendment, and such amendment shall contain such additional provisions to protect the interests of the Holder, including the rights of the Holder to require the Company to repurchase this Note upon a Fundamental Change pursuant to Section 5.2 as the Board of Directors shall reasonably consider necessary by reason of the foregoing.

(b) The Company shall not enter into any agreement to become a party to any Merger Event unless the terms of the transaction underlying such Merger Event are consistent with this Section 4.2. None of the foregoing provisions shall affect the right of the Holder to convert this Note into ADSs (or Class A Shares) as set forth in Article 3 prior to the effective date of such Merger Event.

(c) The above provisions of this Section 4.2 shall similarly apply to successive Merger Events.

4.3 No Adjustment. Notwithstanding anything herein to the contrary, no adjustment under this Article 4 shall be required to be made to the Conversion Rate if the Company receives written notice from the Holder that no such adjustment is required.

4.4 Certain Covenants.

(a) The Company covenants that all ADSs delivered upon any conversion of this Note, and all Class A Shares represented thereby, will be fully paid and non-assessable by the Company and free from all taxes, liens and charges with respect to the issue thereof.

(b) The Company covenants that if any ADSs to be provided for the purpose of any conversion of this Note, or any Class A Shares represented thereby, require registration with or approval of any Governmental Authority under any Law before such ADSs may be validly issued upon conversion, the Company will, to the extent then permitted by applicable Law, secure such registration or approval, as the case may be.

(c) The Company further covenants that for so long as the ADSs are listed on any national securities exchange or automated quotation system, the Company will list and keep listed, so long as the ADSs shall be so listed on such exchange or automated quotation system, any ADSs deliverable upon conversion of this Note.

4.5 Termination of Depositary Receipt Program. If the Class A Shares cease to be represented by ADSs issued under a depositary receipt program sponsored by the Company, all references in this Note to the ADSs shall be deemed to have been replaced by a reference to the number of Class A Shares (and other property, if any) represented by the ADSs on the last day on which the ADSs represented the Class A Shares and as if the Class A Shares and the other property had been distributed to holders of the ADSs on that day. In addition, all references to the Last Reported Sale Price of the ADSs will be deemed to refer to the Last Reported Sale Price of the Class A Shares, and other appropriate adjustments, including adjustments to the Conversion Rate, will be made to reflect such change. In making such adjustments, where currency translations between U.S. dollars and any other currency are required, the exchange rate in effect two (2) Business Days prior to the date of determination shall apply.

ARTICLE 5 **REPURCHASE AT OPTION OF THE HOLDER**

5.1 Option of the Holder.

(a) Provided that the Maturity Date has been extended to the Extended Maturity Date in accordance with the Preamble, the Holder shall have the right, at the Holder's option, to require the Company to repurchase for cash on the date that is the third (3rd) anniversary of the Issue Date (the "Repurchase Date"), all or any portion (if the portion to be repurchased is an integral multiple of RMB10,000) of the Note at a repurchase price (the "Repurchase Price") that is equal to (i) 100% of the principal amount of the Note to be repurchased, plus (ii) the Make-Whole Amount in respect of such principal amount, plus (iii) accrued and unpaid interest on such principal amount to, but excluding, the Repurchase Date; provided that any such accrued and unpaid interest shall be paid not to the Holder submitting the Note for repurchase on the Repurchase Date but instead to the Holder of such Note at the close of business on the Regular Record Date immediately preceding the Repurchase Date.

(b) Delivery of Notice and the Note by the Holder.

(i) Repurchases of the Note under this Section 5.1 shall be made, at the option of the Holder, upon: (A) delivery to the Company by the Holder of a duly completed notice (the “Repurchase Notice”) in the form attached hereto as Exhibit A during the period beginning at any time from the open of business on the date that is twenty (20) Business Days prior to the Repurchase Date until the close of business on the second (2nd) Business Day immediately preceding the Repurchase Date; and (B) delivery of the Note to the Company at any time after delivery of the Repurchase Notice (together with all necessary endorsements), such delivery being a condition to receipt by the Holder of the Repurchase Price therefor.

(ii) Each Repurchase Notice shall state that this Note or portion of this Note is to be repurchased by the Company pursuant to the applicable provisions of this Note.

(iii) Notwithstanding anything herein to the contrary, the Holder shall have the right to withdraw such Repurchase Notice at any time prior to the close of business on the second (2nd) Business Day immediately preceding the Repurchase Date by delivery of a duly completed written notice of withdrawal to the Company in accordance with Section 5.3.

(c) No Repurchase Notice with respect to the Note may be delivered and this Note may not be surrendered for repurchase pursuant to this Section 5.1 by the Holder to the extent that the Holder has also delivered a Fundamental Change Repurchase Notice with respect to such Note in accordance with Section 5.2 and not validly withdrawn such Fundamental Change Repurchase Notice in accordance with Section 5.3.

(d) Notwithstanding the foregoing, the Note may not be repurchased by the Company at the option of the Holder on the Repurchase Date if the principal amount of the Note has been accelerated, and such acceleration has not been rescinded, on or prior to the Repurchase Date (except in the case of an acceleration resulting from a default by the Company in the payment of the Repurchase Price with respect to the Note).

5.2 Option of the Holder upon a Fundamental Change.

(a) If a Fundamental Change occurs at any time, the Holder shall have the right, at its option, to require the Company to repurchase for cash all or any portion (if the portion to be repurchased is an integral multiple of RMB10,000) of the Note on the date (the “Fundamental Change Repurchase Date”) notified by the Company in writing to the Holder promptly and in any event no later than ten (10) Business Days after the occurrence of such Fundamental Change, together with other information, including (i) the events causing the Fundamental Change, (ii) the date of the Fundamental Change, (iii) the Fundamental Change Repurchase Price, and (iv) the Fundamental Change Repurchase Date (such notification, the “Fundamental Change Company Notice”) (provided that the Fundamental Change Repurchase Date shall not be less than twenty (20) Business Days or more than thirty-five (35) Business Days following the date of the Fundamental Change Company Notice) at a repurchase price

equal to 100% of the principal amount thereof, plus accrued and unpaid interest thereon calculated at the Interest Rate to, but excluding, the Fundamental Change Repurchase Date (the “Fundamental Change Repurchase Price”), unless the Fundamental Change Repurchase Date falls after a Regular Record Date but on or prior to the Interest Payment Date to which such Regular Record Date relates, in which case the Company shall instead pay the full amount of accrued and unpaid interest to the Holder as of such Regular Record Date, and the Fundamental Change Repurchase Price shall be equal to 100% of the principal amount of the Note to be repurchased pursuant to this Section 5.2.

(b) Delivery of Notice and the Note by the Holder.

(i) Repurchases of the Note under this Section 5.2 shall be made, at the option of the Holder thereof, upon: (A) delivery by the Holder to the Company of a duly completed notice (the “Fundamental Change Repurchase Notice”), in the form attached hereto as Exhibit B, on or before the close of business on the second Business Day immediately preceding the Fundamental Change Repurchase Date; and (B) delivery of the Note to the Company at any time after delivery of the Fundamental Change Repurchase Notice (together with all necessary endorsements for transfer), such delivery being a condition to receipt by the Holder of the Fundamental Change Repurchase Price therefor.

(ii) Each Fundamental Change Repurchase Notice delivered pursuant to Section 5.2(b)(i) shall state (A) the portion of the principal amount of this Note to be repurchased and (B) that this Note is to be repurchased by the Company pursuant to the applicable provisions of this Note.

(iii) Notwithstanding anything herein to the contrary, the Holder shall have the right to withdraw, in whole or in part, such Fundamental Change Repurchase Notice at any time prior to the close of business on the second Business Day immediately preceding the Fundamental Change Repurchase Date by delivery of a written notice of withdrawal to the Company in accordance with Section 5.3.

(c) Notwithstanding the foregoing, the Note may not be repurchased by the Company on any date at the option of the Holder upon a Fundamental Change if the principal amount of the Note has been accelerated, and such acceleration has not been rescinded, on or prior to such date (except in the case of an acceleration resulting from a default by the Company in the payment of the Fundamental Change Repurchase Price with respect to the Note).

5.3 Withdrawal of Repurchase Notice or Fundamental Change Repurchase Notice. A Repurchase Notice or Fundamental Change Repurchase Notice may be withdrawn (in whole or in part) by means of a duly completed written notice of withdrawal delivered to the Company in accordance with this Section 5.3 at any time prior to the close of business on the second Business Day immediately preceding the Repurchase Date or Fundamental Change Repurchase Date, as applicable, specifying (a) the principal amount of the Note with respect to which such notice of withdrawal is being submitted and (b) the principal amount, if any, of the Note that remains subject to the original Repurchase Notice or Fundamental Change Repurchase Notice.

5.4 Payment of Repurchase Price or Fundamental Change Repurchase Price.

(a) On or prior to 10:00 a.m., Hong Kong time, on the Repurchase Date or Fundamental Change Repurchase Date, as applicable, the Company shall set aside, segregate and hold in trust for the benefit of the Holder an amount of money sufficient to repurchase the applicable portion of the Note to be repurchased at the appropriate Repurchase Price or Fundamental Change Repurchase Price, as applicable. Payment for the applicable portion of the Note surrendered for repurchase (and not withdrawn in accordance with Section 5.3) will be made on the later of (i) the Repurchase Date or Fundamental Change Repurchase Date, as applicable and (ii) the time of delivery of the applicable portion of the Note by the Holder to the Company in the manner required by Section 5.1(b) or Section 5.2(b), as applicable, by mailing checks or wire transfer for the amount payable to the Holder.

(b) If by 10:00 a.m., Hong Kong time, on the Repurchase Date or Fundamental Change Repurchase Date, as applicable, the Company holds money sufficient to make payment on the applicable portion of the Note to be repurchased on such Repurchase Date or Fundamental Change Repurchase Date, as applicable, then, with respect to the applicable portion of the Note that has been properly surrendered for repurchase and not validly withdrawn, on such Repurchase Date or Fundamental Change Repurchase Date, as applicable, (i) such portion of the Note will cease to be outstanding, (ii) interest will cease to accrue on such portion of the Note and (iii) in the event the entire outstanding amount of the Note is surrendered by the Holder to be repurchased, all other rights of the Holder will terminate (other than the right of the Holder to receive the Repurchase Price or the Fundamental Change Repurchase Price, as applicable, and the right of the Holder of such Note at the close of business on the Regular Record Date immediately preceding the Repurchase Date or Fundamental Change Repurchase Date to receive accrued but unpaid interest on such Note).

(c) Upon the surrender of the Note that is to be repurchased in part pursuant to this Article 5, the Company shall execute and deliver to the Holder a new Note in an authorized denomination equal in principal amount to the unrepurchased portion of the Note.

5.5 Covenant to Comply with Applicable Laws Upon Repurchase of the Note. In connection with any repurchase offer, the Company will, if required, comply with all federal and state securities Laws in connection with any offer by the Company to repurchase the Note so as to permit the rights and obligations under this Article 5 to be exercised in the time and in the manner specified in this Article 5.

ARTICLE 6
COVENANTS

6.1 Payment of Principal and Interest. The Company covenants and agrees that it will pay or cause to be paid the principal (including, if applicable, the Repurchase Price and the Fundamental Change Repurchase Price) of, and accrued and unpaid interest on, the Note at the respective times and in the manner provided herein.

6.2 Existence. The Company shall do or cause to be done all things necessary to preserve and keep in full force and effect its corporate existence.

6.3 Stay, Extension and Usury Laws. The Company covenants (to the extent that it may lawfully do so) that it shall not at any time insist upon, plead, or in any manner whatsoever claim or take the benefit or advantage of, any stay, extension or usury law or other Law that would prohibit or forgive the Company from paying all or any portion of the principal of or interest on the Note as contemplated herein, wherever enacted, now or at any time hereafter in force, or that may affect the covenants or the performance of the Note; and the Company (to the extent it may lawfully do so) hereby expressly waives all benefit or advantage of any such Law, and covenants that it will not, by resort to any such Law, hinder, delay or impede the execution of any power herein granted to the Holder, but will suffer and permit the execution of every such power as though no such Law had been enacted.

6.4 Further Instruments and Acts. Upon request of the Holder, the Company will execute and deliver such further instruments and do such further acts as may be reasonably necessary or proper to carry out the purposes of this Note.

6.5 New Note Instruments. Upon request of the Holder for the Note to be broken down into a number of note instruments of smaller principal amounts, the Company shall issue additional note instruments of such smaller principal amounts within five (5) Business Days; provided that the existing note instrument of this Note shall be returned by the Holder to the Company for cancellation.

6.6 Replacement of Note. Upon the loss, theft, destruction or mutilation of this Note (and in the case of loss, theft or destruction, of indemnity from the Holder reasonably acceptable to the Company, or in the case of mutilation, upon surrender and cancellation thereof), the Company shall at the Holder's expense within five (5) Business Days execute and deliver to the Holder, in lieu thereof, a new Note, dated hereof and bearing interest from the date to which interest has been paid.

6.7 PFIC Disclosure. The Company shall use its reasonable efforts to avoid the Company or any of its Subsidiaries being classified as a "passive foreign investment company" (a "PFIC") within the meaning of Section 1297 of the U.S. Internal Revenue Code of 1986, as amended, for the current and any future taxable year.

6.8 Use of Proceeds. The Company shall apply the proceeds from the issuance of the Note in the manner set forth in Section 4.2 of the Note Purchase Agreement.

6.9 Minimum Net Cash.

(a) For so long as any principal amount of this Note remains outstanding, the Company shall maintain, at all times, Net Cash of not less than (i) US\$37,500,000, prior to the issuance of the Second Note (or if the Second Note is not issued); and (ii) US\$75,000,000, from and after the issuance of the Second Note. For the avoidance of doubt, the minimum Net Cash covenants under this Note and the Second Note are not cumulative, and following the issuance of the Second Note, maintaining Net Cash of not less than US\$75,000,000 shall constitute compliance with both covenants.

(b) The Company shall deliver to the Holder, within thirty (30) days after the end of each semi-annual period (being June 30 or December 31), a certificate signed by the chief

financial officer (or other authorized senior financial officer) of the Company (a “Minimum Net Cash Compliance Certificate”) certifying, as of June 30 or December 31 (as applicable): (i) the Company’s Net Cash as of such date, (ii) the components thereof in reasonable detail, and (iii) the Company’s compliance with Section 6.9(a).

(c) For purposes of this Note, “Net Cash” means, as of any date of determination, the aggregate amount of cash and cash equivalents, restricted cash and short-term investments of the Company and its Subsidiaries, minus all Financial Indebtedness of the Company and its Subsidiaries, in each case determined on a consolidated basis in accordance with GAAP.

6.10 Reservation of Shares; Authorized Share Increase.

(a) At any time when any principal amount of this Note remains outstanding, the Company shall maintain a reserve from its duly authorized but unissued Class A Shares sufficient Class A Shares to enable the Company to comply with its obligations to issue Class A Shares (including Class A Shares represented by ADSs) upon the conversion of this Note in accordance with the terms and conditions hereof and the exercise of the Warrants corresponding to this Note in accordance with the terms and conditions thereof.

(b) If at any time the number of authorized but unissued Class A Shares is insufficient to satisfy the Company’s obligation to reserve shares pursuant to Section 6.10(a), the Company shall use its commercially reasonable efforts to obtain all necessary shareholder approvals to increase the authorized share capital of the Company to the extent necessary to permit the reservation required by Section 6.10(a).

ARTICLE 7
NO RIGHTS AS SHAREHOLDER PRIOR TO CONVERSION

For the avoidance of doubt, the Holder hereby acknowledges and agrees that it has not been conferred with any of the rights of a shareholder of the Company, including the right to vote as such, by any of the provisions hereof or any right (a) to vote for the election of directors or upon any matter submitted to shareholders at any meeting thereof, (b) to give or withhold consent to any corporate action (whether upon any recapitalization, issuance of shares, reclassification of shares, change of par value, or change of shares to no par value, consolidation, merger, scheme of arrangement, conveyance, or otherwise), or (c) to receive notice of meetings or to receive in-kind dividends or subscription rights or otherwise, until the Note shall have been converted and ADSs or Class A Shares issuable upon the conversion hereof shall have been issued, as provided for in the Note.

ARTICLE 8
CANCELLATION

After all amounts at any time owing on the Note have been paid in full or upon the conversion of the Note in full pursuant to Article 3, the Note shall be surrendered to the Company for cancellation and shall not be reissued.

ARTICLE 9
NO REDEMPTION OR PREPAYMENT

Unless permitted by this Note or otherwise agreed between the Company and the Holder, this Note shall not be redeemable or prepaid by the Company prior to the Maturity Date or the Extended Maturity Date (as applicable), and no sinking fund is provided for this Note.

ARTICLE 10
MISCELLANEOUS

10.1 Termination of Rights. All rights under this Note shall terminate when (a) all amounts at any time owing on the Note have been paid in full, (b) the Note is converted in full pursuant to the terms set forth in Article 3, or (c) the Note is repurchased in full by the Company pursuant to Article 5; provided that, in the case of any repurchase or conversion, the foregoing shall not affect the right of the Holder to receive any amounts payable in the respect thereof.

10.2 Provisions Binding on Company's Successors. All the covenants, stipulations, promises and agreements of the Company contained in the Note shall bind its successors and assigns whether so expressed or not.

10.3 Official Acts by Successor Company. Any act or proceeding by any provision of the Note authorized or required to be done or performed by any board, committee or Officer of the Company shall and may be done and performed with like force and effect by the like board, committee or officer of any corporation or other entity that shall at the time be the lawful sole successor of the Company.

10.4 Amendment; Waiver. The amendment, modification or supplement to any term of the Note shall be effected by a written instrument executed by the Holder and the Company. The observance of any provision in the Note may be waived only by the written consent of the party against whom such waiver is to be effective. No failure or delay on the part of any party to exercise any right hereunder shall operate as waiver thereof, nor shall any single or partial exercise by any party of any right preclude any other or future exercise thereof or the exercise of any other right.

10.5 Transferability.

(a) The Holder covenants that the Note and/or the Class A Shares or ADSs issuable upon conversion of the Note will only be disposed of pursuant to an effective registration statement under, and in compliance with the requirements of, the Securities Act or pursuant to an available exemption from the registration requirements of the Securities Act, and in compliance with any applicable state securities laws.

(b) Notwithstanding Section 10.5(a), the Holder shall not transfer, assign or otherwise dispose of all or any portion of this Note to any Person without the prior written consent of the Company; provided, however, that no such consent shall be required for:

(i) any transfer or assignment of this Note to any Permitted Transferee of the Holder, so long as such Permitted Transferee agrees in writing to be bound by all

of the terms and conditions of this Note and the other Transaction Documents and such transfer is effected in compliance with applicable securities laws; or

(ii) any pledge or grant of a security interest in this Note in connection with any Back Leverage.

(c) The Holder agrees to the imprinting, until no longer required by this Section 10.5, of the following legend on any certificate evidencing the Note or the Class A Shares issuable upon conversion of the Note:

THE SECURITIES REPRESENTED HEREBY HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933 (AS AMENDED, THE “SECURITIES ACT”) OR UNDER THE SECURITIES LAWS OF ANY OTHER JURISDICTIONS. THESE SECURITIES MAY NOT BE TRANSFERRED, SOLD, OFFERED FOR SALE, PLEDGED OR HYPOTHECATED IN THE ABSENCE OF (1) AN EFFECTIVE REGISTRATION STATEMENT UNDER THE SECURITIES ACT OR (2) AN EXEMPTION OR QUALIFICATION UNDER APPLICABLE SECURITIES LAWS. ANY ATTEMPT TO TRANSFER, SELL, PLEDGE OR HYPOTHECATE THESE SECURITIES IN VIOLATION OF THE FOREGOING RESTRICTIONS SHALL BE NULL AND VOID.

The legend set forth above shall be removed and the Company shall issue a certificate without such legend to the holder of the Note or the Class A Shares issuable upon conversion of the Note if, unless otherwise required by state securities laws, (i) such securities are registered for resale under the Securities Act and are transferred to a Holder pursuant to a registration statement that is effective at the time of such transfer, (ii) in connection with a sale, assignment or other transfer, such Holder provides the Company with an opinion of counsel, the form and substance of which opinion shall be reasonably acceptable to the Company with respect to transactions of a similar nature, that the sale, assignment or transfer of the securities may be made without registration under the applicable requirements of the Securities Act or (iii) such Holder provides the Company with reasonable assurance that the securities can be sold, assigned or transferred pursuant to Rule 144 or have been sold under Rule 144.

(d) Transfers of this Note not in contravention of applicable Law and the Transaction Documents shall be registered upon registration books maintained for such purpose by or on behalf of the Company. Prior to presentation of this Note for registration of transfer, the Company shall treat the registered holder hereof as the owner and holder of this Note for the purpose of receiving all payments of principal and interest hereon and for all other purposes whatsoever.

10.6 Governing Law. THIS NOTE SHALL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE STATE OF NEW YORK WITHOUT REGARD TO PRINCIPLES OF CONFLICTS OF LAWS THEREUNDER.

