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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

OR

For the fiscal year ended December 31, 2024.

☐ 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: 001-38878

So-Young International Inc.

(Exact name of Registrant as specified in its charter)

NA

(Translation of Registrant's name into English)

Cayman Islands

(Jurisdiction of incorporation or organization)

2/F, East Tower, Poly Plaza
No. 66 Xiangbin Road
Chaoyang District, Beijing, 100012
The People's Republic of China

(Address of principal executive offices)

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(Name, Telephone, Email 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	Name of Each Exchange On Which Registered
American depositary shares, 13 of which represent 10 Class A ordinary shares, par value US$0.0005 per share*	SY	The Nasdaq Stock Market LLC (The Nasdaq Capital Market)

* Not for trading, but only in connection with the listing on the Nasdaq Capital Market of American depositary 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, 2024, there were 77,659,510 ordinary shares outstanding, par value of US$0.0005 per share, being the sum of 65,659,510 Class A ordinary shares (excluding treasury shares), par value of US$0.0005 per share and 12,000,000 Class B ordinary shares, par value of US$0.0005 per share.

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 the definitions of "large accelerated filer," "accelerated filer," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer ☐ Accelerated filer ☐ Non-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 and except where the context otherwise requires, references in this annual report on Form 20-F to:

- "ADRs" are to the American depositary receipts that evidence our ADSs;
- "ADSs" are to our American depositary shares, with every 13 ADSs representing 10 Class A ordinary shares;
- "China" or "PRC" refers to the People's Republic of China, including Hong Kong, Macau and Taiwan; and "mainland China" refers to the People's Republic of China, excluding Hong Kong, Macau and Taiwan;
- "Class A ordinary shares" are to our Class A ordinary shares, par value US$0.0005 per share;
- "Class B ordinary shares" are to our Class B ordinary shares, par value US$0.0005 per share;
- "the variable interest entities," "the VIEs" and "the consolidated affiliated entities" are to Beijing So-Young Technology Co., Ltd., or Beijing So-Young, and Beijing Chiyan Medical Beauty Consulting, Ltd., or Beijing Chiyan;
- "our WFOE" are to So-Young Wanwei Technology Consulting Co., Ltd., or Beijing Wanwei;
- "RMB" and "Renminbi" are to the legal currency of mainland China;
- "So-Young," "we," "us," "our company" and "our" are to So-Young International Inc., our Cayman Islands holding company, its subsidiaries, and in the context of describing our operations and consolidated financial information, the VIEs and the subsidiaries of the VIEs;
- "shares" or "ordinary shares" are to our Class A and Class B ordinary shares, par value US$0.0005 per share;
- "US$," "U.S. dollars," "$," and "dollars" are to the legal currency of the United States; and
- "Wuhan Miracle" are to Wuhan Miracle Laser Systems, Inc.

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 RMB 7.2993 to US$1.00, the exchange rate in effect as of December 31, 2024 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 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.

FORWARD-LOOKING STATEMENTS

This annual report 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 mission, goals;
- our ability to retain and increase the number of users and expand our service offerings;
- our future business development, financial conditions and results of operations;
- expected changes in our revenues, costs or expenditures;
- the trends in, expected growth and the market size of the online medical aesthetics industry, both in the PRC and globally;
- our expectations regarding demand for and market acceptance of our services;
- our expectations regarding our relationships with users and service providers;
- our use of proceeds;
- competition in our industry;
- general economic and business conditions in the market we have business; and
- relevant government policies and regulations relating to our industry.

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" and "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.

PART I

ITEM 1. IDENTITY OF DIRECTORS, SENIOR MANAGEMENT AND ADVISERS

Not applicable.

ITEM 2. OFFER STATISTICS AND EXPECTED TIMETABLE

Not applicable.

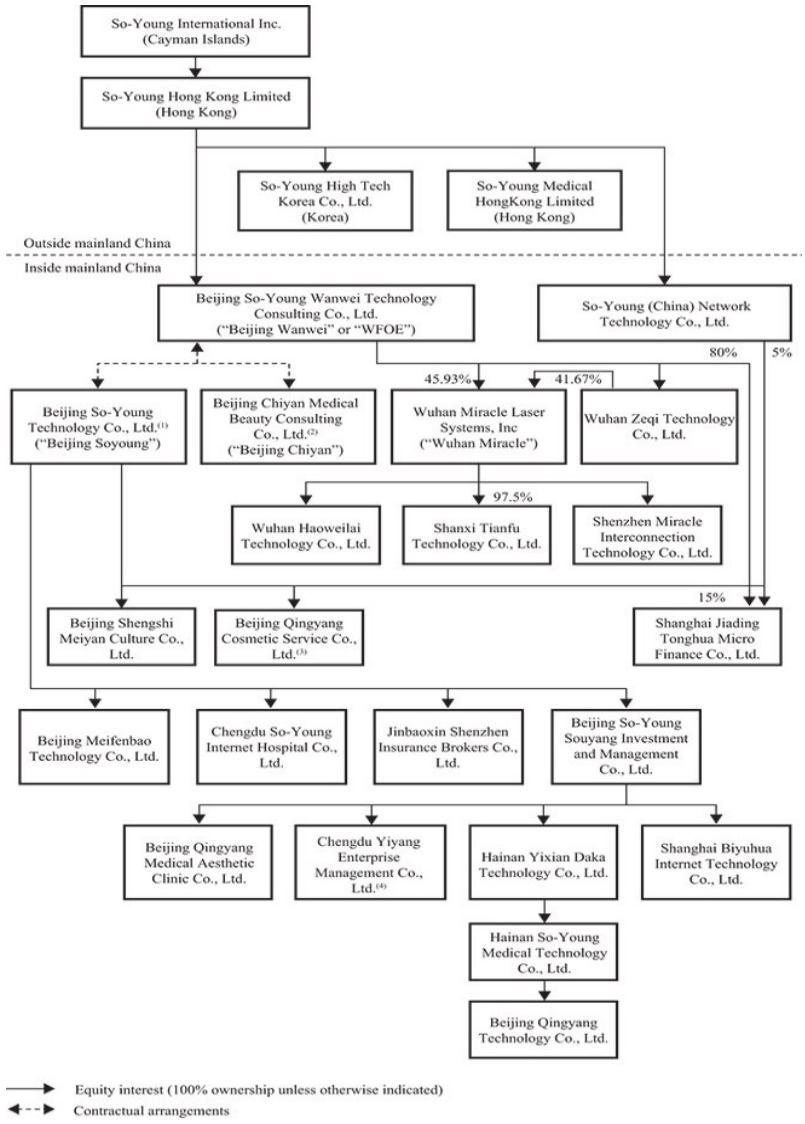
ITEM 3. KEY INFORMATION

Our Holding Company Structure and Contractual Arrangements with the Consolidated Affiliated Entities

So-Young International Inc. is not a Chinese operating company, but rather a Cayman Islands holding company with no equity ownership in its consolidated affiliated entities. Our Cayman Islands holding company does not conduct business operations directly. We conduct our operations in mainland China through (i) our subsidiaries in mainland China and (ii) the consolidated affiliated entities with which we have maintained contractual arrangements and their subsidiaries in mainland China. Laws and regulations of mainland China 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, we operate these businesses in mainland China through the consolidated affiliated entities and their subsidiaries, and rely on contractual arrangements among our subsidiaries, the consolidated affiliated entities and their nominee shareholders to control the business operations of the consolidated affiliated entities. The consolidated affiliated entities are consolidated for accounting purposes, but are not entities in which our Cayman Islands holding company, or our investors, own equity. Revenues contributed by the consolidated affiliated entities, excluding inter-company transactions, accounted for 78.9%, 80.4% and 80.0% of our total revenues for the years ended December 31, 2022, 2023 and 2024, respectively. As used in this annual report, “we,” “us,” “our company,” “our,” or “So-Young” refers to So-Young International Inc., its subsidiaries, and, in the context of describing our operations and consolidated financial information, the consolidated affiliated entities and their subsidiaries in mainland China. Investors in our ADSs are not purchasing equity interest in the consolidated affiliated entities in mainland China, but instead are purchasing equity interest in a holding company incorporated in the Cayman Islands.

A series of contractual agreements, including equity pledge agreement, exclusive option agreement, exclusive business cooperation agreement, power of attorney and spousal consent letter, have been entered into by and among our subsidiaries, the consolidated affiliated entities and their respective shareholders. Terms contained in each set of contractual arrangements with the consolidated affiliated entities and their respective shareholders are substantially similar. Despite the lack of legal majority ownership, our Cayman Island holding company is considered the primary beneficiary of the consolidated affiliated entities and consolidates the consolidated affiliated entities and their subsidiaries as required by Accounting Standards Codification topic 810, *Consolidation*. Accordingly, we treat the consolidated affiliated entities as the consolidated entities under U.S. GAAP and we consolidate the financial results of the consolidated affiliated entities in the consolidated financial statements in accordance with U.S. GAAP.

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



Note:

1) Shareholders of Beijing So-Young are Mr. Hui Shao, Mr. Xing Jin, and Mr. Tao Yu, holding 59.7%, 37.8%, and 2.5%, respectively, of the equity interest in Beijing So-Young. Mr. Hui Shao, Mr. Xing Jin and Mr. Tao Yu are our beneficiary owners; Mr. Jin is our co-founder, director and chief executive officer, and Mr. Yu is our co-founder, former chief information officer, and a consultant of our company.

2) Shareholders of Beijing Chiyan are Mr. Tao Yu and Mr. Xing Jin, holding 70% and 30%, respectively, of the equity interest in Beijing Chiyan. Mr. Tao Yu and Mr. Xing Jin are our beneficiary owners; Mr. Jin is our co-founder, director and chief executive officer, and Mr. Yu is our co-founder, former chief information officer, and a consultant of our company.

3) Beijing Qingyang Cosmetic Service Co., Ltd. is previously known as Beijing So-Young Qingyang Medical Instrument Co., Ltd.

4) Chengdu Yiyang Enterprise Management Co., Ltd. is previous known as Chengdu Wuhou Yililanhu Medical Aesthetic Clinic Co., Ltd.

The following is a summary of the currently effective contractual arrangements by and among our wholly-owned subsidiary, Beijing Wanwei, our consolidate affiliated entities Beijing So-Young and Beijing Chiyan and their respective shareholders:

- *Powers of Attorney.* Pursuant to the powers of attorney, each shareholder of VIEs irrevocably authorized our WFOE to act on the behalf of such shareholder with respect to all matters concerning the shareholding of the shares in VIEs.
- *Equity Interest Pledge Agreement.* Pursuant to the equity pledge agreements, the shareholders pledge 100% of their equity interest in the VIEs to our WFOE to guarantee the performance by the VIEs and their shareholders of their obligations under the exclusive business cooperation agreement, the exclusive option agreements and the power of attorney.
- *Spousal Consent Letter.* Under the spousal consent letters, the signing spouse unconditionally and irrevocably approved the execution by her spouse of the power of attorney, equity interest pledge agreement and exclusive option agreement, and that her spouse may perform, amend or terminate such agreements without her consent. The signing spouse confirms she will not assert any rights over the equity interests in VIEs held by her spouse.
- *Exclusive Business Cooperation Agreement.* Pursuant to the exclusive business cooperation agreements, our WFOE has the exclusive right to provide the VIEs with comprehensive technical support, consulting services and other services. Without prior written consent of our WFOE, the VIEs agree not to accept directly or indirectly the same or any similar services provided by any third party regarding the matters contemplated by this agreement. The VIEs agrees to pay our WFOE service fees. Our WFOE will have exclusive and proprietary ownership, rights and interests in any and all intellectual properties arising out of or developed during the performance of this agreement.
- *Exclusive Option Agreement.* Pursuant to the exclusive option agreements, each shareholder of the VIEs has irrevocably granted our WFOE an exclusive option to purchase, or have its designated person or persons to purchase, at its discretion, to the extent permitted under laws of mainland China, all or part of the shareholder's equity interests in the VIEs.

For more details of these contractual arrangements, see "Item 4. Information on the Company—C. Organizational Structure—Contractual Arrangements with the Consolidated Affiliated Entities and Their Respective Shareholders."

However, the contractual arrangements may not be as effective as direct ownership in providing us with control over the consolidated affiliated entities and we may incur substantial costs to enforce the terms of the arrangements. If the consolidated affiliated entities or the nominee shareholders fail to perform their respective obligations under the contractual arrangements, we could be limited in our ability to enforce the contractual arrangements that give us effective control over the consolidated affiliated entities, and these agreements have not been tested in courts of mainland China. Furthermore, if we are unable to maintain effective control, we would not be able to continue to consolidate the financial results of these entities in our financial statements. See "Item 3. Key Information—D. Risk Factors—Risks Related to Our Corporate Structure—We rely on contractual arrangements with the consolidated affiliated entities and their respective shareholders for our business operations, which may not be as effective as direct ownership in providing operational control" and "Item 3. Key Information—D. Risk Factors—Risks Related to Our Corporate Structure—The shareholders of the consolidated affiliated entities may have potential conflicts of interest with us, which may materially and adversely affect our business and financial condition."

There are also substantial uncertainties regarding the interpretation and application of current and future laws, regulations and rules of mainland China regarding the status of the rights of our Cayman Islands holding company with respect to its contractual arrangements with the consolidated affiliated entities and their nominee shareholders. It is uncertain whether any new laws or regulations of mainland China relating to variable interest entity structures will be adopted or if adopted, what they would provide. If we or any of the consolidated affiliated entities is found to be in violation of any existing or future laws or regulations of mainland China, 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 Related to Our Corporate Structure—If the PRC government finds that the agreements that establish the structure for operating our operations in China do not comply with regulations of mainland China 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 Related to Our Corporate Structure—Uncertainties exist with respect to the interpretation and implementation of the PRC Foreign Investment Law and how it may impact the viability of our current corporate structure, corporate governance and business operations."

Our corporate structure is subject to risks associated with our contractual arrangements with the consolidated affiliated entities. Our company and its investors may never have a direct ownership interest in the businesses that are conducted by the consolidated affiliated entities. Uncertainties in the legal system of mainland China could limit our ability to enforce these contractual arrangements, and these contractual arrangements have not been tested in a court of law. If the PRC government finds that the agreements that establish the structure for operating our business in China do not comply with laws and regulations of mainland China, or if these regulations or the interpretation of existing regulations change or are interpreted differently in the future, we and the consolidated affiliated entities could be subject to severe penalties or be forced to relinquish our interests in those operations. This would result in the consolidated affiliated entities being deconsolidated. The majority of our assets, including the necessary licenses to conduct business in China, are held by the consolidated affiliated entities. The majority of our revenues are generated by the consolidated affiliated entities. An event that results in the deconsolidation of the consolidated affiliated entities would have a material effect on our operations and result in the value of the securities of our company diminish substantially or even become worthless. Our company, our subsidiaries and consolidated affiliated entities in mainland China, 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 consolidated affiliated entities and, consequently, significantly affect the financial performance of the consolidated affiliated entities and our company as a whole. So-Young International Inc. may not be able to repay its indebtedness, and the ADSs of our company may decline in value or become worthless, if we are unable to assert our contractual control rights over the assets of our subsidiaries in mainland China and consolidated affiliated entities that conduct all or substantially all of our operations. For a detailed description of the risks associated with our corporate structure, please refer to risks disclosed under "Item 3. Key Information—D. Risk Factors—Risks Related to Our Corporate Structure."

Other Risks related to our Operations in Mainland China

We face various risks and uncertainties related to doing business in China. Our business operations are primarily conducted in China, and we are subject to complex and evolving laws and regulations of mainland China. For example, we face risks associated with regulatory approvals on offshore offerings, anti-monopoly regulatory actions, and oversight on cybersecurity and data privacy. We also face risks associated with the lack of inspection by the Public Company Accounting Oversight Board, or the PCAOB, on our auditors as discussed under "—The Holding Foreign Companies Accountable Act." These risks 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. For a detailed description of risks related to doing business in China, "Item 3.D. Key Information—Risk Factors—Risks Related to Doing Business in China."

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. For more details, see "Item 3. Key Information—D. Risk Factors—Risks Related 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."

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 Related to Doing Business in China—Uncertainties with respect to the legal system of mainland China could adversely affect us."

The Holding Foreign Companies Accountable Act

Pursuant to the Holding Foreign Companies Accountable Act, or the HFCAA, as amended by the Consolidated Appropriations Act, 2023, if the SEC determines that we have filed audit reports issued by a registered public accounting firm that has not been subject to inspection by the PCAOB for two consecutive years, the SEC shall 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, including our auditor. 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 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. For this reason, we were not identified as a Commission-Identified Issuer under the HFCAA after we file our annual report on Form 20-F for the fiscal year ended December 31, 2023 and do not expect to be identified as such 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 Securities and Exchange Commission, 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. For more details, see "Item 3. Key Information—D. Risk Factors—Risks Related 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 over our auditor in the past has deprived our investors with the benefits of such inspections" and "Item 3. Key Information—D. Risk Factors—Risks Related to Doing Business in China—Our ADSs may be prohibited from trading in the United States under the HFCAA, in the future if the PCAOB is unable to inspect or investigate completely auditors located in China. The delisting of the ADSs, or the threat of their being delisted, may materially and adversely affect the value of your investment."

Cash Flows through Our Organization

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 consolidated affiliated entities or the subsidiaries of the consolidated affiliated entities is subject to internal approval. The cash inflows of the Cayman Islands holding company were primarily generated from the proceeds we received from our public offerings of ordinary shares, historical financing activities and cash provided by our operating activities. In 2022, 2023 and 2024, the Cayman Islands holding company transferred cash in the total amount of nil, RMB38.0 million and RMB74.6 million (US$10.2 million) to our subsidiaries in mainland China, the consolidated affiliated entities and their subsidiaries through our offshore intermediate holding entities. For the years ended December 31, 2022, 2023 and 2024, no assets other than cash were transferred between the Cayman Islands holding company and a subsidiary, a consolidated affiliated entity or its subsidiary and no subsidiaries paid dividends or made other distributions to the holding company. The VIEs have paid RMB264.0 million, RMB264.1 million, and RMB231.1 million (US$31.7 million) of service fee to the wholly-owned subsidiary in mainland China under the VIE arrangements for the years ended December 31, 2022, 2023 and 2024, respectively. The VIEs expect to continue to settle any service fees incurred under the Exclusive Business Cooperation Agreements.

As a Cayman Islands holding company, we may receive dividends from our subsidiaries in mainland China. Under the Enterprise Income Tax Law of the PRC, and related regulations, dividends, interests, rent or royalties payable by a foreign-invested enterprise, such as our subsidiaries in mainland China, to any of its foreign non-resident enterprise investors, and proceeds from any such foreign enterprise investor's disposition of assets (after deducting the net value of such assets) are subject to a 10% withholding tax, unless the foreign enterprise investor's jurisdiction of incorporation has a tax treaty with China that provides for a reduced rate of withholding tax. Undistributed profits earned by foreign-invested enterprises prior to January 1, 2008 are exempted from any withholding tax. The Cayman Islands, where So-Young International Inc., the direct parent company of our subsidiaries, is incorporated, does not have such a tax treaty with China. Hong Kong has a tax arrangement with China that provides for a 5% withholding tax on dividends subject to certain conditions and requirements, such as the requirement that the Hong Kong resident enterprise own at least 25% of the enterprise in mainland China distributing the dividend at all times within the 12-month period immediately preceding the distribution of dividends and be a "beneficial owner" of the dividends. For example, So-Young Hong Kong Limited, which directly owns our subsidiary in mainland China, Beijing Wanwei, is incorporated in Hong Kong. However, if So-Young Hong Kong Limited is not considered to be the beneficial owner of the dividends paid to it by Beijing Wanwei under the tax circulars promulgated in February and October 2009, such dividends would be subject to withholding tax at a rate of 10%. If our subsidiaries in mainland China 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. See "Item 3. Key Information-D. Risk Factors-Risks Related to Our Corporate Structure-We may rely on dividends and other distributions on equity paid by our subsidiaries in mainland China to fund any cash and financing requirements we may have, and any limitation on the ability of our subsidiaries in mainland China to make payments to us and any tax we are required to pay could have a material and adverse effect on our ability to conduct our business" for more details. 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 Related to Doing Business in China-If we are classified as a resident enterprise in mainland China for PRC income tax purposes, such classification could result in unfavorable tax consequences to us and our shareholders that are non-resident of mainland China or ADS holders."

For purposes of illustration, the following discussion reflects the hypothetical taxes that might be required to be paid within China, assuming that: (i) we have taxable earnings, and (ii) we determine to pay dividends in the future.

	Tax calculation
Hypothetical pre-tax earnings[2]	100 %
Tax on earnings at statutory rate of 25%[3]	(25)%
Net earnings available for distribution	75 %
Withholding tax at standard rate of 10%[4]	(7.5)%
Net distribution to Parent/Shareholders	67.5 %

Notes:

(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) Under the terms of VIE agreements, our subsidiaries in mainland China may charge the VIEs for services provided to VIEs. These service fees shall be recognized as expenses of the VIEs, with a corresponding amount as service income by our subsidiaries in mainland China and eliminate in consolidation. For income tax purposes, our subsidiaries and VIEs in mainland China file income tax returns on a separate company basis. The service fees paid are recognized as a tax deduction by the VIEs and as income by our subsidiaries in mainland China and are tax neutral.

(3) Certain of our subsidiaries and VIEs qualifies for a 15% preferential income tax rate in China. However, such rate is subject to qualification, is temporary in nature, and may not be available in a future period when distributions are paid. For purposes of this hypothetical example, the table above reflects a maximum tax scenario under which the full statutory rate would be effective.

(4) The PRC Enterprise Income Tax Law imposes a withholding income tax of 10% on dividends distributed by a foreign invested enterprise, or FIE, to its immediate holding company outside of China. A lower withholding income tax rate of 5% is applied if the FIE's immediate holding company is registered in Hong Kong or other jurisdictions that have a tax treaty arrangement with China, subject to a qualification review at the time of the distribution. For purposes of this hypothetical example, the table above assumes a maximum tax scenario under which the full withholding tax would be applied.

The table above has been prepared under the assumption that all profits of the VIEs will be distributed as fees to our subsidiaries in mainland China under tax neutral contractual arrangements. If, in the future, the accumulated earnings of the VIEs exceed the service fees paid to our subsidiaries in mainland China (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 VIEs could make a non-deductible transfer to our subsidiaries in mainland China for the amounts of the stranded cash in the VIEs. This would result in such transfer being non-deductible expenses for the VIEs but still taxable income for the subsidiaries in mainland China.

Under laws and regulations of mainland China, we are subject to restrictions on foreign exchange and cross-border cash transfers, including to U.S. investors. Our ability to distribute earnings to the holding company and U.S. investors is also limited. We are a Cayman Islands holding company, and we may rely on dividends and other distributions on equity paid by our subsidiaries in mainland China, which in turn relies on consulting and other fees paid to us by the consolidated affiliated entities, for our cash and financing requirements, including the funds necessary to pay dividends and other cash distributions to our shareholders and service any debt we may incur. When any of our subsidiaries in mainland China incurs debt on its own behalf, the instruments governing the debt may restrict its ability to pay dividends or make other distributions to us.

Our subsidiaries' ability to distribute dividends is based upon their distributable earnings. Current regulations of mainland China permit our subsidiaries in mainland China to pay dividends to their respective shareholders only out of their accumulated profits, if any, determined in accordance with accounting standards and regulations in mainland China. In addition, each of our subsidiaries in mainland China and the consolidated affiliated entities is required to set aside at least 10% of its after-tax profits each year, if any, to fund a statutory reserve until such reserve reaches 50% of its registered capital. Each of such entities in China is also required to further set aside a portion of its after-tax profits to fund the employee welfare fund, although the amount to be set aside, if any, is determined at the discretion of its board of directors. These reserves are not distributable as cash dividends.