10.7 Dispute Resolution.

(a) Any dispute, controversy, difference or claim arising out of or relating to this Note, including its existence, validity, interpretation, performance, breach or termination hereof or any dispute regarding non-contractual obligations arising out of or relating to it, shall be referred to and finally resolved by arbitration administered by the Hong Kong International Arbitration Centre (“HKIAC”) under the HKIAC Administered Arbitration Rules in force when the notice of arbitration is submitted. The law of this arbitration clause shall be Hong Kong law. The seat of arbitration shall be Hong Kong.

(b) It shall not be incompatible with this arbitration agreement for any party to seek interim or conservatory relief from courts of competent jurisdiction before the constitution of the arbitral tribunal.

10.8 Notices. All notices and other communications given under this Note shall be in writing and shall be deemed to have been duly given: (a) upon receipt, when delivered personally; (b) one Business Day after deposit with an internationally recognized overnight courier service; or (c) when sent by confirmed electronic mail if sent during normal business hours of the recipient, or if not, then on the next Business Day, in each case properly addressed to the party to receive the same. The addresses of the parties for such communications are:

If to the Company:

Yatsen Holding Limited

Address: Floor 39, Poly Development Plaza
No. 832 Yue Jiang Zhong Road
Haizhu District, Guangzhou 510335
The People’s Republic of China

Email: [***]

Attention: [***]

with a copy (which shall not constitute notice) to:

Skadden, Arps, Slate, Meagher & Flom LLP

Address: c/o 42/F Edinburgh Tower, The Landmark
15 Queen’s Road Central, Hong Kong

Email: [***]

Attention: [***]

If to the Holder:

Polaris Veritas Investment Limited

Address: [***]

Email: [***]

Attention: [***]

A party may change or supplement the addresses given above by giving the other party written notice thereof in the manner set forth above.

10.9 Calculations. Except as otherwise provided herein, the Company shall be responsible for making all calculations called for under the Note and shall provide a schedule of its calculations to the Holder upon request. The Company shall make all these calculations in good faith and, absent manifest error, the Company's calculations shall be final and binding on the Holder.

10.10 Delays or Omissions. No delay or failure by any party to insist on the strict performance of any provision of the Note, or to exercise any power, right or remedy, will be deemed a waiver or impairment of such performance, power, right or remedy or of any other provision of the Note, nor shall it be construed to be a waiver of any breach or default, or an acquiescence therein, or of or in any similar breach or default thereafter occurring.

10.11 Interpretation. If any claim is made by a party relating to any conflict, omission or ambiguity in the provisions of the Note, no presumption or burden of proof or persuasion will be implied because the Note was prepared by or at the request of any party or its counsel.

10.12 Rules of Construction. The headings contained in this Note are for reference purposes only and do not affect in any way the meaning or interpretation of this Note. In this Note, except as otherwise provided, (i) the terms "include", "includes" and "including" shall be deemed to be followed by the words "without limitation"; (ii) where a reference is made herein to an Article, Section, Exhibit or Schedule, such reference is to an Article, Section, Exhibit or Schedule of this Note; (iii) the words "hereof," "herein" and "hereunder" and words of similar import refer to this Note as a whole; (iv) any noun or pronoun shall be deemed to include the plural as well as the singular and to cover all genders; (v) references to a Person are also to its successors and permitted assigns; and (vi) references to any legislation or to any provision of any legislation shall include any modification, amendment, re-enactment thereof, any legislative provision substituted therefor and all rules, regulations and statutory instruments issued or related to such legislation.

[The remainder of this page has been deliberately left blank]

IN WITNESS WHEREOF, the Company has caused the Note to be issued on the date first above written.

COMPANY:

Yatsen Holding Limited

By: _____
(Signature)

Name: _____
Title: _____

[Signature Page to Convertible Senior Note]

Exhibit A
FORM OF REPURCHASE NOTICE

To: YATSEN HOLDING LIMITED

Reference is made to that certain RMB_____ convertible senior note (the “Note”) dated_____ issued by Yatsen Holding Limited (the “Company”) to the undersigned Holder. Capitalized terms used and not defined herein shall have the meaning set forth in the Note.

The undersigned Holder of the Note hereby requests and instructs the Company to pay to the Holder in accordance with Section 5.1 of the Note (1) [the entire principal amount of this Note] / [the portion of the principal amount of this Note below designated], (2) the Make-Whole Amount in respect of such principal amount, and (3) if such Repurchase Date does not fall during the period after a Regular Record Date and on or prior to the corresponding Interest Payment Date, accrued and unpaid interest thereon to, but excluding, such Repurchase Date.

[Principal amount to be repaid (if less than all): RMB_____]

Dated: _____

[NAME OF HOLDER]

By: _____
Name:
Title:

[Exhibit A]

Exhibit B

FORM OF FUNDAMENTAL CHANGE REPURCHASE NOTICE

To: YATSEN HOLDING LIMITED

Reference is made to that certain RMB_____ convertible senior note (the “Note”) dated _____ issued by Yatsen Holding Limited (the “Company”) to the undersigned Holder. Capitalized terms used and not defined herein shall have the meaning set forth in the Note.

The undersigned Holder of the Note hereby requests and instructs the Company to pay to the Holder in accordance with Section 5.2 of this Note (1) [the entire principal amount of this Note] / [the portion of the principal amount of this Note below designated], and (2) if such Fundamental Change Repurchase Date does not fall during the period after a Regular Record Date and on or prior to the corresponding Interest Payment Date, accrued and unpaid interest thereon to, but excluding, such Fundamental Change Repurchase Date.

[Principal amount to be repaid (if less than all): RMB_____]

Dated: _____

[NAME OF HOLDER]

By: _____
Name:
Title:

[Exhibit B]

Exhibit B

Form of the Second Note

THIS NOTE AND THE SECURITIES ISSUABLE UPON CONVERSION OF THIS NOTE HAVE NOT BEEN REGISTERED UNDER THE UNITED STATES SECURITIES ACT OF 1933, AS AMENDED (THE “SECURITIES ACT”), OR UNDER ANY OTHER SECURITIES LAWS. THIS NOTE AND THE SECURITIES ISSUABLE UPON CONVERSION OF THIS NOTE ARE SUBJECT TO RESTRICTIONS ON TRANSFERABILITY AND RESALE AND MAY NOT BE TRANSFERRED OR RESOLD EXCEPT AS PERMITTED UNDER THE SECURITIES ACT AND OTHER APPLICABLE SECURITIES LAWS, PURSUANT TO REGISTRATION OR EXEMPTION THEREFROM. HOLDERS SHOULD BE AWARE THAT THEY MAY BE REQUIRED TO BEAR THE FINANCIAL RISKS OF THIS INVESTMENT FOR AN INDEFINITE PERIOD OF TIME.

CONVERTIBLE SENIOR NOTE

RMB415,458,000

[●], 2026

Subject to the terms and conditions of this Convertible Senior Note (the “Note”), for good and valuable consideration received, Yatsen Holding Limited, an exempted company incorporated with limited liability under the laws of the Cayman Islands (the “Company”), promises to pay to the order of Polaris Veritas Investment Limited, an exempted company incorporated with limited liability under the laws of the Cayman Islands (such party and any other permitted transferee, the “Holder”), the principal amount of RMB415,458,000, plus accrued and unpaid interest thereon at the rate provided below, on the Maturity Date (as defined below), as applicable, or such earlier date as may be otherwise provided herein, unless the outstanding principal, together with accrued interest, is settled in accordance with Article 3 of this Note.

The “Maturity Date” shall be [●], 2031, being the date that is five (5) years after the First Note Issue Date.

The Note is issued pursuant to, and in accordance with, the Convertible Note Purchase Agreement, dated March 11, 2026 (the “Note Purchase Agreement”), between the Company and the Holder, and is subject to the provisions thereof. This Note is the Second Note as defined in the Note Purchase Agreement. Any capitalized terms used but not defined herein shall have the meanings given to them in the Note Purchase Agreement.

The following is a statement of the rights of the Holder of the Note and the terms and conditions to which the Note is subject, and to which the Holder hereof, by the acceptance of the Note, agrees:

ARTICLE I

DEFINITIONS

“ADS” means an American depositary share of the Company, representing twenty Class A Shares of the Company as of the date of this Note.

“ADS Depositary” means the depositary for the ADSs, being Deutsche Bank Trust Company Americas as of the date of this Note.

“Affiliate” means, with respect to any specified Person, any other Person that, directly or indirectly, Controls, is Controlled by, or is under common Control with, such specified Person.

“Board of Directors” means the board of directors of the Company or a committee of such board duly authorized to act for it hereunder.

“Business Day” means any day that is not a Saturday, a Sunday or another day on which banks are required or authorized by Law to be closed in the People’s Republic of China, Hong Kong, Singapore or the Cayman Islands.

“Capital Stock” means for any Person, any and all shares, interests, rights to purchase, warrants, options, participations or other equivalents of or interests in (however designated) stock issued by that Person.

“Class A Shares” means Class A ordinary shares in the share capital of the Company, par value US\$0.00001 per share as of the date of this Note, subject to Section 4.2.

“Clause A Distribution” shall have the meaning ascribed to such term in Section 4.1(c).

“Clause B Distribution” shall have the meaning ascribed to such term in Section 4.1(c).

“Clause C Distribution” shall have the meaning ascribed to such term in Section 4.1(c).

“close of business” means 5:00 p.m. (New York City time).

“Common Equity” of any Person means ordinary share capital or Capital Stock of such Person that is generally entitled (a) to vote in the election of directors of such Person or (b) if such Person is not a corporation, to vote or otherwise participate in the selection of the governing body, partners, managers or others that will control the management or policies of such Person.

“Company” shall have the meaning ascribed to such term in the Preamble.

“Control” (including the terms “Controlled by” and “under common Control with”) means, with respect to any Person, the possession, directly or indirectly, of the power to direct or

cause the direction of the management and policies of such Person, whether through the ownership of voting securities, by contract or otherwise, provided, that such power shall conclusively be presumed to exist upon possession of beneficial ownership or power to direct the vote of fifty percent (50%) of the outstanding voting securities of such Person or the power to elect a majority of the board of directors or similar body governing the affairs of such Person.

“Conversion Date” shall have the meaning ascribed to such term in Section 3.3(a).

“Conversion Notice” shall have the meaning ascribed to such term in Section 3.3(a).

“Conversion Period” means the period commencing on the date that falls three hundred and sixty-four (364) days after the First Note Issue Date, and ending on the third Business Day immediately preceding the Maturity Date (both dates inclusive).

“Conversion Rate” shall have the meaning ascribed to such term in Section 3.2.

“Default” means any event that is, or after notice or passage of time, or both, would be, an Event of Default.

“Defaulted Amounts” means any amounts on this Note (including principal, interest, the Repurchase Price and the Fundamental Change Repurchase Price) that are payable but are not punctually paid or duly provided for.

“Distributed Property” shall have the meaning ascribed to such term in Section 4.1(c).

“Event of Default” shall have the meaning ascribed to such term in Section 2.4.

“Ex-Dividend Date” means the first date on which the Class A Shares, ADSs representing Class A Shares (or other applicable securities) trade on the applicable exchange or in the applicable market, regular way, without the right to receive the issuance, dividend or distribution in question, from the Company, the ADS Depositary, or, if applicable, from the seller of the Class A Shares, ADSs representing Class A Shares (or other applicable securities) on such exchange or market (in the form of due bills or otherwise) as determined by such exchange or market.

“Exchange Act” means the U.S. Securities Exchange Act of 1934, as amended, and the rules and regulations promulgated thereunder.

“Expiring Rights” means any rights, options or warrants to purchase Class A Shares or ADSs that expire on or prior to the Maturity Date.

“Financial Indebtedness” means, without duplication, all interest-bearing obligations of the Company and its Subsidiaries for borrowed money owed to any bank, financial institution or other institutional lender, whether evidenced by a loan agreement, credit facility, note, bond, debenture or other similar instrument. For the avoidance of doubt, such Financial

Indebtedness shall not include: (a) any obligations under the Notes (as defined in the Note Purchase Agreement); (b) trade payables, accounts payable or other similar obligations incurred in the ordinary course of business; (c) indebtedness incurred in connection with the acquisition of goods, equipment or services in the ordinary course of business; (d) operating lease obligations; (e) customer advances or deferred revenue; and (f) obligations under employee benefit plans or compensation arrangements.

“First Note Issue Date” means [●], 2026, being the date of issuance of the First Note.

“Fundamental Change” shall be deemed to have occurred at the time after the Note is originally issued if any of the following occurs:

(a) a “person” or “group” within the meaning of Section 13(d) of the Exchange Act, other than the Company, its Subsidiaries, the employee benefit plans of the Company and its Subsidiaries and any of the Permitted Holders, files any schedule, form or report under the Exchange Act disclosing that such person or group has become the direct or indirect “beneficial owner,” as defined in Rule 13d-3 under the Exchange Act, of the Company’s Common Equity (including Common Equity held in the form of ADSs) representing more than 50% of the voting power of the Company’s Common Equity;

(b) the consummation of (i) any recapitalization, reclassification or change of the Class A Shares or the ADSs (other than changes resulting from a subdivision or combination) as a result of which the Class A Shares or the ADSs would be converted into, or exchanged for, stock, other securities, other property or assets; (ii) any share exchange, consolidation, merger, amalgamation or scheme of arrangement of the Company pursuant to which the Class A Shares or the ADSs will be converted into cash, securities or other property; or (iii) any sale, lease or other transfer in one transaction or a series of transactions of all or substantially all of the consolidated assets of the Company and its Subsidiaries, taken as a whole, to any Person other than one of the Company’s Subsidiaries; provided, however, that a transaction described in clause (ii) in which the holders of all classes of the Company’s Common Equity immediately prior to such transaction own, directly or indirectly, more than 50% of the voting power of all classes of Common Equity of the continuing or surviving corporation or transferee or the parent thereof immediately after such transaction in substantially the same proportions vis-a-vis each other as such ownership immediately prior to such transaction shall not be a Fundamental Change pursuant to this clause (b);

(c) the shareholders of the Company approve any plan or proposal for the liquidation or dissolution of the Company; or

(d) the ADSs (or other common equity or ADSs in respect of common equity underlying the Note) cease to be listed or quoted on any of The New York Stock Exchange, The NASDAQ Global Select Market or The NASDAQ Global Market (or any of their respective successors);

provided, however, that a transaction or transactions described in clause (a) or (b) above shall not constitute a Fundamental Change if at least 90% of the consideration received or to be received

by holders of the ADSs, excluding cash payments for any fractional ADS and cash payments made in connection with dissenters' appraisal rights, in connection with such transaction or transactions consists of shares of Common Equity or American depositary shares in respect of Common Equity that are listed or quoted on any of The New York Stock Exchange, The NASDAQ Global Select Market or The NASDAQ Global Market (or any of their respective successors) or will be so listed or quoted when issued or exchanged in connection with such transaction or transactions, and, as a result of such transaction or transactions, the Note becomes convertible into such consideration, excluding cash payments for any fractional ADS and cash payments made in connection with dissenters' appraisal rights,

provided, further, that notwithstanding anything to the contrary in the foregoing, none of the events described in clauses (a), (b), (c) or (d) above shall constitute a Fundamental Change if such event or transaction (i) was initiated or proposed by the Holder or any of its Affiliates, (ii) was approved or consented to by the Holder or any of its Affiliates (whether in its capacity as a shareholder, director, officer, noteholder or otherwise), (iii) resulted from any action taken or supported by the Holder or any of its Affiliates, or (iv) is a transaction in which the Holder or any of its Affiliates (or any Person acting in concert with the Holder or any of its Affiliates) is the counterparty, acquirer, recipient or transferee (or an Affiliate of any of the foregoing).

"Fundamental Change Repurchase Date" shall have the meaning ascribed to such term in Section 5.2(a).

"Fundamental Change Repurchase Notice" shall have the meaning ascribed to such term in Section 5.2(b)(i).

"Fundamental Change Repurchase Price" shall have the meaning ascribed to such term in Section 5.2(a).

"Governmental Authority" means any federal, national, foreign, supranational, state, provincial, local, municipal or other political subdivision or other government, governmental, regulatory or administrative authority, agency, board, bureau, department, instrumentality or commission, any court, tribunal, judicial or arbitral body of competent jurisdiction, any self-regulatory organization or any stock exchange.

"HKIAC" shall have the meaning ascribed to such term in Section 10.7(a).

"Holder" shall have the meaning ascribed to such term in the Preamble.

"Initial Conversion Price" means RMB32.06 per ADS, calculated as (a) the volume weighted average price of the ADSs on The New York Stock Exchange for the five (5) consecutive Trading Days ending on, and including, the Trading Day immediately preceding the date of the Note Purchase Agreement, multiplied by (b) 1.20, and multiplied by (c) the applicable Spot Rate of 6.9243.

"Interest Payment Date" means each of June 30 and December 31 of each year, beginning on the first such date to occur after the Issue Date.

"Interest Rate" shall have the meaning ascribed to such term in Section 2.1.

“Issue Date” means [●], 2026.

“Last Reported Sale Price” of any securities on any date means the closing sale price per security (or if no closing sale price is reported, the average of the bid and ask prices or, if more than one in either case, the average of the average bid and the average ask prices) on that date as reported in composite transactions for the New York Stock Exchange (or the principal U.S. national or regional securities exchange on which such securities are traded). If such securities are not listed for trading on a U.S. national or regional securities exchange on the relevant date, the “Last Reported Sale Price” shall be the last quoted bid price for such securities in the over-the-counter market on the relevant date as reported by OTC Markets Group Inc. or a similar organization. If such securities are not so quoted, the “Last Reported Sale Price” shall be the average of the midpoint of the last bid and ask prices for such securities on the relevant date from each of at least three nationally recognized independent investment banking firms selected by the Company for this purpose. If there is no bid price or no ask price for such securities on the relevant date, then the “Last Reported Sale Price” shall be the value per security of such securities as of the close of business on the relevant date as determined by a nationally recognized independent investment banking firm retained by the Company for such purpose as most accurately reflecting the per security price that a fully informed buyer, acting on his own accord, would pay to a fully informed seller, acting on his own accord in an arm’s-length transaction, for one such security. For so long as the Class A Shares are represented by ADSs, the “Last Reported Sale Price” of the Class A Shares on any date shall be the Last Reported Sale Price of the ADSs on that date, *divided by* the number of Class A Shares then represented by one ADS.

“Law” means any federal, national, foreign, supranational, state, provincial or local statute, law, ordinance, regulation, rule, code, order, requirement or rule of law (including common law) enacted, issued, promulgated, enforced or entered by any Governmental Authority.

“Maturity Date” shall have the meaning ascribed to such term in the Preamble.

“Make-Whole Amount” means, with respect to any principal amount of the Note to be repurchased on the Repurchase Date, an amount equal to (a) the total amount (inclusive of such principal amount and all interest paid or payable thereon from the Issue Date to the Repurchase Date) that would result in an aggregate return to the Holder equivalent to a four percent (4%) per annum internal rate of return (compounded annually) on such principal amount from the Issue Date to the Repurchase Date, minus (b) such principal amount, minus (c) the aggregate amount of interest that has been paid or is payable on such principal amount from the Issue Date to, but excluding, the Repurchase Date.

“Merger Event” shall have the meaning ascribed to such term in Section 4.2(a).

“Note” shall have the meaning ascribed to such term in the Preamble.

“Note Purchase Agreement” shall have the meaning ascribed to such term in the Preamble.

“Officer” means, with respect to the Company, the Chairman of the Board of Directors, President, the Chief Executive Officer, the Chief Financial Officer, the Treasurer, the

Secretary, any Executive or any Vice President (whether or not designated by a number or numbers or word or words added before or after the title “Vice President”).

“open of business” means 9:00 a.m. (New York City time).

“Permitted Holders” means Mr. Jinfeng Huang, together with any other respective “person” or “group” subject to aggregation of ordinary share capital of the Company (including ordinary share capital held in the form of ADSs) with Mr. Jinfeng Huang under Section 13(d) of the Exchange Act and the rules and regulations promulgated thereunder.

“Permitted Transferee” means, with respect to any Person, (i) any Affiliate of such Person, (ii) any successor entity of such Person, (iii) with respect to any Person that is an investment fund, vehicle or similar entity, any other investment fund, vehicle or similar entity of which such Person or an Affiliate, advisor or manager of such Person serves as the general partner, manager or advisor, and (iv) with respect to the Holder, any partner, member or shareholder of such Holder (and any of their respective Affiliates).

“Person” means any individual, partnership, corporation, association, joint stock company, trust, joint venture, limited liability company, organization, entity or Governmental Authority.

“PFIC” shall have the meaning ascribed to such term in Section 6.7.

“PRC” means the People’s Republic of China.

“Rate Calculation Date” means, with respect to any payment date or other date on which the Renminbi Equivalent Amount of any U.S. dollar amount is to be determined under the Transaction Documents, the day that is two (2) Business Days prior to such payment date or other date.

“Record Date” means, with respect to any dividend, distribution or other transaction or event in which the holders of the Class A Shares (directly or in the form of ADSs) (or other applicable security) have the right to receive any cash, securities or other property or in which the Class A Shares (directly or in the form of ADSs) (or such other security) is exchanged for or converted into any combination of cash, securities or other property, the date fixed for determination of security holders entitled to receive such cash, securities or other property (whether such date is fixed by the Board of Directors, statute, contract or otherwise).

“Reference Property” and “unit of Reference Property” have the meanings ascribed thereto in Section 4.2(a).

“Regular Record Date” means, with respect to any Interest Payment Date, the June 15 or December 15 (whether or not such day is a Business Day) immediately preceding the applicable June 30 or December 31 Interest Payment Date, respectively.

“Renminbi”, “RMB” or “CNY” means the lawful currency of the People’s Republic of China.

“Renminbi Equivalent Amount” means, in respect of any amount denominated in U.S. dollars, the amount in Renminbi calculated by multiplying such U.S. dollar amount by the Spot Rate for the relevant Rate Calculation Date.

“Repurchase Date” shall have the meaning ascribed to such term in Section 5.1(a).

“Repurchase Notice” shall have the meaning ascribed to such term in Section 5.1(b).

“Repurchase Price” shall have the meaning ascribed to such term in Section 5.1(a).

“SEC” means the U.S. Securities and Exchange Commission.

“Securities Act” means the U.S. Securities Act of 1933, as amended, and the rules and regulations promulgated thereunder.

“Significant Subsidiary” means a Subsidiary of the Company that meets the definition of “significant subsidiary” in Article 1, Rule 1-02 of Regulation S-X under the Exchange Act.

“Spin-Off” shall have the meaning ascribed to such term in Section 4.1(c).

“Spot Rate” means, for any Rate Calculation Date, the USD/RMB spot exchange rate determined as follows: (a) the USD/CNY official fixing rate, expressed as the amount of CNY per USD 1.00 as reported by the Treasury Markets Association, Hong Kong (www.tma.org.hk) as its USD/CNY(HK) spot rate at approximately 11:30 a.m., Hong Kong time, with respect to such Rate Calculation Date; (b) if it becomes impossible to obtain the USD/CNY official fixing rate on the Rate Calculation Date as outlined in limb (a), the Spot Rate shall be the USD/CNY official fixing rate, expressed as the amount of CNY per USD 1.00, authorized by the People’s Bank of China of the People’s Republic of China for reporting by the China Foreign Exchange Trade System (www.chinamoney.com.cn) at approximately 9:15 a.m., Beijing time, with respect to such Rate Calculation Date; and (c) if none of the foregoing is available, such rate as the Company and the Holder shall mutually agree in good faith and in a commercially reasonable manner.

“Subsidiary” means, with respect to any specified Person, any other Person that is Controlled by such specified Person and, for the avoidance of doubt, the Subsidiaries of any Person shall include any variable interest entity over which such Person or any of its Subsidiaries effects Control pursuant to contractual arrangements and which is consolidated with such Person in accordance with the accounting standards applicable to such Person.

“Trading Day” means a day on which (i) trading in the ADSs (or other security for which a closing sale price must be determined) generally occurs on The New York Stock Exchange or, if the ADSs (or such other security) are not then listed on The New York Stock Exchange, on another principal U.S. national or regional securities exchange on which the ADSs (or such other security) are then listed or, if the ADSs (or such other security) are not then listed

on a U.S. national or regional securities exchange, on another principal market on which the ADSs (or such other security) are then traded and (ii) a Last Reported Sale Price of the ADSs (or closing sale price for such other security) is available on such securities exchange or market; provided that if the ADSs (or such other security) are not so listed or traded, “Trading Day” means a Business Day.

“Transaction Documents” shall have the meaning ascribed to such term in the Note Purchase Agreement.

“Trigger Event” shall have the meaning ascribed to such term in Section 4.1(c).

“U.S.” means the United States of America.

“US\$” or “\$” means the United States dollar, the lawful currency of the United States of America.

“Valuation Period” shall have the meaning ascribed to such term in Section 4.1(c).

ARTICLE 2

INTEREST; PAYMENTS; DEFAULTS

2.1 Interest Rate. The principal amount outstanding under the Note shall bear interest at a rate of 1.5% per annum (the “Interest Rate”) until the Maturity Date or such earlier time as the principal becomes due and payable hereunder, whether through redemption upon an Event of Default or otherwise. Interest on the Note shall accrue from the Issue Date or from the most recent date on which interest then accrued has been fully paid for or duly provided for. Interest shall be payable semi-annually in arrears on each Interest Payment Date. Accrued interest on the Note shall be computed on the basis of a 360-day year composed of twelve 30-day months and, for partial months, on the basis of actual days elapsed over a 30-day month.

2.2 Payment. All amounts payable on or in respect of the Note or the indebtedness evidenced hereby shall be paid to the Holder in Renminbi in immediately available funds on the date that any principal or interest payment is due and payable hereunder. The Company shall make such principal or interest payments to the Holder by wire transfer of immediately available funds for the account of the Holder as the Holder may designate from time to time; provided that any such designation (or change of designation) shall have been notified in writing to the Company at least three (3) Business Days prior to the relevant payment date. If any such payment date or the Maturity Date falls on a day that is not a Business Day, the required payment will be made on the next succeeding Business Day and no interest on such payment will accrue in respect of the delay.

2.3 Seniority. The Note ranks senior in right of payment to any of the Company’s future indebtedness that is expressly subordinated in right of payment to the Note, equal in right of payment to any of the Company’s future indebtedness and other liabilities of the Company that are not so subordinated, junior in right of payment to any of the Company’s secured indebtedness to the extent of the value of the assets securing such indebtedness and structurally

junior to all future indebtedness incurred by the Company's Subsidiaries and their other liabilities.

2.4 Events of Default. For purposes of the Note, an "Event of Default" shall be deemed to have occurred if any of the following events occurs, whatever the reason or cause for such Event of Default and whether it is voluntary or involuntary or is effected by operation of Law or pursuant to any judgment, decree or order of any court or any order, rule or regulation of any Governmental Authority or otherwise:

(a) Failure to Pay Principal. The Company defaults in the payment of principal of the Note when due and payable on the Maturity Date or upon declaration of acceleration (provided that no default shall occur with respect to any principal amount that has been converted, or is deemed to have been converted, in accordance with Section 3.3(a)), or the Company defaults in the payment of Repurchase Price or Fundamental Change Repurchase Price upon any required repurchase, in each case in accordance with the terms hereof;

(b) Failure to Pay Interest. The Company defaults in the payment of interest, or any additional amount required to be paid under Section 2.1 or Section 3.3(g)(i), when any such payment becomes due and payable and the default continues for a period of thirty (30) days;

(c) Breach of Conversion Obligation. The Company fails to comply with its obligation to convert all or a portion of the Note in accordance with Article 3 upon Holder's exercise of its conversion rights and such failure continues for a period of five (5) Business Days;

(d) Breach of Other Obligations. The Company fails for sixty (60) days after written notice from the Holder has been received by the Company to comply with any of its other agreements contained in the Note;

(e) Bankruptcy. The Company or any Significant Subsidiary shall commence a voluntary case or other proceeding seeking liquidation, winding-up, reorganization or other relief with respect to the Company or any such Significant Subsidiary or its debts under any bankruptcy, liquidation, insolvency or other similar Law now or hereafter in effect or seeking the appointment of a trustee, receiver, liquidator, custodian or other similar official of the Company or any such Significant Subsidiary or all or substantially all of its property, or shall consent to any such relief or to the appointment of or taking possession by any such official in an involuntary case or other proceeding commenced against it, or shall make a general assignment for the benefit of creditors, or shall fail generally to pay its debts as they become due;

(f) Involuntary Proceedings. An involuntary case or other proceeding shall be commenced against the Company or any Significant Subsidiary seeking liquidation, winding-up, reorganization or other relief with respect to the Company or such Significant Subsidiary or its debts under any bankruptcy, liquidation, insolvency or other similar Law now or hereafter in effect or seeking the appointment of a trustee, receiver, liquidator, custodian or other similar official of the Company or such Significant Subsidiary or all or substantially all of its property, and such involuntary case or other proceeding shall remain undismissed and unstayed for a period of thirty (30) consecutive days;

(g) Failure to Deliver Notice. The Company fails to issue a Fundamental Change Company Notice when due, and such failure continues for a period of ten (10) Business Days;

(h) Breach of Net Cash Covenant. The Company fails to comply with its covenant with respect to Net Cash under Section 6.9, and such failure continues for a period of fifteen (15) days after written notice from the Holder has been received by the Company;

(i) Cross-Default. Any default by the Company or any Significant Subsidiary of the Company with respect to any Financial Indebtedness in a total amount, either individually or when aggregated with any such default by the Company or any other Significant Subsidiary, in excess of US\$10,000,000 (or the RMB or other foreign currency equivalent thereof), whether such indebtedness now exists or shall hereafter be created, where such default (A) results in such indebtedness becoming or being declared due and payable, or (B) constitutes a failure to pay the principal or interest of any such debt when due and payable at its stated maturity, or upon required repurchase, acceleration, or otherwise, and, in each case, such default continues in effect for more than thirty (30) days after the expiration of any grace period or extension of time for payment applicable thereto; or

(j) Event of Default under the First Note. An Event of Default (as defined in the First Note) has occurred under the First Note; provided that this Section 2.4(j) shall not apply to the extent such Event of Default under the First Note results from an event or circumstance that constitutes an Event of Default under this Note.

2.5 Consequences of Event of Default.

(a) The Company shall promptly deliver a written notice to the Holder upon the occurrence of an Event of Default. If one or more Events of Default shall have occurred and be continuing (whatever the reason for such Event of Default and whether it shall be voluntary or involuntary or be effected by operation of law or pursuant to any judgment, decree or order of any court or any order, rule or regulation of any Governmental Authority), then, and in each and every such case (other than an Event of Default specified in Section 2.4(e) or Section 2.4(f)), unless the principal of the Note shall have already become due and payable, the Holder may by notice in writing to the Company, declare 100% of the outstanding principal of, and accrued and unpaid interest on, the Note to be due and payable immediately, and upon any such declaration the same shall become and shall automatically be immediately due and payable. If an Event of Default specified in Section 2.4(e) or Section 2.4(f) occurs and is continuing, 100% of the outstanding principal of, and accrued and unpaid interest on, the Note shall become and shall automatically be immediately due and payable without any action on the part of the Holder. Subject to the terms and conditions hereof and without limiting any other rights or remedies of the Holder hereunder, at law or in equity, upon the occurrence and during the continuance of an Event of Default under Section 2.4(c), the Company shall pay to the Holder, as liquidated damages and not as a penalty, such an amount of additional fees in accordance with Section 3.3(g) (to the extent Section 3.3(g) applies).

(b) Subsection (a), however, is subject to the conditions that if, at any time after the outstanding principal of the Note shall have been so declared due and payable, and

before any judgment, decree or arbitral award for the payment of the monies due shall have been obtained or entered as hereinafter provided, the Company shall pay or shall deposit with the Holder a sum sufficient to pay installments of accrued and unpaid interest upon the Note and the outstanding principal of the Note that shall have become due otherwise than by acceleration (with interest on overdue installments of accrued and unpaid interest to the extent that payment of such interest is enforceable under applicable Law, and on such principal at the rate per annum borne by the Note, and if (1) rescission would not conflict with any applicable judgment, decree or arbitral award and (2) any and all existing Events of Default under the Note, other than the nonpayment of the principal of and accrued and unpaid interest on the Note that shall have become due solely by such acceleration, shall have been cured or waived, then and in every such case the Holder, by written notice to the Company, may waive all Default or Events of Default with respect to the Note and rescind and annul such declaration and its consequences and such Default shall cease to exist, and any Event of Default arising therefrom shall be deemed to have been cured for every purpose of the Note; but no such waiver or rescission and annulment shall extend to or shall affect any subsequent Default or Event of Default, or shall impair any right consequent thereon.

2.6 Defaulted Amounts. Any Defaulted Amounts shall accrue interest at the rate per annum borne by the Note, subject to the enforceability thereof under applicable Law, from, and including, such relevant payment date, and such Defaulted Amounts together with such interest thereon shall be paid by the Company to the Holder by wire transfer of immediately available funds pursuant to the procedures set forth in Section 2.2.

ARTICLE 3 **CONVERSION**

3.1 Conversion by Holder. Subject to and upon compliance with the provisions of this Article 3, and provided that a registration statement for the resale of Class A Shares issuable upon conversion of the Note, or an exemption from registration for such resale, is available, the Holder shall have the right from time to time, at the Holder's option, to convert all or any portion (if the portion to be converted is (i) an integral multiple of RMB10,000 and (ii) at least RMB5,000,000 or constitutes the entire principal amount of the Note then held by the Holder) of the Note to the Company's fully paid ADSs at the applicable Conversion Rate at any time during the Conversion Period; provided that at the Holder's option, or if neither such registration statement nor such exemption is available, the Note (or applicable portion thereof) shall be converted into fully paid Class A Shares. Where any portion of the Note is converted into Class A Shares, all references in this Note to the ADSs shall be deemed to have been replaced by a reference to the number of Class A Shares represented by the ADSs (taking into account the number of Class A Shares each ADS represents), *mutatis mutandis*.

3.2 Conversion Price; Conversion Rate. Subject to adjustments as provided in Article 4, the initial conversion price of the Note shall be equal to the Initial Conversion Price, representing an initial conversion rate of 311.92 ADSs (the "Conversion Rate") per RMB10,000 principal amount of the Note.

3.3 Conversion Procedure; Settlement Upon Conversion.

(a) Subject to Section 3.3(b), this Note shall be deemed to have been converted immediately prior to the close of business on the date (the “Conversion Date”) that the Holder has delivered a duly completed irrevocable written notice (the “Conversion Notice”) and the Note for cancellation to the Company. Within five (5) Business Days after the delivery of the Note and the Conversion Notice to the Company pursuant to Section 3.1 above (such fifth (5th) Business Day, the “Share Delivery Deadline”), the Company shall (i) take all actions and execute all documents necessary to effect the issuance of the full number of ADSs to which the Holder shall be entitled in satisfaction of any conversion pursuant to Section 3.1, (ii) in the case that the Holder elects to convert the Note into Class A Shares, deliver to the Holder a copy of the register of members of the Company, reflecting the Holder’s ownership of the Class A Shares delivered upon such conversion, and (iii) subject to Section 3.3(b), cancel the Note. No Conversion Notice may be delivered and the Note may not be surrendered by the Holder for conversion thereof if the Holder has also delivered a Fundamental Change Repurchase Notice to the Company in respect of the Note and not validly withdrawn such Fundamental Change Repurchase Notice in accordance with Article 5.

(b) In the event the Holder surrenders this Note pursuant to Section 3.3(a) for partial conversion, the Company shall, in addition to cancelling the Note upon such surrender, execute and deliver to the Holder a new note denominated in Renminbi and in an aggregate principal amount equal to the unconverted portion of the surrendered Note, without payment of any service charge by the Holder.

(c) If the Holder submits the Note for conversion, the Company shall pay any documentary, stamp or similar issue or transfer tax due on the delivery of the ADSs or the issuance and delivery of the Class A Shares upon such conversion of the Note, unless the tax is due because the Holder requests such ADSs to be issued in a name other than the Holder’s name, in which case the Holder shall pay that tax. The Company shall not be responsible for the relevant depositary’s fees for the issuance of the ADSs, or, in the case of issuance of Class A Shares, for any future conversion of such issued Class A Shares into the ADSs.

(d) Except as provided in Section 4.1, no adjustment shall be made for dividends on any ADSs delivered upon any conversion of this Note as provided in this Article 3.

(e) Upon any conversion, the Holder shall not receive any separate cash payment for accrued and unpaid interest, if any, except as set forth below. The Company’s settlement of each conversion pursuant to this Article 3 shall be deemed to satisfy in full its obligation to pay the principal amount of the Note converted and accrued and unpaid interest thereon, if any. As a result, such accrued and unpaid interest, if any, shall be deemed to be paid in full rather than cancelled, extinguished or forfeited. Notwithstanding the foregoing, if this Note is converted after the close of business on a Regular Record Date, the Holder will receive the full amount of interest payable on the Note on the corresponding Interest Payment Date notwithstanding the pending conversion for so long as it remains a holder of the Note and there remains outstanding principal. Any issuance of ADSs upon conversion of the Note during the period from the close of business on any Regular Record Date to the open of business on the immediately following Interest Payment Date must be accompanied by funds equal to the amount

of interest payable on the Note; provided that no such payment shall be required (1) for conversions following the Regular Record Date immediately preceding the Maturity Date, (2) if the Company has specified a Fundamental Change Repurchase Date that is after a Regular Record Date and on or prior to the corresponding Interest Payment Date or (3) to the extent of any Defaulted Amounts, if any Defaulted Amounts exist at the time of conversion with respect to the Note.

(f) The Company shall not issue any fractional ADS upon conversion of the Note and shall instead pay cash in Renminbi in lieu of any fractional ADS deliverable upon conversion, calculated as the Renminbi Equivalent Amount of the Last Reported Sale Price of the ADSs on the relevant Conversion Date.

(g) If the Company fails to issue and deliver to the Holder the ADSs to which the Holder is entitled upon conversion of this Note on or prior to the applicable Share Delivery Deadline and such failure continues for a period of five (5) Business Days, then:

(i) the Company shall pay in cash to the Holder on each day after such Share Delivery Deadline during which such failure is continuing an amount equal to 0.1% of the product of (A) the number of ADSs not issued to the Holder on or prior to the Share Delivery Deadline and to which the Holder is entitled, multiplied by (B) the Last Reported Sale Price of the ADSs on the Conversion Date; provided, however, that no such amount shall be payable by the Company if such failure was not caused by, and did not result from, any act, omission, or negligence of the Company or any of its agents, evidenced by supporting materials delivered by the Company to the Holder within two (2) Business Days after the Share Delivery Deadline, setting forth in reasonable detail the circumstances giving rise to such failure; and

(ii) the Holder, upon written notice to the Company, may void its Conversion Notice with respect to any portion of this Note that has not been converted pursuant to such Conversion Notice.

Nothing in this Section 3.3(g) shall limit the Holder's right to pursue any other remedies available to it hereunder, at law or in equity.

ARTICLE 4

ADJUSTMENTS

4.1 Adjustment of Conversion Rate.

If the number of Class A Shares represented by the ADSs is changed, after the date of this Note, for any reason other than one or more of the events described in this Article 4, the Company shall make an appropriate adjustment to the Conversion Rate such that the number of Class A Shares represented by the ADSs upon which any conversion of this Note is based remains the same.

Notwithstanding the adjustment provisions described in this Section 4.1, if the Company distributes to holders of the Class A Shares any cash, rights, options, warrants, shares of Capital Stock or similar equity interest, evidences of indebtedness or other assets or property of the Company (but excluding Expiring Rights) and a corresponding distribution is not made to

holders of the ADSs, but, instead, the ADSs shall represent, in addition to Class A Shares, such cash, rights, options, warrants, shares of Capital Stock or similar equity interest, evidences of indebtedness or other assets or property of the Company, then an adjustment to the Conversion Rate described in this Section 4.1 shall not be made until and unless a corresponding distribution (if any) is made to holders of the ADSs, and such adjustment to the Conversion Rate shall be based on the distribution made to the holders of the ADSs and not on the distribution made to the holders of the Class A Shares. However, in the event that the Company issues or distributes to all holders of the Class A Shares any Expiring Rights, notwithstanding the immediately preceding sentence, the Company shall adjust the Conversion Rate pursuant to Section 4.1(b) (in the case of Expiring Rights entitling holders of the Class A Shares for a period of not more than 45 calendar days after the announcement date of such issuance to subscribe for or purchase Class A Shares or ADSs) or Section 4.1(c) (in the case of all other Expiring Rights).

For the avoidance of doubt, if any event described in this Section 4.1 results in a change to the number of Class A Shares represented by the ADSs, then such a change shall be deemed to satisfy the Company's obligation to effect the relevant adjustment to the Conversion Rate on account of such an event to the extent to which such change reflects what a corresponding change to the Conversion Rate would have been on account of such an event.

The Conversion Rate shall be adjusted from time to time by the Company if any of the following events occurs, except that the Company shall not make any adjustments to the Conversion Rate if the Holder participates (other than in the case of a share split or share combination), at the same time and upon the same terms as holders of the Class A Shares (directly or in the form of ADSs) and solely as a result of holding the Note, in any of the transactions described in this Section 4.1, without having to convert the Note, as if it held a number of Class A Shares equal to the number of Class A Shares to which the principal amount of the Note then held by the Holder is convertible (without regard to any limitation on conversion period hereunder).