In 2023, our subsidiary in mainland China, Wuhan Miracle, has declared and paid a dividend for an aggregate amount of RMB36.0 million to its shareholders. Specifically, Wuhan Miracle paid RMB16.5 million to Beijing Wanwei and RMB 15.0 million to Wuhan Zeqi Technology Co., Ltd. ("Wuhan Zeqi"), both of whom are our subsidiaries in mainland China. Wuhan Zeqi later distributed RMB13.0 million from the dividend payment to Beijing Wanwei. The dividend payments are not subject to withholding tax.

In addition, our subsidiaries in mainland China, the consolidated affiliated entities and their 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 subsidiaries in mainland China to pay dividends to us. For more details, see "Item 3. Key Information - D. Risk Factors - Risks Related to Our Corporate Structure - We may rely on dividends and other distributions on equity paid by our subsidiaries in mainland China to fund any cash and financing requirements we may have, and any limitation on the ability of our subsidiaries in mainland China to make payments to us and any tax we are required to pay could have a material and adverse effect on our ability to conduct our business." and "Item 3. Key Information - D. Risk Factors - Risks Related to Doing Business in China - Regulation of mainland China of loans to and direct investment in entities in mainland China by offshore holding companies and governmental control of currency conversion may delay or prevent us from using the proceeds of our initial public offering to make loans or to make additional capital contributions to our subsidiaries in mainland China and variable interest entities, which could materially and adversely affect our liquidity and our ability to fund and expand our business."

Permissions Required from the PRC Authorities for Our Operations

We conduct our business primarily through our subsidiaries and consolidated affiliated entities in China. Our operations in China are governed by laws and regulations of mainland China. As of the date of this annual report, our subsidiaries in mainland China, consolidated affiliated entities and their subsidiaries have obtained the requisite licenses and permits from the PRC government authorities that are material for the business operations of our holding company, the consolidated affiliated entities in China, including, among others, the Value-Added Telecommunications Services Operating License for providing information services via the internet, or the ICP License. We have not obtained certain approvals, licenses and permits that may be required for some aspects of our business operations. For example, we are required to but have not obtained the Audio-Visual License for providing internet audio-visual program services through our online platform, including the provision of original short videos created by ourselves and our service providers. We do not consider such services to be material to our business and the revenues generated through the provision of such services account for an insignificant portion of our total revenues. We are not eligible to apply for an Audio-Visual License under the current regulatory regime, because we are not a wholly state-owned or state-controlled entity as required for this license under laws of mainland China. Given the uncertainties of interpretation and implementation of relevant laws and regulations and the enforcement practice by relevant government authorities, we may be required to obtain additional licenses, permits, filings or approvals for the functions and services of our platform in the future. For more detailed information, see "Item 3. Key Information—D. Risk Factors—Risks Related to Our Business and Industry—Our failure to obtain and maintain approvals, licenses or permits applicable to our business could have a material adverse impact on our business, financial conditions and results of operations." and "Item 3. Key Information—D. Risk Factors—Risks Related to Our Business and Industry—Our aesthetic centers require various approvals, licenses and permits to operate our business and the loss or failure to obtain or renew any or all of these approvals, licenses and permits could materially and adversely affect our results of operations and business prospects."

Furthermore, under current laws, regulations and regulatory rules of mainland China, we, our subsidiaries in mainland China and the consolidated affiliated entities may be required to fulfill filing and reporting procedures to the China Securities Regulatory Commission, or the CSRC, in connection with offering and listing in an overseas market. For example, if we plan to conduct securities offering in an overseas market different from the market where we are currently listed, we may be required to fulfill filing and reporting requirement. In addition to the above filing and reporting requirements, we may also be required to report to the CSRC within three business days upon the occurrence and public disclosure of any the following events: (i) change of control; (ii) investigation or sanctions by any overseas securities regulators or overseas authorities; (iii) change of listing status or listing segment; (iv) voluntary or mandatory delisting; and (v) material change of principal business operations after overseas issuance and listing. Additionally, we, our subsidiaries in mainland China and the consolidated affiliated entities may also be required to go through cybersecurity review by the Cyberspace Administration of China. As of the date of this annual report, we have not been subject to any cybersecurity review made by the administration. If we fail to complete the filing or reporting procedures for any future offshore offering or listing or if any of the specified events occur, 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/or filing with the CSRC or other PRC government authorities may be required in connection with our offshore offerings under laws of mainland China, and, if required, we cannot predict whether or for how long we will be able to obtain such approval or complete such filing." and "-Risks Related to Our Business and Industry-Our business is subject to data privacy laws and regulations in jurisdictions other than China. Any failure or perceived failure to comply with such laws and regulations could have a material and adverse impact on our business, financial condition and results of operations."

Financial Information Related to the Consolidated Affiliated Entities

The following table presents the condensed consolidating schedule of financial position for the consolidated affiliated entities and other entities as of the dates presented.

Selected Condensed Consolidated Statements of Income/(Loss) Information

	For the year ended December 31, 2024					
	Parent	Other Subsidiaries	Primary Beneficiary of VIEs	VIEs and VIEs' Subsidiaries	Eliminating Adjustments	Consolidated Totals
				RMB (in thousands)		
Third-party revenues from services and sales	—	123	292,747	1,173,828	—	1,466,698
Inter-company revenues from services and sales	—	9,492	305,341	27,907	(342,740)	—
Total revenues	**—**	**9,615**	**598,088**	**1,201,735**	**(342,740)**	**1,466,698**
Third-party costs from services and sales	—	(11)	(154,051)	(413,523)	—	(567,585)
Inter-company costs from services and sales	—	(4,697)	(19,649)	(312,935)	337,281	—
Total costs	**—**	**(4,708)**	**(173,700)**	**(726,458)**	**337,281**	**(567,585)**
Total operating expenses	(5,649)	(34,459)	(909,768)	(578,746)	5,017	(1,523,605)
Loss from subsidiaries and VIEs	(596,115)	(599,805)	(143,326)	—	1,339,246	—
Other non-operating income/(expenses)	12,237	33,689	24,006	(33,536)	9	36,405
Loss before tax	**(589,527)**	**(595,668)**	**(604,700)**	**(137,005)**	**1,338,813**	**(588,087)**
Income tax (expenses)/benefits	—	(447)	2,598	(1,246)	—	905
Net loss	**(589,527)**	**(596,115)**	**(602,102)**	**(138,251)**	**1,338,813**	**(587,182)**
Net (income)/loss attributable to non-controlling interests	—	—	(2,420)	75	—	(2,345)
Net loss attributable to So-Young International Inc.	**(589,527)**	**(596,115)**	**(604,522)**	**(138,176)**	**1,338,813**	**(589,527)**

	For the year ended December 31, 2023					
	Parent	Other Subsidiaries	Primary Beneficiary of VIEs	VIEs and VIEs' Subsidiaries	Eliminating Adjustments	Consolidated Totals
				RMB (in thousands)		
Third-party revenues from services and sales	—	461	293,814	1,203,754	—	1,498,029
Inter-company revenues from services and sales	—	868	280,701	19,466	(301,035)	—
Total revenues	**—**	**1,329**	**574,515**	**1,223,220**	**(301,035)**	**1,498,029**
Third-party costs from services and sales	—	(1,294)	(154,899)	(388,143)	—	(544,336)
Inter-company costs from services and sales	—	(468)	(18,605)	(280,781)	299,854	—
Total costs	**—**	**(1,762)**	**(173,504)**	**(668,924)**	**299,854**	**(544,336)**
Total operating expenses	(8,786)	(11,746)	(441,816)	(552,945)	553	(1,014,740)
Income/(Loss) from subsidiaries and VIEs	17,230	(2,015)	9,171	—	(24,386)	—
Other non-operating income	12,836	31,701	23,448	931	—	68,916
Income/(Loss) before tax	**21,280**	**17,507**	**(8,186)**	**2,282**	**(25,014)**	**7,869**
Income tax (expenses)/benefits	—	(277)	10,838	7,514	—	18,075
Net income	**21,280**	**17,230**	**2,652**	**9,796**	**(25,014)**	**25,944**
Net (income)/loss attributable to non-controlling interests	—	—	(4,667)	3	—	(4,664)
Net income/(loss) attributable to So-Young International Inc.	**21,280**	**17,230**	**(2,015)**	**9,799**	**(25,014)**	**21,280**

	For the year ended December 31, 2022					
	Parent	Other Subsidiaries	Primary Beneficiary of VIEs	VIEs and VIEs' Subsidiaries	Eliminating Adjustments	Consolidated Totals
				RMB (in thousands)		
Third-party revenues from services and sales	—	5,385	259,784	992,705	—	1,257,874
Inter-company revenues from services and sales	—	3,742	251,739	12,203	(267,684)	—
Total revenues	**—**	**9,127**	**511,523**	**1,004,908**	**(267,684)**	**1,257,874**
Third-party costs from services and sales	—	(130)	(157,068)	(236,094)	—	(393,292)
Inter-company costs from services and sales	—	(496)	(12,641)	(253,929)	267,066	—
Total costs	**—**	**(626)**	**(169,709)**	**(490,023)**	**267,066**	**(393,292)**
Total operating expenses	(9,659)	(5,632)	(418,412)	(533,684)	—	(967,387)
(Loss)/Income from subsidiaries and VIEs	(55,104)	(69,345)	(22,408)	—	146,857	—
Other non-operating (expenses)/income	(791)	13,291	10,521	(7,288)	—	15,733
(Loss)/Income before tax	**(65,554)**	**(53,185)**	**(88,485)**	**(26,087)**	**146,239**	**(87,072)**
Income tax (expenses)/benefits	—	(1,919)	20,915	1,969	—	20,965
Net (loss)/income	**(65,554)**	**(55,104)**	**(67,570)**	**(24,118)**	**146,239**	**(66,107)**
Net (income)/loss attributable to non-controlling interests	—	—	(1,775)	2,328	—	553
Net (loss)/income attributable to So-Young International Inc.	**(65,554)**	**(55,104)**	**(69,345)**	**(21,790)**	**146,239**	**(65,554)**

Selected Condensed Consolidated Balance Sheets Information

	As of December 31, 2024					
	Parent	Other Subsidiaries	Primary Beneficiary of VIEs	VIEs and VIEs' Subsidiaries	Eliminating Adjustments	Consolidated Totals
	RMB (in thousands)					
Assets						
Cash and cash equivalents	22,732	218,322	209,849	136,846	—	587,749
Restricted cash and term deposits	—	43,130	63	23,174	—	66,367
Trade receivables	—	—	43,952	54,822	—	98,774
Receivables from online payment platforms	—	—	3,055	21,200	—	24,255
Amounts due from VIE companies	—	125,130	398,273	—	(523,403)	—
Amounts due from Group companies	1,894,656	56,272	31,330	162,198	(2,144,456)	—
Amounts due from related parties	—	—	85	1,133	—	1,218
Term deposits and short-term investments	—	599,041	—	—	—	599,041
Inventories	—	8,293	100,263	43,198	—	151,754
Prepayment and other current assets	3,918	31,982	88,101	71,201	—	195,202
Investment in subsidiaries and VIEs	—	768,835	—	35,081	(803,916)	—
Long-term investments	—	39,037	97,391	143,853	—	280,281
Property and equipment, net	—	301	82,212	74,264	(1,425)	155,352
Intangible assets	—	—	99,295	27,320	—	126,615
Deferred tax assets	—	1,542	56,241	27,167	—	84,950
Operating lease right-of-use assets	—	518	42,603	119,643	—	162,764
Goodwill	—	—	—	684	—	684
Other non-current assets	—	1,193	137,750	61,209	—	200,152
Total assets	**1,921,306**	**1,893,596**	**1,390,463**	**1,002,993**	**(3,473,200)**	**2,735,158**
Liabilities						
Short-term borrowings	—	—	69,771	—	—	69,771
Taxes payable	—	961	12,809	48,092	—	61,862
Contract liabilities	—	—	22,150	54,429	—	76,579
Salary and welfare payables	—	3,190	58,449	49,757	—	111,396
Amounts due to VIE companies	27,518	62,240	72,440	—	(162,198)	—
Amounts due to Group companies	25,866	1,849,267	107,125	523,403	(2,505,661)	—
Amounts due to related parties	—	—	65	412	—	477
Accrued expenses and other current liabilities	1,204	5,054	28,018	230,940	—	265,216
Operating lease liabilities-current	—	297	12,735	31,873	—	44,905
Operating lease liabilities-non current	—	184	32,799	92,217	—	125,200
Investment deficit of subsidiaries and VIEs	27,597	—	34,576	—	(62,173)	—
Deferred tax liabilities	—	—	13,391	6,367	—	19,758
Other non-current liabilities	—	—	1,264	—	—	1,264
Total liabilities	**82,185**	**1,921,193**	**465,592**	**1,037,490**	**(2,730,032)**	**776,428**
Shareholders' equity						
Non-controlling interests	—	—	166,339	79	(46,809)	119,609
So-Young International Inc. shareholders' equity	1,839,121	(27,597)	758,532	(34,576)	(696,359)	1,839,121
Total liabilities and shareholders' equity	**1,921,306**	**1,893,596**	**1,390,463**	**1,002,993**	**(3,473,200)**	**2,735,158**

	As of December 31, 2023					
	Parent	Other Subsidiaries	Primary Beneficiary of VIEs	VIEs and VIEs' Subsidiaries	Eliminating Adjustments	Consolidated Totals
	RMB (in thousands)					
Assets						
Cash and cash equivalents	8,228	84,120	189,736	144,035	—	426,119
Restricted cash and term deposits	—	—	65	14,630	—	14,695
Trade receivables	—	—	17,632	39,587	—	57,219
Receivables from online payment platforms	—	—	5,005	18,153	—	23,158
Amounts due from VIE companies	—	45,304	265,090	—	(310,394)	—
Amounts due from Group companies	1,647,534	52,422	18,212	137,937	(1,856,105)	—
Amounts due from related parties	—	—	85	9,127	—	9,212
Term deposits and short-term investments	283,308	572,362	29,000	16,153	—	900,823
Inventories	—	—	102,925	15,999	—	118,924
Prepayment and other current assets	7,683	23,027	99,553	46,289	(4,778)	171,774
Investment in subsidiaries and VIEs	565,304	1,351,903	98,368	34,691	(2,050,266)	—
Long-term investments	—	3,560	93,000	164,456	—	261,016
Property and equipment, net	—	45	88,071	29,082	(416)	116,782
Intangible assets	—	—	117,230	28,023	—	145,253
Deferred tax assets	—	1,519	52,798	23,717	—	78,034
Operating lease right-of-use assets	—	—	58,950	59,458	—	118,408
Goodwill	—	—	540,009	684	—	540,693
Other non-current assets	—	59,844	122,661	49,950	—	232,455
Total assets	**2,512,057**	**2,194,106**	**1,898,390**	**831,971**	**(4,221,959)**	**3,214,565**
Liabilities						
Short-term borrowings	—	—	29,825	—	—	29,825
Taxes payable	—	932	13,007	42,955	—	56,894
Contract liabilities	—	—	25,243	78,131	—	103,374
Salary and welfare payables	—	674	51,517	34,099	—	86,290
Amounts due to VIE companies	41,928	25,372	70,637	—	(137,937)	—
Amounts due to Group companies	24,856	1,601,314	91,998	310,394	(2,028,562)	—
Amounts due to related parties	—	—	301	87	—	388
Accrued expenses and other current liabilities	1,144	510	33,266	203,771	(4,778)	233,913
Operating lease liabilities-current	—	—	12,521	17,218	—	29,739
Operating lease liabilities-non current	—	—	44,956	41,254	—	86,210
Deferred tax liabilities	—	—	19,385	5,697	—	25,082
Other non-current liabilities	—	—	1,536	—	—	1,536
Total liabilities	**67,928**	**1,628,802**	**394,192**	**733,606**	**(2,171,277)**	**653,251**
Shareholders' equity						
Non-controlling interests	—	—	163,997	(3)	(46,809)	117,185
So-Young International Inc. shareholders' equity	2,444,129	565,304	1,340,201	98,368	(2,003,873)	2,444,129
Total liabilities and shareholders' equity	**2,512,057**	**2,194,106**	**1,898,390**	**831,971**	**(4,221,959)**	**3,214,565**

Selected Condensed Consolidated Cash Flows Information

	For the year ended December 31, 2024					
	Parent	Other Subsidiaries	Primary Beneficiary of VIEs	VIEs and VIEs' Subsidiaries	Eliminating Adjustments	Consolidated Totals
	RMB (in thousands)					
Condensed Consolidating Schedules of Cash Flows						
Inter-company (payments)/receipts related to service and sales	—	(19,404)	225,413	(206,009)	—	—
Other operating/administrative activities with external parties	(20,867)	62,795	(274,080)	206,519	—	(25,633)
Net cash (used in)/provided by operating activities	**(20,867)**	**43,391**	**(48,667)**	**510**	**—**	**(25,633)**
Purchase of short-term investments and term deposits	—	(865,988)	(301,000)	—	—	(1,166,988)
Proceeds from maturities of short-term investments and term deposits	285,025	896,085	330,000	16,000	—	1,527,110
Loans to Group companies	(244,570)	(85,631)	(11,000)	—	341,201	—
Repayments from Group companies	31,499	34,992	—	—	(66,491)	—
Other investing activities with external parties	—	(36,994)	1,891	(67,980)	—	(103,083)
Net cash provided by/(used in) investing activities	**71,954**	**(57,536)**	**19,891**	**(51,980)**	**274,710**	**257,039**
Borrowings under loan from Group companies	—	244,571	14,103	82,527	(341,201)	—
Repayments to borrowings under loan from Group companies	—	(31,500)	(5,213)	(29,778)	66,491	—
Other financing activities with external parties	(61,512)	—	40,000	—	—	(21,512)
Net cash (used in)/provided by financing activities	**(61,512)**	**213,071**	**48,890**	**52,749**	**(274,710)**	**(21,512)**
Effect of exchange rate changes on cash, cash equivalents and restricted cash	**24,929**	**(21,594)**	**—**	**—**	**—**	**3,335**
Net increase in cash, cash equivalents and restricted cash	14,504	177,332	20,114	1,279	—	213,229
Cash, cash equivalents and restricted cash at the beginning of the year	8,228	84,120	189,736	150,656	—	432,740
Cash, cash equivalents and restricted cash at the end of the year	**22,732**	**261,452**	**209,850**	**151,935**	**—**	**645,969**

	For the year ended December 31, 2023					
	Parent	Other Subsidiaries	Primary Beneficiary of VIEs	VIEs and VIEs' Subsidiaries	Eliminating Adjustments	Consolidated Totals
	RMB (in thousands)					
Condensed Consolidating Schedules of Cash Flows						
Inter-company receipts/(payments) related to service and sales	—	870	238,218	(239,088)	—	—
Other operating/administrative activities with external parties	(7,914)	18,271	(255,721)	267,865	—	22,501
Net cash (used in)/provided by operating activities	**(7,914)**	**19,141**	**(17,503)**	**28,777**	**—**	**22,501**
Purchase of short-term investments and term deposits	(491,162)	(1,219,379)	(493,882)	(31,000)	—	(2,235,423)
Proceeds from maturities of short-term investments and term deposits	411,184	1,252,474	424,435	15,000	—	2,103,093
Loans to Group companies	(178,985)	(241,488)	(1,950)	(57,680)	480,103	—
Repayments from Group companies	237,747	26,523	589	73,982	(338,841)	—
Other investing activities with external parties	—	(7,161)	(1,439)	(61,681)	—	(70,281)
Net cash used in investing activities	**(21,216)**	**(189,031)**	**(72,247)**	**(61,379)**	**141,262**	**(202,611)**
Borrowings under loan from Group companies	—	420,170	42,921	17,012	(480,103)	—
Repayments to borrowings under loan from Group companies	—	(285,752)	(42,500)	(10,589)	338,841	—
Other financing activities with external parties	(125,426)	—	25,411	—	—	(100,015)
Net cash (used in)/provided by financing activities	**(125,426)**	**134,418**	**25,832**	**6,423**	**(141,262)**	**(100,015)**
Effect of exchange rate changes on cash, cash equivalents and restricted cash	**19,684**	**(7,819)**	**—**	**—**	**—**	**11,865**
Net decrease in cash, cash equivalents and restricted cash	(134,872)	(43,291)	(63,918)	(26,179)	—	(268,260)
Cash, cash equivalents and restricted cash at the beginning of the year	143,100	127,411	253,654	176,835	—	701,000
Cash, cash equivalents and restricted cash at the end of the year	**8,228**	**84,120**	**189,736**	**150,656**	**—**	**432,740**

	For the year ended December 31, 2022					
	Parent	Other Subsidiaries	Primary Beneficiary of VIEs	VIEs and VIEs' Subsidiaries	Eliminating Adjustments	Consolidated Totals
	RMB (in thousands)					
Condensed Consolidating Schedules of Cash Flows						
Inter-company (payments)/receipts related to service and sales	—	(25,089)	327,117	(302,028)	—	—
Other operating/administrative activities with external parties	(54,390)	115,125	(451,962)	278,354	—	(112,873)
Net cash (used in)/provided by operating activities	**(54,390)**	**90,036**	**(124,845)**	**(23,674)**	**—**	**(112,873)**
Purchase of short-term investments and term deposits	(201,348)	(623,489)	(340,433)	(40,500)	—	(1,205,770)
Proceeds from maturities of short-term investments	318,785	—	410,000	36,000	—	764,785
Acquisitions of subsidiaries, net of cash acquired	—	—	(97,492)	—	—	(97,492)
Loans to Group companies	(82,766)	(56,821)	(16,646)	(37,000)	193,233	—
Repayments from Group companies	41,383	252	66,000	—	(107,635)	—
Other investing activities with external parties	—	—	(291)	(33,444)	—	(33,735)
Net cash provided by/(used in) investing activities	**76,054**	**(680,058)**	**21,138**	**(74,944)**	**85,598**	**(572,212)**
Borrowings under loan from Group companies	—	92,685	37,000	63,548	(193,233)	—
Repayments to borrowings under loan from Group companies	—	(51,383)	—	(56,252)	107,635	—
Other financing activities with external parties	(14,247)	—	—	661	—	(13,586)
Net cash (used in)/provided by financing activities	**(14,247)**	**41,302**	**37,000**	**7,957**	**(85,598)**	**(13,586)**
Effect of exchange rate changes on cash, cash equivalents and restricted cash	**79,877**	**(24,015)**	**—**	**—**	**—**	**55,862**
Net increase/(decrease) in cash, cash equivalents and restricted cash	87,294	(572,735)	(66,707)	(90,661)	—	(642,809)
Cash, cash equivalents and restricted cash at the beginning of the year	55,806	700,146	320,361	267,496	—	1,343,809
Cash, cash equivalents and restricted cash at the end of the year	**143,100**	**127,411**	**253,654**	**176,835**	**—**	**701,000**

B. Capitalization and Indebtedness

Not applicable.

C. Reasons for the Offer and Use of Proceeds

Not applicable.

D. Risk Factors

Summary of Risk Factors

An investment in our ADSs or Class A ordinary shares involves significant risks. Below is a summary of material risks we face, organized under relevant headings. These risks are discussed more fully in "Item 3. Key Information—D. Risk Factors."