(a) If the Company exclusively issues Class A Shares (directly or in the form of ADSs) as a dividend or distribution on the Class A Shares (directly or in the form of ADSs), or if the Company effects a share split or share combination, the Conversion Rate shall be adjusted based on the following formula:

$$CR_1 = CR_0 \cdot \frac{OS_1}{OS_0}$$

where,

- CR_0 = the Conversion Rate in effect immediately prior to the close of business on the Record Date for such dividend or distribution, or immediately prior to the close of business on the effective date of such share split or share combination, as applicable;
- CR_1 = the Conversion Rate in effect immediately after the close of business on such Record Date or immediately after the close of business on such effective date, as applicable;
- OS_0 = the number of Class A Shares outstanding immediately prior to the close of business on such Record Date or immediately prior to the close of business on such effective date, as applicable; and
- OS_1 = the number of Class A Shares outstanding immediately after giving effect to such dividend, distribution, share split or share combination.

Any adjustment made under this Section 4.1(a) shall become effective immediately after the close of business on the Record Date for such dividend or distribution, or immediately after the open of business on the effective date for such share split or share combination, as applicable. If any dividend or distribution of the type described in this Section 4.1(a) is declared but not so paid or made, the Conversion Rate shall be immediately readjusted, effective as of the date the Board of Directors determines not to pay such dividend or distribution, to the Conversion Rate that would then be in effect if such dividend or distribution had not been declared.

(b) If the Company issues to all or substantially all holders of the Class A Shares (directly or in the form of ADSs) any rights, options or warrants entitling them, for a period of not more than 45 calendar days after the announcement date of such issuance, to subscribe for or purchase Class A Shares (directly or in the form of ADSs) at a price per Class A Share that is less than the average of the Last Reported Sale Prices of the Class A Shares, for the 10 consecutive Trading Day period ending on, and including, the Trading Day immediately preceding the date of

announcement of such issuance, the Conversion Rate shall be increased based on the following formula:

$$CR_1 = CR_0 \cdot \frac{OS_0 + X}{OS_0 + Y}$$

where,

- CR₀ = the Conversion Rate in effect immediately prior to the close of business on the Record Date for such issuance;
- CR₁ = the Conversion Rate in effect immediately after the close of business on such Record Date;
- OS₀ = the number of Class A Shares outstanding immediately prior to the close of business on such Record Date;
- X = the total number of Class A Shares (directly or in the form of ADSs) deliverable pursuant to such rights, options or warrants; and
- Y = the number of Class A Shares equal to (i) the aggregate price payable to exercise such rights, options or warrants, *divided by* (ii) the average of the Last Reported Sale Prices of the Class A Shares over the 10 consecutive Trading Day period ending on, and including, the Trading Day immediately preceding the date of announcement of the issuance of such rights, options or warrants.

Any increase made under this Section 4.1(b) shall be made successively whenever any such rights, options or warrants are issued and shall become effective immediately after the close of business on the Record Date for the Class A Shares (directly or in the form of ADSs), as applicable, for such issuance. To the extent that Class A Shares or ADSs are not delivered after the expiration of such rights, options or warrants, the Conversion Rate shall be decreased to the Conversion Rate that would then be in effect had the increase with respect to the issuance of such rights, options or warrants been made on the basis of delivery of only the number of Class A Shares actually delivered (directly or in the form of ADSs). If such rights, options or warrants are not so issued, the Conversion Rate shall be decreased to the Conversion Rate that would then be in effect if the Record Date for such issuance had not occurred.

For purposes of this Section 4.1(b), in determining whether any rights, options or warrants entitle the holders to subscribe for or purchase Class A Shares (directly or in the form of ADSs) at a price per Class A Share that is less than such average of the Last Reported Sale Prices of the Class A Shares, for the 10 consecutive Trading Day period ending on, and including, the Trading Day immediately preceding the date of announcement for such issuance, and in determining the aggregate offering price of such Class A Shares (directly or in the form of ADSs), there shall be taken into account any consideration received by the Company for such rights,

options or warrants and any amount payable on exercise or conversion thereof, the value of such consideration, if other than cash, to be determined by the Board of Directors.

(c) If the Company distributes shares of its Capital Stock, evidences of its indebtedness, other assets or property of the Company or rights, options or warrants to acquire its Capital Stock or other securities (any of such shares of Capital Stock, evidences of indebtedness, other assets or property or rights, options or warrants to acquire Capital Stock or other securities of the Company, the “Distributed Property”) to all or substantially all holders of the Class A Shares (directly or in the form of ADSs), excluding (i) dividends, distributions or issuances as to which an adjustment was effected pursuant to Section 4.1(a) or Section 4.1(b), (ii) dividends or distributions paid exclusively in cash as to which an adjustment was effected pursuant to Section 4.1(d), and (iii) Spin-Offs as to which the provisions set forth below in this Section 4.1(c) shall apply, then the Conversion Rate shall be increased based on the following formula:

$$CR_1 = CR_0 \cdot \frac{SP_0}{SP_0 - FMV}$$

where,

- CR₀ = the Conversion Rate in effect immediately prior to the close of business on the Record Date for such distribution;
- CR₁ = the Conversion Rate in effect immediately after the close of business on such Record Date;
- SP₀ = the average of the Last Reported Sale Prices of the Class A Shares over the 10 consecutive Trading Day period ending on, and including, the Trading Day immediately preceding the Ex-Dividend Date for such distribution; and
- FMV = the fair market value (as determined by the Board of Directors) of the Distributed Property with respect to each outstanding Class A Share (directly or in the form of ADSs) on the Record Date for such distribution.

Any increase made under the portion of this Section 4.1(c) above shall become effective immediately after the close of business on the Record Date for such distribution. If such distribution is not so paid or made, the Conversion Rate shall be decreased to the Conversion Rate that would then be in effect if such distribution had not been declared. Notwithstanding the foregoing, if “FMV” (as defined above) is equal to or greater than “SP₀” (as defined above), in lieu of the foregoing increase, the Holder shall receive, in respect of each RMB10,000 principal amount thereof, at the same time and upon the same terms as holders of the ADSs receive the Distributed Property, the amount and kind of Distributed Property the Holder would have received if the Holder owned a number of ADSs equal to the Conversion Rate in effect on the Record Date for the distribution.

With respect to an adjustment pursuant to this Section 4.1(c) where there has been a payment of a dividend or other distribution on the Class A Shares (directly or in the form of

ADSs) of shares of Capital Stock of any class or series, or similar equity interest, of or relating to a Subsidiary or other business unit of the Company, that are, or, when issued, will be, listed or admitted for trading on a U.S. national securities exchange (a “Spin-Off”), the Conversion Rate shall be increased based on the following formula:

$$CR_1 = CR_0 \cdot \frac{FMV_0 + MP_0}{MP_0}$$

where,

CR₀ = the Conversion Rate in effect immediately prior to the end of the Valuation Period;

CR₁ = the Conversion Rate in effect immediately after the end of the Valuation Period;

FMV₀ = the average of the Last Reported Sale Prices of the Capital Stock or similar equity interest distributed to holders of the Class A Shares (directly or in the form of ADSs) applicable to one Class A Share over the first 10 consecutive Trading Day period after, and including, the Ex-Dividend Date of the Spin-Off (the “Valuation Period”); and

MP₀ = the average of the Last Reported Sale Prices of the Class A Shares over the Valuation Period.

The adjustment to the Conversion Rate under the preceding paragraph shall occur on the last Trading Day of the Valuation Period; provided that in respect of any conversion during the Valuation Period, references in the portion of this Section 4.1(c) related to Spin-Offs to 10 Trading Days shall be deemed to be replaced with such lesser number of Trading Days as have elapsed from, and including, the Ex-Dividend Date of such Spin-Off to, and including, the Conversion Date in determining the Conversion Rate.

For purposes of this Section 4.1(c), rights, options or warrants distributed by the Company to all holders of the Class A Shares (directly or in the form of ADSs) entitling them to subscribe for or purchase shares of the Company’s Capital Stock, including Class A Shares (either initially or under certain circumstances), which rights, options or warrants, until the occurrence of a specified event or events (“Trigger Event”): (i) are deemed to be transferred with such Class A Shares (directly or in the form of ADSs); (ii) are not exercisable; and (iii) are also issued in respect of future issuances of the Class A Shares (directly or in the form of ADSs), shall be deemed not to have been distributed for purposes of this Section 4.1(c) (and no adjustment to the Conversion Rate under this Section 4.1(c) will be required) until the occurrence of the earliest Trigger Event, whereupon such rights, options or warrants shall be deemed to have been distributed and an appropriate adjustment (if any is required) to the Conversion Rate shall be made under this Section 4.1(c). If any such right, option or warrant, including any such existing rights, options or warrants distributed prior to the date of this Note, are subject to events, upon the occurrence of which such rights, options or warrants become exercisable to purchase different securities, evidences of

indebtedness or other assets, then the date of the occurrence of any and each such event shall be deemed to be the date of distribution and Record Date with respect to new rights, options or warrants with such rights (in which case the existing rights, options or warrants shall be deemed to terminate and expire on such date without exercise by any of the holders thereof). In addition, in the event of any distribution (or deemed distribution) of rights, options or warrants, or any Trigger Event or other event (of the type described in the immediately preceding sentence) with respect thereto that was counted for purposes of calculating a distribution amount for which an adjustment to the Conversion Rate under this Section 4.1(c) was made, (1) in the case of any such rights, options or warrants that shall all have been redeemed or purchased without exercise by any holders thereof, upon such final redemption or purchase (x) the Conversion Rate shall be readjusted as if such rights, options or warrants had not been issued and (y) the Conversion Rate shall then again be readjusted to give effect to such distribution, deemed distribution or Trigger Event, as the case may be, as though it were a cash distribution, equal to the per Class A Share redemption or purchase price received by a holder or holders of Class A Shares (directly or in the form of ADSs) with respect to such rights, options or warrants (assuming such holder had retained such rights, options or warrants), made to all holders of Class A Shares (directly or in the form of ADSs) as of the date of such redemption or purchase, and (2) in the case of such rights, options or warrants that shall have expired or been terminated without exercise by any holders thereof, the Conversion Rate shall be readjusted as if such rights, options and warrants had not been issued.

For purposes of Section 4.1(a), Section 4.1(b) and this Section 4.1(c), if any dividend or distribution to which this Section 4.1(c) is applicable also includes one or both of:

(A) a dividend or distribution of Class A Shares (directly or in the form of ADSs) to which Section 4.1(a) is applicable (the “Clause A Distribution”); or

(B) a dividend or distribution of rights, options or warrants to which Section 4.1(b) is applicable (the “Clause B Distribution”),

then (1) such dividend or distribution, other than the Clause A Distribution and the Clause B Distribution, shall be deemed to be a dividend or distribution to which this Section 4.1(c) is applicable (the “Clause C Distribution”) and any Conversion Rate adjustment required by this Section 4.1(c) with respect to such Clause C Distribution shall then be made, and (2) the Clause A Distribution and Clause B Distribution shall be deemed to immediately follow the Clause C Distribution and any Conversion Rate adjustment required by Section 4.1(a) and Section 4.1(b) with respect thereto shall then be made, except that, if determined by the Company (I) the “Record Date” of the Clause A Distribution and the Clause B Distribution shall be deemed to be the Record Date of the Clause C Distribution and (II) any Class A Shares (directly or in the form of ADSs) included in the Clause A Distribution or Clause B Distribution shall be deemed not to be “outstanding immediately prior to the close of business on such Record Date or immediately after the open of business on such effective date, as applicable” within the meaning of Section 4.1(a) or “outstanding immediately prior to the close of business on such Record Date” within the meaning of Section 4.1(b).

(d) If any cash dividend or distribution is made to all or substantially all holders of the Class A Shares (directly or in the form of ADSs), the Conversion Rate shall be adjusted based on the following formula:

$$CR_1 = CR_0 \cdot \frac{SP_0}{SP_0 - C}$$

where,

- CR₀ = the Conversion Rate in effect immediately prior to the close of business on the Record Date for such dividend or distribution;
- CR₁ = the Conversion Rate in effect immediately after the close of business on such Record Date;
- SP₀ = the Last Reported Sale Price of the Class A Shares on the Trading Day immediately preceding the Ex-Dividend Date for such dividend or distribution; and
- C = the amount in cash per Class A Share the Company distributes to all or substantially all holders of the Class A Shares (directly or in the form of ADSs).

Any increase pursuant to this Section 4.1(d) shall become effective immediately after the close of business on the Record Date for such dividend or distribution. If such dividend or distribution is not so paid, the Conversion Rate shall be decreased, effective as of the date the Board of Directors determines not to make or pay such dividend or distribution, to be the Conversion Rate that would then be in effect if such dividend or distribution had not been declared. Notwithstanding the foregoing, if “C” (as defined above) is equal to or greater than “SP₀” (as defined above), in lieu of the foregoing increase, the Holder shall receive, for each RMB10,000 principal amount of the Note, at the same time and upon the same terms as holders of the ADSs, the amount of cash that the Holder would have received if the Holder owned a number of ADSs equal to the Conversion Rate on the Record Date for such cash dividend or distribution.

(e) If the Company or any of its Subsidiaries make a payment in respect of a tender or exchange offer for all or any portion of the Class A Shares (directly or in the form of ADSs), to the extent that the cash and value of any other consideration included in the payment per Class A Share exceeds the average of the Last Reported Sale Prices of the Class A Shares over the 10 consecutive Trading Day period commencing on, and including, the Trading Day next

succeeding the date such tender or exchange offer expires, the Conversion Rate shall be increased based on the following formula:

$$CR_1 = CR_0 + \frac{AC + (SP_1 \times OS_1)}{OS_0 + SP_1}$$

where,

- CR₀ = the Conversion Rate in effect immediately prior to the close of business on the 10th Trading Day immediately following, and including, the Trading Day next succeeding the date such tender or exchange offer expires;
- CR₁ = the Conversion Rate in effect immediately after the close of business on the 10th Trading Day immediately following, and including, the Trading Day next succeeding the date such tender or exchange offer expires;
- AC = the aggregate value of all cash and any other consideration (as determined by the Board of Directors) paid or payable for Class A Shares (directly or in the form of ADSs) purchased in such tender or exchange offer;
- OS₀ = the number of Class A Shares outstanding immediately prior to the date such tender or exchange offer expires (prior to giving effect to the purchase of all Class A Shares (directly or in the form of ADSs) accepted for purchase or exchange in such tender or exchange offer);
- OS₁ = the number of Class A Shares outstanding immediately after the date such tender or exchange offer expires (after giving effect to the purchase of all Class A Shares (directly or in the form of ADSs) accepted for purchase or exchange in such tender or exchange offer); and
- SP₁ = the average of the Last Reported Sale Prices of the Class A Shares over the 10 consecutive Trading Day period commencing on, and including, the Trading Day next succeeding the date such tender or exchange offer expires.

The adjustment to the Conversion Rate under this Section 4.1(e) shall occur at the close of business on the 10th Trading Day immediately following, and including, the Trading Day next succeeding the date such tender or exchange offer expires; provided that in respect of any conversion within the 10 Trading Days immediately following, and including, the Trading Day next succeeding the expiration date of any tender or exchange offer, references in this Section 4.1(e) with respect to 10 Trading Days shall be deemed replaced with such lesser number of Trading Days as have elapsed from, and including, the Trading Day next succeeding the expiration date of such tender or exchange offer to, and including, the Conversion Date in determining the Conversion Rate. No adjustment to the Conversion Rate under this Section 4.1(e) shall be made if such adjustment would result in a decrease in the Conversion Rate. In the event that the Company or one of the Company's Subsidiaries is obligated to purchase Class A Shares (directly or in the form of ADSs) pursuant to any such tender offer or exchange offer, but the Company or

such Subsidiary is permanently prevented by applicable Law from effecting any such purchases, or all such purchases are rescinded, then the Conversion Rate shall be readjusted to be the Conversion Rate that would then be in effect if such tender offer or exchange offer had not been made.

(f) Except as stated herein, the Company shall not adjust the Conversion Rate for the issuance of Class A Shares or ADSs or any securities convertible into or exchangeable for Class A Shares or ADSs or the right to purchase Class A Shares or ADSs or such convertible or exchangeable securities.

(g) In addition to those adjustments required by subsections (a), (b), (c), (d) and (e) of this Section 4.1, and to the extent permitted by applicable Law and subject to the applicable rules of The New York Stock Exchange and any other securities exchange on which any of the Company's securities are then listed, the Company from time to time may increase the Conversion Rate by any amount for a period of at least 20 Business Days if the Board of Directors determines that such increase would be in the Company's best interest, and the Company may (but is not required to) increase the Conversion Rate to avoid or diminish any income tax to holders of the Class A Shares or the ADSs or rights to purchase Class A Shares or ADSs in connection with a dividend or distribution of Class A Shares or ADSs (or rights to acquire Class A Shares or ADSs) or similar event.

(h) Notwithstanding anything to the contrary in this Section 4.1, the Conversion Rate shall not be adjusted:

(i) upon the issuance of any Class A Shares or ADSs pursuant to any present or future plan providing for the reinvestment of dividends or interest payable on the Company's securities and the investment of additional optional amounts in Class A Shares or ADSs under any plan;

(ii) upon the issuance of any Class A Shares or ADSs or options or rights to purchase those Class A Shares or ADSs pursuant to any present or future employee, director or consultant benefit plan or program of or assumed by the Company or any of the Company's Subsidiaries;

(iii) upon the issuance of any Class A Shares or ADSs pursuant to any option, warrant, right or exercisable, exchangeable or convertible security not described in clause (ii) of this subsection and outstanding as of the date this Note was first issued;

(iv) solely for a change in the par value of the Class A Shares or ADSs; or

(v) for accrued and unpaid interest, if any.

(i) All calculations and other determinations under this Section 4.1 shall be made by the Company and shall be made to the nearest one-ten thousandth (1/10,000) of an ADS.

(j) Whenever the Conversion Rate is adjusted as herein provided, the Company shall promptly prepare a notice of such adjustment of the Conversion Rate setting forth the adjusted Conversion Rate and the date on which each adjustment becomes effective and shall mail such notice of such adjustment of the Conversion Rate to the Holder.

(k) For purposes of this Article 4, the number of Class A Shares at any time outstanding shall not include Class A Shares held in the treasury of the Company (directly or in the form of ADSs) so long as the Company does not pay any dividend or make any distribution on Class A Shares held in the treasury of the Company (directly or in the form of ADSs), but shall include Class A Shares issuable in respect of scrip certificates issued in lieu of fractions of Class A Shares.

(l) For purposes of this Section 4.1, the “effective date” means the first date on which the ADSs trade on the applicable exchange or in the applicable market, regular way, reflecting the relevant share split or share combination, as applicable.

4.2 Effect of Recapitalizations, Reclassifications and Changes of the Class A Shares.

(a) In the case of:

(i) any recapitalization, reclassification or change of the Class A Shares (other than changes resulting from a subdivision or combination),

(ii) any consolidation, merger, combination or similar transaction involving the Company,

(iii) any sale, lease or other transfer to a third party of all or substantially all of the consolidated assets of the Company and the Company’s Subsidiaries, taken as a whole; or

(iv) any statutory share exchange,

in each case, as a result of which the ADSs would be converted into, or exchanged for, stock, other securities, other property or assets (including cash or any combination thereof) (any such event, a “Merger Event”), then, prior to or at the effective time of such Merger Event, the Company or the successor or purchasing Person, as the case may be, shall execute an amendment to this Note providing that, at and after the effective time of such Merger Event, the right to convert the Note shall be changed into a right to convert the Note into the kind and amount of shares of stock, other securities or other property or assets (including cash or any combination thereof) that a holder of a number of ADSs equal to the Conversion Rate immediately prior to such Merger Event would have owned or been entitled to receive (the “Reference Property”, with each “unit of Reference Property” meaning the kind and amount of Reference Property that a holder of one ADS is entitled to receive) upon such Merger Event; provided, however, that at and after the effective time of the Merger Event the number of ADSs otherwise deliverable upon any conversion of the Note in accordance with Article 3 shall instead be deliverable in the amount and type of Reference Property that a holder of that number of ADSs would have been entitled to receive in such Merger Event.

If the Merger Event causes the ADSs to be converted into, or exchanged for, the right to receive more than a single type of consideration (determined based in part upon any form of holder election), then (i) the Reference Property into which the Note will be convertible shall be deemed to be the weighted average of the types and amounts of consideration received by the holders of ADSs that affirmatively make such an election (or, in the event that no holder of ADSs affirmatively makes such an election, the weighted average of the types and amounts of consideration actually received by the holders of ADSs), and (ii) the unit of Reference Property for purposes of the immediately preceding paragraph shall refer to the consideration referred to in clause (i) attributable to one ADS. The Company shall provide written notice to the Holder of such weighted average as soon as practicable after such determination is made.

Such amendment described in the second immediately preceding paragraph shall provide for anti-dilution and other adjustments that shall be as nearly equivalent as is practicable to the adjustments provided for in this Article 4 (it being understood) that no such adjustments shall be required with respect to any portion of the Reference Property that does not consist of shares of Common Equity (however evidenced) or depositary receipts in respect thereof). If, in the case of any Merger Event, the Reference Property includes shares of stock, securities or other property or assets (including cash or any combination thereof) of a Person other than the Company or the successor or purchasing Person, as the case may be, in such Merger Event, then such other Person shall also execute such amendment, and such amendment shall contain such additional provisions to protect the interests of the Holder, including the rights of the Holder to require the Company to repurchase this Note upon a Fundamental Change pursuant to Section 5.2 as the Board of Directors shall reasonably consider necessary by reason of the foregoing.

(b) The Company shall not enter into any agreement to become a party to any Merger Event unless the terms of the transaction underlying such Merger Event are consistent with this Section 4.2. None of the foregoing provisions shall affect the right of the Holder to convert this Note into ADSs (or Class A Shares) as set forth in Article 3 prior to the effective date of such Merger Event.

(c) The above provisions of this Section 4.2 shall similarly apply to successive Merger Events.

4.3 No Adjustment. Notwithstanding anything herein to the contrary, no adjustment under this Article 4 shall be required to be made to the Conversion Rate if the Company receives written notice from the Holder that no such adjustment is required.

4.4 Certain Covenants.

(a) The Company covenants that all ADSs delivered upon any conversion of this Note, and all Class A Shares represented thereby, will be fully paid and non-assessable by the Company and free from all taxes, liens and charges with respect to the issue thereof.

(b) The Company covenants that if any ADSs to be provided for the purpose of any conversion of this Note, or any Class A Shares represented thereby, require registration with or approval of any Governmental Authority under any Law before such ADSs may be validly

issued upon conversion, the Company will, to the extent then permitted by applicable Law, secure such registration or approval, as the case may be.

(c) The Company further covenants that for so long as the ADSs are listed on any national securities exchange or automated quotation system, the Company will list and keep listed, so long as the ADSs shall be so listed on such exchange or automated quotation system, any ADSs deliverable upon conversion of this Note.

4.5 Termination of Depositary Receipt Program. If the Class A Shares cease to be represented by ADSs issued under a depositary receipt program sponsored by the Company, all references in this Note to the ADSs shall be deemed to have been replaced by a reference to the number of Class A Shares (and other property, if any) represented by the ADSs on the last day on which the ADSs represented the Class A Shares and as if the Class A Shares and the other property had been distributed to holders of the ADSs on that day. In addition, all references to the Last Reported Sale Price of the ADSs will be deemed to refer to the Last Reported Sale Price of the Class A Shares, and other appropriate adjustments, including adjustments to the Conversion Rate, will be made to reflect such change. In making such adjustments, where currency translations between U.S. dollars and any other currency are required, the exchange rate in effect two (2) Business Days prior to the date of determination shall apply.

ARTICLE 5

REPURCHASE AT OPTION OF THE HOLDER

5.1 Option of the Holder.

(a) The Holder shall have the right, at the Holder's option, to require the Company to repurchase for cash on the date that is the third (3rd) anniversary of the First Note Issue Date (the "Repurchase Date"), all or any portion (if the portion to be repurchased is an integral multiple of RMB10,000) of the Note at a repurchase price (the "Repurchase Price") that is equal to (i) 100% of the principal amount of the Note to be repurchased, plus (ii) the Make-Whole Amount in respect of such principal amount, plus (iii) accrued and unpaid interest on such principal amount to, but excluding, the Repurchase Date; provided that any such accrued and unpaid interest shall be paid not to the Holder submitting the Note for repurchase on the Repurchase Date but instead to the Holder of such Note at the close of business on the Regular Record Date immediately preceding the Repurchase Date.

(b) Delivery of Notice and the Note by the Holder.

(i) Repurchases of the Note under this Section 5.1 shall be made, at the option of the Holder, upon: (A) delivery to the Company by the Holder of a duly completed notice (the "Repurchase Notice") in the form attached hereto as Exhibit A during the period beginning at any time from the open of business on the date that is twenty (20) Business Days prior to the Repurchase Date until the close of business on the second (2nd) Business Day immediately preceding the Repurchase Date; and (B) delivery of the Note to the Company at any time after delivery of the Repurchase Notice (together with all necessary endorsements), such delivery being a condition to receipt by the Holder of the Repurchase Price therefor.

(ii) Each Repurchase Notice shall state that this Note or portion of this Note is to be repurchased by the Company pursuant to the applicable provisions of this Note.

(iii) Notwithstanding anything herein to the contrary, the Holder shall have the right to withdraw such Repurchase Notice at any time prior to the close of business on the second (2nd) Business Day immediately preceding the Repurchase Date by delivery of a duly completed written notice of withdrawal to the Company in accordance with Section 5.3.

(c) No Repurchase Notice with respect to the Note may be delivered and this Note may not be surrendered for repurchase pursuant to this Section 5.1 by the Holder to the extent that the Holder has also delivered a Fundamental Change Repurchase Notice with respect to such Note in accordance with Section 5.2 and not validly withdrawn such Fundamental Change Repurchase Notice in accordance with Section 5.3.

(d) Notwithstanding the foregoing, the Note may not be repurchased by the Company at the option of the Holder on the Repurchase Date if the principal amount of the Note has been accelerated, and such acceleration has not been rescinded, on or prior to the Repurchase Date (except in the case of an acceleration resulting from a default by the Company in the payment of the Repurchase Price with respect to the Note).

5.2 Option of the Holder upon a Fundamental Change.

(a) If a Fundamental Change occurs at any time, the Holder shall have the right, at its option, to require the Company to repurchase for cash all or any portion (if the portion to be repurchased is an integral multiple of RMB10,000) of the Note on the date (the "Fundamental Change Repurchase Date") notified by the Company in writing to the Holder promptly and in any event no later than ten (10) Business Days after the occurrence of such Fundamental Change, together with other information, including (i) the events causing the Fundamental Change, (ii) the date of the Fundamental Change, (iii) the Fundamental Change Repurchase Price, and (iv) the Fundamental Change Repurchase Date (such notification, the "Fundamental Change Company Notice") (provided that the Fundamental Change Repurchase Date shall not be less than twenty (20) Business Days or more than thirty-five (35) Business Days following the date of the Fundamental Change Company Notice) at a repurchase price equal to 100% of the principal amount thereof, plus accrued and unpaid interest thereon calculated at the Interest Rate to, but excluding, the Fundamental Change Repurchase Date (the "Fundamental Change Repurchase Price"), unless the Fundamental Change Repurchase Date falls after a Regular Record Date but on or prior to the Interest Payment Date to which such Regular Record Date relates, in which case the Company shall instead pay the full amount of accrued and unpaid interest to the Holder as of such Regular Record Date, and the Fundamental Change Repurchase Price shall be equal to 100% of the principal amount of the Note to be repurchased pursuant to this Section 5.2.

(b) Delivery of Notice and the Note by the Holder.

(i) Repurchases of the Note under this Section 5.2 shall be made, at the option of the Holder thereof, upon: (A) delivery by the Holder to the Company of a duly completed notice (the “Fundamental Change Repurchase Notice”), in the form attached hereto as Exhibit B, on or before the close of business on the second Business Day immediately preceding the Fundamental Change Repurchase Date; and (B) delivery of the Note to the Company at any time after delivery of the Fundamental Change Repurchase Notice (together with all necessary endorsements for transfer), such delivery being a condition to receipt by the Holder of the Fundamental Change Repurchase Price therefor.

(ii) Each Fundamental Change Repurchase Notice delivered pursuant to Section 5.2(b)(i) shall state (A) the portion of the principal amount of this Note to be repurchased and (B) that this Note is to be repurchased by the Company pursuant to the applicable provisions of this Note.

(iii) Notwithstanding anything herein to the contrary, the Holder shall have the right to withdraw, in whole or in part, such Fundamental Change Repurchase Notice at any time prior to the close of business on the second Business Day immediately preceding the Fundamental Change Repurchase Date by delivery of a written notice of withdrawal to the Company in accordance with Section 5.3.

(c) Notwithstanding the foregoing, the Note may not be repurchased by the Company on any date at the option of the Holder upon a Fundamental Change if the principal amount of the Note has been accelerated, and such acceleration has not been rescinded, on or prior to such date (except in the case of an acceleration resulting from a default by the Company in the payment of the Fundamental Change Repurchase Price with respect to the Note).

5.3 Withdrawal of Repurchase Notice or Fundamental Change Repurchase Notice. A Repurchase Notice or Fundamental Change Repurchase Notice may be withdrawn (in whole or in part) by means of a duly completed written notice of withdrawal delivered to the Company in accordance with this Section 5.3 at any time prior to the close of business on the second Business Day immediately preceding the Repurchase Date or Fundamental Change Repurchase Date, as applicable, specifying (a) the principal amount of the Note with respect to which such notice of withdrawal is being submitted and (b) the principal amount, if any, of the Note that remains subject to the original Repurchase Notice or Fundamental Change Repurchase Notice.

5.4 Payment of Repurchase Price or Fundamental Change Repurchase Price.

(a) On or prior to 10:00 a.m., Hong Kong time, on the Repurchase Date or Fundamental Change Repurchase Date, as applicable, the Company shall set aside, segregate and hold in trust for the benefit of the Holder an amount of money sufficient to repurchase the applicable portion of the Note to be repurchased at the appropriate Repurchase Price or Fundamental Change Repurchase Price, as applicable. Payment for the applicable portion of the Note surrendered for repurchase (and not withdrawn in accordance with Section 5.3) will be made on the later of (i) the Repurchase Date or Fundamental Change Repurchase Date, as

applicable and (ii) the time of delivery of the applicable portion of the Note by the Holder to the Company in the manner required by Section 5.1(b) or Section 5.2(b), as applicable, by mailing checks or wire transfer for the amount payable to the Holder.

(b) If by 10:00 a.m., Hong Kong time, on the Repurchase Date or Fundamental Change Repurchase Date, as applicable, the Company holds money sufficient to make payment on the applicable portion of the Note to be repurchased on such Repurchase Date or Fundamental Change Repurchase Date, as applicable, then, with respect to the applicable portion of the Note that has been properly surrendered for repurchase and not validly withdrawn, on such Repurchase Date or Fundamental Change Repurchase Date, as applicable, (i) such portion of the Note will cease to be outstanding, (ii) interest will cease to accrue on such portion of the Note and (iii) in the event the entire outstanding amount of the Note is surrendered by the Holder to be repurchased, all other rights of the Holder will terminate (other than the right of the Holder to receive the Repurchase Price or the Fundamental Change Repurchase Price, as applicable, and the right of the Holder of such Note at the close of business on the Regular Record Date immediately preceding the Repurchase Date or Fundamental Change Repurchase Date to receive accrued but unpaid interest on such Note).

(c) Upon the surrender of the Note that is to be repurchased in part pursuant to this Article 5, the Company shall execute and deliver to the Holder a new Note in an authorized denomination equal in principal amount to the unreurchased portion of the Note.

5.5 Covenant to Comply with Applicable Laws Upon Repurchase of the Note. In connection with any repurchase offer, the Company will, if required, comply with all federal and state securities Laws in connection with any offer by the Company to repurchase the Note so as to permit the rights and obligations under this Article 5 to be exercised in the time and in the manner specified in this Article 5.

ARTICLE 6 **COVENANTS**

6.1 Payment of Principal and Interest. The Company covenants and agrees that it will pay or cause to be paid the principal (including, if applicable, the Repurchase Price and the Fundamental Change Repurchase Price) of, and accrued and unpaid interest on, the Note at the respective times and in the manner provided herein.

6.2 Existence. The Company shall do or cause to be done all things necessary to preserve and keep in full force and effect its corporate existence.

6.3 Stay, Extension and Usury Laws. The Company covenants (to the extent that it may lawfully do so) that it shall not at any time insist upon, plead, or in any manner whatsoever claim or take the benefit or advantage of, any stay, extension or usury law or other Law that would prohibit or forgive the Company from paying all or any portion of the principal of or interest on the Note as contemplated herein, wherever enacted, now or at any time hereafter in force, or that may affect the covenants or the performance of the Note; and the Company (to the extent it may lawfully do so) hereby expressly waives all benefit or advantage of any such Law, and covenants that it will not, by resort to any such Law, hinder, delay or impede the execution

of any power herein granted to the Holder, but will suffer and permit the execution of every such power as though no such Law had been enacted.

6.4 Further Instruments and Acts. Upon request of the Holder, the Company will execute and deliver such further instruments and do such further acts as may be reasonably necessary or proper to carry out the purposes of this Note.

6.5 New Note Instruments. Upon request of the Holder for the Note to be broken down into a number of note instruments of smaller principal amounts, the Company shall issue additional note instruments of such smaller principal amounts within five (5) Business Days; provided that the existing note instrument of this Note shall be returned by the Holder to the Company for cancellation.

6.6 Replacement of Note. Upon the loss, theft, destruction or mutilation of this Note (and in the case of loss, theft or destruction, of indemnity from the Holder reasonably acceptable to the Company, or in the case of mutilation, upon surrender and cancellation thereof), the Company shall at the Holder's expense within five (5) Business Days execute and deliver to the Holder, in lieu thereof, a new Note, dated hereof and bearing interest from the date to which interest has been paid.

6.7 PFIC Disclosure. The Company shall use its reasonable efforts to avoid the Company or any of its Subsidiaries being classified as a "passive foreign investment company" (a "PFIC") within the meaning of Section 1297 of the U.S. Internal Revenue Code of 1986, as amended, for the current and any future taxable year.

6.8 Use of Proceeds. The Company shall apply the proceeds from the issuance of the Note in the manner set forth in Section 4.2 of the Note Purchase Agreement.

6.9 Minimum Net Cash.

(a) For so long as any principal amount of this Note remains outstanding, the Company shall maintain, at all times, Net Cash of not less than US\$75,000,000. For the avoidance of doubt, the minimum Net Cash covenants under this Note and the First Note are not cumulative, and maintaining Net Cash of not less than US\$75,000,000 shall constitute compliance with both covenants.

(b) The Company shall deliver to the Holder, within thirty (30) days after the end of each semi-annual period (being June 30 or December 31), a certificate signed by the chief financial officer (or other authorized senior financial officer) of the Company (a "Minimum Net Cash Compliance Certificate") certifying, as of June 30 or December 31 (as applicable): (i) the Company's Net Cash as of such date, (ii) the components thereof in reasonable detail, and (iii) the Company's compliance with Section 6.9(a).

(c) For purposes of this Note, "Net Cash" means, as of any date of determination, the aggregate amount of cash and cash equivalents, restricted cash and short-term investments of the Company and its Subsidiaries, minus all Financial Indebtedness of the Company and its Subsidiaries, in each case determined on a consolidated basis in accordance with GAAP.

6.10 Reservation of Shares; Authorized Share Increase.

(a) At any time when any principal amount of this Note remains outstanding, the Company shall maintain a reserve from its duly authorized but unissued Class A Shares sufficient Class A Shares to enable the Company to comply with its obligations to issue Class A Shares (including Class A Shares represented by ADSs) upon the conversion of this Note in accordance with the terms and conditions hereof and the exercise of the Warrants corresponding to this Note in accordance with the terms and conditions thereof.

(b) If at any time the number of authorized but unissued Class A Shares is insufficient to satisfy the Company's obligation to reserve shares pursuant to Section 6.10(a), the Company shall use its commercially reasonable efforts to obtain all necessary shareholder approvals to increase the authorized share capital of the Company to the extent necessary to permit the reservation required by Section 6.10(a).

ARTICLE 7
NO RIGHTS AS SHAREHOLDER PRIOR TO CONVERSION

For the avoidance of doubt, the Holder hereby acknowledges and agrees that it has not been conferred with any of the rights of a shareholder of the Company, including the right to vote as such, by any of the provisions hereof or any right (a) to vote for the election of directors or upon any matter submitted to shareholders at any meeting thereof, (b) to give or withhold consent to any corporate action (whether upon any recapitalization, issuance of shares, reclassification of shares, change of par value, or change of shares to no par value, consolidation, merger, scheme of arrangement, conveyance, or otherwise), or (c) to receive notice of meetings or to receive in-kind dividends or subscription rights or otherwise, until the Note shall have been converted and ADSs or Class A Shares issuable upon the conversion hereof shall have been issued, as provided for in the Note.

ARTICLE 8
CANCELLATION

After all amounts at any time owing on the Note have been paid in full or upon the conversion of the Note in full pursuant to Article 3, the Note shall be surrendered to the Company for cancellation and shall not be reissued.

ARTICLE 9
NO REDEMPTION OR PREPAYMENT

Unless permitted by this Note or otherwise agreed between the Company and the Holder, this Note shall not be redeemable or prepaid by the Company prior to the Maturity Date, and no sinking fund is provided for this Note.

ARTICLE 10
MISCELLANEOUS

10.1 Termination of Rights. All rights under this Note shall terminate when (a) all amounts at any time owing on the Note have been paid in full, (b) the Note is converted in full

pursuant to the terms set forth in Article 3, or (c) the Note is repurchased in full by the Company pursuant to Article 5; provided that, in the case of any repurchase or conversion, the foregoing shall not affect the right of the Holder to receive any amounts payable in the respect thereof.

10.2 Provisions Binding on Company's Successors. All the covenants, stipulations, promises and agreements of the Company contained in the Note shall bind its successors and assigns whether so expressed or not.

10.3 Official Acts by Successor Company. Any act or proceeding by any provision of the Note authorized or required to be done or performed by any board, committee or Officer of the Company shall and may be done and performed with like force and effect by the like board, committee or officer of any corporation or other entity that shall at the time be the lawful sole successor of the Company.

10.4 Amendment; Waiver. The amendment, modification or supplement to any term of the Note shall be effected by a written instrument executed by the Holder and the Company. The observance of any provision in the Note may be waived only by the written consent of the party against whom such waiver is to be effective. No failure or delay on the part of any party to exercise any right hereunder shall operate as waiver thereof, nor shall any single or partial exercise by any party of any right preclude any other or future exercise thereof or the exercise of any other right.

10.5 Transferability.

(a) The Holder covenants that the Note and/or the Class A Shares or ADSs issuable upon conversion of the Note will only be disposed of pursuant to an effective registration statement under, and in compliance with the requirements of, the Securities Act or pursuant to an available exemption from the registration requirements of the Securities Act, and in compliance with any applicable state securities laws.

(b) Notwithstanding Section 10.5(a), the Holder shall not transfer, assign or otherwise dispose of all or any portion of this Note to any Person without the prior written consent of the Company; provided, however, that no such consent shall be required for:

(i) any transfer or assignment of this Note to any Permitted Transferee of the Holder, so long as such Permitted Transferee agrees in writing to be bound by all of the terms and conditions of this Note and the other Transaction Documents and such transfer is effected in compliance with applicable securities laws; or

(ii) any pledge or grant of a security interest in this Note in connection with any Back Leverage.

(c) The Holder agrees to the imprinting, until no longer required by this Section 10.5, of the following legend on any certificate evidencing the Note or the Class A Shares issuable upon conversion of the Note:

THE SECURITIES REPRESENTED HEREBY HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933 (AS AMENDED,

THE “SECURITIES ACT”) OR UNDER THE SECURITIES LAWS OF ANY OTHER JURISDICTIONS. THESE SECURITIES MAY NOT BE TRANSFERRED, SOLD, OFFERED FOR SALE, PLEDGED OR HYPOTHECATED IN THE ABSENCE OF (1) AN EFFECTIVE REGISTRATION STATEMENT UNDER THE SECURITIES ACT OR (2) AN EXEMPTION OR QUALIFICATION UNDER APPLICABLE SECURITIES LAWS. ANY ATTEMPT TO TRANSFER, SELL, PLEDGE OR HYPOTHECATE THESE SECURITIES IN VIOLATION OF THE FOREGOING RESTRICTIONS SHALL BE NULL AND VOID.

The legend set forth above shall be removed and the Company shall issue a certificate without such legend to the holder of the Note or the Class A Shares issuable upon conversion of the Note if, unless otherwise required by state securities laws, (i) such securities are registered for resale under the Securities Act and are transferred to a Holder pursuant to a registration statement that is effective at the time of such transfer, (ii) in connection with a sale, assignment or other transfer, such Holder provides the Company with an opinion of counsel, the form and substance of which opinion shall be reasonably acceptable to the Company with respect to transactions of a similar nature, that the sale, assignment or transfer of the securities may be made without registration under the applicable requirements of the Securities Act or (iii) such Holder provides the Company with reasonable assurance that the securities can be sold, assigned or transferred pursuant to Rule 144 or have been sold under Rule 144.

(d) Transfers of this Note not in contravention of applicable Law and the Transaction Documents shall be registered upon registration books maintained for such purpose by or on behalf of the Company. Prior to presentation of this Note for registration of transfer, the Company shall treat the registered holder hereof as the owner and holder of this Note for the purpose of receiving all payments of principal and interest hereon and for all other purposes whatsoever.

10.6 Governing Law. THIS NOTE SHALL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE STATE OF NEW YORK WITHOUT REGARD TO PRINCIPLES OF CONFLICTS OF LAWS THEREUNDER.