Risks Related to Our Business and Industry

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

- the online medical aesthetic service industry is rapidly evolving, which makes it difficult to evaluate our future prospects. For details, please refer to page 17;
- we have experienced revenue and profitability declines in the past, and we cannot guarantee that we will be able to maintain revenue or profitability growth in the future. If we are unable to maintain growth, our business and prospects may be materially and adversely affected. For details, please refer to page 18;
- we may be subject to consumer claims, regulatory or professional investigations and litigations regarding the medical information and services offered on our platform, aesthetic care offered in our branded aesthetic centers and services and products offered by us, which could materially and adversely affect our brand, reputation, and results of operations. For details, please refer to page 18;
- characterization of our business as engaging in medical, drug and/or medical device advertisement distribution in China without proper licenses or permits may have material impacts on our operations. For details, please refer to page 20;
- our expansion plans, including our plans to expand into new business lines, business categories and geographic areas, are subject to uncertainties and risks, and we may not be able to successfully manage our expanded operations. For details, please refer to page 20.
- our future growth depends on our ability to continuously extend the footprint of our branded aesthetic center network and successfully manage its operational performance. For details, please refer to page 21.
- our limited operating history in aesthetic centers makes it difficult to predict our prospects and our business and financial performance. For details, please refer to page 21.
- our aesthetic centers require various approvals, licenses and permits to operate our business and the loss or failure to obtain or renew any or all of these approvals, licenses and permits could materially and adversely affect our results of operations and business prospects. For details, please refer to page 22.
- we face risks associated with our acquisition of Wuhan Miracle and its business. For details, please refer to page 22;
- if we fail to anticipate user preferences and provide high-quality and reliable content in a cost-effective manner, we may not be able to attract and retain users to remain competitive. For details, please refer to page 23;

- if content providers do not continue to contribute content that is high-quality, reliable or otherwise valuable to our users, we may experience a decline in user traffic and user engagement. For details, please refer to page 23;

- our business may be materially and adversely affected by an unfavorable market perception of the overall medical aesthetic industry. For details, please refer to page 24;

- we depend significantly on the strength of our brand and reputation. Any failure to maintain and enhance, or any damage to, our brand image or reputation could materially and adversely affect our business, results of operations, financial condition and prospects. For details, please refer to page 24;

- if we fail to meet the changes or developments in the regulatory framework in China with respect to the provision of online medical aesthetic services industry, our reputation may be harmed and our financial condition and results of operations may be materially and adversely affected. For details, please refer to page 24;

- we face risks related to health epidemics, natural disasters, and other outbreaks, which could significantly disrupt our operations. For details, please refer to page 25; and

- our business generates and processes data in the ordinary course, and we are required to comply with laws of mainland China relating to privacy, data security and cybersecurity. The improper collection, use or disclosure of data could have a material and adverse impact on our business, financial condition and results of operations. For details, please refer to page 25.

- our business is subject to data privacy laws and regulations in jurisdictions other than China. Any failure or perceived failure to comply with such laws and regulations could have a material and adverse impact on our business, financial condition and results of operations. For details, please refer to page 27.

Risks Related to Our Corporate Structure

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

- if the PRC government finds that the agreements that establish the structure for operating our operations in China do not comply with regulations of mainland China 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. For details, please refer to page 38;

- we rely on contractual arrangements with the consolidated affiliated entities and their respective shareholders for our business operations, which may not be as effective as direct ownership in providing operational control. For details, please refer to page 39; and

- any failure by the consolidated affiliated entities or their respective shareholders to perform their obligations under our contractual arrangements with them would have a material and adverse effect on our business. For details, please refer to page 40.

Risks Related to Doing Business in China

Risks and uncertainties related to doing business in China include, but are not limited to, the following:

- 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 over our auditor in the past has deprived our investors with the benefits of such inspections. For details, please refer to page 43;

- Our ADSs may be prohibited from trading in the United States under the HFCAA, in the future if the PCAOB is unable to inspect or investigate completely auditors located in China. The delisting of the ADSs, or the threat of their being delisted, may materially and adversely affect the value of your investment. For details, please refer to page 43.

Risks Related to Our ADSs

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

- the trading price of our ADSs has been and is likely to continue to be volatile, which could result in substantial losses to investors. For details, please refer to page 54;
- 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. For details, please refer to page 55; and
- we cannot guarantee 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. For details, please refer to page 54.

Risks Related to Our Business and Industry

The online medical aesthetic service industry is rapidly evolving, which makes it difficult to evaluate our future prospects.

The online medical aesthetic service industry is still at an early stage of development and is rapidly evolving. There are few well-established and widely-accepted online medical aesthetic service platforms. Although we launched our online medical aesthetic service business in November 2013 and we are now the leader in the online medical aesthetic service industry in China, we have not yet demonstrated our ability to generate significant revenue. We believe that our business model is novel and we have a limited operating history on which investors can evaluate our business and prospects. As our business develops and as we respond to competition, we may continue to introduce new service offerings and make adjustments to our existing services and to our business operation in general. Any significant change to our business model that does not achieve expected results may have a material and adverse impact on our financial condition and results of operations. It is therefore difficult to effectively assess our future prospects.

The online medical aesthetic platform service industry may not develop as expected. Prospective users and medical service providers may not be familiar with the development of online medical aesthetic service markets and may have difficulties distinguishing our services from those of our competitors. Convincing prospective users and medical service providers of the value of using our services is important to the success of our business.

You should consider our business and prospects in light of the risks and challenges we encounter or may encounter given the rapidly evolving market in which we operate and our limited operating history. These risks and challenges include our ability to, among other things:

- manage our future growth;
- offer personalized and competitive online medical aesthetic services;
- increase the utilization of our service by existing and new users;
- maintain and enhance our relationships with medical service providers and our other partners;
- navigate the evolving regulatory environment;
- enhance our technology infrastructure to support the growth of our business;
- improve our operational efficiency;
- attract, retain and motivate talented employees;

- cope with economic fluctuations; and
- defend ourselves against legal and regulatory actions.

We have experienced revenue and profitability declines in the past, and we cannot guarantee that we will be able to maintain revenue or profitability growth in the future. If we are unable to maintain growth, our business and prospects may be materially and adversely affected.

Our total revenues increased by 19.1% from RMB1,257.9 million in 2022 to RMB1,498.0 million in 2023, and decreased by 2.1% to RMB1,466.7 million (US$200.9 million) in 2024. Our gross profit increased by 10.3% from RMB864.6 million in 2022 to RMB953.7 million in 2023, and decreased by 5.7% to RMB899.1 million (US$123.2 million) in 2024. Our gross margin decreased from 68.7% in 2022 to 63.7% in 2023, and decreased to 61.3% in 2024. We cannot assure you that we will be able to maintain revenue or profitability growth in the future. Our total revenues and gross profit may decline in the future for a number of possible reasons, including decreasing consumer spending, changes in regulations and government policies, increasing competition, slowing down of China's medical aesthetic industry, emergence of alternative business models, and general economic conditions. If we are unable to maintain growth, investors' perceptions of our business and business prospects may be adversely affected and the market price of our ADSs could decline.

We may be subject to consumer claims, regulatory or professional investigations and litigations regarding the medical information offered on our platform, aesthetic care offered in our branded aesthetic centers and services and products offered by us, which could materially and adversely affect our brand, reputation, and results of operations.

We work with aesthetic practitioners when a medical or beauty treatment is performed for our user through reservation from our platform. In 2022, we expanded our presence in the medical aesthetics industry from online to offline with a new service called So-Young Prime. By collaborating with established medical aesthetics providers, we offer a range of standardized non-surgical aesthetic treatments. Our service covers the entire process from service reservation, reception, consultation, equipment and material verification to post-treatment care. Moreover, we supply equipment and consumables for the entire process. Our partnering providers reserve a service room dedicated to serving So-Young Prime customers, with delegated personnel provided by us, whose responsibility is to work on site as an advisor and supervise the whole service process. We also enter into separate service agreements with doctors at our partnering providers, who represent So-Young while providing medical aesthetic services on the partnering providers' sites and are responsible for performing services, including online consultation and medical aesthetic procedures. The doctors follow our procedures and instructions when performing services. We have implemented a screening procedure through verifying the qualifications and required licenses of medical service providers and also have recorded the contact person details of such medical service providers. However, we cannot assure you that all the information of the medical service providers we have is updated in a timely manner. In May 2023, leveraging our strong brand and market presence, we entered the offline space by launching our branded aesthetic centers offering aesthetic care. Pursuant to the PRC Law on the Protection of Rights and Interests of Consumers, under the circumstances where the users suffer injuries or damages due to the service reserved on our platform or offered in our branded aesthetic centers, especially treatment we offered, they may bring claims or legal proceedings against us as a platform service provider if we fail to provide the real names, addresses and valid contact details of the medical service providers in the event that users request such information for purposes of seeking compensation from the medical service providers. Furthermore, if we know or should have known that medical service providers we collaborate with infringe upon the legitimate rights and interests of users but we fail to take necessary measures, we may be subject to joint and several liability with the medical service providers. Users may also seek refunds in such situations.

Any incorrect decisions on the part of our service providers or any incorrect decisions made by our branded aesthetic centers may result in undesirable or unexpected outcomes, including complications, injuries and potentially death in the most extreme cases. We may be subject to complaints, claims or legal proceedings initiated by our users as a result of any negative physical reaction to services reserved on our platform or services provided by ourselves. In addition, unsatisfactory services provided by the doctors may result in users bring complaints and claims to us. We have implemented a strict procedure to verify the qualifications and required licenses of the medical service providers we partner with. However, we cannot assure you that all our medical service providers are fully licensed and qualified as required by laws of mainland China. Pursuant to the PRC E-Commerce Law that became effective on January 1, 2019, we are required to verify the identities of the persons doing online businesses over our platform (such as medical service providers on our platform), including but not limited to verification of business licenses and other required qualifications or licenses, and shall take necessary steps if we find out or should have found out that services provided by a service provider do not comply with the requirements of health and safety protections. If we are deemed to have failed to verify the service providers' qualifications and licenses, or failed to otherwise perform our obligations as a platform with respect to services that are pertinent to the life and health of consumers provided through our platform, we may be subject to potential sanctions under laws of mainland China, including suspension of certain business activities, rectification, compensation, and administrative penalties, and may face civil and criminal liabilities. See "Item 4. Information on the Company—B. Business Overview—Regulations—Regulations on Consumer Protection" and "—Regulation—Regulations on E-commerce." Moreover, failure to perform medical services in accordance with various evolving laws and regulations of mainland China could expose us to penalties, claims, regulatory actions or litigations. As of the date of this annual report, certain of the consolidated affiliated entities are engaging in aesthetic medical services. We may not be able to avoid malpractice, medical negligence or misconduct exposure, including malpractice, medical negligence or misconduct by our personnel, machine or equipment error. We cannot assure you that we will not be involved in malpractice, medical negligence or misconduct claims in the future. These claims may be brought against us by way of legal proceedings or lodging of formal complaints with the licensing regulatory bodies. Any non-compliance with the regulations may expose us to regulatory actions and administrative penalties, and negatively affect our business operation and financial position. See "Item 4. Information on the Company—B. Business Overview—Regulation—Regulations on Medical Liabilities" And "—Regulation—Regulations on Aesthetic Medical Services."

In addition, as medical aesthetic service focuses on improving our users' physical appearance, users may have varying expectations of the magnitude of improvement that may result from the medical aesthetic services. Users who are dissatisfied with the services received may request refunds and other compensation from us, complain on our platform and other social media platforms and/or file legal claims against us. We have experienced complaints from our users in the past, and we cannot assure you that we will be able to successfully manage users' expectation and prevent their complaints, allegations and other claims in the future. Such complaints, allegations and other claims, regardless of merits, may have a material adverse effect on our reputation, business, results of operations, financial condition and prospects. Although we sometimes offer complimentary services, refunds and/or other insignificant amount of monetary compensations to address users' complaints, the amounts of which have been immaterial historically, we cannot assure you that we can successfully address all user complaints in the future. Moreover, we require all platform users to have full legal capacity, and minors to be accompanied by their legal guardians, when they use medical services reserved or accessed through our platform. However, we cannot assure you that we can prevent all medical service providers from performing medical procedures on minors without parental consent, or prevent all minors from obtaining medical treatment from service providers without providing parental consent. Such non-compliance by users who are minors or by medical service providers could materially and adversely affect our brand image and reputation.

Moreover, we have engaged in the research, development, production, sales and agency of laser and other optoelectronic medical equipment since July 2021 and the sales of medical beauty products produced by third parties, which mainly include cosmetic injectables, since 2022. For the equipment, Wuhan Miracle has established a comprehensive quality management system and production control procedures with an experienced quality control department. We have also adopted a series of measures for selecting third-party provider for our sales of medical beauty products. However, we cannot guarantee that all of the equipment and products are free of defects or substantially meet the relevant quality standards. If the equipment and products are defective, of poor quality, or cause any adverse reaction, we could be subject to liability claims, complaints or adverse publicity that could result in the imposition of penalties or suspension of licenses by government authorities or damages imposed on us by courts. We may also need to find suitable replacement products, which may lower our profit margins and result in delays in services to our customers.

We may be subject to regulatory or professional investigations and litigations. Any complaint, claim or legal proceeding, regardless of merit, could adversely affect our brand image and reputation. In addition, any legal proceeding that may be brought against us could divert management resources and incur extra costs. A settlement or successful claim against us can result in legal costs, damages, compensation and reputational damage to use and may adversely affect our business, results of operations, financial condition and prospects.

Characterization of our business as engaging in medical, drug and/or medical device advertisement distribution in China without proper licenses or permits may have material impacts on our operations.

We dedicate ourselves to providing transparent information. The information available on our platform includes but is not limited to registration or practicing license details and contact information of medical service provides, description of different types of medical aesthetic services, the price of such services and reviews and *Beauty Diaries* associated with the service providers contributed by users. We also connect our users with medical service providers. We have adopted internal control and platform regulation measures seeking to ensure the authenticity and pertinence of the medical aesthetic information available on our platform and endeavor to prevent the information disseminated on our platform from being considered medical, drug or other medical device advertisements.

We believe it is improbable that PRC governmental authorities will deem the content or the format of the information disseminated from and displayed on our platform to constitute medical, drug or other medical device advertisements, and we have not been subject to any regulatory authority's inquiries or investigations in connection with the content or format of information disseminated from and displayed on our platform which could have a material adverse effect on our business, financial condition, results of operations and prospects. However, as advertisement is currently defined vaguely and broadly under the relevant laws and regulations of mainland China and the available regulatory interpretations, we cannot assure you that the information provided by medical aesthetic services providers on our platform will not be deemed by relevant authorities as advertisement.

If certain information listed on our platform is considered medical advertisement, it will subject us to regulations that may have material impacts on our operations. Medical, drug and/or medical devices advertisement must be approved by relevant PRC authorities before they are distributed, and distributors, among other obligations, are required to review the applicable licenses and permits of the medical service providers, ensure the content displayed is fair and accurate, and take steps to monitor the content of advertisements displayed on their platforms. In addition, distributors are required to label advertisements from other information so that consumers will not be misled. Furthermore, we may be required to scale back, rearrange or alter the content or format of information displayed on our platform, thereby affecting the fundamental of our business model. As a result, compliance with laws and regulations applicable to the advertisement industry could materially and adversely affect our business prospects, results of operations and financial condition. In addition, we will also be subject to increased liability under these laws and regulations and may incur additional costs, such as fines or other penalties, if we fail to comply. Such liabilities and costs could have a material adverse effect on our business, financial condition, results of operations and prospects. See "Item 4. Information on the Company—B. Business Overview—Regulations—Regulations on Advertising." Moreover, we may be subject to additional taxes applicable to the advertisement industry.

Our expansion plans, including our plans to expand into new business lines, business categories and geographic areas, are subject to uncertainties and risks, and we may not be able to successfully manage our expanded operations.

To serve our expanding user base and our users' evolving medical service needs, we continually expand into new geographic areas and offer new services. For example, in 2022, we expanded our presence in the medical aesthetics industry from online to offline by collaborating with established medical aesthetics providers. In May 2023, we further expanded our offline footprint by launching branded aesthetic centers to provide in-person aesthetic care to build on our strong brand recognition and market presence. Expansion into diverse locations, new business lines and business categories involves new risks and challenges. Our lack of familiarity with these new geographic areas and service offerings may make it more difficult for us to anticipate user demand and preferences.

We have mainly focused on service providers in the major urban centers in China, and we plan to expand our nationwide network coverage to penetrate further into China's smaller cities. We also plan to expand further into international markets. There is no assurance that our geographic expansion strategies will be successful. As we enter markets and countries that are new to us, we must tailor our services and business model to the unique circumstances of such markets and countries, which can be complex, difficult and costly, and divert management and personnel resources. In addition, we may face competition from platforms that may have more experience with operations in such markets and countries. In addition, laws and business practices that favor local competitors or prohibit or limit foreign ownership of certain businesses could slow our growth. Our failure to adapt our practices, systems, processes and business models effectively to user preferences of each country into which we expand, could also affect our growth. Certain markets in which we operate have, or certain new markets in which we may operate in the future may have, lower margins than our more mature markets, which could have a negative impact on our overall margins as our revenues from these markets grow over time.

We also plan to continue to introduce and expand new services on our platform. Expansion into diverse new products and service categories involves new risks and challenges. Our lack of familiarity with these new service offerings and lack of relevant customer data may make it more difficult for us to anticipate customer demand and preferences and manage legal, operational, competitive and other risks. We cannot assure you that we will be able to recoup our investments in introducing these new service categories. If we fail to execute our expansion strategies effectively or address the challenges and risks we encounter when executing our expansion strategies, our business and results of operations could be materially and adversely affected.

Our future growth depends on our ability to continuously extend the footprint of our branded aesthetic center network and successfully manage its operational performance.

Our future growth depends on the ability to expand our branded aesthetic center network, which requires substantial operational resources and our management's efforts, and may be affected by factors beyond our control. It is challenging to secure favorable locations for new centers. Our ability to attract highly skilled physicians is also crucial for our future expansion. We have to strengthen our supply chain capabilities and business relationships to provide high-value treatments with highly competitive prices. If we are not successful in these efforts, or if consumer demand does not grow sufficiently or rapidly enough to support our expansion, our results of operations, financial performance and business prospects may be materially and adversely affected.

In addition, an expansive aesthetic center network and its continuous expansion require exceptionally strong management capability to ensure consistent service quality in our centers. As we rapidly expand, it may become more difficult to ensure our standardized treatment protocols are fully implemented and consumer experience across our store network are consistently of high quality. Our expansion may place substantial demands on our management and our operational, technological, and other resources. There can be no assurance that our management skills, capabilities and systems will always be able to address our needs at different stages of our growth. Our business will be materially and adversely affected if we cannot successfully manage the operational performance of our expansive center network.

Our limited operating history in aesthetic centers makes it difficult to predict our prospects and our business and financial performance.

We started to launch our branded aesthetic centers in May 2023. Therefore, our limited operating history in aesthetic centers may not provide you with an adequate basis for evaluating our prospects and operating results, including net revenues, cash flows and operating margins, and our past revenues and historical performance may not be indicative of our future performance. We cannot assure you that we will be able to grow at a similar rate as we did since we launched our aesthetic centers or avoid any decline in the future. Our growth may slow down or our revenues may decline for a number of possible reasons, some of which are beyond our control, including decreasing consumer spending, increasing competition, the emergence of alternative business models, changes in rules, regulations, government policies or general economic conditions, and natural disasters or virus outbreaks. If our growth rate declines, investors' perceptions of our business and business prospects may be adversely affected and the market price of the ADSs could decline. You should consider our prospects in light of the risks and uncertainties that companies with a limited operating history may encounter.

Our aesthetic centers require various approvals, licenses and permits to operate our business and the loss or failure to obtain or renew any or all of these approvals, licenses and permits could materially and adversely affect our results of operations and business prospects.

In accordance with the laws and regulations of mainland China, we are required to maintain various approvals, licenses and permits to operate our aesthetic centers, including Medical Institution Practicing License. These approvals, licenses and permits are granted upon satisfactory compliance with, among other things, the applicable laws and regulations in relation to environment impact assessment, fire safety. They are also subject to examinations or verifications by relevant authorities and some of them are valid only for a fixed period subject to renewal and accreditation.

We may be subject to liability claims in respect of medical malpractices that may occur in our aesthetic medical institutions conducted by our physicians and medical staff, which could lead to material financial and reputational losses to our Group companies. Our physicians and staff may be subject to complaints, investigations, claims or legal proceedings relating to alleged malpractice in the services, which could harm our reputation, brand image and results of operations. We maintain limited control over the quality of our aesthetic medical service equipment, pharmaceuticals and medical consumables and may be subject to product liability claims.

We may experience difficulties, delays or failures in obtaining the necessary approvals, licenses and permits for new stores. In addition, there can be no assurance that we will be able to obtain or renew all of the approvals, licenses and permits required for operating our aesthetic centers promptly or at all. If any of these occurs, our ongoing business could be interrupted, and our expansion plan may be delayed. Complying with government regulations may require substantial expenses, and any non-compliance may expose us to liability. In case of any non-compliance, we may have to incur significant expenses and divert substantial management time and resources to resolve any deficiencies. We may also experience negative publicity arising from such deficiencies, which may materially and adversely affect our financial performance and business prospects.

We face risks associated with our acquisition of Wuhan Miracle and its business.

We cannot assure you that the acquired Wuhan Miracle will bring the anticipated benefits to us. We have limited experience with the research and development, production, sales and agency of medical equipment and we may not be able to successfully integrate Wuhan Miracle into our existing business. We face uncertainties and challenges in navigating the complex regulatory environment, competing effectively in product performance, reliability, quality and safety, and developing and/or upgrading products and services as well as technologies to meet everchanging user needs. If implemented ineffectively or if impacted by unforeseen negative economic or market conditions or other factors, we may not realize the full anticipated benefits of the acquisition of Wuhan Miracle. Our failure to meet the challenges involved in realizing the anticipated benefits of the acquisition of Wuhan Miracle could cause an interruption of, or a loss of momentum in, our business and could adversely affect our results of operations. The acquisition and integration of the businesses may result in material unanticipated problems, expenses, liabilities, competitive responses and diversion of management's attention, and we may record impairment charges or write-offs in connection therewith if the anticipated benefits of the acquisition fail to realize. We would be subject to and may not be able to successfully manage a variety of additional risks associated with respect to combining Wuhan Miracle with us. These risks include, but are not limited to, the following:

- challenges in the integration of operations and systems and in managing the expanded operations of a larger and more complex company;
- challenges in achieving anticipated business opportunities and growth prospects from combining the businesses of Wuhan Miracle with the rest of our businesses;
- rules and measures governing the production, sales and agency of medical equipment are complex and evolving, and we may not be able to navigate such complex regulatory environment or to respond to future changes in regulatory environment in an effective and timely manner;
- if our products do not achieve and maintain market acceptance, our business and results of operations could be materially adversely impacted. Because the markets Wuhan Miracle operated in are highly competitive, customers may choose to purchase our competitors' products or services, which would result in reduced revenue and loss of market share.

- reduction or interruption in supply or other manufacturing difficulties may adversely affect our manufacturing operations and related product sales;
- if our products contain defects or encounter performance problems, we may have to recall our products, incur additional unforeseen costs, and our reputation may suffer;
- we are subject to product liability and negligence claims relating to the use of our products and other legal proceedings that could materially adversely affect our financial condition, divert management's attention, and harm our business;
- if we lose key personnel of Wuhan Miracle or are unable to attract and retain additional personnel, our ability to compete will be harmed and increases in labor costs could materially adversely impact our business and results of operations; and
- unanticipated additional costs and expenses resulting from the integration of additional personnel, operations, products, services, technology and increased internal controls and financial reporting responsibilities could materially adversely impact our business and results of operations.