10.7 Dispute Resolution.

(a) Any dispute, controversy, difference or claim arising out of or relating to this Note, including its existence, validity, interpretation, performance, breach or termination hereof or any dispute regarding non-contractual obligations arising out of or relating to it, shall be referred to and finally resolved by arbitration administered by the Hong Kong International Arbitration Centre (“HKIAC”) under the HKIAC Administered Arbitration Rules in force when the notice of arbitration is submitted. The law of this arbitration clause shall be Hong Kong law. The seat of arbitration shall be Hong Kong.

(b) It shall not be incompatible with this arbitration agreement for any party to seek interim or conservatory relief from courts of competent jurisdiction before the constitution of the arbitral tribunal.

10.8 Notices. All notices and other communications given under this Note shall be in writing and shall be deemed to have been duly given: (a) upon receipt, when delivered personally; (b) one Business Day after deposit with an internationally recognized overnight courier service; or (c) when sent by confirmed electronic mail if sent during normal business hours of the recipient, or if not, then on the next Business Day, in each case properly addressed to the party to receive the same. The addresses of the parties for such communications are:

If to the Company:

Yatsen Holding Limited

Address: Floor 39, Poly Development Plaza
No. 832 Yue Jiang Zhong Road
Haizhu District, Guangzhou 510335
The People's Republic of China

Email: [***]

Attention: [***]

with a copy (which shall not constitute notice) to:

Skadden, Arps, Slate, Meagher & Flom LLP

Address: c/o 42/F Edinburgh Tower, The Landmark
15 Queen's Road Central, Hong Kong

Email: [***]

Attention: [***]

If to the Holder:

Polaris Veritas Investment Limited

Address: [***]

Email: [***]

Attention: [***]

A party may change or supplement the addresses given above by giving the other party written notice thereof in the manner set forth above.

10.9 Calculations. Except as otherwise provided herein, the Company shall be responsible for making all calculations called for under the Note and shall provide a schedule of its calculations to the Holder upon request. The Company shall make all these calculations in good faith and, absent manifest error, the Company's calculations shall be final and binding on the Holder.

10.10 Delays or Omissions. No delay or failure by any party to insist on the strict performance of any provision of the Note, or to exercise any power, right or remedy, will be deemed a waiver or impairment of such performance, power, right or remedy or of any other

provision of the Note, nor shall it be construed to be a waiver of any breach or default, or an acquiescence therein, or of or in any similar breach or default thereafter occurring.

10.11 Interpretation. If any claim is made by a party relating to any conflict, omission or ambiguity in the provisions of the Note, no presumption or burden of proof or persuasion will be implied because the Note was prepared by or at the request of any party or its counsel.

10.12 Rules of Construction. The headings contained in this Note are for reference purposes only and do not affect in any way the meaning or interpretation of this Note. In this Note, except as otherwise provided, (i) the terms “include”, “includes” and “including” shall be deemed to be followed by the words “without limitation”; (ii) where a reference is made herein to an Article, Section, Exhibit or Schedule, such reference is to an Article, Section, Exhibit or Schedule of this Note; (iii) the words “hereof,” “herein” and “hereunder” and words of similar import refer to this Note as a whole; (iv) any noun or pronoun shall be deemed to include the plural as well as the singular and to cover all genders; (v) references to a Person are also to its successors and permitted assigns; and (vi) references to any legislation or to any provision of any legislation shall include any modification, amendment, re-enactment thereof, any legislative provision substituted therefor and all rules, regulations and statutory instruments issued or related to such legislation.

[The remainder of this page has been deliberately left blank]

IN WITNESS WHEREOF, the Company has caused the Note to be issued on the date first above written.

COMPANY:

Yatsen Holding Limited

By: _____
(Signature)

Name: _____
Title: _____

[Signature Page to Convertible Senior Note]

Exhibit A
FORM OF REPURCHASE NOTICE

To: YATSEN HOLDING LIMITED

Reference is made to that certain RMB_____ convertible senior note (the “Note”) dated_____ issued by Yatsen Holding Limited (the “Company”) to the undersigned Holder. Capitalized terms used and not defined herein shall have the meaning set forth in the Note.

The undersigned Holder of the Note hereby requests and instructs the Company to pay to the Holder in accordance with Section 5.1 of the Note (1) [the entire principal amount of this Note] / [the portion of the principal amount of this Note below designated], (2) the Make-Whole Amount in respect of such principal amount, and (3) if such Repurchase Date does not fall during the period after a Regular Record Date and on or prior to the corresponding Interest Payment Date, accrued and unpaid interest thereon to, but excluding, such Repurchase Date.

[Principal amount to be repaid (if less than all): RMB_____]

Dated: _____

[NAME OF HOLDER]

By: _____
Name:
Title:

[Exhibit A]

Exhibit B

FORM OF FUNDAMENTAL CHANGE REPURCHASE NOTICE

To: YATSEN HOLDING LIMITED

Reference is made to that certain RMB_____ convertible senior note (the “Note”) dated_____ issued by Yatsen Holding Limited (the “Company”) to the undersigned Holder. Capitalized terms used and not defined herein shall have the meaning set forth in the Note.

The undersigned Holder of the Note hereby requests and instructs the Company to pay to the Holder in accordance with Section 5.2 of this Note (1) [the entire principal amount of this Note] / [the portion of the principal amount of this Note below designated], and (2) if such Fundamental Change Repurchase Date does not fall during the period after a Regular Record Date and on or prior to the corresponding Interest Payment Date, accrued and unpaid interest thereon to, but excluding, such Fundamental Change Repurchase Date.

[Principal amount to be repaid (if less than all): RMB_____]

Dated: _____

[NAME OF HOLDER]

By: _____
Name:
Title:

[Exhibit B]

Exhibit C

Form of the Warrant

NEITHER THIS WARRANT NOR THE SECURITIES ISSUABLE UPON EXERCISE OF THIS WARRANT HAVE BEEN REGISTERED UNDER THE UNITED STATES SECURITIES ACT OF 1933, AS AMENDED (THE “SECURITIES ACT”), OR UNDER ANY OTHER SECURITIES LAWS. THESE SECURITIES ARE SUBJECT TO RESTRICTIONS ON TRANSFERABILITY AND RESALE AND MAY NOT BE TRANSFERRED, OFFERED FOR SALE, PLEDGED, HYPOTHECATED, OR RESOLD EXCEPT AS PERMITTED UNDER THE SECURITIES ACT AND OTHER APPLICABLE SECURITIES LAWS OR PURSUANT TO REGISTRATION OR EXEMPTION THEREFROM. HOLDERS SHOULD BE AWARE THAT THEY MAY BE REQUIRED TO BEAR THE FINANCIAL RISKS OF THIS INVESTMENT FOR AN INDEFINITE PERIOD OF TIME.

WARRANT TO PURCHASE CLASS A ORDINARY SHARES OF YATSEN HOLDING LIMITED

[Date]

This is to certify that, FOR VALUE RECEIVED, Polaris Veritas Investment Limited, or its assigns (“Holder”), is entitled to acquire, subject to the provisions of this Warrant, from Yatsen Holding Limited, an exempted company incorporated with limited liability under the laws of the Cayman Islands (the “Company”), a certain number of fully paid, validly issued and non-assessable Class A ordinary shares, par value US\$0.00001 per share, of the Company (“Class A Ordinary Shares”) equal to 50% of one-tenth (1/10) of the number of Class A Ordinary Shares (including Class A Ordinary Shares represented by ADSs) actually issued by the Company upon conversion of all or a portion of the corresponding Note (as defined below), at an exercise price of US\$0.50 per Class A Ordinary Share (equivalent to US\$10.00 per ADS, based on twenty (20) Class A Ordinary Shares per ADS as of the date hereof) (the “Exercise Price”). The number of Class A Ordinary Shares to be received upon the exercise of this Warrant and the Exercise Price may be adjusted from time to time as hereinafter set forth. The Class A Ordinary Shares deliverable upon such exercise, and as adjusted from time to time, are hereinafter referred to as the “Warrant Shares.”

This Warrant to purchase Class A Ordinary Shares (this “Warrant”) is being issued pursuant to that certain Convertible Note Purchase Agreement, dated March 11, 2026 (the “Note Purchase Agreement”), by and between the Company and the Holder. This Warrant corresponds to the [First Note/Second Note] issued pursuant to the Note Purchase Agreement (the “Note”). Capitalized terms used but not defined herein shall have the meanings given to them in the Note Purchase Agreement or, where the context requires, the Note.

(a) Exercise of Warrant.

(1) This Warrant may be exercised, on a cashless basis only, in whole or in part at any time or from time to time during the period commencing on the date on which all or any portion of the Note is converted into Class A Ordinary Shares (including Class A Ordinary

Shares represented by ADSs) in accordance with the terms of the Note and ending on the Maturity Date or the Extended Maturity Date of such Note, as applicable (such period, the “Exercise Period”).

(2) This Warrant shall be exercised by exchanging this Warrant, in whole or in part (a “Warrant Exchange”), into the number of Warrant Shares determined in accordance with this Section (a), by surrendering this Warrant at the principal office of the Company, accompanied by a notice stating the Holder’s intent to effect such exchange, the number of Warrant Shares to be exchanged and the date on which the Holder requests that such Warrant Exchange occur (the “Notice of Exchange”). The Warrant Exchange shall take place on the date specified in the Notice of Exchange or, if later, the date the Notice of Exchange is received by the Company (the “Exchange Date”). The Warrant Shares issuable upon such Warrant Exchange and, if this Warrant should be exercised in part only, a new Warrant evidencing the rights of the Holder thereof to purchase the balance of the Warrant Shares purchasable hereunder, shall be issued as of the Exchange Date and delivered to the Holder within five (5) Business Days following the Exchange Date. In connection with any Warrant Exchange, this Warrant shall represent the right to subscribe for and acquire the number of Warrant Shares equal to (i) the number of Warrant Shares specified by the Holder in its Notice of Exchange (the “Total Number”) less (ii) the number of Warrant Shares equal to the quotient obtained by dividing (A) the product of the Total Number and the existing Exercise Price by (B) the Fair Market Value of a Class A Ordinary Share. “Fair Market Value” shall mean (i) if the Class A Ordinary Shares are represented by ADSs are listed for trading on a U.S. national or regional securities exchange on the Exchange Date, the volume weighted average of the Last Reported Sale Prices of the Class A Ordinary Shares (in the form of ADSs) applicable to one Class A Ordinary Share over the 10-consecutive-Trading-Day period ending on, and including, the date of the Notice of Exchange, and (ii) in all other cases, the Last Reported Sale Price determined as of the Exchange Date. Notwithstanding the foregoing, if the Fair Market Value is equal to or less than the Exercise Price, this Warrant (or the portion thereof being exercised) shall not be exercisable. As of the close of business on the Exchange Date, the Holder shall be deemed to be the holder of record of the Warrant Shares issuable upon such exercise, notwithstanding that the register of members of the Company shall then be closed or that such Warrant Shares shall not then have been issued to the Holder.

(b) Fractional Shares. No fractional shares shall be issued upon the exercise of this Warrant. With respect to any fraction of a share called for upon any exercise hereof, the Company shall pay to the Holder an amount in cash equal to such fraction multiplied by the Fair Market Value of a Class A Ordinary Share.

(c) Loss or Destruction of Warrant. Upon receipt by the Company of evidence satisfactory to it of the loss, theft, destruction or mutilation of this Warrant, and (in the case of loss, theft or destruction) of reasonably satisfactory indemnification, and upon surrender and cancellation of this Warrant, if mutilated, the Company will execute and deliver a new Warrant of like tenor and date.

(d) No Shareholder Rights. The Holder shall not, by virtue hereof, be entitled to any rights of a shareholder in the Company, either at law or equity, and the rights of the

Holder are limited to those expressed in this Warrant and are not enforceable against the Company except to the extent set forth herein.

(e) Adjustment Provisions. The Exercise Price and the number of Warrant Shares issuable upon exercise of this Warrant shall be subject to adjustment from time to time in the same manner as provided in Article 4 of the Note for the adjustment of the Initial Conversion Price and Conversion Rate, *mutatis mutandis*, such that the number of Warrant Shares issuable upon exercise of this Warrant shall remain equal to 50% of one-tenth (1/10) of the number of Class A Ordinary Shares (including Class A Ordinary Shares represented by ADSs) actually issued by the Company upon conversion of all or a portion of the Note (after taking into account any adjustment to the Conversion Price and/or Conversion Rate).

(f) No Net-Cash Settlement. Except as expressly provided herein with respect to fractional shares, in no event will the Holder be entitled to receive a net-cash settlement or other consideration in lieu of physical settlement in Class A Ordinary Shares.

(g) Modification. The provisions of this Warrant may from time to time be amended, modified or waived, by written agreement of the Company and the holder of this Warrant.

(h) Transfer. This Warrant and/or the Class A Ordinary Shares issuable upon exercise of this Warrant will only be disposed of pursuant to an effective registration statement under, and in compliance with the requirements of, the Securities Act or pursuant to an available exemption from the registration requirements of the Securities Act, and in compliance with any applicable state securities laws. The Holder shall not transfer, assign or otherwise dispose of all or any portion of this Warrant to any Person without the prior written consent of the Company; provided, however, that no such consent shall be required for: (1) any transfer or assignment of this Warrant to any Permitted Transferee of the Holder, so long as such Permitted Transferee agrees in writing to be bound by all of the terms and conditions of this Warrant and the other Transaction Documents and such transfer is effected in compliance with applicable securities laws; (2) any pledge or grant of a security interest in this Warrant in connection with any Back Leverage; or (3) any distribution in-kind of this Warrant by the Holder to its shareholders (and further dispositions by such shareholders and their respective Permitted Transferees) in compliance with the Securities Act.

(i) Miscellaneous. Section 7.4 (Confidentiality), Section 7.5 (Governing Law; Dispute Resolution), and Section 7.6 (Notices) of the Note Purchase Agreement are incorporated herein by reference, *mutatis mutandis*.

[Signatures appear on the following page]

IN WITNESS WHEREOF, the parties hereto have executed this Warrant on the date first written above.

HOLDER:

POLARIS VERITAS INVESTMENT LIMITED

By: _____
Name:
Title:

COMPANY:

YATSEN HOLDING LIMITED

By: _____
Name:
Title:

[Signature Page to Warrant]

Exhibit D
Registration Rights

ARTICLE I

DEFINITIONS

Section 1.1 Definitions. For purposes of this Exhibit D:

“**Company Indemnified Party**” has the meaning set forth in Section 6.2.

“**Conversion Eligibility Date**” means the date that falls three hundred and sixty-four (364) days following the Issue Date of the First Note, being the first date on which the Notes may be converted into Class A Ordinary Shares or ADSs and the Warrants may be exercised for Class A Ordinary Shares, in each case pursuant to their respective terms.

“**FINRA**” means the Financial Industry Regulatory Authority, or any successor self-regulatory organization.

“**Form F-3**” means Form F-3 (or Form S-3 if the Company is no longer a “foreign private issuer” within the meaning of Rule 405 under the Securities Act) promulgated by the SEC under the Securities Act or any successor form or substantially similar form then in effect, which permits inclusion or incorporation of substantial information by reference to other documents filed by the Company with the SEC.

“**Founder**” means Mr. Jinfeng Huang.

“**Holder**” means the Purchaser and any Person to whom rights under this Exhibit D have been validly transferred in accordance with the terms hereof, but only for so long as such Person holds Registrable Securities.

“**Holder Indemnified Party**” has the meaning set forth in Section 6.1.

“**Holder Information**” has the meaning set forth in Section 6.2.

“**Issue Date**” has the meaning set forth in the First Note.

“**Losses**” has the meaning set forth in Section 6.1.

“**Piggyback Offering**” has the meaning set forth in Section 4.1.

“**Piggyback Registration**” has the meaning set forth in Section 4.1.

“**Postponement Period**” has the meaning set forth in Section 3.4(a).

“**Prospectus**” means the prospectus included in any Registration Statement (including any prospectus subject to completion and any prospectus that includes any information previously omitted from a prospectus filed as part of an effective registration statement in reliance upon Rule 430A under the Securities Act or any successor rule), as amended or

supplemented by any prospectus supplement with respect to the terms of the offering of any portion of the Registrable Securities covered by such Registration Statement, and by all other amendments and supplements to such prospectus, including post-effective amendments, and in each case including all material incorporated by reference therein.

“Registrable Securities” means: (a) any Class A Ordinary Shares issued or issuable upon conversion of the Notes; (b) any Class A Ordinary Shares issued or issuable upon exercise of the Warrants; (c) any Class A Ordinary Shares issued or issuable with respect to the securities described in clauses (a) or (b) above by way of stock dividend, stock split, or in connection with a combination of shares, recapitalization, reclassification, merger, consolidation, reorganization, or other similar event with respect to the Class A Ordinary Shares; and (d) for the avoidance of doubt, any Class A Ordinary Shares acquired by the Holder or any Affiliate of the Holder in open market purchases, privately negotiated transactions, or otherwise that were not issued directly by the Company to the Holder pursuant to this Agreement or upon conversion of the Notes or exercise of the Warrants shall not constitute Registrable Securities hereunder. Notwithstanding the foregoing, securities shall cease to be Registrable Securities upon the earliest to occur of the following: (i) a Registration Statement covering such securities has been declared effective under the Securities Act and such securities have been disposed of pursuant to such effective Registration Statement; (ii) such securities are sold pursuant to Rule 144 under circumstances where any restrictive legend on such securities is removed by the Company’s depositary bank; (iii) such securities become eligible for resale without volume or manner-of-sale restrictions and without current public information requirements under Rule 144(b)(1)(i) by the Holder as a non-affiliate; or (iv) such securities cease to be outstanding.

“Registration Expenses” means all expenses incident to the Company’s performance of or compliance with this Exhibit D, including without limitation: (a) all SEC, stock exchange, FINRA, and state securities law registration, listing, and filing fees and expenses (including any fees and expenses relating to filings required to be made with FINRA); (b) all fees and expenses of complying with securities or “blue sky” laws; (c) all printing, duplicating, word processing, messenger, telephone, facsimile, and delivery expenses; (d) all fees and disbursements of counsel for the Company and of all independent certified public accountants of the Company; (e) all fees and expenses in connection with listing the Registrable Securities on each securities exchange or trading market on which the Class A Ordinary Shares are then listed; and (f) the fees and expenses of any depositary bank or registrar for the Class A Ordinary Shares. Registration Expenses shall not include: (A) underwriting discounts and commissions relating to Registrable Securities; (B) transfer taxes, if any, relating to the sale or disposition of Registrable Securities by the Holder; (C) fees and expenses of counsel or other advisors to the Holder; or (D) any fees and expenses of underwriters’ counsel.

“Selling Expenses” means all underwriting discounts, selling commissions, and transfer taxes applicable to the sale of Registrable Securities and related fees and expenses of counsel or other advisors to the Holder.

“Shelf Registration” has the meaning set forth in Section 2.1(a).

“Shelf Registration Statement” has the meaning set forth in Section 2.1(a).

“**Shelf Takedown**” means an offering of Registrable Securities pursuant to a Shelf Registration Statement, whether or not underwritten, including any Underwritten Block Trade.

“**Shelf Takedown Notice**” has the meaning set forth in Section 3.1(b).

“**Suspension Event**” has the meaning set forth in Section 5.1(a).

“**Suspension Notice**” has the meaning set forth in Section 5.1(a).

“**Suspension Period**” has the meaning set forth in Section 5.1(b).

“**Underwritten Block Trade**” means an offering of Registrable Securities on a “block trade” or similar basis pursuant to which the underwriter(s) or initial purchaser(s) purchase Registrable Securities from the Holder as principal at a negotiated price for immediate resale, with pricing and allocation occurring on one day (and frequently overnight), and includes transactions commonly referred to as “overnight block trades,” “bought deals,” or “accelerated bookbuilds.”

“**WKSI**” means a “well-known seasoned issuer” as defined in Rule 405 under the Securities Act.

ARTICLE II

SHELF REGISTRATION

Section 2.1 Filing Obligation.

(a) **Shelf Registration Statement.** The Company shall prepare and file with the SEC a registration statement on Form F-3 (or, if the Company is not then eligible to use Form F-3 for secondary resales pursuant to the General Instructions to Form F-3, another appropriate form available to the Company) covering the resale of Registrable Securities for an offering to be made on a delayed or continuous basis pursuant to Rule 415 (such registration statement, including all amendments and supplements thereto, the “Shelf Registration Statement,” and such registration, the “Shelf Registration”) no later than ninety (90) calendar days prior to the Conversion Eligibility Date.

(b) **Inclusion of Additional Registrable Securities.** If, after the filing of the initial Shelf Registration Statement, additional Registrable Securities are issued, the Company shall amend or supplement the Shelf Registration Statement to cover such additional Registrable Securities as promptly as practicable.

Section 2.2 Effectiveness and Maintenance.

(a) **Effectiveness Deadline.** The Company shall use commercially reasonable efforts to cause the Shelf Registration Statement to be declared effective by the SEC as promptly as practicable, and in any event:

- (i) within ninety (90) calendar days after the filing date of the Shelf Registration Statement; or
- (ii) within one hundred fifty (150) calendar days after the filing date of the Shelf Registration Statement if the SEC reviews such registration statement;

provided, however, that if the Company has confidentially submitted the Shelf Registration Statement, such time periods shall be calculated from the date of public filing (rather than the date of confidential submission).

(b) **Continuous Effectiveness.** The Company shall use commercially reasonable efforts to keep the Shelf Registration Statement continuously effective under the Securities Act and usable for resale of Registrable Securities by the Holder until the earliest of:

- (i) the date on which all Registrable Securities covered by the Shelf Registration Statement have been sold pursuant to the Shelf Registration Statement or Rule 144;
- (ii) the date on which all Registrable Securities may be sold publicly by non-affiliates of the Company without volume or manner-of-sale restrictions and without current public information requirements pursuant to Rule 144(b)(1)(i), as evidenced by a written opinion of counsel reasonably acceptable to the Company's depository bank and the Holder; or
- (iii) the sixth (6th) anniversary of the Issue Date.

(c) **Automatic Shelf Registration Statements.** If the Company files an automatic shelf registration statement on Form F-3 after becoming a WKSI, the Company shall use commercially reasonable efforts to remain a WKSI and to cause such automatic shelf registration statement to remain effective (including by filing a new automatic shelf registration statement prior to the expiration of the then-current automatic shelf registration statement if necessary) during the period specified in Section 2.2(b).

(d) **Registration Statement Ceases to Be Effective.** If the Shelf Registration Statement ceases to be effective for any reason at any time during the period specified in Section 2.2(b) (except as a result of a permitted Suspension Period under Article V or the sale of all Registrable Securities covered thereby), the Company shall:

- (i) use commercially reasonable efforts to obtain the prompt withdrawal of any order suspending the effectiveness thereof; and

(ii) in any event, within thirty (30) days of such ineffectiveness, amend the Shelf Registration Statement in a manner reasonably expected to obtain the withdrawal of the order suspending the effectiveness thereof, or file an additional “new” registration statement covering all Registrable Securities then outstanding.

If a new registration statement is filed pursuant to clause (ii) above, the Company shall use commercially reasonable efforts to cause such new registration statement to be declared effective as promptly as practicable, and shall extend the period during which such new registration statement shall be maintained effective pursuant to Section 2.2(b) by the number of days during the period that the prior Shelf Registration Statement was not effective.

ARTICLE III

SHELF TAKEDOWNS

Section 3.1 Demand Rights.

(a) **General Takedown Rights.** At any time and from time to time after the Shelf Registration Statement has been declared effective by the SEC, the Holder shall have the right to require the Company to facilitate a Shelf Takedown by delivering written notice to the Company in accordance with Section 3.1(b); provided, however, that:

(i) the Holder may not deliver more than three (3) Shelf Takedown Notices in any twelve-month period for underwritten Shelf Takedowns (including Underwritten Block Trades);

(ii) each underwritten Shelf Takedown pursuant to this Section 3.1 (excluding an Underwritten Block Trade) must have a reasonably anticipated aggregate gross proceeds amount of at least \$20,000,000 (based on the closing price of the Class A Ordinary Shares on the NYSE on the trading day immediately prior to the delivery of the Shelf Takedown Notice);

(iii) the Holder may effect an unlimited number of non-underwritten Shelf Takedowns; and

(iv) the Company shall not be required to effect a Shelf Takedown (other than a non-underwritten Shelf Takedown) within ninety (90) days after the closing of a prior underwritten Shelf Takedown (including an Underwritten Block Trade) in which the Holder participated and sold Registrable Securities.

(b) **Shelf Takedown Notice.** Each notice from the Holder requesting a Shelf Takedown (a “**Shelf Takedown Notice**”) shall specify:

(i) the approximate number of Registrable Securities proposed to be sold or distributed;

(ii) the intended method or methods of disposition (including whether the offering is to be underwritten and, if so, the name(s) of the proposed managing

underwriter(s), and whether such offering is intended to be an Underwritten Block Trade);

(iii) a reasonable description of the timing for such disposition; and

(iv) any other information reasonably required by the Company in connection with facilitating such Shelf Takedown.

(c) **Company Cooperation.** Upon receipt of a Shelf Takedown Notice, the Company shall promptly cooperate with the Holder to facilitate such Shelf Takedown.

(d) **Managing Underwriters.** If the Holder requests an underwritten Shelf Takedown, the Holder shall have the right to select the managing underwriter(s) for such offering (which shall be one or more nationally recognized investment banks), subject to the Company's prior written consent, which consent shall not be unreasonably withheld, conditioned, or delayed.

(e) **Underwriting Agreement.** The Holder agrees to enter into an underwriting agreement with the managing underwriter(s) selected for any underwritten Shelf Takedown, which agreement shall contain such representations, warranties, covenants, indemnities, and other rights and obligations of the parties thereto as are customary in underwritten offerings of securities of the type being offered.

Section 3.2 Inclusion of Other Securities.

The Company shall not include in any underwritten Shelf Takedown any securities that are not Registrable Securities without the prior written consent of the Holder, which consent shall not be unreasonably withheld, conditioned, or delayed.

Section 3.3 Underwriter's Cutback.

If a Shelf Takedown involves an underwritten offering and the managing underwriter of such Shelf Takedown advises the Company and the Holder in writing that in its reasonable and good faith opinion the number of Class A Ordinary Shares proposed to be included in such Shelf Takedown, including all Registrable Securities and all other shares of Class A Ordinary Shares that the Company proposes to include in such underwritten offering, exceeds the number of shares of Class A Ordinary Shares that can be sold in such underwritten offering without adversely affecting the marketability, pricing, or distribution of the Class A Ordinary Shares proposed to be sold in such underwritten offering, the Company shall include in such Shelf Takedown: (a) first, the Registrable Securities that the Holder proposes to sell; and (b) second, any shares of Class A Ordinary Shares proposed to be sold by the Company or any other Persons, allocated among the Company and such Persons in such manner as they may agree.

Section 3.4 Postponement Rights.

(a) **Limited Postponement Right.** Notwithstanding anything to the contrary in this Article III, the Company may postpone (but not more than twice in any twelve-month period) the filing or effectiveness of an amendment or supplement to the Shelf Registration

Statement in connection with a Shelf Takedown for a period not to exceed ninety (90) days (a “**Postponement Period**”) if the Company determines in good faith that such Shelf Takedown would reasonably be expected to:

- (i) materially interfere with, or require premature public disclosure of, a bona fide material financing, acquisition, disposition, merger, reorganization, or similar transaction involving the Company or any of its subsidiaries, which disclosure would have a material adverse effect on the Company or the proposed transaction; or
- (ii) require disclosure of material non-public information that the Company has a bona fide business purpose for keeping confidential and that, if disclosed at such time, the Company reasonably believes would be materially detrimental to the Company and its shareholders;

provided that the Company delivers a written notice to the Holder (a “**Postponement Notice**,” and without disclosing such material non-public information) of such postponement within five (5) Business Days of receipt of the Shelf Takedown Notice (or within one (1) Business Day in the case of an Underwritten Block Trade), together with a certificate signed by an executive officer of the Company certifying that the Company has made the determination described in clause (i) or (ii) above.

(b) Limitations on Postponement.

- (i) The Company shall give the Holder written notice of the termination of any Postponement Period promptly following such termination (and in any event within three (3) Business Days).
- (ii) The Company shall extend the period during which the Shelf Registration Statement must be maintained effective pursuant to Section 2.2(b) by the aggregate number of days during all Postponement Periods.
- (iii) The Company shall not deliver a Postponement Notice within ninety (90) days of the termination of the immediately preceding Postponement Period unless such Postponement Notice relates to a bona fide business purpose that did not exist at the time of such preceding Postponement Period.
- (iv) The aggregate number of days of “Postponement Periods” under Section 3.4 and “Suspension Periods” under Section 5.1, taken together, shall not exceed 180 days in any 18-month period.

(c) Withdrawal Rights. The Holder may, in its sole discretion, elect to withdraw a Shelf Takedown Notice at any time prior to the effectiveness of the applicable amendment or supplement to the Shelf Registration Statement (or, in the case of an underwritten Shelf Takedown, prior to the execution of the underwriting agreement), in which case such withdrawn Shelf Takedown Notice shall not count against the limitations in Section 3.1(a)(i).

Section 3.5 Coordination of Conversion and Exercise.

(a) **Conversion/Exercise Notice.** The Holder shall provide the Company with at least five (5) Business Days' prior written notice of any intended conversion of Notes or exercise of Warrants that would result in the issuance of Registrable Securities not previously covered by the Shelf Registration Statement; provided that this obligation shall not apply to conversions or exercises occurring in the ordinary course after the Shelf Registration Statement has been updated to include all Registrable Securities issuable upon conversion of all outstanding Notes and exercise of all outstanding Warrants.

(b) **Automatic Inclusion.** The Company shall amend or supplement the Shelf Registration Statement to include any Registrable Securities issued upon conversion of Notes or exercise of Warrants (or upon any adjustment to the conversion price of the Notes or exercise price of the Warrants) as promptly as practicable without requirement for a separate request by the Holder.

(c) **Pre-Conversion Planning.** If the Holder notifies the Company of its intention to convert Notes or exercise Warrants and effect a resale within thirty (30) days of such conversion or exercise, the Company shall cooperate with the Holder to ensure that the Shelf Registration Statement is appropriately updated and effective for such resale in accordance with the timeline contemplated by the Holder.

ARTICLE IV

PIGGYBACK REGISTRATION RIGHTS

Section 4.1 Piggyback Registration.

(a) **Notice and Opportunity to Participate.** If at any time the Company proposes to file a registration statement under the Securities Act with respect to an offering of Class A Ordinary Shares (or any other equity securities convertible into, exercisable for, or exchangeable into Class A Ordinary Shares) by the Company for its own account or for the account of any other selling shareholder (a "**Piggyback Offering**"), the Company shall give written notice of such proposed filing to the Holder as promptly as practicable (and in any event at least five (5) Business Days before the anticipated filing date), and such notice shall offer the Holder the opportunity to include Registrable Securities in such registration (a "**Piggyback Registration**"); provided that this Section 4.1 shall not apply to a registration:

- (i) on Form S-8, Form S-4, or Form F-4 (or any successor forms thereto);
- (ii) pursuant to a registration statement solely relating to an offering or sale to employees or directors of the Company pursuant to any employee stock plan or other employee benefit arrangement;
- (iii) for an exchange offer or offering of securities solely to the Company's existing shareholders;

(iv) of debt securities that are convertible into Class A Ordinary Shares; or

(v) in connection with a dividend reinvestment plan.

(b) **Inclusion of Registrable Securities.** If the Holder wishes to include any Registrable Securities in a Piggyback Registration, the Holder shall so notify the Company in writing within five (5) Business Days after receipt of the Company's notice (or such shorter period as may be specified in the Company's notice in connection with an overnight or bought underwritten offering), and such notice from the Holder shall specify the number of Registrable Securities the Holder wishes to include. The Company shall use commercially reasonable efforts to include all such Registrable Securities in such Piggyback Registration.

ARTICLE V

SUSPENSION RIGHTS

Section 5.1 **General Suspension Rights.**

(a) **Suspension Events.** Notwithstanding anything to the contrary in this Exhibit D, the Company may, upon written notice to the Holder (a "**Suspension Notice**"), suspend the Holder's use of the Prospectus that is part of the Shelf Registration Statement (and the Holder's ability to effect sales pursuant to the Shelf Registration Statement), if: (i) the Company is in possession of material non-public information, the disclosure of which at such time, in the good faith judgment of the Company's board of directors, would be materially detrimental to the Company and its shareholders; or (ii) in the good faith judgment of the Company's board of directors, the Company has a bona fide business purpose for preserving the confidentiality of a transaction or other matter and public disclosure would have a material adverse effect on the Company's ability to consummate such transaction or otherwise achieve the intended benefit of such matter; or (iii) the Company is required to update or amend the Shelf Registration Statement or file a post-effective amendment, and the Company determines in good faith that the Company's interests would be materially and adversely affected if such amendment or update is not promptly filed and declared effective or such post-effective amendment is not promptly filed and declared effective (each such circumstance, a "**Suspension Event**").

(b) **Suspension Period Limitations.**

(i) Each Suspension Notice shall state generally the basis for the suspension and the anticipated length of the suspension, but shall not disclose any material non-public information to the extent that such disclosure would be contrary to the purpose of the suspension.

(ii) The Company shall not be entitled to effect a suspension pursuant to this Section 5.1 for a period (each, a "**Suspension Period**") exceeding forty-five (45) consecutive days or more than an aggregate of ninety (90) days in any twelve-month period.

(iii) The Company shall give the Holder written notice of the termination of any Suspension Period promptly following such termination (and in any event within one (1) Business Day).

(iv) The Company shall extend the period during which the Shelf Registration Statement must be maintained effective pursuant to Section 2.2(b) by the aggregate number of days during all Suspension Periods.

(v) Notwithstanding the foregoing, the Company shall not be entitled to effect a Suspension Period if the Company is then in material breach of any provision of this Exhibit D.

(c) **Limitation on Consecutive Suspensions.** The Company shall not deliver a Suspension Notice within ninety (90) days of the termination of the immediately preceding Suspension Period unless such Suspension Notice relates to a bona fide Suspension Event that did not exist at the time of such preceding Suspension Period.

Section 5.2 Holder Obligations During Suspension.

During any Suspension Period:

(a) the Holder shall suspend any offers or sales of Registrable Securities pursuant to the Shelf Registration Statement and shall not utilize any Prospectus in connection with any offer or sale of Registrable Securities, unless otherwise permitted by applicable securities law;

(b) the Holder shall maintain in confidence any material non-public information received from the Company to the extent the Company has identified such information as confidential (subject to customary exceptions for disclosure required by applicable law, to regulatory authorities, or to the Holder's attorneys, accountants, consultants, and other agents and representatives on a "need to know" basis under appropriate confidentiality obligations); and

(c) the Holder shall have the right to withdraw any pending Shelf Takedown Notice delivered prior to the commencement of such Suspension Period, in which case such withdrawn Shelf Takedown Notice shall not count against the limitations in Section 3.1(a)(i).

ARTICLE VI

INDEMNIFICATION

Section 6.1 Indemnification by the Company.

(a) **Obligation to Indemnify.** The Company shall indemnify and hold harmless, to the fullest extent permitted by law, the Holder, its Affiliates, and their respective directors, officers, employees, partners, members, managers, shareholders, controlling persons (within the meaning of Section 15 of the Securities Act or Section 20 of the Exchange Act), accountants, attorneys, agents, and representatives (each, a "**Holder Indemnified Party**"), from

and against any and all losses, claims, damages, liabilities, judgments, actions, costs (including reasonable attorneys' fees and disbursements), and expenses (collectively, "**Losses**"), as incurred, that arise out of or are based upon:

(i) any untrue statement or alleged untrue statement of a material fact contained in (A) any Registration Statement, Prospectus, or preliminary Prospectus, or any amendment or supplement thereto; (B) any free writing prospectus (as defined in Rule 405) prepared by or on behalf of the Company or used or referred to by the Company; or (C) any document incorporated by reference in any of the foregoing; or any omission or alleged omission to state therein a material fact required to be stated therein or necessary to make the statements therein (in the case of a Prospectus or preliminary Prospectus or free writing prospectus, in light of the circumstances under which they were made) not misleading;

(ii) any violation or alleged violation by the Company of: (A) the Securities Act, the Exchange Act, any other law, including any state or foreign securities law, or any rule or regulation thereunder relating to the offer or sale of the Registrable Securities pursuant to a Registration Statement; or (B) any applicable listing requirement of the NYSE or any other securities exchange or trading market on which the Class A Ordinary Shares are listed or quoted; or

(iii) any failure by the Company to fulfill or comply with any undertaking or agreement contained in: (A) any underwriting agreement, securities sales agreement, or similar agreement entered into in connection with an offering of Registrable Securities; or (B) this Exhibit D;

except to the extent that such Losses arise out of or are based upon an untrue statement or alleged untrue statement or omission or alleged omission made in such Registration Statement, Prospectus, preliminary Prospectus, free writing prospectus, amendment, supplement, or document incorporated by reference in reliance upon and in conformity with the Holder Information.

(b) **Indemnification of Underwriters.** The Company shall agree to customary indemnification obligations with respect to any underwriters.

Section 6.2 Indemnification by the Holder.

(a) **Obligation to Indemnify.** In connection with any Registration Statement in which the Holder is participating, the Holder shall indemnify and hold harmless the Company, its directors, officers, employees, and agents, and each Person who controls the Company (within the meaning of Section 15 of the Securities Act or Section 20 of the Exchange Act) (each, a "**Company Indemnified Party**"), from and against any and all Losses, as incurred, arising out of or based upon:

(i) any untrue statement or alleged untrue statement of a material fact contained in the Registration Statement, Prospectus, preliminary Prospectus, or any free writing prospectus prepared by or on behalf of the Holder, or any amendment or supplement thereto, or any document incorporated by reference therein; or

(ii) any omission or alleged omission to state therein a material fact required to be stated therein or necessary to make the statements therein (in the case of a Prospectus, preliminary Prospectus, or free writing prospectus, in light of the circumstances under which they were made) not misleading;

(iii) but only to the extent that such untrue statement or alleged untrue statement or omission or alleged omission was made in reliance upon and in conformity with written information relating to the Holder furnished to the Company by or on behalf of the Holder specifically for inclusion in such Registration Statement, Prospectus, preliminary Prospectus, free writing prospectus, amendment, or supplement.

(b) **Holder Information.** The information provided by the Holder for purposes of Section 6.2(a) (the “**Holder Information**”) shall consist solely of the following:

(i) the Holder’s name and address;

(ii) the number of securities of the Company owned by the Holder (and the number and percentage of the Company’s outstanding securities represented thereby);

(iii) the number and type of Registrable Securities requested to be registered or sold by the Holder;
and

(iv) the intended method of disposition specified by the Holder and any related disclosures regarding the Holder’s relationship with any broker-dealer or underwriter through which the Holder intends to make sales.

(c) **Limitation on Holder’s Indemnification Obligations.** Notwithstanding the foregoing:

(i) the Holder’s indemnification obligations hereunder shall be several and not joint with any other seller of Registrable Securities or other securities; and

(ii) the Holder’s indemnification obligations hereunder shall be limited to an amount equal to the net proceeds (after deducting underwriting discounts and commissions) actually received by the Holder from the sale of Registrable Securities pursuant to such Registration Statement.

Section 6.3 Conduct of Indemnification Proceedings.

(a) **Notice.** Promptly after receipt by an indemnified party of notice of the commencement of any action or proceeding involving a claim referred to in Section 6.1 or Section 6.2, such indemnified party shall, if a claim in respect thereof is to be made against an indemnifying party, give written notice to the indemnifying party of the commencement of such action or proceeding; provided, however, that:

(i) the failure of any indemnified party to give notice as provided herein shall not relieve the indemnifying party of its obligations under Section 6.1 or

Section 6.2, except to the extent that the indemnifying party is actually and materially prejudiced by such failure to give notice; and

(ii) the notice required by this Section 6.3(a) shall be given within a reasonable time after receipt by the indemnified party of notice of such action or proceeding.

(b) **Defense.**

(i) *Right to Defend.* If any action or proceeding is brought against an indemnified party in respect of which indemnity may be sought from an indemnifying party pursuant to this Article VI, the indemnifying party shall be entitled to participate in and, to the extent that it wishes, jointly with any other similarly situated indemnifying party, to assume the defense thereof with counsel reasonably satisfactory to the indemnified party.

(ii) *Notice of Election to Defend.* After notice from the indemnifying party to the indemnified party of its election to assume the defense of such action or proceeding, the indemnifying party shall not be liable to the indemnified party for any legal or other expenses subsequently incurred by the indemnified party in connection with the defense thereof other than reasonable costs of investigation; provided, however, that: (A) if the indemnifying party has failed to assume the defense of such action or proceeding or employ counsel reasonably satisfactory to the indemnified party, the indemnified party shall have the right to employ separate counsel at the expense of the indemnifying party; (B) if the named parties to any such action or proceeding (including any impleaded parties) include both the indemnified party and the indemnifying party or any Affiliate or controlling person thereof, and the indemnified party shall have been advised by counsel that: (1) there may be one or more legal defenses available to it that are different from or additional to those available to the indemnifying party or such Affiliate or controlling person; or (2) representation of both parties by the same counsel would be inappropriate under applicable standards of professional conduct (including any applicable rule of professional conduct requiring the counsel to maintain confidentiality of information of the indemnified party that the indemnified party has a reasonable expectation will not be disclosed to the indemnifying party); then the indemnified party shall have the right to employ separate counsel at the expense of the indemnifying party; (C) if the indemnifying party shall have failed to assume the defense of such action or proceeding within a reasonable time after receipt of notice of the commencement thereof from the indemnified party, the indemnified party may assume such defense and the indemnifying party shall be responsible for any costs or expenses incurred by the indemnified party in connection therewith; and (D) if the indemnified party is a Holder Indemnified Party and the Losses relate to an offering of Registrable Securities, and counsel to the Holder Indemnified Party shall have reasonably concluded that there may be legal defenses available to such Holder Indemnified Party that are in addition to or conflict with those available to the Company, then the Holder Indemnified Party shall have the right to employ separate counsel (but not more than one such separate counsel for all Holder Indemnified Parties in connection with any single action

or proceeding or group of related actions or proceedings) at the expense of the Company.