If we fail to anticipate user preferences and provide high-quality and reliable content in a cost-effective manner, we may not be able to attract and retain users to remain competitive.

Our success depends on our ability to maintain and grow user engagement on our platform. To attract and retain users and compete against our competitors, we must continue to offer high-quality and reliable content to provide our users with a superior online medical aesthetic service experience. To this end, we must continue to produce original content and source new professional and user-generated content in a cost-effective manner. Given that we operate in a rapidly evolving industry, we need to anticipate user preferences and industry changes and respond to such changes timely and effectively. If we fail to continue to offer high-quality and reliable content to our users that cater to the needs and preferences, we may suffer from reduced user traffic and engagement, and our business, financial condition and results of operations may be materially and adversely affected.

In addition to content generated by our users, we rely on our in-house team to generate creative ideas for original content and to supervise the original content origination and production process, and we intend to continue to invest resources in content production. We face competition for qualified personnel in a limited pool of high-quality creative talent. If we are not able to compete effectively for talents or attract and retain top talents at reasonable costs, our original content production capabilities would be negatively impacted. Any deterioration in our in-house content production capability, inability to attract creative talents at reasonable costs or losses in personnel may materially and adversely affect our business and operating results.

If content providers do not continue to contribute content that is high-quality, reliable or otherwise valuable to our users, we may experience a decline in user traffic and user engagement.

In addition to content produced by us, our ability to provide users with interesting, reliable and industry-specific content depends on information and content contributed by our users. We believe that one of our competitive advantages is the quality, quantity and open nature of the content on our platform, and that access to reliable, rich and industry-specific content is one of the main reasons users visit So-Young. We seek to foster a broader and more engaged user community, and we encourage influencers, such as social media celebrities and key opinion leaders, and doctors to use our platform to share interesting and high-quality content.

If content providers do not continue to contribute content to our platform as a result of any factors, such as government policy changes and use of alternative communication channels, or if the providers' contents are not high-quality, reliable or otherwise valuable to users, we may be unable to provide users with attractive content, and our user base and user engagement may decline. If we experience a decline in the number of users or the level of user engagement, our business and operating results could be materially and adversely affected.

Our business may be materially and adversely affected by an unfavorable market perception of the overall medical aesthetic industry.

Medical aesthetic services have been gaining popularity in recent years. However, we believe that existing and potential users of the medical aesthetic service industry remain cautious about the risks inherent in medical aesthetic services and are therefore sensitive to any negative review, comment or allegations on the industry in general. Any such allegations, negative news or research results regarding accident, ineffectiveness of services, health risks or inadequate services standard by any medical aesthetic service provider, regardless of merits, may lead to a deterioration in consumer confidence in and market perception of the medical aesthetic service industry, and could lead to reduced demand for medical aesthetic services. Moreover, market perception of the medical aesthetic industry may be adversely affected by external factors beyond our control, including restrictive government policies and guidance. As a participant to the industry, we could consequently be exposed to reputational harm and our business, results of operations, financial condition and prospects may be adversely affected.

We depend significantly on the strength of our brand and reputation. Any failure to maintain and enhance, or any damage to, our brand image or reputation could materially and adversely affect our business, results of operations, financial condition and prospects.

Our reputation and brand recognition, which depend on cultivating awareness, trust and confidence among our current or potential users, is critical to the success of our business. We believe a well-recognized brand is crucial to increasing our user base and, in turn, facilitating our effort to monetize our services and enhancing our attractiveness to our users and service providers. Our reputation and brand are vulnerable to many threats that can be difficult or impossible to control, and costly or impossible to remediate. Regulatory inquiries or investigations, lawsuits and other claims in the ordinary course of our business, perceptions of conflicts of interest and rumors, including complaints made by our competitors, among other things, could substantially damage our reputation, even if they are baseless or satisfactorily addressed.

In addition, any perception that the quality of our medical aesthetic services may not be the same as or better than that of other medical aesthetic service platforms can damage our reputation. Any negative media publicity about any of the services available on our platform or product or service quality problems at other online medical aesthetic service platforms, including at our competitors, may also negatively impact our reputation and brand. Negative perceptions of medical aesthetic products and services, or the industry in general, may reduce the number of users coming to our platform and the number of transactions conducted through our platform, which would adversely impact our revenues and liquidity position.

If we fail to meet the changes or developments in the regulatory framework in China with respect to the provision of online medical aesthetic services industry, our reputation may be harmed and our financial condition and results of operations may be materially and adversely affected.

As the online medical aesthetic service industry in China is at a relatively early stage of development, applicable laws and regulations may be adopted from time to time to address new issues and may require additional licenses and permits other than those we currently have obtained. As a result, substantial uncertainties exist with regard to the implementation and interpretation of and compliance with current and any future laws and regulations applicable to our business. We cannot assure you that we will be able to meet all the applicable regulatory requirements or comply with all the applicable regulations and guidelines at all times. Failure to do so could result in sanctions, fines, penalties or other disciplinary actions, including, among other things, limitations or prohibitions on our future business activities, which may harm our reputation, and consequently materially and adversely affect our financial condition and results of operations.

We face risks related to health epidemics, natural disasters, and other outbreaks, which could significantly disrupt our operations.

Given the nature of the medical aesthetic industry, our business and the business of our service providers could be significantly and adversely affected by health epidemics, including COVID-19, Ebola virus disease, H1N1 flu, H7N9 flu, avian flu, Severe Acute Respiratory Syndrome, or SARS, or other diseases. In addition, our business operations could be disrupted if any of our employees is suspected of having COVID-19, Ebola virus disease, H1N1 flu, H7N9 flu, avian flu, SARS or other epidemic disease, since it could require our employees to be quarantined and/or our offices to be disinfected. COVID-19 resulted in quarantines, travel restrictions and temporary closure of businesses and facilities in China and worldwide between 2020 and 2022. The extent to which the pandemic impacts our results of operations going forward will depend on future developments, including the frequency, duration and extent of future outbreaks of COVID-19, the appearance of new variants with different characteristics, the effectiveness of efforts to contain or treat cases, and future actions that may be taken in response to these developments. In addition, substantially all of our revenues and workforce are concentrated in mainland China. Our results of operations could be adversely affected to the extent that any of these epidemics harms the Chinese economy in general.

We are also vulnerable to natural disasters and other calamities. Fire, floods, typhoons, earthquakes, power loss, telecommunications failures, break-ins, war, riots, terrorist attacks or similar events may give rise to server interruptions, breakdowns, system failures, technology platform failures or internet failures, which could cause the loss or corruption of data or malfunctions of software or hardware as well as adversely affect our ability to provide services on our platform.

Our business generates and processes data in the ordinary course, and we are required to comply with laws of mainland China relating to privacy, data security and cybersecurity. The improper collection, use or disclosure of data could have a material and adverse impact on our business, financial condition and results of operations.

As a business that provides mobile apps and generates revenue primarily from online subscriptions, we face risks inherent in handling and protecting data and are subject to various regulatory requirements relating to the security and privacy of data. The challenges we face relating to our handling and protection of data include, in particular:

- 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 business partners;
- addressing concerns related to privacy and sharing, safety, security and other factors; and
- complying with applicable laws, rules and regulations relating to the collection, use, storage, transfer, disclosure and security of personal information, including any requests from regulatory and government authorities relating to these data.

In general, we expect that data security and data protection compliance will receive greater attention and focus from regulators, both in China and other jurisdictions, 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, cybersecurity and protection. If we are unable to manage these risks, we could receive negative publicity or 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 risks relating to our compliance with data privacy laws and regulations in jurisdictions other than China, see "-Our business is subject to data privacy laws and regulations in jurisdictions other than China. Any failure or perceived failure to comply with such laws and regulations could have a material and adverse impact on our business, financial condition and results of operations."

The regulatory and enforcement regime in mainland China with regard to data security, cybersecurity and data protection is evolving and may be subject to different interpretations or significant changes. Moreover, different PRC regulatory bodies, including the Standing Committee of the National People's Congress, the Ministry of Industry and Information Technology, or the MIIT, the Cyberspace Administration of China, the Ministry of Public Security and the SAMR, have enforced data privacy and protections laws and regulations with varying standards and applications. See "Item 4. Information on the Company-B. Business Overview-Regulation-Regulations on Internet Security" and "-Regulations on Privacy Protection." The following are examples of certain recent regulatory activities in mainland China in this area:

In December 2021, the Cyberspace Administration of China, together with other authorities, jointly promulgated the Revised Cybersecurity Review Measures, which became effective on February 15, 2022 and replaces its predecessor regulation. Pursuant to the Revised Cybersecurity Review Measures, critical information infrastructure operators that procure internet products and services must be subject to the cybersecurity review if their activities affect or may affect national security. The Revised Cybersecurity Review Measures further stipulate that critical information infrastructure operators or network platform operators that hold personal information of over one million users shall apply with the Cybersecurity Review Office for a cybersecurity review before any initial public offering at a foreign stock exchange. As of the date of this annual report, no detailed rules or Implementation rules have been issued by any authority and we have not been informed that we are a critical information infrastructure operator by any government authorities. Furthermore, the exact scope of "critical information infrastructure operators" under the current regulatory regime remains unclear, and the PRC government authorities may have wide discretion in the interpretation and enforcement of the applicable laws. Therefore, it is uncertain whether we would be deemed to be a critical information infrastructure operator under laws of mainland China. If we are deemed to be a critical information infrastructure operator under the cybersecurity laws and regulations of mainland China, we may be subject to obligations in addition to what we have fulfilled under cybersecurity laws and regulations of mainland China.

On September 30, 2024, the Administration Regulations on Cyber Data Security ("Data Security Regulations") were promulgated by the State Council and came into effect on January 1, 2025. The Data Security Regulations reiterate and refine the general provisions for cyber data processing activities, rules on personal information protection, important data security safeguards, management of cross-border transfer of cyber data, and the responsibilities of online platform service providers. In particular, the Data Security Regulations stipulate that cyber data processing activities that may affect national security shall be subject to a national security review in accordance with relevant national regulations. However, the Data Security Regulations do not provide further explanation or interpretation of the criteria for determining risks that "affect or may affect national security." Additionally, since the Data Security Regulations are relatively new, their interpretation and implementation may continue to evolve and develop.

Many of the data-related legislations are relatively new and certain concepts thereunder remain subject to interpretation by the regulators. If any data that we possess belongs to data categories that are subject to heightened scrutiny, we may be required to adopt stricter measures for protection and management of such data. The Revised Cybersecurity Review Measures and the Data Security Regulations remain unclear on whether these requirements will be applicable to companies that are already listed in the United States, such as us, if we were to pursue another listing outside of mainland China. We cannot predict the impact of these two regulations, if any, at this stage, and we will closely monitor and assess any development in the rule-making process. If the regulators 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 delay or disallow our future listings (should we decide to pursue them), subject us to government enforcement actions and investigations, fines, penalties, suspension of our non-compliant operations, or removal of our app from the application stores, and materially and adversely affect our business and results of operations.

In general, compliance with the existing laws and regulations of mainland China, 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. If we fail to comply with such additional laws and regulations, we may be subject 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.

Any failure, or perceived failure, by us, or by our business partners, to comply with any applicable privacy, data security and personal information protection laws, regulations, policies, contractual provisions, industry standards, and other requirements, may result in the suspension or even removal of our apps, as well as civil or regulatory liability, including governmental or data protection authority enforcement actions and investigations, fines, penalties, enforcement orders requiring us to cease operating in a certain way, litigation, or adverse publicity, and may require us to expend significant resources in responding to and defending allegations and claims. For example, in November 2021, So-Young mobile app, one of our apps, was removed from app stores for improperly collecting personal information in violation of laws and regulations of mainland China. Since then, we have taken a series of measures, including the formation of a special task force to investigate and rectify the problem to ensure the security of users' personal information. We had rectified our user personal information collection practice to comply with relevant laws and regulations and submitted a report to local branch of the Cyberspace Administration of China in Beijing in January 2022. In April 2022, we were notified that our rectification measures were in compliance with laws and regulations of mainland China and So-Young mobile app was reinstated in app stores and available for downloads. As of the date of this annual report, we have not received any further notices or penalties from the governmental authorities. We will continue to update our user personal information collection practice to comply with relevant laws and regulations but we cannot assure you that our data privacy system will always be considered sufficient under the laws and regulations and other privacy standards. If our app is ordered to be removed again from the app stores, or if fines or other restrictions are imposed on our business or other penalties and sanctions are imposed on us as a result of any cybersecurity review that we might be required to undergo in the future, the growth and usage of our platform in China will suffer, which would materially and adversely affect our business, financial condition, results of operations and prospects.

Our business is subject to data privacy laws and regulations in jurisdictions other than China. Any failure or perceived failure to comply with such laws and regulations could have a material and adverse impact on our business, financial condition and results of operations.

We face risks inherent in handling and protecting data and are subject to various regulatory requirements relating to the security and privacy of data. See "—Our business generates and processes data in the ordinary course, and we are required to comply with laws of mainland China relating to privacy, data security and cybersecurity. The improper collection, use or disclosure of data could have a material and adverse impact on our business, financial condition and results of operations" for details. 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, or the GDPR, 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 GDPR 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 GDPR 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 GDPR.

Any failure, or perceived failure, by us, or by our business partners, to comply with any applicable privacy, data security and personal information protection laws, regulations, policies, contractual provisions, industry standards, and other requirements, may result in the suspension or even removal of our apps, as well as civil or regulatory liability, including governmental or data protection authority enforcement actions and investigations, fines, penalties, enforcement orders requiring us to cease operating in a certain way, litigation, or adverse publicity, and may require us to expend significant resources in responding to and defending allegations and claims.

We have been, and may continue to be, subject to liabilities for infringement, misappropriation or other violations of third-party intellectual property rights or other allegations based on the content available on our platform or services we provide.

We have historically been and may continue to be subject to intellectual property infringement claims or other allegations by third parties for services we provide or for information or content displayed on, retrieved from or linked to our platform, or distributed to our users, which may materially and adversely affect our business, financial condition and prospects. We allow users to upload written materials, images, videos and other content on our platform and download, share, link to and otherwise access audio, video and other content on our platform. In addition, we regularly distribute articles, images, audios, videos and other content on our platform and our social media accounts. Although we have set up comprehensive procedures to enable copyright owners to provide us with notice of alleged infringement, given the volume of content available on our platform, it is not possible for us to identify and remove or disable all potentially infringing content that may exist. As a result, third parties may take action and file claims against us if they believe that certain content available on our platform violates their copyrights, rights of reputation, image rights or other intellectual property rights. We have been involved in litigation based on allegations of infringement of third-party intellectual property, including rights of reputation and image rights, due to the content available on our platform.

The validity, enforceability and scope of protection of intellectual property rights in internet-related industries, particularly in China, are uncertain and still evolving. Companies in the internet, technology and media industries own, and are seeking to obtain, a large number of patents, copyrights, trademarks and trade secrets, and they are frequently involved in litigation based on allegations of infringement, misappropriation or other violations of intellectual property rights or other related legal rights. We cannot be certain that our operations or any aspects of our business do not or will not infringe upon or otherwise violate trademarks, copyrights or other intellectual property rights held by third parties. Although we have, through our own in-house team or by cooperating with third parties, invested significant time and resources in registering our trademarks and other intellectual property rights, we cannot assure you that we have registered all the trademark rights necessary in our daily operation with competent governmental authorities. As we face increasing competition and as litigation becomes more common in China in resolving commercial disputes, we may need to resort to litigation to enforce our intellectual property rights and we also face a higher risk of being the subject of intellectual property infringement claims. Pursuing or defending intellectual property litigation is costly and can impose a significant burden on our management and employees, and there can be no assurances that favorable final outcomes will be obtained in all cases. Any claims against us, even if they do not result in liability, may harm our reputation. Any resulting liability or expenses, or changes required to our platform to reduce the risk of future liability, may have adverse effect on our business, financial condition and prospects.

Although we have not been subject to claims or lawsuits with respect to copyright infringement outside of China, we cannot assure you that we will not become subject to copyright laws or legal proceedings initiated by third parties in other jurisdictions, such as the United States, as a result of the ability of users to access our content in the United States and other jurisdictions, the ownership of our ADSs by investors in the United States and other jurisdictions, or the extraterritorial application of foreign law by foreign courts. In addition, as a publicly listed company, we may be exposed to increased risk of litigation. If a claim of infringement brought against us in the United States or other jurisdictions is successful, we may be required to, upon enforcement, (i) pay substantial statutory or other damages and fines, (ii) remove relevant content from our platform or (iii) enter into royalty or license agreements that may not be available on commercially reasonable terms or at all. In these cases, our business, financial condition and prospects may be adversely affected.

We may not prevent our medical service providers from breaching their contractual obligations and failing to pay the full amount of fees owed to us, which could materially and adversely affect our financial condition and results of operations.

We charge reservation service fees from the medical service providers on our platform when our users use their services as a result of sales leads generated from our platform, as long as the service provider is active on our platform. In most cases, users make reservations with the medical service providers directly on our platform. However, in some circumstances, users may decide to purchase different or additional services during their on-site visits. In these cases, our medical service providers are under contractual obligations to make supplemental payments to us based on the actual transaction value. We have implemented rigorous monitoring procedures and comprehensive platform rules to prevent our medical service providers from underreporting transaction value and failing to pay the full amount of reservation service fees due to us. For example, we reach out to users after their visits and confirm the actual services they have purchased, and we impose monetary and other penalties in accordance with our platform rules against any medical service provider who is found to have misreported the transaction value or underpaid fees. However, we cannot assure you that we can prevent all our medical service providers from breaching their contractual obligations to us and failing to pay the full amount of reservation service fees owed to us. If there is an increase in the level of underpayment or nonpayment by our medical service providers, our business, financial condition and results of operation can be materially and adversely affected.

We face significant competition; if we are unable to compete effectively, we may lose our market share, and our results of operations and financial condition may be materially and adversely affected.

As the market for online medical aesthetic services is relatively new, rapidly evolving and intensely competitive, we expect competition to continue and intensify in the future. We face competition from leading search engines, other online medical aesthetic service platforms and general online e-commerce platforms. We expect competition to intensify in the future as current competitors diversify and improve their service offerings and as new participants enter the market. We cannot assure you that we will be able to compete effectively or efficiently with current or future competitors. They may be acquired by, receive investment from or enter into strategic relationships with established and well-financed companies or investors, which would help enhance their competitiveness. Furthermore, the current competitors and new entrants in the online medical aesthetic industry may also seek to develop new service offerings, technologies or capabilities that could render some of the services we offer obsolete or less competitive, and some of them may adopt more aggressive pricing policies or devote greater resources to marketing and promotional campaigns than we do. The medical aesthetic service market in mainland China faces competition from developed markets such as South Korea, Japan, Hong Kong and Taiwan. The failure of service providers in mainland China to compete effectively against their overseas counterparts may materially and adversely impact our financial results. The occurrence of any of these circumstances may hinder our growth and reduce our market share, and thus our business, results of operations, financial condition and prospects would be materially and adversely affected.

Our current level of information and reservation services fee rates may decline in the future, and any material reduction in our fee rates may reduce our profitability and materially and adversely affect our business.

We derive the majority of our revenues from information and reservation services fees paid by aesthetic practitioners on our platform. We may experience pressure on our information and reservation services fee rates as a result of the competition we face in the online medical aesthetic service industry, as well as macroeconomic factors that are beyond our control.

As the online medical aesthetic industry in China is experiencing significant growth and intensifying competition, we expect that average fee rates for certain medical aesthetic treatment and procedures may decrease. We believe that any downward pressure on these fee rates would likely continue and intensify as more players enter the market. A decline in the industry average fee rates in China could in turn lower our fee rates. In recent years, our reservation services fee rates have decreased due to our operating strategy to provide higher subsidies to our end users. If our information or reservation services fee rates decrease significantly in the future, our business, results of operations and financial condition may be materially and adversely affected.

Fraudulent or other illegal activities on our platform could negatively impact our brand and reputation and cause the loss of users. As a result, our business may be materially and adversely affected.

We may be subject to fraudulent or illegal activities on our platform, sometimes through sophisticated schemes or collusion. Our resources, technologies, fraud detection tools and risk management system may be insufficient to accurately detect and timely prevent fraud and misconduct. A significant increase in fraudulent or other illegal activities could negatively impact our brand and reputation, result in losses suffered by users and medical service providers, and reduce user activity on our platform. We may need to adopt additional measures in the future to prevent and reduce fraud and other illegal activities, which could increase our costs. High-profile fraudulent and other illegal activities could also lead to regulatory intervention and may divert our management's attention and cause us to incur additional expenses and costs. If any of the foregoing were to occur, our reputation and financial performance could be materially and adversely affected.

Our failure to obtain and maintain approvals, licenses or permits applicable to our business could have a material adverse impact on our business, financial conditions and results of operations.

Our business is subject to governmental supervision and regulation by the PRC governmental authorities, including the Ministry of Commerce, the Ministry of Industry and Information Technology, or MIIT, national and local health commissions, the National Radio and Television Administration or NRTA, the National Medical Products Administration, the State Administration for Industry and Commerce, and other governmental authorities in charge of the categories of services offered by us. Together, these government authorities promulgate and enforce regulations that cover many aspects of the operation of online medical aesthetic business, including entry into this industry, the scope of permissible business activities, licenses and permits for various business activities, and foreign investment.

We have not obtained certain approvals, licenses and permits that may be required for some aspects of our business operations. For example, our platform currently offers original short videos created by ourselves and our service providers. In the past, our platform also provided live video broadcasting. According to the PRC Administrative Provisions on Internet Audio-Visual Program Services, a provider of online audio-visual service is required to obtain a license for online transmission of audio-visual programs, or Audio-Visual License. See "Item 4. Information on the Company-B. Business Overview-Regulations-Regulations on Internet Audio-Visual Program Services." We have not obtained the Audio-Visual License for providing internet audio-visual program services and content through our platform in China and we may not be eligible for the Audio-Visual License, because the current laws and regulations of mainland China require an applicant to be a wholly state-owned or state-controlled entity. In addition, because uncertainty remains regarding the interpretation of relevant concepts including "online publications" under the current laws and regulations of mainland China, the provision of content by ourselves, including articles on medical aesthetic services, on our online platform may be considered "online publishing" and we may be required to obtain an Internet Publishing License, which we currently do not have. See "Item 4. Information on the Company-B. Business Overview-Regulations-Regulations on Online Publishing." According to the Notice of Publishing of the Measures on the Administration of the Internet Diagnosis and Treatment (For Trial Implementation), internet diagnosis and treatment activity shall be provided by medical institution that has obtained the Medical Institution Practicing License and the medical institution shall apply for registration of Internet diagnosis and treatment activity. However, the Notice of Publishing of the Measures on the Administration of the Internet Diagnosis and Treatment (For Trial Implementation) does not provide a clear definition on the Internet diagnosis and treatment activity. We may be required to obtain a Medical Institution Practicing License if certain interactive medical aesthetic feature provided by on our platform is further defined by the competent regulatory authority as internet diagnosis and treatment activity. See "Item 4. Information on the Company-B. Business Overview-Regulations-Regulations on Internet Medical Services."

In addition, medical device manufacturers are subject to periodic licensing renewal requirements and inspections by various government agencies and departments. The evolving industry regulations have increased the difficulty and uncertainty of new product registration, which may affect the renewal of Wuhan Miracle's production certification and new product registration, which will have an adverse impact on Wuhan Miracle's operation. Wuhan Miracle has obtained all necessary domestic and international licenses, permits and product quality certifications for its existing products. However, due to prolonged medical device certification and registration process, we cannot assure you that Wuhan Miracle will be able to obtain all certifications and complete requisite registration in time, which may delay the launch of its new products. If Wuhan Miracle fails to obtain the product registration certificate, it may have an adverse impact on our business operations and development. Moreover, any changes in laws and regulations could require us to obtain additional licenses, permits, approvals or certificates, impose additional conditions or requirements for the renewal of the licenses of the medical device, or result in the invalidation of our currently owned licenses.

As of December 31, 2024, we had not received any notice of warning or been subject to penalties or other disciplinary action from the governmental authorities for lack of approvals and permits. However, we cannot assure you that we will not be subject to any warning, investigations or penalties in the future. If the PRC government deems us as operating without proper approvals, licenses or permits, promulgates new laws and regulations that apply retroactively or require additional approvals or licenses or impose additional restrictions on the operation of any part of our business, we may be required to apply for additional approvals, license or permits, or subject to various penalties, including fines, termination or restrictions of the part of our business, revocation of our business licenses or fines on our historical practices, which may adversely affect our business and materially and adversely affect our business, financial conditions and results of operations.

Any change, disruption or discontinuity in the features and functions of major social networks in China could significantly limit our ability to continue growing our user base, and our business may be materially and adversely affected.

Our success depends on our ability to attract new users and retain existing users. We leverage social networks in China as a tool for user acquisition and engagement. We distribute a substantial part of our content through these social network platforms. To the extent that we fail to leverage such social networks, our ability to attract or retain users may be severely harmed. If any of these social networks makes unfavorable changes to its functions or support, or cease to offer its functions or support to us, we may not be able to locate alternative platforms of similar scales to provide similar functions or support to us. Furthermore, we may fail to establish or maintain relationships with additional social network operators to support the growth of our business. Any interruption to or discontinuation of our relationship with the major social network operators in China may severely and negatively impact our ability to continue growing our user base and result in material adverse effect on our business, financial condition and results of operations.

We have incurred net losses in the past, and we may again incur losses in the future.

While we have generated net income historically, we incurred net loss in 2022 and 2024. We anticipate that our operating costs and expenses will increase in the foreseeable future as we continue to grow our business, attract users, further enhance and develop our service offerings, enhance our technology capabilities and increase our brand recognition. These efforts may prove more costly than we currently anticipate, and we may not succeed in increasing our revenues sufficiently to offset these higher expenses. There are other external and internal factors that could negatively affect our financial condition. For example, the transaction volume achieved on our platform may be lower than expected, which may lead to lower-than-expected revenues. Furthermore, we have adopted share incentive plans in the past and may adopt new share incentive plans in the future, which have caused, and will result in, significant share-based compensation expenses to us. We generate majority of our total revenues from information, reservation services fees charged to aesthetic practitioners we partner with, aesthetic treatment services provided at our aesthetic centers and sales of medical products and maintenance services. Any material decreases in our information or reservation services fees, aesthetic treatment services fees or sales of medical products and maintenance services would have a substantial impact on our financial condition. As a result of the foregoing and other factors, we may again incur net losses in the future.

Any failure to protect our content and other intellectual property could harm our business and competitive position.

We believe that trademarks, trade secrets, copyright and other intellectual property we use are critical to our business. We rely on a combination of trademark, copyright and trade secret protection laws in China, as well as confidentiality procedures and contractual provisions to protect our intellectual property and our brand. Implementation and enforcement of China intellectual property laws have historically been deficient and ineffective for many reasons, including lack of procedural rules for discovery and evidence, and low damage awards. As a result, we may not be able to adequately protect our intellectual property rights, which could adversely affect our revenues and competitive position.

In addition, any unauthorized use of our intellectual property by third parties may adversely affect our revenues and our reputation. In particular, we may have difficulty addressing the threats to our business associated with piracy of our content, particularly our original content. Our content may be potentially subject to unauthorized consumer copying and illegal digital dissemination without an economic return to us. We adopt a variety of measures to mitigate risks associated with piracy, including by litigation and through technology measures. We cannot assure that such measures will be effective.

In addition, while we typically require our employees who may be involved in the development of intellectual property to execute agreements assigning such intellectual property to us, we may be unsuccessful in executing such an agreement with each party who in fact develops intellectual property that we regard as our own. In addition, such agreements may be breached. Accordingly, we may be forced to bring claims against third parties or defend claims that they may bring against us related to the ownership of such intellectual property.

Furthermore, policing unauthorized use of proprietary technology is difficult and expensive, and we may need to resort to litigation to enforce or defend intellectual property or to determine the enforceability, scope and validity of our proprietary rights or those of others. Such litigation and an adverse determination in any such litigation could result in substantial costs and diversion of resources and management attention. The experience and capabilities of China courts in handling intellectual property litigation varies and outcomes are unpredictable.

We may be held liable for information or content displayed on, retrieved from or linked to our platform, which may materially and adversely affect our business and operating results.

As we serve as a social platform for our users, we may be held liable for content that is posted, made available through or linked to our platform. The content on our platform includes pictures, videos and others. Although we have required our content providers to post only legally compliant and inoffensive materials and have set up screening procedures, our requirements and screening procedures may fail to eliminate all potentially noncompliant content. In addition, we may fail to fully screen and prevent medical service providers from posting inauthentic user pictures and reviews on our platform. If the competent PRC authorities, including the Cyberspace Administration of China, find that we have not adequately managed or supervised the content on our platform, they may impose legal sanctions on us, including, in serious cases, suspending or revoking the licenses needed to operate our platform, or remove our So-Young mobile app from application stores. Moreover, we may face potential claims for libel or slander in connection with our platform content, or a third party may find content on our platform offensive or indecent and take other legal action against us. Any such claim, with or without merit, could be time-consuming and costly to defend, and may result in litigation and divert management's attention and resources. If we incur costs or liability as a result of these events, our business, financial condition and operating results could be adversely affected.

Privacy concerns relating to our services and the use of user information could negatively impact our user base or user engagement. If we fail to protect the confidential information of our users, whether due to cyberattacks, computer viruses, physical or electronic break-ins, or other reasons, we may be subject to liabilities imposed by laws and regulations, and our reputation and business may be materially and adversely affected.

Concerns about the collection, use, disclosure or security of personal information or chat history or other privacy-related matters, even if unfounded, could damage our reputation, cause us to lose users, customers and service providers and subject us to regulatory investigations, all which may adversely affect our business. We collect contact information, browsing history and other personal data from our users in order to better understand our users and their needs and to support our big data analytical capabilities for more targeted services. Due to the volume and sensitivity of the personal information and biometric data we collect and manage, the security features of our platform and information systems are critical. We have adopted security policies and measures, including encryption technology, to protect our proprietary data and user information. We also conduct a rigorous data-masking process before providing user information to medical aesthetic professionals. While we strive to comply with applicable data protection laws and regulations, as well as our privacy policies pursuant to our terms of use and other obligations we may have with respect to privacy and data protection, any failure or perceived failure to comply with these laws, regulations or policies may result in inquiries and other proceedings or actions against us by government agencies or others, as well as negative publicity and damage to our reputation and brand, each of which could cause us to lose users and service providers and have an adverse effect on our business and operating results.

In addition, any systems failure or compromise of our security that results in the unauthorized access to or release of the data of our users or service providers could significantly harm our reputation and brand. We expect to continue expending significant resources to protect against security breaches. The risk that these types of events could seriously harm our business is likely to increase as we expand the number of services we offer and increase the size of our user base. Our practices may also become inconsistent with new laws or regulations concerning data protection, or the interpretation and application of existing consumer and data protection laws or regulations, which is often uncertain and in flux. In addition to the possibility of fines, such inconsistency could result in substantial costs or requirement that we change our practices, which could have an adverse effect on our business and operating results. See also "—Risks Related to Doing Business in China—Uncertainties with respect to the legal system of mainland China could adversely affect us."

We rely on proper operation and maintenance of our online platform. Any deficiencies, malfunction, capacity restraint, operation interruption or undetected programming failure or flaws could harm our reputation and adversely affect our business.

We conduct our business activities through our online platform. Therefore, the satisfactory performance, reliability and availability of our online platform are critical to our success and our ability to attract and retain users. The reliability and availability of our online platform depends on telecommunications carriers and other third-party providers for communications and storage capacity, including bandwidth and server storage, among other things. If we are unable to enter into and renew agreements with these providers on acceptable terms, or if any of our existing agreements with such providers are terminated as a result of our breach or otherwise, our ability to provide our services to our users could be adversely affected. In addition, service interruptions can prevent users from accessing our platform and making transactions, and frequent interruptions could frustrate users and discourage them from using our platform, which could cause us to lose users and adversely affect our operating results.

In addition, our platform and internal systems rely on software that is highly technical and complex and depend on the ability of such software to store, retrieve, process and manage immense amounts of data. The software on which we rely has contained, and may now or in the future contain, undetected programming errors or flaws. Some errors may only be discovered after the code has been released for external or internal use. Errors or other design defects within the software on which we rely may result in a negative experience for users using our platform or disruptions to the operations of our medical service providers, delay introductions of new features or enhancements, result in errors or compromise our ability to support effective user service and enjoyable user engagement. Any errors, bugs or defects discovered in the software on which we rely could result in harm to our reputation and loss of users, which could adversely affect our business, results of operations and financial conditions.

Failure or poor performance of third-party software, infrastructure or systems on which we use could adversely affect our business. In particular, our users use third-party payment service providers to make payments on our platform. If these payment services are restricted or curtailed in any way or become unavailable to us or our users for any reason, our business may be materially and adversely affected.

We use third parties to provide and maintain certain infrastructure that is important to our business. If such services become limited, restricted, curtailed or less effective or more expensive in any way or become unavailable to us for any reason, our business may be materially and adversely affected. The infrastructure of our third-party service providers may malfunction or fail due to events out of our control, which could disrupt our operations and have a material adverse effect on our business, financial condition, results of operations and cash flows. Any failure to maintain and renew our relationships with these third parties on commercially favorable terms, or to enter into similar relationships in the future, could have a material adverse effect on our business, financial condition, results of operations and cash flows.

Historically, we had engaged in collecting payments on behalf of third parties, which may be deemed as having provided payment settlement services, thereby exposing us to potential penalties. We have since begun to cooperate with several third parties for the billing, payment and escrow functions on our platform. The commercial banks and third-party online payment service providers that we work with are subject to the supervision by the People's Bank of China, or the PBOC. The PBOC may publish rules, guidelines and interpretations from time to time regulating the operation of financial institutions and payment service providers that may in turn affect the availability of services provided by such entities for us. For example, in November 2017, the PBOC published a notice, or the PBOC Notice on the investigation and administration of illegal offering of settlement services by financial institutions and third-party payment service providers to unlicensed entities. We believe that our partnership with the commercial banks and third-party online payment service providers are not in violation of the PBOC Notice, but we cannot assure you that the PBOC or other governmental authorities will hold the same view with ours. If required by the PBOC or new legislation, the commercial banks or the payment service providers may modify or suspend the services they offer to us, and we may be required to obtain additional license and incur additional expenses. If the PBOC or other governmental authorities deem our cooperation with the commercial banks and payment service providers as in violation of laws and regulations, we may be subject to penalties, fines, legal sanctions or suspension of the relevant functions on our platform. See "Item 4. Information on the Company-B. Business Overview-Regulations-Regulations on Payment Services."

If major mobile application distribution channels change their standard terms and conditions in a manner that is detrimental to us, or suspend or terminate their existing relationship with us, our business, financial condition and results of operations may be materially and adversely affected.

We currently cooperate with Apple's app store and major China-based Android app stores to distribute our So-Young mobile application to users. As such, the promotion, distribution and operation of our application are subject to such distribution platforms' standard terms and policies for application developers, which are subject to the interpretation of, and frequent changes by, these distribution channels. If these third-party distribution platforms change their terms and conditions in a manner that is detrimental to us, or refuse to distribute our application, or if any other major distribution channel with which we would like to seek collaboration refuses to collaborate with us in the future on commercially favorable terms, our business, financial condition and results of operations may be materially and adversely affected.

Our future growth depends on the further acceptance of the internet and particularly the mobile internet as an effective platform for assessing medical aesthetic services and content.

While the internet and the mobile internet have gained increased popularity in China as platforms for medical aesthetic products and content in recent years, many users have limited experience in accessing medical aesthetic services online. For example, users may not consider online content to be reliable sources of medical aesthetic information. If we fail to educate users about the value of our content, our platform and our services, our growth may be limited and our business, financial performance and prospects may be materially and adversely affected. The further acceptance of the internet and the mobile internet as an effective and efficient platform for medical aesthetic services and content is also affected by factors beyond our control, including negative publicity around online medical aesthetic services and potential restrictive regulatory measures taken by the PRC government. If online and mobile networks do not achieve adequate acceptance in the market, our growth prospects, results of operations and financial condition could be harmed.

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

We rely on certain key operating metrics, such as purchasing users, to evaluate the performance of our business. 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. We calculate these operating metrics using internal company data that have not been independently verified. 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.

Our success depends on the continuing service of our key employees, including our senior management members and other talent. If we fail to hire, retain and motivate our key employees, our business may suffer.

Our key executives have substantial experience and have made significant contributions to our business, and our continued success is dependent upon the retention of our key management executives, as well as the services provided by our staff and a number of other key managerial, marketing, business development, customer service, technical and operations personnel. The loss of such key personnel could have a material adverse effect on our business. Growth in our business is dependent, to a large degree, on our ability to retain and attract such employees.

Competition for well-qualified employees in all aspects of our business is intense. Our continued ability to compete effectively depends on our ability to attract new employees and to retain and motivate existing employees. If we do not succeed in attracting well-qualified employees or retaining and motivating existing employees and key senior management, our business, results of operations, financial condition and prospects may be adversely affected.

From time to time we may evaluate and potentially consummate investments and acquisitions or enter into alliances, which may require significant management attention, disrupt our business and adversely affect our financial results.

We may identify strategic partners to form strategic alliances or invest in or acquire additional assets, technologies or businesses that are complementary to our existing business. These investments may involve minority stakes in other companies, acquisitions of entire companies or acquisitions of selected assets.

Any future strategic alliances, investments or acquisitions and the subsequent integration of the new assets and businesses obtained or developed from such transactions into our own may divert management from their primary responsibilities and subject us to additional liabilities. In addition, the costs of identifying and consummating investments and acquisitions may be significant. We may also incur costs and experience uncertainties in completing necessary registrations and obtaining necessary approvals from government authorities in China and elsewhere in the world. The costs and duration of integrating newly acquired assets and businesses could also materially exceed our expectations. Any such negative developments could have a material adverse effect on our business, financial condition, results of operations and cash flow.

Our operating results may fluctuate from period to period, which makes our operating results difficult to predict and could cause our revenue, expenses and profitability to differ from our past performance and/or expectations during certain periods.

The performance of our businesses is subject to seasonal fluctuations. Our business is typically the slowest during the Chinese New Year, which generally falls in the first quarter of the year. As a result, we believe that comparisons of our operating results over any interim periods in the past may not be an accurate indicator of our future performance. Overall, the historical seasonality of our business has been relatively mild due to our growth, but seasonality may increase in the future. Due to our limited operating history, the seasonal trends that we have experienced in the past may not apply to, or be indicative of, our future operating results.

We have limited business insurance coverage.

The insurance industry in China is still in an early stage of development, and insurance companies in China currently offer limited business-related insurance products. We currently maintain directors and officers liability insurance, property insurance and public liability insurance. In addition, we maintain property insurance and public liability insurance for our aesthetic centers. We consider this practice to be reasonable in light of the nature of our business and the insurance products that are available in China and in line with the practices of other companies in the same industry of similar size in China. Any uninsured risks may result in substantial costs and the diversion of resources, which could adversely affect our results of operations and financial condition.

We may not be able to obtain additional capital when desired, on favorable terms or at all.

Since we launched our business, we have raised substantial financing to support the growth of our business. We may require additional capital to pursue our business objectives and respond to business opportunities, challenges or unforeseen circumstances, including to improve our brand awareness, develop new services or further improve existing services, expand into new geographic areas and acquire complementary businesses and technologies.

However, additional funds may not be available when we need them on reasonable terms, or at all. Our ability to retain our existing financial resources and obtain additional financing on acceptable terms is subject to a variety of uncertainties, including but not limited to:

- our market position and competitiveness in the online medical aesthetic service industry;
- our future profitability, overall financial condition, results of operations and cash flows;
- general market conditions for capital raising activities by online medical aesthetic platforms and other internet companies in China; and

- economic, political and other conditions in China and internationally.

If we are unable to obtain adequate financing or financing on satisfactory terms, our ability to continue to pursue our business objectives and respond to business opportunities, challenges or unforeseen circumstances could be significantly limited, and our business, results of operations, financial condition and prospects could be adversely affected. In addition, our future capital needs and other business reasons could require us to sell additional equity or debt securities or obtain a credit facility. The sale of additional equity or equity-linked securities could dilute our shareholders. The incurrence of indebtedness would result in increased debt service obligations and could result in operating and financing covenants that would restrict our operations or our ability to pay dividends to our shareholders.

Changes in the level of consumer confidence and spending in China or a general downturn in the Chinese and global economy could materially and adversely affect us.

Our business, financial condition and results of operations are sensitive to changes in overall economic conditions that affect consumer spending in China. The medical aesthetic industry is sensitive to general economic changes. Any slowing in growth rate or decrease in per capita disposable income in China may negatively impact spending by consumers on medical aesthetic services. Many factors outside of our control, including inflation and deflation, interest rates, volatility of equity and debt securities markets, taxation rates, employment and other government policies can adversely affect consumer confidence and spending. While the economy in China has grown significantly over the past decades, growth has been uneven, both geographically and among various sectors of the economy, and the rate of growth has been slowing.

COVID-19 had a severe and negative impact on the Chinese and the global economy from 2020 through 2022, and the global macroeconomic environment still faces numerous challenges. The Federal Reserve and other central banks outside of China have raised interest rates. There is considerable uncertainty over the long-term effects of the expansionary monetary and fiscal policies which had been 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 and the attacks on shipping in the Red Sea have heightened geopolitical tensions across the world. The impact of the Russia-Ukraine conflict on Ukraine food exports has contributed to increases in food prices and thus to inflation more generally. 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. Any severe or prolonged slowdown in the global or Chinese economy may materially and adversely affect our business, results of operations and financial condition.

Recently, there have been heightened tensions in international relations, particularly between the United States and China, but also as a result of the war in Ukraine and sanctions on Russia. These tensions have affected both diplomatic and economic ties between the two countries. Heightened tensions could reduce levels of trade, investments, technological exchanges, and other economic activities between the two major economies. The existing tensions and any further deterioration in the relationship between the United States and China may have a negative impact on the general, economic, political, and social conditions in both countries and, given our reliance on the Chinese market, adversely impact our business, financial condition, and results of operations.

Increases in labor costs and enforcement of stricter labor laws and regulations in mainland China may adversely affect our business and results of operations.

China's overall economy and the average wage in China have increased in recent years, and we expect it to grow further. The average wage level for our employees has also increased in recent years. We expect that our labor costs, including wages and employee benefits, will increase. Unless we are able to pass on these increased labor costs to those who pay for our services, our results of operations may be materially and adversely affected.

In addition, we have been subject to PRC regulatory requirements in terms of entering into labor contracts with our employees and paying various statutory employee benefits, including pensions, housing funds, medical insurance, work-related injury insurance, unemployment insurance and maternity insurance to designated government agencies for the benefit of our employees. Pursuant to the PRC Labor Contract Law and its implementation rules, employers are subject to requirements in terms of signing labor contracts, paying minimum wages, paying remuneration, determining the term of employee's probation and unilaterally terminating labor contracts. In the event that we decide to terminate some of our employees or otherwise change our employment or labor practices, the PRC Labor Contract Law and its implementation rules may limit our ability to effect those changes in a desirable or cost-effective manner, which could adversely affect our business and results of operations.

As the interpretation and implementation of labor-related laws and regulations are still evolving, our employment practices may violate labor-related laws and regulations in China, which may subject us to labor disputes or government investigations. We cannot assure you that we have complied or will be able to comply with all labor-related law and regulations. If we are deemed to have violated labor laws and regulations, we could be required to provide additional compensation to our employees, and our business, financial condition and results of operations will be adversely affected.

We have granted, and may continue to grant, share options and other forms of share-based incentive awards, which may result in significant share-based incentive expenses.

We have adopted the Second Amended and Restated 2018 Share Plan, or the 2018 Plan, in March 2019 for the purpose of granting share-based compensation awards to employees, directors and consultants to incentivize their performance and align their interests with ours. Under the 2018 Plan, the maximum aggregate number of shares that may be issued pursuant to all awards is 7,700,000 ordinary shares plus an annual increase of 2% of our total outstanding share capital as of December 31 of the immediately preceding calendar year on the first day of each fiscal year, beginning in 2020, or such lesser number of Class A ordinary shares as determined by our board of directors, provide that the aggregate number of shares initially reserved and subsequently increased during the term of the 2018 Plan shall not be more than 10% of our total outstanding share capital on December 31 immediately preceding the most recent increase. As of February 28, 2025, options to purchase 227,058 ordinary shares were granted and outstanding under the 2018 Plan.

Our board of directors approved the 2021 Share Incentive Plan, or the 2021 Plan, in April 2021 to attract and retain the best available personnel, provide additional incentives to employees, directors and consultants and promote the success of our business. Under the 2021 Plan, the maximum aggregate number of shares which may be issued pursuant to all awards shall initially be 1,734,760, plus commencing with the fiscal year beginning January 1, 2022, an annual increase on the first day of each fiscal year during the term of this Plan, by an amount equal to 2% of the total number of shares issued and outstanding on an as-converted fully diluted basis on the last day of the immediately preceding fiscal year; or such lesser number of shares as determined by our board of directors. As of February 28, 2025, 564,085 awards have been granted and outstanding under the 2021 Plan.

Our board of directors approved the 2023 Share Incentive Plan, or the 2023 Plan, in February 2023. Under the 2023 Plan, the maximum aggregate number of shares available for granting of awards shall be 3,000,000 Class A ordinary shares (including those represented by ADSs). As of February 28, 2025, 907,284 awards have been granted and outstanding under the 2023 Plan.

We recorded RMB43.3 million, RMB36.3 million and RMB32.7 million (US$4.5 million) in 2022, 2023 and 2024, respectively, in share-based compensation expenses. We believe the granting of share incentive awards is of significant importance to our ability to attract and retain employees, and we will continue to grant share incentive awards to employees in the future. As a result, our expenses associated with share-based compensation may increase, which may have an adverse effect on our results of operations.

If we fail to implement and maintain an effective system of internal controls, we may be unable to accurately report our results of operations, meet our reporting obligations or prevent fraud, and investor confidence and the market price of our ADSs may be materially and adversely affected.

We are a public company in the United States subject to the Sarbanes-Oxley Act of 2002. Section 404 of the Sarbanes-Oxley Act of 2002 requires that we include a report of management on our internal control over financial reporting in our annual reports. In addition, our independent registered public accounting firm must attest to and report on the effectiveness of our internal control over financial reporting.

Our management has concluded that our internal control over financial reporting was effective as of December 31, 2024. In addition, our independent registered public accounting firm attested the effectiveness of our internal control and reported that our internal control over financial reporting was effective as of December 31, 2024.