(iii) *Multiple Indemnified Parties*. If the indemnifying party is not entitled to, or elects not to, assume the defense of a claim, the indemnifying party shall not be obligated to pay the fees and expenses of more than one counsel (in addition to any local counsel) for all indemnified parties with respect to such claim, unless in the reasonable judgment of any indemnified party a conflict of interest may exist between such indemnified party and any other indemnified parties with respect to such claim, in which event the indemnifying party shall be obligated to pay the fees and expenses of such additional counsel or counsels.

(c) **Settlement.**

(i) *No Settlement Without Consent*. No indemnifying party shall, without the prior written consent of the indemnified parties (which consent shall not be unreasonably withheld, conditioned, or delayed), settle or compromise or consent to the entry of any judgment with respect to any pending or threatened claim, action, suit, or proceeding in respect of which indemnification or contribution may be sought hereunder (whether or not the indemnified parties are actual or potential parties to such claim or action) unless such settlement, compromise, or consent: (A) includes an unconditional release of each indemnified party from all liability arising out of such claim, action, suit, or proceeding; (B) does not include a statement as to, or an admission of, fault, culpability, or a failure to act by or on behalf of any indemnified party; and (C) does not subject any indemnified party to any injunctive or other equitable relief (unless such relief is acceptable to such indemnified party).

(ii) *No Settlement by Indemnified Party Without Consent*. No indemnified party shall settle or compromise or consent to the entry of any judgment with respect to any pending or threatened claim, action, suit, or proceeding in respect of which indemnification may be sought hereunder without the prior written consent of the indemnifying party (which consent shall not be unreasonably withheld, conditioned, or delayed).

Section 6.4 **Contribution.**

(a) **Right to Contribution**. If the indemnification provided for in this Article VI is unavailable to, or insufficient to hold harmless, an indemnified party in respect of any Losses referred to herein, then each indemnifying party shall contribute to the amount paid or payable by such indemnified party as a result of such Losses:

(i) in such proportion as is appropriate to reflect the relative fault of the indemnifying parties on the one hand and the indemnified parties on the other hand in connection with the statements or omissions which resulted in such Losses; and

(ii) in such proportion as is appropriate to reflect any other relevant equitable considerations.

(b) **Determination of Relative Fault.** The relative fault of the Company on the one hand and the Holder on the other hand shall be determined by reference to, among other things:

(i) whether the untrue statement or alleged untrue statement of a material fact or the omission or alleged omission to state a material fact relates to information supplied by the Company or the Holder; and

(ii) the parties' relative intent, knowledge, access to information, and opportunity to correct or prevent such statement or omission.

(c) **Equitable Allocation.** The parties hereto agree that it would not be just and equitable if contribution pursuant to this Section 6.4 were determined by pro rata allocation or by any other method of allocation which does not take account of the equitable considerations referred to in Section 6.4(a).

(d) **Limitation on Holder Contribution.** Notwithstanding the provisions of this Section 6.4, the Holder shall not be required to contribute any amount in excess of the net proceeds (after deducting underwriting discounts and commissions) actually received by the Holder from the sale of Registrable Securities pursuant to the applicable Registration Statement.

(e) **No Contribution by Persons Guilty of Fraudulent Misrepresentation.** No Person guilty of fraudulent misrepresentation (within the meaning of Section 11(f) of the Securities Act) shall be entitled to contribution from any Person who was not guilty of such fraudulent misrepresentation.

(f) **Indemnification of Underwriters.** For purposes of this Section 6.4, each Person, if any, who controls the Holder or any underwriter within the meaning of Section 15 of the Securities Act or Section 20 of the Exchange Act shall have the same rights to contribution as the Holder or such underwriter, as the case may be, and each director of the Company, each officer of the Company who shall have signed the Registration Statement, and each Person, if any, who controls the Company within the meaning of Section 15 of the Securities Act or Section 20 of the Exchange Act shall have the same rights to contribution as the Company.

Section 6.5 Survival and Non-Exclusivity.

The indemnification and contribution obligations of the Company and the Holder under this Article VI shall:

(a) be in addition to any liability which the Company or the Holder may otherwise have;

(b) survive any termination of this Exhibit D; and

(c) remain in full force and effect regardless of any investigation made by or on behalf of the indemnified party and shall survive the transfer of the Registrable Securities by the Holder.

ARTICLE VII

PARTICIPATION IN UNDERWRITTEN OFFERINGS

Section 7.1 Conditions to Participation.

No Holder may participate in any underwritten offering of Registrable Securities hereunder unless such Holder:

- (a) agrees to sell its Registrable Securities on the basis provided in the underwriting arrangements customary for such type of offering;
- (b) completes and executes all customary questionnaires, powers of attorney, lock-up agreements, indemnities, underwriting agreements, and other documents reasonably required under the terms of such underwriting arrangements; and
- (c) agrees to pay its pro rata share of all underwriting discounts and commissions applicable to the Registrable Securities sold for its account.

Section 7.2 No Presumption of Underwriter Status.

For the avoidance of doubt, the Holder shall not be deemed to be an “underwriter” (as defined in Section 2(a)(11) of the Securities Act) with respect to any offering of Registrable Securities hereunder unless the Holder expressly consents in writing to be so designated.

ARTICLE VIII

SPECIAL PURPOSE VEHICLE PROVISIONS

Section 8.1 Distribution Rights.

(a) **Distributions to Partners/Members.** Notwithstanding anything to the contrary in this Exhibit D, the Holder may effect distributions of Registrable Securities to its limited partners, members, or shareholders (collectively, “Partners”) pursuant to the Shelf Registration Statement without such distribution counting as a Shelf Takedown for purposes of Section 3.1(a)(i), provided that:

- (i) the Holder provides the Company with at least twenty (20) Business Days’ prior written notice of such distribution, including the number of Registrable Securities to be distributed and the identities of the distributees;
- (ii) such distributees agree in writing to be bound by the applicable provisions of this Exhibit D as they relate to subsequent transfers and sales of such Registrable Securities;
- (iii) the plan of distribution in the Prospectus permits such distributions; and

(iv) the Holder provides the Company with such information regarding the distributees as may be reasonably necessary to update the Prospectus in accordance with the requirements of the Securities Act.

(b) **Amendment of Registration Statement.** The Company shall amend or supplement the Shelf Registration Statement and Prospectus as necessary to reflect any distribution made pursuant to Section 8.1(a) within ten (10) Business Days of receipt of the notice required by Section 8.1(a)(i).

Section 8.2 Rights of Distributees.

Any limited partner, member, or shareholder of the Holder who receives Registrable Securities in a distribution pursuant to Section 8.1 shall have the right to effect resales of such Registrable Securities pursuant to the Shelf Registration Statement in accordance with the terms and conditions of this Exhibit D; provided that:

(a) such distributee shall be subject to all limitations and conditions applicable to the Holder under this Exhibit D (including without limitation the Suspension Period provisions of Article V and the indemnification provisions of Article VI);

(b) for purposes of determining compliance with any minimum thresholds or limitations on the number of demands, takedowns, or other actions that may be taken under this Exhibit D, all distributees shall be aggregated with the Holder and treated as a single Holder; and

(c) the aggregate number of demands, takedowns, or other actions by the Holder and all distributees collectively shall not exceed the limitations applicable to the Holder under this Exhibit D.

Section 8.3 Holder Responsibility.

The Holder shall be responsible for ensuring that all distributees comply with the terms and conditions of this Exhibit D and applicable securities laws in connection with any resales of Registrable Securities received in distributions, and the Holder shall indemnify and hold harmless the Company from and against any Losses arising out of any breach by any such distributee of the terms of this Exhibit D or applicable securities laws.

ARTICLE IX

COORDINATION WITH COMPANY MANAGEMENT

Section 9.1 Information Barriers.

(a) **Acknowledgment.** The parties acknowledge that Founder, as both:

- (i) an indirect holder of Registrable Securities through his ownership interest in the Holder; and
- (ii) the Chief Executive Officer of the Company;

may from time to time be in possession of material non-public information about the Company.

(b) **Information Barrier Procedures.** To facilitate compliance with applicable securities laws and to address potential conflicts of interest:

(i) the Company shall establish and maintain reasonable information barrier procedures to separate Founder's role as an officer of the Company from his role as an indirect beneficial owner of Registrable Securities through the Holder;

(ii) the Holder acknowledges that there may be periods during which Founder is subject to trading blackout periods or other restrictions on trading imposed by the Company's insider trading policies, and the Holder agrees to comply with such restrictions with respect to Registrable Securities beneficially owned by Founder through the Holder (whether directly or indirectly);

(iii) the Company shall provide the Holder (other than Founder) with written notice of any trading blackout periods applicable to executive officers of the Company at least five (5) Business Days prior to the commencement thereof, to the extent such notice would not involve the disclosure of material non-public information; and

(iv) the Holder shall establish and maintain procedures reasonably designed to ensure that: (A) investment and trading decisions regarding Registrable Securities are made by persons other than Founder; or (B) if such decisions are made with the involvement of Founder, such decisions are made in accordance with appropriate policies and procedures designed to prevent trading on the basis of material non-public information and to comply with applicable securities laws.

(c) **Confidentiality.** Founder acknowledges and agrees that he shall maintain the confidentiality of any material non-public information obtained in his capacity as an officer of the Company and shall not share such information with the Holder or any other partner, member, or shareholder of the Holder except:

(i) as required by applicable law or legal process;

(ii) with the prior written consent of the Company's board of directors (excluding Founder if he/she is a director); or

(iii) to the extent such information has become publicly available through no breach of this Exhibit D or any other confidentiality obligation.

Section 9.2 No Waiver of Rights.

Nothing in this Article IX shall be construed as a waiver of any of the rights granted to the Holder under this Exhibit D, and any restrictions on the Holder's ability to effect resales during trading blackout periods or due to Founder's possession of material non-public information shall extend the applicable time periods under this Exhibit D (including the period

during which the Shelf Registration Statement must be maintained effective pursuant to Section 2.2(b)) on a day-for-day basis.

Section 9.3 Allocation of Liability.

(a) **No Presumption of Holder Knowledge.** The Company acknowledges and agrees that the Holder shall not be deemed to possess material non-public information solely by virtue of Founder's position as an officer or director of the Company or his ownership interest in the Holder, provided that the Holder complies with the information barrier procedures described in Section 9.1(b)(iv).

(b) **Company Acknowledgement.** The Company acknowledges that it has agreed to the provisions of this Article IX as an accommodation to facilitate such structure while maintaining compliance with applicable securities laws.

ARTICLE X

EXPENSES

Section 10.1 Company Payment of Registration Expenses.

The Company shall pay all Registration Expenses in connection with any registration of Registrable Securities pursuant to this Exhibit D, regardless of whether such registration is consummated.

Section 10.2 Holder Payment of Selling Expenses.

The Holder shall pay all Selling Expenses relating to the offer and sale of Registrable Securities registered under the Securities Act pursuant to this Exhibit D.

Section 10.3 Allocation Among Multiple Holders.

If there is more than one Holder participating in any registration hereunder: (a) Registration Expenses shall be borne by the Company; and (b) Selling Expenses shall be borne by each Holder pro rata based on the number of Registrable Securities sold by each Holder in such registration (or on such other basis as the Holders may mutually agree).

Section 10.4 Expenses for Withdrawn or Postponed Registrations.

If a registration is withdrawn at the request of the Holder (other than as a result of a Postponement Period or Suspension Period initiated by the Company), the Holder shall reimburse the Company for all Registration Expenses incurred by the Company in connection with such registration, and such registration shall count as one of the Holder's demand rights under Section 3.1(a)(i) (if applicable).

ARTICLE XI

ASSIGNMENT AND TERMINATION

Section 11.1 The registration rights hereunder shall not be transferred or assigned in whole or in part by the Purchaser without the prior written consent of the Company; provided that the Purchaser may transfer or assign the registration rights granted to it hereunder without the prior written consent of the Company to any Person to whom the Purchaser transfers all or any portion of the Notes, Warrants or Registrable Securities in compliance with the terms of the Transaction Documents (as defined in the Note Purchase Agreement).

Section 11.2 The registration rights and obligations under this Exhibit D shall terminate as to a Holder on the date on which that Holder ceases to own any Registrable Securities, or upon the mutual written consent of the Company and the Holder. No termination under this Exhibit D shall relieve any Person of liability for breach prior to termination.

List of Principal Subsidiaries and Consolidated Variable Interest Entity of Yatsen Holding Limited

Subsidiaries

Aoyan Holding Limited
 Yatsen Global Holding Limited
 Skintech Global Holding Limited
 Eve Lom Limited
 Space Brands Limited (England)
 Galenic Cosmetics Laboratory
 Yatsen Global Pte. Ltd.
 Yalenic Global Holding Pte. Ltd.
 Yatsen (HK) Limited
 Yatsen Investment Limited
 Aoyan (HK) Limited
 Dskin (HK) Limited
 Space Brands (HK) Limited
 Guangzhou Yatsen Global Co., Ltd.
 Guangzhou Yatsen Cosmetics Co., Ltd.
 Guangzhou Yixun Cosmetics Co., Ltd.
 Aoyan (Shanghai) Cosmetics Trading Co., Ltd.
 Galenic (Shanghai) Trading Co., Ltd.
 Galenic (Shanghai) E-commerce Co., Ltd.
 Guangzhou Duoxin E-commerce Co., Ltd.
 Guangzhou DR.WU Cosmetics Co., Ltd.
 Shanghai DR.WU Cosmetics Co., Ltd.
 SNK (Shanghai) Limited

Place of Incorporation

Cayman Islands
 British Virgin Islands
 British Virgin Islands
 British Virgin Islands
 United Kingdom
 France
 Singapore
 Singapore
 Hong Kong
 Hong Kong
 Hong Kong
 Hong Kong
 Hong Kong
 People's Republic of China
 People's Republic of China
 People's Republic of China
 People's Republic of China
 People's Republic of China
 People's Republic of China
 People's Republic of China
 People's Republic of China
 People's Republic of China

Consolidated Variable Interest Entity

Huizhi Weimei (Guangzhou) Trading Co., Ltd.

Place of Incorporation

People's Republic of China

**Certification by the Principal Executive Officer
Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002**

I, Jinfeng Huang, certify that:

1. I have reviewed this annual report on Form 20-F of Yatsen Holding Limited;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the company as of, and for, the periods presented in this report;
4. The company's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the company and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the company, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the company's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the company's internal control over financial reporting that occurred during the period covered by the annual report that has materially affected, or is reasonably likely to materially affect, the company's internal control over financial reporting; and
5. The company's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the company's auditors and the audit committee of the company's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the company's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the company's internal control over financial reporting.

Date: April 29, 2026

By: /s/ Jinfeng Huang
Name: Jinfeng Huang
Title: Chief Executive Officer

**Certification by the Principal Financial Officer
Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002**

I, Donghao Yang, certify that:

1. I have reviewed this annual report on Form 20-F of Yatsen Holding Limited;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the company as of, and for, the periods presented in this report;
4. The company's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the company and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the company, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the company's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the company's internal control over financial reporting that occurred during the period covered by the annual report that has materially affected, or is reasonably likely to materially affect, the company's internal control over financial reporting; and
5. The company's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the company's auditors and the audit committee of the company's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the company's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the company's internal control over financial reporting.

Date: April 29, 2026

By: /s/ Donghao Yang
Name: Donghao Yang
Title: Chief Financial Officer

**Certification by the Principal Executive Officer
Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002**

In connection with the Annual Report of Yatsen Holding Limited (the “Company”) on Form 20-F for the year ended December 31, 2025 as filed with the Securities and Exchange Commission on the date hereof (the “Report”), I, Jinfeng Huang, Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to my knowledge:

- (1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: April 29, 2026

By: /s/ Jinfeng Huang

Name: Jinfeng Huang

Title: Chief Executive Officer

**Certification by the Principal Financial Officer
Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002**

In connection with the Annual Report of Yatsen Holding Limited (the “Company”) on Form 20-F for the year ended December 31, 2025 as filed with the Securities and Exchange Commission on the date hereof (the “Report”), I, Donghao Yang, Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to my knowledge:

- (1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: April 29, 2026

By: /s/ Donghao Yang

Name: Donghao Yang

Title: Chief Financial Officer



广东省深圳市福田区益田路 5033 号平安金融中心 A 座 57/58/59 层 邮编 : 518000
57/58/59/F, Tower A, Ping An Finance Centre, 5033 Yitian Road, Futian District, Shenzhen, Guangdong 518000, China
电话/Tel : +86 755 3325 6666 传真/Fax : +86 755 3320 6888 www.zhonglun.com

April 29, 2026

Yatsen Holding Limited
Floor 39, Poly Development Plaza
No. 832 Yue Jiang Zhong Road, Haizhu District
Guangzhou 510335
People's Republic of China

Dear Sir/Madam:

We hereby consent to the reference of our name under the headings “Item 3. Key Information—Permissions or Filings Required from the PRC Authorities for Our Operations and Offshore Offerings”, “Item 3. Key Information—D. Risk Factors—Risks Relating to Our Business and Industry—We collect, store, process and use a variety of customer data and information for analysis of the changing consumer preferences and fashion trends. The improper use or disclosure of data could have a material and adverse effect on our business and prospects.”, “Item 3. Key Information—D. Risk Factors—Risks Relating to Our Business and Industry—If we fail to obtain and maintain the requisite licenses, permits, registrations and filings applicable to our business, or fail to obtain additional licenses, permits, registrations or filings that become necessary as a result of new enactment or promulgation of government policies, laws or regulations or the expansion of our business, our business and results of operations may be materially and adversely affected.”, “Item 3. Key Information—D. Risk Factors—Risks Relating to Our Corporate Structure”, “Item 4.

Information on the Company—Regulations—Regulations Relating to Internet Information Security and Privacy Protection” and “Item 4. Information on the Company—C. Organizational Structure” in Yatsen Holding Limited’s Annual Report on Form 20-F for the year ended December 31, 2025 (the “**Annual Report**”), which will be filed with the Securities and Exchange Commission (the “**SEC**”) on the date hereof, and further consent to the incorporation by reference of the summaries of our opinions under these headings into the Registration Statements on Form S-8 (File No. 333-256027 and File No. 333-281942) of Yatsen Holding Limited. We also consent to the filing of this consent letter with the SEC as an exhibit to the Annual Report.

In giving such consent, we do not thereby admit that we come within the category of persons whose consent is required under Section 7 of the Securities Act of 1933, or under the Securities Exchange Act of 1934, in each case, as amended, or the regulations promulgated thereunder.

Very truly yours,

/s/ Zhong Lun Law Firm

Zhong Lun Law Firm

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We hereby consent to the incorporation by reference in the Registration Statements on Form S-8 (File No. 333-256027 and File No. 333-281942) of Yatsen Holding Limited of our report dated April 29, 2026 relating to the financial statements and the effectiveness of internal control over financial reporting, which appears in this Form 20-F.

/s/ PricewaterhouseCoopers Zhong Tian LLP
PricewaterhouseCoopers Zhong Tian LLP
Shenzhen, the People's Republic of China
April 29, 2026

Yatsen Holding Limited
Floor 39, Poly Development Plaza
No. 832 Yue Jiang Zhong Road, Haizhu District
Guangzhou 510335
People's Republic of China

29 April 2026

Dear Sirs

Yatsen Holding Limited

We have acted as legal advisers as to the laws of the Cayman Islands to Yatsen Holding Limited, an exempted company incorporated in the Cayman Islands with limited liability (the “**Company**”), in connection with the filing by the Company with the United States Securities and Exchange Commission (the “**SEC**”) of an annual report on Form 20-F for the year ended 31 December 2025 (the “**Annual Report**”).

We hereby consent to the reference to our firm under the heading “Item 6. Directors, Senior Management and Employees—E. Share Ownership—Enforceability of Civil Liabilities” in the Annual Report, and we further consent to the incorporation by reference of the summary of our opinions under this heading into the Company’s registration statements on Form S-8 (File No. 333-256027 and File No. 333-281942) that was filed on 12 May 2021 and 5 September 2024, respectively, pertaining to the Company’s share incentive plans.

We consent to the filing with the SEC of this consent letter as an exhibit to the Annual Report. In giving such consent, we do not thereby admit that we come within the category of persons whose consent is required under Section 7 of the Securities Act of 1933, or under the Securities Exchange Act of 1934, in each case, as amended, or the regulations promulgated thereunder.

Yours faithfully

/s/ Maples and Calder (Hong Kong) LLP

Maples and Calder (Hong Kong) LLP