In the future, our management may conclude that our internal control over financial reporting is not effective. Moreover, even if our management concludes that our internal control over financial reporting is effective, our independent registered public accounting firm, after conducting its own independent testing, may issue a report that is qualified if it is not satisfied with our internal controls or the level at which our controls are documented, designed, operated or reviewed, or if it interprets the relevant requirements differently from us. In addition, as we have become a public company, our reporting obligations may place a significant strain on our management, operational and financial resources and systems for the foreseeable future. We may be unable to timely complete our evaluation testing and any required remediation.

During the course of documenting and testing our internal control procedures, in order to satisfy the requirements of Section 404 of the Sarbanes-Oxley Act of 2002, we may identify weaknesses and deficiencies in our internal control over financial reporting. In addition, if we fail to maintain adequate internal controls, as these standards are modified, supplemented or amended from time to time, we may not be able to conclude on an ongoing basis that we have effective internal control over financial reporting in accordance with Section 404 of the Sarbanes-Oxley Act of 2002. Generally, if we fail to achieve and maintain an effective internal control environment, we could suffer material misstatements in our financial statements and fail to meet our reporting obligations, which would likely cause investors to lose confidence in our reported financial information. This could limit our access to capital markets, adversely affect our results of operations and lead to a decline in the trading price of the ADSs. Additionally, ineffective internal controls could expose us to an increased risk of fraud or misuse of corporate assets and subject us to potential delisting from the stock exchange on which we list or to other regulatory investigations and civil or criminal sanctions. We could also be required to restate our historical financial statements.

Adverse developments affecting the financial services industry, such as actual events or concerns involving liquidity, defaults or non-performance by financial institutions or transactional counterparties, could adversely affect our financial condition and results of operations.

We maintain cash and cash equivalents, restricted cash, deposits and short-term investments at third-party financial institutions in mainland China, Hong Kong, the United States and South Korea. Maintaining any significant portion of our assets in financial institution is subject to adverse conditions in the financial or credit markets, which could impact access to funds and our liquidity and financial performance. Although our cash and cash equivalents, restricted cash, deposits, and short-term investments are held in our operating accounts with or managed by reputable financial institutions, our access to funds in amounts adequate to finance or capitalize our current and projected future business operations could be impaired by factors that affect us, the financial institutions with which we have banking relationships, or the financial services industry or economy in general. These factors could include, among others, events such as liquidity constraints or failures, the ability to perform obligations under various types of financial, credit or liquidity agreements or arrangements, disruptions or instability in the financial services industry or financial markets, or concerns or negative expectations about the prospects for companies in the financial services industry. To date, we have not experienced any losses on cash or deposits held in our operating accounts; however, we can provide no assurances that our access to funds will not be impacted by adverse conditions in the financial markets or the negative performance of financial institutions.

Risks Related to Our Corporate Structure

If the PRC government finds that the agreements that establish the structure for operating our operations in China do not comply with regulations of mainland China 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.

Foreign ownership of certain telecommunication businesses and certain other businesses, such as provision of online medical aesthetic information and services, is subject to restrictions under current laws and regulations of mainland China. Specifically, foreign ownership of online medical aesthetic information and service provider may not exceed 50%, and the major foreign investor is required to have a record of good performance and operating experience in managing value-added telecommunications business. We are an exempted company incorporated in the Cayman Islands. Beijing So-Young Wanwei Technology Consulting Co., Ltd., or So-Young Wanwei, is our subsidiary in mainland China and a wholly foreign-owned enterprise under laws of mainland China. To comply with laws and regulations of mainland China, we conduct our businesses in China through Beijing So-Young Technology Co., Ltd., or Beijing So-Young, and Beijing Chiyan Medical Beauty Consulting Co., Ltd., or Beijing Chiyan, the consolidated affiliated entities, and their subsidiaries, based on a series of contractual arrangements by and among So-Young Wanwei, the consolidated affiliated entities and their respective shareholders. For a description of these contractual arrangements, see “Item 4. Information on the Company-C. Organizational Structure.” Because of these contractual arrangements, we are the primary beneficiary of the consolidated affiliated entities and consolidate their financial results under U.S. GAAP.

We are a Cayman Islands holding company with no equity ownership in the variable interest entities and we conduct our operations in China through (i) our subsidiaries in mainland China and (ii) the variable interest entities with which we have maintained contractual arrangements and their subsidiaries in China. Investors in our ADSs are not purchasing equity interest in the variable interest entities in China but instead are purchasing equity interest in a Cayman Islands holding company. If the PRC government deems that our contractual arrangements with the variable interest entities do not comply with regulatory restrictions in mainland China 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, and our ADSs may decline in value or become worthless, if we are unable to assert our contractual control rights over the assets of the VIEs which contribute to 80.0% of our revenues excluding inter-company transactions in 2024. Our holding company in the Cayman Islands, the variable interest entities, 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 variable interest entities and, consequently, significantly affect the financial performance of the variable interest entities and our company as a group.

In the opinion of our PRC legal counsel, CM Law Firm, the ownership structure of So-Young Wanwei and the consolidated affiliated entities does not result in any violation of laws and regulations of mainland China currently in effect, and the contractual arrangements between So-Young Wanwei, the consolidated affiliated entities and their respective shareholders as governed by laws of mainland China will not result in any violation of laws or regulations of mainland China 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 or future laws and regulations of mainland China. Thus, the PRC government may ultimately take a view contrary to the opinion of our PRC legal counsel. If the PRC government otherwise find that we are in violation of any existing or future laws or regulations of mainland China or lack the necessary permits or licenses to operate our business, the governmental authorities would have broad discretion in dealing with such violation, including, without limitation:

- 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;
- terminating or placing restrictions or onerous conditions on our operations;
- placing restrictions on our right to collect revenues; and
- shutting down our servers or blocking our mobile apps and websites.

Any of these events could cause significant disruption to our business operations and severely damage our reputation, which would in turn materially and adversely affect our business, financial condition and results of operations. If occurrences of any of these events results in our inability to direct the activities of the consolidated affiliated entities in China that most significantly impact their economic performance, and/or our failure to receive the economic benefits from the consolidated affiliated entities, we may not be able to consolidate the entities in the consolidated financial statements in accordance with U.S. GAAP.

We rely on contractual arrangements with the consolidated affiliated entities and their respective shareholders for our business operations, which may not be as effective as direct ownership in providing operational control.

We have relied and expect to continue to rely on contractual arrangements with consolidated affiliated entities and their respective shareholders to operate our business in China. These contractual arrangements may not be as effective as direct ownership in providing us with control over the consolidated affiliated entities. For example, the consolidated affiliated entities and their respective shareholders could breach their contractual arrangements with us by, among other things, failing to conduct their operations in an acceptable manner or taking other actions that are detrimental to our interests.

If we had direct ownership of the consolidated affiliated entities in China, we would be able to exercise our rights as a shareholder to effect changes in the board of directors of the consolidated affiliated entities, 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 consolidated affiliated entities and their respective shareholders of their obligations under the contracts to exercise control over the consolidated affiliated entities respectively. The shareholders of the consolidated affiliated entities 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 certain portion of our business through the contractual arrangements with the consolidated affiliated entities. If any dispute relating to these contracts remains unresolved, we will have to enforce our rights under these contracts through the operations of laws of mainland China and arbitration, litigation and other legal proceedings and therefore will be subject to uncertainties in the legal system of mainland China. Meanwhile, there are very few precedents as to whether contractual arrangements would be judged to form effective control over the consolidated affiliated entities through the contractual arrangements, or how contractual arrangements in the context of a consolidated affiliated entities should be interpreted or enforced by the courts in mainland China. Should legal actions become necessary, we cannot guarantee that the court will rule in favor of the enforceability of the consolidated affiliated entities' 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 these contractual arrangements, we may not be able to exert effective control over the consolidated affiliated entities, and our ability to conduct our business may be materially adversely affected. See "-Any failure by the consolidated affiliated entities or their respective shareholders to perform their obligations under our contractual arrangements with them would have a material and adverse effect on our business." Therefore, our contractual arrangements with the consolidated affiliated entities may not be as effective in ensuring our control over the relevant portion of our business operations as direct ownership would be.

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

If the consolidated affiliated entities or their respective 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 laws of mainland China, including seeking specific performance or injunctive relief, and contractual remedies, which we cannot assure you will be sufficient or effective under laws of mainland China. For example, if the shareholders of any of the consolidated affiliated entities were to refuse to transfer their equity interests in the consolidated affiliated entities 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 laws of mainland China and provide for the resolution of disputes through arbitration in China. Accordingly, these contracts would be interpreted in accordance with laws of mainland China and any disputes would be resolved in accordance with legal procedures in mainland China. The legal system of mainland China is rapidly developing. As a result, uncertainties in the legal system of mainland China could limit our ability to enforce these contractual arrangements. Meanwhile, there are very few precedents and little formal guidance as to how contractual arrangements in the context of a consolidated affiliated entity should be interpreted or enforced under laws of mainland China. There remain significant uncertainties regarding the ultimate outcome of such arbitration should legal action become necessary. In addition, under laws of mainland China, 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 courts in mainland China 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 consolidated affiliated entities, and our ability to conduct our business may be negatively affected. See "Item 3. Key Information-D. Risk Factors-Risks Related to Doing Business in China-Uncertainties with respect to the legal system of mainland China could adversely affect us."

The shareholders of the consolidated affiliated entities may have potential conflicts of interest with us, which may materially and adversely affect our business and financial condition.

The shareholders of Beijing So-Young are Mr. Hui Shao, Mr. Xing Jin and Mr. Tao Yu, and the shareholders of Beijing Chiyan are Mr. Xing Jin and Mr. Tao Yu. Mr. Xing Jin is our co-founder and chief executive officer, and Tao Yu is our co-founder. Nevertheless, conflicts of interest may arise between the roles of them as shareholders, directors or officers of our company and as shareholders of the consolidated affiliated entities. These shareholders may breach, or cause the consolidated variable entities to breach, or refuse to renew, the VIE Contractual Arrangements we have with them and the consolidated variable entities, which would have a material and adverse effect on our ability to effectively control the consolidated variable entities and receive economic benefits from such entity. 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 fiduciary duties to our company, including duties to act in good faith and in what they believe to be the best interest of our company and not to use their positions for personal gain. The shareholders of the consolidated affiliated entities have executed powers of attorney to appoint So-Young Wanwei or a person designated by So-Young Wanwei to vote on their behalf and exercise voting rights as shareholders of the consolidated affiliated entities. We cannot assure you that when conflicts arise, these shareholders will act in the best interest of our company or that conflicts will be resolved in our favor. If we cannot resolve any conflicts of interest or disputes between us and these shareholders, we would have to rely on legal proceedings, which may be expensive, time-consuming and disruptive to our operations. There is also substantial uncertainty as to the outcome of any such legal proceedings.

Contractual arrangements in relation to the consolidated affiliated entities may be subject to scrutiny by the PRC tax authorities and they may determine that we or our consolidated affiliated entities owes additional taxes, which could negatively affect our financial condition and the value of your investment.

Under applicable laws and regulations of mainland China, arrangements and transactions among related parties may be subject to audit or challenge by the PRC tax authorities within ten years after the taxable year when the transactions are conducted. We could face material and adverse tax consequences if the PRC tax authorities determine that the contractual arrangements in relation to the consolidated affiliated entities 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 laws, rules and regulations of mainland China, and adjust income of the consolidated affiliated entities 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 consolidated affiliated entities for PRC tax purposes, which could in turn increase its tax liabilities without reducing our WFOE's tax expenses. In addition, the PRC tax authorities may impose late payment fees and other penalties on the consolidated affiliated entities for the adjusted but unpaid taxes according to the applicable regulations. Our financial position could be materially and adversely affected if our affiliated entities' tax liabilities increase or if it is required to pay late payment fees and other penalties.

We may lose the ability to use and enjoy assets held by the consolidated affiliated entities that are material to the operation of certain portion of our business if the entity goes bankrupt or becomes subject to a dissolution or liquidation proceeding.

As part of our contractual arrangements with the consolidated affiliated entities, the entity holds certain assets that are material to the operation of our business, including permits, domain names and most of our IP rights. If any of the consolidated affiliated entities goes bankrupt and all or part of its assets become subject to liens or rights of third-party creditors, 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. Under the contractual arrangements, the consolidated affiliated entities may not, in any manner, sell, transfer, mortgage or dispose of its assets or legal or beneficial interests in the business without our prior consent. If any of the consolidated affiliated entities undergoes a voluntary or involuntary liquidation proceeding, the independent third-party creditors may claim rights to some or all of these assets, thereby hindering our ability to operate our business, which could materially and adversely affect our business, financial condition and results of operations, and our ADSs may decline significantly in value or become worthless.

Uncertainties exist with respect to the interpretation and implementation of the PRC Foreign Investment Law and how it may impact the viability of our current corporate structure, corporate governance and business operations.

On March 15, 2019, the National People's Congress approved the Foreign Investment Law, which came into effect on January 1, 2020 and replaced the trio of existing laws regulating foreign investment in China, namely, the Sino-foreign Equity Joint Venture Enterprise Law, the Sino-foreign Cooperative Joint Venture Enterprise Law and the Wholly Foreign-invested Enterprise Law, together with their implementation rules and ancillary regulations. The Foreign Investment Law embodies an expected regulatory trend to rationalize its foreign investment regulatory regime in line with prevailing international practice and the legislative efforts to unify the corporate legal requirements for both foreign and domestic investments. However, uncertainties exist in relation to its interpretation and implementation. For instance, under the Foreign Investment Law, "foreign investment" refers to the investment activities directly or indirectly conducted by foreign individuals, enterprises or other entities in China. On December 26, 2019, the State Council issued the Implementation Regulations for the Foreign Investment Law of the PRC, which became effective on January 1, 2020. Pursuant to the regulations, in the event of any discrepancy between the Foreign Investment law and the regulations and relevant requirements for foreign investment promulgated prior to January 1, 2020, the Foreign Investment Law and the regulations shall prevail. However, the regulations still remain silent on whether contractual arrangements should be deemed as a form of foreign investment. Though these regulations do not explicitly classify contractual arrangements as a form of foreign investment, there is no assurance that foreign investment via contractual arrangement would not be interpreted as a type of indirect foreign investment activities under the definition in the future. In addition, the definition contains a catch-all provision which includes investments made by foreign investors through means stipulated in laws or administrative regulations or other methods prescribed by the State Council. Therefore, it still leaves leeway for future laws, administrative regulations or provisions promulgated by the State Council to provide for contractual arrangements as a form of foreign investment. In any of these cases, it will be uncertain whether our contractual arrangements will be deemed to be in violation of the market access requirements for foreign investment under the laws and regulations of mainland China. Furthermore, if future laws, administrative regulations or provisions prescribed by the State Council 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, corporate governance and business operations.

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

We are a holding company, and we may rely on dividends to be paid by our subsidiaries in mainland China for our cash and financing requirements, including the funds necessary to pay dividends and other cash distributions to the holders of the ADSs and our ordinary shares and service any debt we may incur. If our subsidiary in mainland China incurs 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 laws and regulations of mainland China, wholly foreign-owned enterprises in mainland China, such as So-Young Wanwei, may pay dividends only out of their accumulated profits as determined in accordance with accounting standards and regulations of mainland China. In addition, a wholly foreign-owned enterprise is required to set aside at least 10% of its after-tax profits each year, after making up previous years' accumulated losses, if any, to fund certain statutory reserve funds, until the aggregate amount of such a fund reaches 50% of its registered capital. At the discretion of the board of directors of the wholly foreign-owned enterprise, it may allocate a portion of its after-tax profits based on accounting standards in mainland China to staff welfare and bonus funds. These reserve funds and staff welfare and bonus funds are not distributable as cash dividends. Any limitation on the ability of our subsidiary in mainland China to pay dividends or make other distributions 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.

Risks Related 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 over 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 Securities and Exchange Commission, 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 HFCAA, in the future if the PCAOB is unable to inspect or investigate completely auditors located in China. The delisting of the ADSs, or the threat of their being delisted, may materially and adversely affect the value of your investment.

The HFCAA, as amended by the Consolidated Appropriations Act, 2023, states 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. For this reason, we were not identified as a Commission-Identified Issuer under the HFCAA after we filed our annual report on Form 20-F for the fiscal year ended December 31, 2023 and do not expect to be so identified 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 Securities and Exchange Commission, 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/or filing with the CSRC or other PRC government authorities may be required in connection with our offshore offerings under laws of mainland China, and, if required, we cannot predict whether or for how long we will be able to obtain such approval or complete such filing.

The Regulations on Mergers and Acquisitions of Domestic Enterprises by Foreign Investors, or the M&A Rules, adopted by six PRC regulatory agencies in 2006 and amended in 2009, requires an overseas special purpose vehicle formed for listing purposes through acquisitions of domestic companies and controlled by persons or entities in mainland China to obtain the approval of the CSRC prior to the listing and trading of such special purpose vehicle's securities on an overseas stock exchange. The interpretation and application of the regulations remain unclear, and our future offshore offerings may ultimately require approval of the CSRC. If the CSRC approval is required, it is uncertain whether we can or how long it will take us to obtain the approval and, even if we obtain such CSRC approval, the approval could be rescinded. Any failure to obtain or delay in obtaining the CSRC approval for any of our future offshore offerings, or a rescission of such approval if obtained by us, would subject us to sanctions imposed by the CSRC or other PRC regulatory authorities, which could include fines and penalties on our operations in China, restrictions or limitations on our ability to pay dividends outside of China, and other forms of sanctions that may materially and adversely affect our business, financial condition, and results of operations.

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 regulatory systems to deal with the risks and incidents faced by China-based overseas-listed companies. As a follow-up, on February 17, 2023, the CSRC promulgated the Overseas Listing Trial Measures, and five relevant guidelines on the application of Regulatory Rules, or, collectively, the Filing Rules, which took effect from March 31, 2023, requiring Chinese domestic companies' overseas securities offerings or listings be filed with the CSRC. The Filing Rules establish a new filing-based regime to regulate overseas offerings of stocks, depository receipts, convertible corporate bond, or other equity securities, and overseas listing of these securities for trading, by domestic companies. According to the Filing Rules, domestic companies that directly or indirectly offer or list their securities in an overseas market should file 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 should be considered as an indirect overseas offering and listing by a domestic company if the issuer meets both of the following conditions: (i) any of the revenue, profits, total assets or net assets of such domestic company in the most recent financial year account for more than 50% of the corresponding data in the issuer's audited consolidated financial statements for the same period; and (ii) the majority of its business operations are conducted in mainland China or its principal place of business is located in the mainland China, or the majority of senior management in charge of business operations are Chinese citizens or have domicile in the mainland China. According to the Filing Rules, the issuer or its affiliated domestic company, as the case may be, must file with the CSRC for its initial public offering, follow-on offering and other equivalent offering activities. Particularly, a listed company like us is required to submit the filing with respect to its follow-on offerings, issuance of convertible corporate bonds and exchangeable bonds, and other equivalent offering activities, within a specific time frame. Failure to comply with the filing requirements may result in an order of rectification, a warning and fines to the domestic companies, and a warning and fines on the controlling shareholder, the actual controller and other responsible persons. The Filing Rules also set forth certain regulatory red lines for overseas offerings and listings by domestic enterprises and additional reporting obligations for listed companies in the case of material changes. However, as the Filing Rules were recently promulgated, there remain substantial uncertainties as to their interpretation, application, and enforcement and how they will affect our operations and our future financing. For more details of the Filing Rules, please refer to "Item 4.Information on the Company-B. Business Overview-Regulations-Regulations Relating to M&A Rules and Overseas Listing."

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 PRC regulatory authorities or other procedures, are required for our offshore offerings or any other capital raising activities, 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 approval or filing could be rescinded or rejected. Any failure to obtain or delay in obtaining such approval or completing such filing or reporting 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 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 could materially and adversely affect our business, prospects, financial condition, reputation, and the trading price of our listed securities.

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

Substantially all of our revenues are derived from China. Accordingly, our results of operations, financial condition and prospects are influenced to a significant degree by political, economic, social conditions and government policies in China generally. The Chinese economy is unique in many respects, including government regulations, control of foreign exchange and allocation of resources. Although the Chinese government has implemented measures emphasizing the utilization of market forces for economic reform, the reduction of state ownership of productive assets, and the establishment of improved corporate governance in business enterprises, a substantial portion of productive assets in China is still owned by the government. The Chinese government also exercises significant control over China's economy through allocating resources, controlling payment of foreign currency-denominated obligations, setting monetary policy, and providing preferential treatment to particular industries or companies.

While the Chinese economy has experienced significant growth over the past decades, there can be no assurance that the growth would be maintained or equitable across sectors. Any adverse changes in economic conditions in China, in the policies of the Chinese government or in the laws and regulations in China could have a material adverse effect on the overall economic growth of China. Such developments could adversely affect our business and operating results, lead to reduction in demand for our services and adversely affect our competitive position. The Chinese government has implemented various measures to encourage economic growth and guide the allocation of resources. Some of these measures may benefit the overall Chinese economy but may not have the same effect on us.

Uncertainties with respect to the legal system of mainland China could adversely affect us.

The legal system of mainland China is based on written statutes and court decisions have limited precedential value. The legal system of mainland China 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 difficult to predict the outcome of a judicial or administrative proceeding. Furthermore, the legal system of mainland China is based, in part, on government policies and internal rules 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.

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 through our subsidiaries in mainland China and the variable interest entities. Our operations in China are governed by laws and regulations of mainland China. The PRC government has significant oversight and discretion over the conduct of our business, and it may influence our operations, which could result in a material adverse change in our operation, and our ordinary shares and ADSs may decline in value or become worthless. Also, the PRC government has indicated an intent to exert more oversight and control over offerings that are conducted overseas and 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. In addition, implementation of industry-wide regulations directly targeting our operations could cause the value of our securities to significantly decline. Therefore, investors of our company and our business face potential uncertainty from actions taken by the PRC government affecting our business.

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, while we conduct substantially all of our operations in China, and substantially all of our assets are located in China. In addition, all our senior executive officers reside within China for a significant portion of the time and most are PRC nationals. As a result, it may be difficult for our shareholders to effect service of process upon us or those persons inside China. In addition, China does not have treaties providing for the reciprocal recognition and enforcement of judgments of courts with the Cayman Islands and many other countries and regions. Therefore, recognition and enforcement in China of judgments of a court in any of these jurisdictions other than mainland China in relation to any matter not subject to a binding arbitration provision may be difficult or impossible.

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

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 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. We cannot assure you that Renminbi will not appreciate or depreciate significantly in value against the U.S. dollar in the future. It is difficult to predict how market forces or PRC or U.S. government policy may impact the exchange rate between Renminbi and the U.S. dollar in the future.

Any significant appreciation or depreciation of Renminbi may materially and adversely affect our revenues, earnings and financial position, and the value of, and any dividends payable on, our ADSs in U.S. dollars. For example, to the extent that we need to convert U.S. dollars we receive into Renminbi to pay our operating expenses, appreciation of Renminbi against the U.S. dollar would have an adverse effect on the RMB amount we would receive from the conversion. Conversely, a significant depreciation of Renminbi against the U.S. dollar may significantly reduce the U.S. dollar equivalent of our earnings, which in turn could adversely affect the price of our ADSs.

In addition, our currency exchange losses may be magnified by exchange control regulations in mainland China that restrict our ability to convert Renminbi into foreign currency. As a result, fluctuations in exchange rates may have a material adverse effect on your investment.

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 subsidiary in mainland China to fund any cash and financing requirements we may have. Under existing foreign exchange regulations in mainland China, 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 PRC State Administration of Foreign Exchange, or SAFE, by complying with certain procedural requirements. Specifically, under the existing exchange restrictions, without prior approval of SAFE, cash generated from the operations of our subsidiary in mainland 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 SAFE approval to use cash generated from the operations of our subsidiary in mainland China and consolidated affiliated entities 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.

In additional, more restrictions and substantial vetting process are put in place by 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 our ADSs.

The M&A Rules and certain other regulations of mainland China establish complex procedures for some acquisitions of Chinese companies by foreign investors, which could make it more difficult for us to pursue growth through acquisitions in China.

The M&A Rules and some 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, including requirements that the approval from the Ministry of Commerce be obtained in circumstances where overseas companies established or controlled by enterprises in mainland China or natural persons acquire an affiliated domestic enterprise in mainland China. After the Foreign Investment Law and its Implementation Regulations became effective on January 1, 2020, the provisions of the M&A Rules remain effective to the extent they are not inconsistent with the PRC Foreign Investment Law and its Implementation Regulations. Moreover, the Anti-Monopoly Law requires that the SAMR (or the Ministry of Commerce before March 2018) shall be notified in advance of any concentration of undertaking if certain thresholds are triggered. 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 the transaction through a proxy or contractual control arrangement. In the future, we may grow our business by acquiring complementary businesses. Complying with the requirements of the above-mentioned regulations and other rules to complete such transactions could be time consuming, and any required approval processes, including obtaining approval from the MOC or its local counterparts may delay or inhibit our ability to complete such transactions, which could affect our ability to expand our business or maintain our market share.

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

Any funds we transfer to our subsidiaries in mainland China, either as a shareholder loan or as an increase in registered capital, are subject to approval by or registration or filing with governmental authorities in China. According to the regulations of mainland China on foreign-invested enterprises, or FIEs, in China, capital contributions to our subsidiaries in mainland China are subject to registration with the SAMR or its local branches, the information reporting in the online enterprise registration system, and foreign exchange registration with qualified banks. In addition, (a) any foreign loan procured by our subsidiaries in mainland China and consolidated affiliated entities is required to be registered with SAFE or its local branches or filed with SAFE in its information system, and (b) each of our subsidiaries and consolidated affiliated entities in mainland China may not procure loans which exceed the difference between its registered capital and its total investment amount as recorded in the foreign investment comprehensive management information system or, as an alternative, only procure loans subject to the Risk-Weighted Approach and the Net Asset Limits (as defined below). See "Item 4. Information on the Company-B. Business Overview-Regulations-Regulations on Foreign Exchange." Any loan to be provided by us to our subsidiaries in mainland China, consolidated affiliated entities and their subsidiaries with a term of more than one year must be recorded and registered by the NDRC or its local branches. We may not obtain these government approvals or complete such registrations on a timely basis, if at all, with respect to future capital contributions or foreign loans by us to our subsidiaries in mainland China and consolidated affiliated entities. If we fail to receive such approvals or complete such registration or filing, our ability to capitalize our operations in mainland China may be negatively affected, which could adversely affect our liquidity and our ability to fund and expand our business. There is, in effect, no statutory limit on the amount of capital contribution that we can make to our subsidiaries in mainland China. This is because there is no statutory limit on the amount of registered capital for our subsidiaries in mainland China, and we are allowed to make capital contributions to our subsidiaries in mainland China by subscribing for their initial registered capital and increased registered capital, provided that the subsidiaries in mainland China complete the relevant filing and registration procedures. With respect to loans to the subsidiaries in mainland China by us, (i) if the subsidiaries in mainland China adopt the traditional foreign exchange administration mechanism, or the Current Foreign Debt mechanism, the outstanding amount of the loans shall not exceed the difference between the total investment and the registered capital of the subsidiaries in mainland China and there is, in effect, no statutory limit on the amount of loans that we can make to our subsidiaries in mainland China under this circumstance because we can increase the registered capital of our subsidiaries in mainland China by making capital contributions to them, subject to the completion of the required registrations, and the difference between the total investment and the registered capital will increase accordingly; and (ii) if the subsidiaries in mainland China adopt the foreign exchange administration mechanism as provided in the PBOC Notice No. 9, or the Notice No. 9 Foreign Debt mechanism, the risk-weighted outstanding amount of the loans, which shall be calculated based on the formula provided in the PBOC Notice No. 9, shall not exceed 200% of the net asset of the subsidiaries in mainland China. These are the Risk-Weighted Approach and the Net Asset Limits. According to the PBOC Notice No. 9, after a transition period of one year since the promulgation of the PBOC Notice No. 9, the PBOC and SAFE will determine the cross-border financing administration mechanism for the foreign-invested enterprises after evaluating the overall implementation of the PBOC Notice No. 9. As of the date hereof, neither PBOC nor SAFE has promulgated and made public any further rules, regulations, notices or circulars in this regard. It is uncertain which mechanism will be adopted by PBOC and SAFE in the future and what statutory limits will be imposed on us when providing loans to our subsidiaries in mainland China. Currently, our subsidiaries in mainland China have the flexibility to choose between the Current Foreign Debt mechanism and the Notice No. 9 Foreign Debt mechanism. However, if the Notice No. 9 Foreign Debt Mechanism, or a more stringent foreign debt mechanism becomes mandatory and our subsidiaries in mainland China are no longer able to choose the Current Foreign Debt mechanism, our ability to provide loans to our subsidiaries in mainland China or the consolidated affiliated entities may be significantly limited, which may adversely affect our business, financial condition and results of operations.

In 2008, SAFE promulgated the Circular on the Relevant Operating Issues Concerning the Improvement of the Administration of the Payment and Settlement of Foreign Currency Capital of Foreign-Invested Enterprises, or SAFE Circular 142. SAFE Circular 142 regulates the conversion by FIEs of foreign currency into Renminbi by restricting the usage of converted Renminbi. SAFE Circular 142 provides that any Renminbi capital converted from registered capitals in foreign currency of FIEs may only be used for purposes within the business scopes approved by PRC governmental authority and such Renminbi capital may not be used for equity investments within China unless otherwise permitted by the laws of mainland China. In addition, SAFE strengthened its oversight of the flow and use of the Renminbi capital converted from registered capital in foreign currency of FIEs. The use of such Renminbi capital may not be changed without SAFE approval, and such Renminbi capital may not in any case be used to repay Renminbi loans if the proceeds of such loans have not been utilized. On April 8, 2015, SAFE promulgated the Circular on Reforming the Management Approach Regarding the Foreign Exchange Capital Settlement of Foreign-Invested Enterprises, or SAFE Circular 19. SAFE Circular 19 took effect as of June 1, 2015 and superseded SAFE Circular 142 on the same date. SAFE further promulgated Circular 16, effective on June 9, 2016, which, among other things, amend certain provisions of Circular 19. SAFE Circulars 19 and 16 launched a nationwide reform of the administration of the settlement of the foreign exchange capitals of FIEs and allows FIEs to settle their foreign exchange capital at their discretion, but continues to prohibit FIEs from using the Renminbi fund converted from their foreign exchange capitals for expenditure beyond their business scopes, and also prohibit FIEs from using such Renminbi fund to provide loans to persons other than affiliates unless otherwise permitted under its business scope. As a result, we are required to apply Renminbi funds converted from the net proceeds we received from our financing activities within the business scopes of our subsidiaries in mainland China. On October 23, 2019, SAFE issued the Notice of the State Administration of Foreign Exchange on Further Facilitating Cross-border Trade and Investment, which, among other things, expanded the use of foreign exchange capital to domestic equity investment area. SAFE Circular 19, SAFE Circular 16 and other rules and regulations may significantly limit our ability to transfer to and use in China any foreign currency, which may adversely affect our business, financial condition and results of operations.

Regulations of mainland China relating to the establishment of offshore special purpose companies by residents in mainland China may subject our beneficial owners that are resident in mainland China or our subsidiaries in mainland China to liability or penalties, limit our ability to inject capital into our subsidiaries in mainland China, limit the ability of our subsidiary in mainland China to increase its registered capital or distribute profits to us, or may otherwise adversely affect us.

SAFE promulgated the Circular on Relevant Issues Relating to Domestic Resident's Investment and Financing and Round-Trip Investment through Special Purpose Vehicles, or SAFE Circular 37, in July 2014 that requires residents or entities in mainland China to register with 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 with such assets or equity interests legally owned by residents or entities in mainland China in domestic enterprises or offshore assets or interests. On February 13, 2015, SAFE issued SAFE Circular No. 13, which took effect on June 1, 2015, pursuant to which, the power to accept SAFE registration was delegated from local SAFE to local qualified banks where the assets or interest in the domestic entity was located. SAFE Circular 37 is issued to replace the Notice on Relevant Issues Concerning Foreign Exchange Administration for PRC Residents Engaging in Financing and Roundtrip Investments via Overseas Special Purpose Vehicles, or SAFE Circular 75.

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

We have used our best efforts to notify residents or entities in mainland China who directly or indirectly hold shares in our Cayman Islands holding company and who are known to us as being residents in mainland China to complete the foreign exchange registrations. However, we may not be informed of the identities of all the residents or entities in mainland China holding direct or indirect interest in our company, nor can we compel our beneficial owners to comply with SAFE registration requirements. We cannot assure you that all shareholders or beneficial owners of ours who are residents or entities in mainland China have complied with, and will in the future make, obtain or update any applicable registrations or approvals required by, SAFE regulations. Failure by such shareholders or beneficial owners to comply with SAFE regulations, or failure by us to amend the foreign exchange registrations of our subsidiaries in mainland China, could subject us to fines or legal sanctions, restrict our overseas or cross-border investment activities, limit the ability of our subsidiaries in mainland China to make distributions or pay dividends to us or affect our ownership structure, which could adversely affect our business and prospects.

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

Pursuant to SAFE Circular 37, residents in mainland China who participate in share incentive plans in overseas non-publicly-listed companies due to their position as director, senior management or employees of the subsidiaries in mainland China of the overseas companies may submit applications to SAFE or its local branches for the foreign exchange registration with respect to offshore special purpose companies. Our directors, executive officers and other employees who are residents in mainland China and who have been granted share-based awards may follow SAFE Circular 37 to apply for the foreign exchange registration before our company becomes an overseas listed company. In February 2012, SAFE promulgated the Notices on Issues Concerning the Foreign Exchange Administration for Domestic Individuals Participating in Stock Incentive Plans of Overseas Publicly-Listed Company, or SAFE Circular 7. Under SAFE Circular 7 and other rules and regulations, residents in mainland China and non-PRC citizens who reside in mainland China for a continuous period of not less than one year who participate in stock incentive plan in an overseas publicly-listed company, subject to a few exceptions, are required to register with SAFE or its local branches and complete certain other procedures. Participants of a stock incentive plan who are residents in mainland China must retain a qualified PRC agent, which could be a subsidiary in mainland China of such overseas publicly listed company or another qualified institution selected by such subsidiary in mainland China, to conduct the SAFE registration and other procedures with respect to the stock incentive plan on behalf of its participants. Such participants must also retain an overseas entrusted institution to handle matters in connection with their exercise of share-based awards, the purchase and sale of corresponding shares or interests and fund transfers. In addition, the PRC agent is required to amend the SAFE registration with respect to the stock incentive plan if there is any material change to the stock incentive plan, the PRC agent or the overseas entrusted institution or other material changes. We and our mainland China employees or employees who reside in mainland China for a continuous period of not less than one year and who have been granted share-based awards are subject to SAFE Circular 7 and other rules and regulations. Failure of our share-based award holders in mainland China to complete their SAFE registrations may subject these residents in mainland China to fines and legal sanctions and may also limit our ability to contribute additional capital into our subsidiary in mainland China, limit the ability of our subsidiary in mainland China to distribute dividends to us, or otherwise materially adversely affect our business.

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

Under the PRC Enterprise Income Tax Law and its implementation rules, an enterprise established outside of mainland China with its "de facto management body" within mainland China is considered a "resident enterprise" and will be subject to PRC 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 a circular, known as the SAT Circular 82, which provides certain specific criteria for determining whether the "de facto management body" of an offshore-incorporated enterprise controlled by an entity in mainland China is located in mainland China. Although this circular only applies to offshore enterprises controlled by enterprises or enterprise groups in mainland China, not those controlled by individuals in mainland China 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" text should be applied in determining the tax resident status of all offshore enterprises.

According to the SAT Circular 82, an offshore incorporated enterprise controlled by an enterprise or enterprise group in mainland China will be regarded as a tax resident in mainland China 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 mainland 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 mainland China; (iii) the enterprise's primary assets, accounting books and records, company seals, and board and shareholder resolutions, are located or maintained in mainland China; and (iv) at least 50% of voting board members or senior executives habitually reside in mainland China.

We believe none of our entities outside of China is a resident enterprise in mainland China 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 So-Young International Inc. is a resident enterprise in mainland China 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 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 ordinary shares at a rate of 10%, if such income is treated as sourced from within mainland China. Furthermore, if PRC tax authorities determine that we are a resident enterprise in mainland China for enterprise income tax purposes, dividends paid to our shareholders that are not individuals in mainland China (including our ADS holders) and any gain realized on the transfer of ADSs or ordinary shares by such shareholders may be subject to PRC tax at a rate of 20% (which, in the case of dividends, may be withheld at source by us), if such dividends or gains are deemed to be from mainland China sources. These rates may be reduced by an applicable tax treaty, but it is unclear whether shareholders of So-Young International Inc. that are non-resident of mainland China would be able to claim the benefits of any tax treaties between their country of tax residence and the PRC in the event that So-Young International Inc. is treated as a resident enterprise in mainland China. Any such PRC tax may reduce the returns on your investment in the ADSs.

We face uncertainty with respect to indirect transfer of equity interests in resident enterprises in mainland China by their holding companies that are non-resident enterprises in mainland China.

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 Bulletin 7. Pursuant to Bulletin 7, an "indirect transfer" of assets in mainland China, including a transfer of equity interests in an unlisted non-resident holding company of a resident enterprise in mainland China, by non-resident enterprises in mainland China may be re-characterized and treated as a direct transfer of the underlying assets in mainland China, 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 resident enterprise in mainland China. Bulletin 7 does not apply to transactions of sale of shares by investors through a public stock exchange where such shares were acquired from a transaction through a public stock exchange. On October 17, 2017, the State Administration of Taxation issued the Announcement of the State Administration of Taxation on Issues of Tax Withholding regarding Non-resident Enterprise Income Tax, or Bulletin 37, which came into effect on December 1, 2017. The Bulletin 37 further clarifies the practice and procedure of the withholding of non-resident enterprise income tax.

There is uncertainty as to the application of Bulletin 37 or previous rules under Bulletin 7. We face uncertainties on the reporting and consequences of private equity financing transactions, share exchanges or other transactions involving the transfer of shares in our company by investors that are non-resident enterprises in mainland China. Our company may be subject to filing obligations or taxes if our company is the transferor in such transactions and may be subject to withholding obligations if our company is the transferee in such transactions, under Bulletin 37 and Bulletin 7.

The enforcement of the PRC Labor Contract Law and other labor-related regulations in mainland China may adversely affect our business and results of operations.

The Standing Committee of the National People's Congress enacted the Labor Contract Law in 2008 and amended it on December 28, 2012. The Labor Contract Law introduced specific provisions related to fixed-term employment contracts, part-time employment, probationary periods, consultation with labor unions and employee assemblies, employment without a written contract, dismissal of employees, severance, and collective bargaining to enhance previous labor laws of mainland China. Under the Labor Contract Law, an employer is obligated to sign an unlimited-term labor contract with any employee who has worked for the employer for ten consecutive years. Further, if an employee requests or agrees to renew a fixed-term labor contract that has already been entered into twice consecutively, the resulting contract, with certain exceptions, must have an unlimited term, subject to certain exceptions. With certain exceptions, an employer must pay severance to an employee where a labor contract is terminated or expires. In addition, the PRC governmental authorities have continued to introduce various new labor-related regulations since the effectiveness of the Labor Contract Law.

Under the PRC Social Insurance Law and the Administration of Housing Fund, employees are required to participate in pension insurance, work-related injury insurance, medical insurance, unemployment insurance, maternity insurance, and housing funds and employers are required, together with their employees or separately, to complete the social insurance registration and housing fund registration and pay the social insurance premiums and housing funds for their employees. If we are deemed to have failed to make adequate social insurance and/or housing fund contributions or complete the social insurance registration and housing fund registration, we may be subject to fines and legal sanctions, and our business, financial conditions and results of operations may be adversely affected. These laws designed to enhance labor protection tend to increase our labor costs. In addition, as the interpretation and implementation of these regulations are still evolving, our employment practices may not be at all times be deemed in compliance with the regulations. As a result, we could be subject to penalties or incur significant liabilities in connection with labor disputes or investigations.

Any failure or perceived failure by us to comply with the anti-monopoly and anti-unfair competition laws and regulations may result in governmental investigations or enforcement actions, litigation or claims against us and could have an adverse effect on our business, financial condition and results of operations.

The PRC government has adopted a series of anti-monopoly and anti-unfair competition laws and regulations and has enhanced its enforcement of such laws and regulations. The PRC Anti-monopoly Law and the related implementing rules (i) require that where concentration of undertakings reaches the filing threshold stipulated by the State Council, a filing must be made with the anti-monopoly authority before the parties implement the concentration, (ii) prohibit a business operator with a dominant market position from abusing such position, such as by selling commodities at unfairly high prices or buying commodities at unfairly low prices, selling products at prices below cost without any justifiable cause, or refusing to trade with a trading party without any justifiable cause, and (iii) prohibit business operators from entering into monopoly agreements, which refer to agreements that eliminate or restrict competition with competing business operators or transaction counterparties, such as by boycotting transactions, fixing or changing the price of commodities, limiting the output of commodities or fixing the price of commodities for resale to third parties, unless the agreements satisfy certain exemptions under the PRC Anti-monopoly Law. Furthermore, in February 2021, the Anti-monopoly Commission of the State Council officially promulgated the Anti-Monopoly Guidelines for the Internet Platform Economy Sector. The guidelines prohibit certain monopolistic acts of internet platforms so as to protect market competition and safeguard the interests of users and undertakings participating in the internet platform economy, including without limitation, prohibiting platforms with a dominant position from abusing their market dominance (such as discriminating against customers in terms of pricing and other transactional conditions using big data and analytics, coercing counterparties into exclusivity arrangements, using technology to block competitors' interfaces, favorable positioning in search results of goods displays, using bundle services to sell services or products, compulsory collection of unnecessary user data). In addition, the guidelines also reinforce antitrust merger review for internet platform related transactions to safeguard market competition. As the guidelines were relatively new, it is still uncertain how they will impact on our business, financial condition, results of operations and prospects.

According to the PRC Anti-unfair Competition Law, unfair competition, which refers to the production and operating activities where the operator disrupts the market competition order and damages the legitimate rights and interests of other operators or consumers in violation of the provisions of the PRC Anti-unfair Competition Law, shall be prohibited. Pursuant to the PRC Anti-unfair Competition Law, operators shall abide by the principle of voluntariness, equality, impartiality, integrity and adhere to laws and business ethics during market transactions. Operators in violation of the PRC Anti-unfair Competition Law may be subject to civil, administrative or criminal liabilities depending on the specific circumstances.

In March 2018, the SAMR was formed as a governmental agency to take over, among other things, the anti-monopoly enforcement functions from the departments under the Ministry of Commerce, the NDRC, and the former State Administration for Industry and Commerce, respectively. Since its inception, the SAMR has continued to strengthen anti-monopoly enforcement. In December 2018, the SAMR issued the Notice on Anti-monopoly Enforcement Authorization, which grants authorities to its provincial branches to conduct anti-monopoly enforcement within their respective jurisdictions The SAMR issued Anti-monopoly Compliance Guideline for Operators in September 2020 and amended it in April 2024, which requires operators to establish anti-monopoly compliance management systems to prevent anti-monopoly compliance risks. In particular, the PRC regulators have been increasingly focused on inspection and regulation on potential noncompliance with anti-unfair competition and antimonopoly related laws. For example, in April 2021, the SAMR, the Cyberspace Administration of China and the State Administration of Taxation, held an administrative guidance meeting for internet platform enterprises. During the meeting, it was pointed out that illegal activities including, among others, forcing the implementation of "choose one" among the enterprise and its competitors, abusing dominant market position, "cash burning" to seize the "community group buying" market, making use of big data analysis to the disadvantage of existing customers, etc., shall be prohibited and rectified. In addition, many platforms, including 34 enterprises which attended such administrative guidance meeting as representatives of internet platform enterprises, are required to conduct a comprehensive self-inspection and make necessary rectification accordingly. The competent administration for market regulation will organize and conduct inspections on the platforms' rectification results. If the platforms are found to conduct illegal activities including forcing the implementation of "choose one" among them and their competitors, abusing dominant market position, infringing consumers rights and interests, etc., they will be imposed with more severe penalties in accordance with the laws. We have been conducting necessary self-inspection in accordance with such guidance. We cannot guarantee you that we will not be subject to similar or even stricter rectification requests from the governmental authorities or that we will fully comply with all applicable rules and regulations at all times. As a result of the regulators' focus on anti-monopoly and anti-unfair competition compliance and enhanced regulation of platform enterprises, our business practice and expansion strategy may be subject to heightened regulatory scrutiny. In order to comply with existing laws and regulations and new laws and regulations that may be enacted in the future, we may need to devote significant resources and efforts, including restructuring affected businesses and adjusting investment activities, which may adversely affect our business operation, growth prospects and reputation. In addition, we cannot assure you that our efforts are sufficient to comply with the all the applicable laws and regulations on anti-monopoly and anti-unfair competition and the authorities' requirements in all respects. Any anti-monopoly or anti-unfair competition related lawsuit, regulatory investigations or administrative proceedings initiated against us could also result in our being subject to regulatory actions and constraints on our investments and acquisitions, which could include forced termination of any agreements or transactions, required divestitures, limitations on certain pricing and business practices or significant fines. As a result, we may be subject to significant difficulties in operating our current business and pursuing our investment and acquisition strategy.

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

Shareholder claims or regulatory investigation that are common in the United States generally 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 security regulatory authorities of another country or region to implement cross-border supervision and administration, such cooperation with the securities regulatory authorities in the Unities States may not be efficient in the absence of mutual and practical cooperation mechanism. Furthermore, according to Article 177 of the PRC Securities Law, or Article 177, which became effective in March 2020, no overseas securities regulator is allowed to directly conduct investigation or evidence collection activities within the territory of mainland China and without the consent by the Chinese security regulatory authorities and the other competent governmental agencies, no entity or individual may provide documents or materials related to securities business overseas. In addition, the Data Security Law of the PRC and the Personal Information Protection Law of the PRC provide that no entity or individual within the territory of mainland China shall provide any foreign judicial body and law enforcement body with any data or any personal information stored within the territory of mainland China without the approval of the competent PRC governmental authority. While detailed interpretation of or implementation rules under these laws have yet to be promulgated, the inability for an overseas securities regulator to directly conduct investigation or evidence collection activities within China, and restrictions on the provision of documents, materials, data and personal information by entities and individuals in mainland China to an overseas securities regulator, foreign judicial body or foreign law enforcement body may further increase difficulties faced by you in protecting your interests.

Risks Related to Our ADSs

The trading price of our ADSs has been and is likely to continue to be volatile, which could result in substantial losses to investors.

The trading price of our ADSs has been and is likely to continue to be volatile and could fluctuate widely due to multiple factors, some of which are 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. For example, due to the COVID-19 outbreak, the stock market had experienced extreme volatility and circuit breakers have repeatedly halted trading in all U.S. stocks. In addition to market and industry factors, the price and trading volume for our ADSs may be highly volatile for factors specific to our own operations, including the following:

- variations in our revenues, earnings, cash flow and data related to our user base or user engagement;
- announcements of new investments, acquisitions, strategic partnerships or joint ventures by us or our competitors;
- announcements of new service offerings and expansions by us or our competitors;
- announcements of new laws and regulations or interpretations of existing laws and regulations that affect our business;
- changes in financial estimates by securities analysts;
- detrimental adverse publicity about us, our services or our industry;
- additions or departures of key personnel;
- release of lock-up or other transfer restrictions on our outstanding equity securities or sales of additional equity securities; and
- actual or potential litigation or regulatory investigations.

Any of these factors may result in large and sudden changes in the volume and price at which our ADSs will trade.

In the past, shareholders of public companies have often brought securities class action suits against those companies following periods of instability in the market price of their securities. If we were involved in a class action suit, it could divert a significant amount of our management's attention and other resources from our business and operations and require us to incur significant expenses to defend the suit, which could harm our results of operations. Any such class action suit, whether or not successful, could harm our reputation and restrict our ability to raise capital in the future. In addition, if a claim is successfully made against us, we may be required to pay significant damages, which could have a material adverse effect on our financial condition and results of operations.

We cannot guarantee 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 May 7, 2021, our board of directors authorized a share repurchase program, or the 2021 Share Repurchase Program, under which we are authorized to repurchase up to US$70 million of our ADSs or ordinary shares through May 6, 2022. On November 18, 2022, our board of directors authorized a share repurchase program, or the 2022 Share Repurchase Program, under which we are authorized to repurchase up to an aggregate value of US$15 million of our shares (including in the form of ADS) during the 12-month period beginning from November 18, 2022. On January 3, 2023, our board of directors authorized an adjustment to the previously adopted 2022 Share Repurchase Program, increasing the aggregate value of shares (including in the form of ADS) that we may repurchase under the program from US$15 million to US$25 million to demonstrate our confidence in long-term prospects. During the term of the 2022 Share Repurchase Program and the 2021 Share Repurchase Program, we in aggregate purchased approximately 13.3 million ADSs, representing 10.3 million of our Class A ordinary shares. On March 18, 2024, our board of directors authorized a share repurchase program, or the 2024 Share Repurchase Program, under which we may repurchase up to an aggregate value of US$25 million of our ADSs or ordinary shares over the 12-month period beginning from March 22, 2024. As of December 31, 2024, we accumulatively repurchased approximately 2.6 million ADSs, representing 2.0 million of our Class A ordinary shares under this share repurchase program. On March 21, 2025, our board of directors authorized the extension of the 2024 Share Repurchase Program for an additional 12-month period through March 31, 2026.

Our board of directors also has the discretion to 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. 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. Furthermore, share repurchases could diminish our cash reserves.

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 ordinary shares consist of Class A ordinary shares and Class B ordinary shares. 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 thirty 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 sale, transfer, assignment or disposition of any Class B ordinary share by a holder thereof to any person who is not the Founder or an Affiliate of the Founder (as such terms are defined in our currently effective articles of association), such Class B ordinary share shall be automatically and immediately converted into one Class A ordinary share.

Mr. Xing Jin, our co-founder, chairman of the board of directors and chief executive officer, beneficially owned all of our issued Class B ordinary shares as of February 28, 2025. These Class B ordinary shares constitute 15.5% of our total issued and outstanding share capital and 84.6% of the aggregate voting power of our total issued and outstanding share capital 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. Jin has considerable influence over matters such as decisions regarding mergers and consolidations, election of directors and other significant corporate actions, and may take actions that are not in the best interest of us or our other shareholders. This concentrated control limits 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.

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 a substantial majority 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 SEC enforcement actions.

We had been and may in the future be the subject of unfavorable allegations made by short sellers. On May 6, 2021. Blue Orca Capital issued a short seller report on us, causing anxiety and market disturbance, leading to abnormal share price movements. Any such allegations in the future may be followed by periods of instability in the market price of our ordinary shares and ADSs and negative publicity. If and when we 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 resource to investigate such allegations and 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 federal or 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 shareholder’s equity, and the value of any investment in our ADSs could be greatly diminished.

If securities or industry analysts do not publish research or publish inaccurate or unfavorable research about our business, the market price for our ADSs and trading volume could decline.

The trading market for our ADSs will depend in part on the research and reports that securities or industry analysts publish about us or our business. If research analysts do not maintain adequate research coverage or if one or more of the analysts who cover us downgrade our ADSs, the market price for our ADSs would likely decline. If one or more of these analysts cease coverage of our company or fail to publish reports on us regularly, we could lose visibility in the financial markets, which in turn could cause the market price of or trading volume for our ADSs to decline.

The sale or availability for sale of substantial amounts of our ADSs could adversely affect their market price.

Sales of substantial amounts of our ADSs in the public market, or the perception that these sales could occur, could adversely affect the market price of our ADSs and could materially impair our ability to raise capital through equity offerings in the future. We cannot predict what effect, if any, market sales of securities held by our significant shareholders or any other shareholder or the availability of these securities for future sale will have on the market price of our ADSs.

You should primarily rely on the price appreciation of our ADSs for return on your investment.

Our board of directors has complete discretion as to whether to distribute dividends. In addition, our shareholders may by ordinary resolution declare a dividend, but no dividend may exceed the amount recommended by our board of directors. In either case, 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, 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 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.

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

Our currently effective memorandum and articles of association contain provisions which could 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 ordinary shares, in the form of ADS or otherwise. 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 our ADSs may fall and the voting and other rights of the holders of our ordinary shares and ADSs may be materially and adversely affected.

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 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 owed 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 owed to us under Cayman Islands law are not as clearly established as they would be under statutes or judicial precedent 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. Our directors have discretion under our currently effective 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 our management, members of our board of directors or our controlling shareholders than they would as public shareholders of a company incorporated in the United States. For a discussion of significant differences between the provisions of the Companies Act of the Cayman Islands and the laws applicable to companies incorporated in the United States and their shareholders.

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

We are a Cayman Islands exempted company, and substantially all of our assets are located outside of the United States. Substantially all of our current operations are 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.

The depositary for our ADSs will give us a discretionary proxy to vote our Class A ordinary shares underlying your ADSs if you do not vote at shareholders' meetings, except under limited circumstances, which could adversely affect your interests.

Under the deposit agreement for the ADSs, if you do not give instructions for voting the Class A ordinary shares underlying your ADSs, the depositary will give us a discretionary proxy to vote those Class A ordinary shares at the shareholders' meeting if:

- we have timely instructed the depositary to disseminate a notice of meeting and provided the depositary with a notice of meeting and related voting materials;
- we have instructed the depositary that we wish a discretionary proxy to be given;
- we have informed the depositary that as of the instruction date we reasonably don't know of any substantial opposition as to a matter to be voted on at the meeting; and
- a matter to be voted on at the meeting would not have a material adverse impact on shareholders' interests.

The effect of this discretionary proxy is that you cannot prevent our Class A ordinary shares underlying your ADSs from being voted at the shareholder meeting if the circumstances described above are met. This may make it more difficult for shareholders to influence the management of our company. Holders of our ordinary shares are not subject to this discretionary proxy.

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 federal or state courts in the City of New York have exclusive jurisdiction to hear and determine claims arising under the deposit agreement 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 Class A 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 U.S. state and federal law. To our knowledge, the enforceability of a contractual pre-dispute jury trial waiver in connection with claims arising under the U.S. 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 waived 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 U.S. 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 and/or the depositary. If a lawsuit is brought against us and/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 serves as a waiver by any holder or beneficial owner of ADSs or by us or the depositary of compliance with any substantive provision of the U.S. federal securities laws and the rules and regulations promulgated thereunder.

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 how the Class A ordinary shares which are represented by your ADSs are voted.

Holders of ADSs do not have the same rights as our registered shareholders. As a holder of our 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 which are carried by the underlying Class A ordinary shares represented by your ADSs indirectly by giving voting instructions to the depositary in accordance with the provisions of the deposit agreement. Under the deposit agreement, you may vote only by giving voting instructions to the depositary. If we instruct the depositary to ask for your instructions, then upon receipt of your voting instructions, the depositary will try, as far as is practicable, to vote the underlying Class A ordinary shares which are represented by your ADSs in accordance with your instructions. If we do not instruct the depositary to ask for your instructions, the depositary may still vote in accordance with instructions you give, but it is not required to do so. You will not be able to directly exercise your right to vote with respect to the underlying Class A ordinary shares represented by your ADSs unless you withdraw the shares and become the registered holder of such shares prior to the record date for the general meeting.

Under our currently effective memorandum and articles of association, the minimum notice period required to be given by our company to our registered shareholders to convene a general meeting will be ten days. When a general meeting is convened, you may not receive sufficient advance notice of the meeting to withdraw the Class A ordinary shares underlying 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 Class A ordinary shares underlying your ADSs and 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. If we ask for your instructions, the depositary will notify you of the upcoming vote and will arrange to deliver our voting materials to you. We have agreed to give the depositary at least 30 days' prior notice of shareholder meetings. Nevertheless, 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 Class A ordinary shares underlying your ADSs are voted and you may have no legal remedy if the Class A ordinary shares underlying your ADSs are not voted as you requested.

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 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 our 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.

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 United States domestic public companies.

Because we are 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: (i) the rules under the Exchange Act requiring the filing of quarterly reports on Form 10-Q or current reports on Form 8-K with the SEC; (ii) the sections of the Exchange Act regulating the solicitation of proxies, consents, or authorizations in respect of a security registered under the Exchange Act; (iii) the sections of the Exchange Act requiring insiders 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; (iv) the selective disclosure rules by issuers of material nonpublic information under Regulation FD, and (v) certain audit committee independence requirements in Rule 10A-3 of the Exchange Act.

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 publish our results on a quarterly basis through press releases, distributed pursuant to the rules and regulations of Nasdaq Stock Market LLC. 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, which would be made available to you, were you investing in a U.S. domestic issuer.

As an exempted 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 Nasdaq corporate governance listing standards; these practices may afford less protection to shareholders than they would enjoy if we comply fully with the Nasdaq corporate governance listing standards.

As a Cayman Islands exempted company listed on Nasdaq Stock Market LLC, we are subject to the Nasdaq corporate governance listing standards. However, Nasdaq Stock Market LLC 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 Nasdaq Stock Market corporate governance listing standards. For example, Nasdaq Rule 5620 requires each issuer to hold an annual meeting of shareholders no later than one year after the end of the issuer's fiscal year-end. However, Nasdaq Rule 5615(a)(3) permits foreign private issuers like us to follow "home country practice" in certain corporate governance matters. We followed home country practice and did not hold an annual meeting of shareholders in 2024. In addition, in lieu of the requirements of Rule 5635(c) of the Nasdaq Rules that shareholder approval be required prior to the issuance of securities when a stock option or purchase plan is to be established or materially amended or other equity compensation arrangement made or materially amended, pursuant to which stock may be acquired by officers, directors, employees, or consultants, we elected to follow our home country practices with respect to the adoption of the 2021 Plan and the 2023 Plan. We may continue to rely on these or other exemptions in the future, and our shareholders may be afforded less protection than shareholders of companies that are subject to these corporate governance requirements as a result.

We are a "controlled company" within the meaning of the Nasdaq Stock Market Rules and, as a result, can 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 Nasdaq Stock Market Rules because Mr. Xing Jin, our co-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 currently rely, on certain exemptions from corporate governance rules, including an exemption from the rule that a majority of our board of directors must be independent directors.

Currently, the majority of the members of our board of directors are not independent directors. As a result, you will not have the same protection afforded to shareholders of companies that are subject to these corporate governance requirements.

We believe that we were a passive foreign investment company for the taxable year ended December 31, 2024, which could result in adverse U.S. federal income tax consequences to U.S. investors owning our ADSs.

We will be classified as a passive foreign investment company, or PFIC, for U.S. federal income tax purposes for any taxable year if either (i) 75% or more of our gross income for such year consists of certain types of "passive" income or (ii) 50% or more of the value of our assets (generally determined on the basis of a quarterly average) during such year produce or are held for the production of passive income. A non-U.S. corporation that directly or indirectly owns at least 25% by value of the shares of another corporation is treated as holding and receiving directly its proportionate share of assets and income of such corporation. Although the law in this regard is unclear, we treat the VIEs (and their subsidiaries) as being owned by us for U.S. federal income tax purposes because we control their management decisions and are entitled to substantially all of the economic benefits associated with them, and, as a result, we consolidate their results of operations in our consolidated U.S. GAAP financial statements.

Based on our analysis of the nature and composition of our income and assets (including the significant amount of cash, deposits and investments), and the market price of our ADSs, we believe that we were a PFIC for United States federal income tax purposes for the taxable year ended December 31, 2024, and we will likely be a PFIC for the current taxable year unless the market price of our ADSs increases and/or we invest a substantial amount of the cash and other passive assets we hold in assets that produce or are held for the production of active income.

If we are a PFIC for any taxable year during which a U.S. Holder (as defined in Taxation-U.S. Federal Income Tax Considerations) holds ADSs, certain adverse United States federal income tax consequences could apply to such U.S. Holder. See "Item 10. Additional Information—E. Taxation—U.S. Federal Income Tax Considerations—Passive Foreign Investment Company Considerations."

If we are deemed to be an investment company under the Investment Company Act of 1940, applicable restrictions could have a material adverse effect on our business and the price of our ADSs and ordinary shares.

We are not an "investment company" and do not intend to become registered as an "investment company" under the Investment Company Act of 1940, because our primary business is a one-stop aesthetic platform offering online information and reservation services, treatment at branded centers, and medical product development and distribution.

Generally, a company is an "investment company" if it is or holds itself out as being engaged primarily in the business of investing, reinvesting or trading in securities or owns or proposes to own investment securities having a value exceeding 40% of the value of its total assets (exclusive of U.S. government securities and cash items) on an unconsolidated basis, unless an exception, exemption or safe harbor applies. As a foreign private issuer, we would not be eligible to register under the Investment Company Act of 1940, and if a sufficient amount of our assets are deemed to be "investment securities" within the meaning of the act, we would either have to obtain exemptive relief from the SEC, modify our contractual rights or dispose of investments in order to fall outside the definition of an investment company. Additionally, we may have to forego potential future acquisitions of interests in companies that may be deemed to be investment securities within the meaning of the act. Failure to avoid being deemed an investment company under the act coupled with our inability as a foreign private issuer to register under the act could make us unable to comply with our reporting obligations as a public company in the United States and lead to our being delisted from Nasdaq, which would have a material adverse effect on the liquidity and value of our ADSs and ordinary shares.

We may not be able to satisfy the continued listing requirements of the Nasdaq Capital Market in order to maintain the listing of our ADSs.

On August 28, 2024, we received a notification letter from the staff of the Listing Qualifications Department of The Nasdaq Stock Market LLC, indicating that for the last 30 consecutive business days, the closing bid price of our ADSs was below the minimum bid price of US$1.00 per share requirement set forth in Nasdaq Listing Rule 5450(a)(1) (the "Minimum Bid Price Requirement"). We were provided with a compliance period of 180 calendar days, or until February 24, 2025, to regain compliance under the Nasdaq Listing Rules. However, we did not regain compliance with the Minimum Bid Price Requirement within the compliance period and filed a transfer application to transfer from The Nasdaq Global Market to The Nasdaq Capital Market on February 11, 2025. Nasdaq approved the transfer on February 25, 2025 and granted us an extended period of 180 calendar, or until August 25, 2025 to regain compliance with the Nasdaq's Minimum Bid Price Requirement. The transfer took effect on February 27, 2025.

There can be no assurance that the closing bid price of our ADSs will increase back or above $1.00 in the future. If we fail to satisfy any of Nasdaq's continued listing requirements, Nasdaq may take steps to delist our ADSs, which could have a materially adverse effect on our ability to raise additional funds as well as the price and liquidity of our ADSs.

ITEM 4. INFORMATION ON THE COMPANY

A. History and Development of the Company

We commenced our operations in November 2013 through Beijing So-Young Technology Co., Ltd., or Beijing So-Young, a limited liability company established under the laws of mainland China, to provide medical aesthetic information.

In April 2014, we incorporated So-Young International Inc., or So-Young Cayman, in the Cayman Islands as our holding company. In May 2014, So-Young Cayman established a wholly owned subsidiary, So-Young Hong Kong Limited, in Hong Kong, which in turn established So-Young Wanwei Technology Consulting Co., Ltd., or Beijing Wanwei, a wholly owned subsidiary in mainland China in July 2014.

In September 2019, we incorporated Beijing Chiyan Medical Beauty Consulting, Ltd., or Beijing Chiyan, a limited liability company established under the laws of mainland China, to provide medical aesthetic consulting services. Due to the restrictions imposed by laws and regulations of mainland China on foreign ownership of companies engaged in value-added telecommunication services and certain other businesses, Beijing Wanwei entered into a series of contractual arrangements, as amended and restated, with Beijing So-Young, Beijing Chiyan and their respective shareholders, through which we obtained control over Beijing So-Young, Beijing Chiyan and their subsidiaries. As a result, we are regarded as the primary beneficiary of Beijing So-Young, Beijing Chiyan and their subsidiaries. We treat them as the consolidated affiliated entities under U.S. GAAP, and have consolidated the financial results of these entities in the consolidated financial statements in accordance with U.S. GAAP. We refer to Beijing Wanwei as our wholly foreign owned entity, or WFOE, and to Beijing So-Young and Beijing Chiyan as our variable interest entities, or VIEs, in this annual report.

On May 2, 2019, the ADSs representing our Class A ordinary shares commenced trading on Nasdaq under the symbol "SY." We raised from our initial public offering US$187.5 million in net proceeds after deducting underwriting commissions and discounts and the offering expenses payable by us.

On June 28, 2021, we entered into definitive agreements with Wuhan Miracle and shareholders of Wuhan Zeqi Technology Co., Ltd. ("Wuhan Zeqi"), a shareholder of Wuhan Miracle, to acquire controlling interest in Wuhan Miracle for a total consideration of RMB 791 million. The transaction was completed on July 22, 2021.

On November 22, 2021, we received a preliminary non-binding proposal letter from Mr. Xing Jin, our co-founder and chairman of the board of directors and chief executive officer, to acquire all of our outstanding Class A ordinary shares that are not already owned by Mr. Jin and his affiliates for a purchase price of US$5.30 per ADS, or US$6.89 per Class A ordinary share, in cash. On November 22, 2021, our board of directors formed a special committee consisting of three independent directors to evaluate and consider the letter. The special committee has retained Duff & Phelps, LLC as its independent financial advisor and Gibson, Dunn & Crutcher LLP as its U.S. legal counsel to assist it in this process.

On October 21, 2022, the special committee of our board of directors received a letter from Mr. Xing Jin, stating that Mr. Jin would withdraw the non-binding going private proposal dated November 22, 2021, with immediate effect.

In May 2023, leveraging our strong brand and market presence, we entered the offline space by launching our branded aesthetic centers.

On November 13, 2023, we announced that our subsidiary Wuhan Miracle has submitted the application documents for its potential initial public offering, or the IPO and listing on the Beijing Stock Exchange. Wuhan Miracle withdrew such application on December 23, 2024.

On August 28, 2024, we received a notification letter from the staff of the Listing Qualifications Department of The Nasdaq Stock Market LLC, indicating that for the last 30 consecutive business days, the closing bid price of our ADSs was below the minimum bid price of US$1.00 per share requirement set forth in Nasdaq Listing Rule 5450(a)(1). We were provided with a compliance period of 180 calendar days, or until February 24, 2025, to regain compliance under the Nasdaq Listing Rules. On February 11, 2025, we filed a transfer application to transfer from The Nasdaq Global Market to The Nasdaq Capital Market on February 11, 2025. Nasdaq approved the transfer on February 25, 2025 and granted us an extended period of 180 calendar, or until August 25, 2025 to regain compliance with the Nasdaq's Minimum Bid Price Requirement. The transfer took effect on February 27, 2025.

Our principal executive offices are located at 2/F, East Tower, Poly Plaza, No. 66 Xiangbin Road, Chaoyang District, Beijing, 100012, People's Republic of China. Our telephone number at this address is +86 10 8790 2012. Our registered office in the Cayman Islands is located at Maples Corporate Services Limited, PO Box 309, Ugland House, Grand Cayman, KY1-1104, Cayman Islands. Our agent for service of process in the United States is Puglisi & Associates, located at 850 Library Avenue, Suite 204, Newark, Delaware 19711.

SEC maintains an internet site that contains reports, proxy and information statements, and other information regarding issuers that file electronically with the SEC on www.sec.gov. You can also find information on our website *http://ir.soyoung.com.* The information contained on our website is not a part of this annual report.

B. Business Overview

Overview

So-Young is a consumer-centric platform revolutionizing the way consumers access and experience aesthetic treatments. Today, aesthetic care is an integral part of modern beauty and wellness, supporting individuals to maintain active, healthy lifestyles. With a focus on revitalization and anti-aging, recurring non-surgical treatments help consumers enhance a youthful glow and build confidence and vitality. We believe the benefits run deeper than skin and appearance: regular care creates a sustainable, upward cycle of self-maintenance, reinforcing a sense of control and confidence and contributing to overall life satisfaction.

As a digital-native pioneer, So-Young combines innovation with a commitment to making high-quality, non-surgical medical aesthetics accessible and affordable for everyone. We make aesthetic treatments a natural part of self-care, helping consumers integrate periodic treatments into their routines to support individual goals and long-term improvements. We center our strategy and market differentiation around five pillars: a trusted brand, digital-first solutions, value-for-money treatments built to scale, an omnichannel experience and delivery excellence.

- ***Trusted brand.*** Building trust is at the core of So-Young's mission. We provide a reliable, transparent platform that simplifies the exploration and access to aesthetic treatments, offering detailed, accurate information about treatments, practitioners and outcomes. By bridging online discovery with offline care, we significantly streamline the process of search and delivery, making aesthetic treatments a natural, integral part of life for those seeking care and improvement.

- ***Digital-first solutions.*** So-Young carries a deep tech DNA rooted in its foundation as a digitally native platform. Proprietary algorithms and full-stack digital tools enable precise matching between consumers and aesthetic practitioners and streamline the entire treatment process from appointment scheduling to purchasing and follow-up care.

- ***Value-for-money treatments built to scale***. So-Young aesthetic centers deliver high-quality treatments at competitive prices through standardized protocols and a structured service model. By leveraging our supply chain advantages, we keep costs low without compromising service standards. High consumer volume at each center lowers marketing expenses and maximizes space efficiency, making treatments more affordable while strengthening unit economics and supporting the scalable growth of our centers.

- ***Omnichannel experience***. So-Young connects digital convenience with high-quality in-person care through its integrated platform. Consumers benefit from features such as virtual consultations for assessments and follow-ups, efficient online reservation systems and active engagement through social media, and our network of branded aesthetic centers provides hands-on treatments in a smooth, effortless transition from online to offline.

- ***Delivery excellence***. So-Young places a strong emphasis on clinical quality and reliability. Care accessed through the platform are grounded in evidence-based clinical guidelines and are performed by carefully vetted aesthetic practitioners. With oversight from our expert advisory board, we maintain stringent standards to deliver safe, effective and consistent care, which instill confidence in our consumers in every aspect of their treatment journey, whether online or in the center.

Initially launched as a digital information hub linking consumers with aesthetic practitioners, So-Young has evolved into a full-service, vertically integrated aesthetic platform. So-Young today encompasses three interconnected components: (i) an online platform which curates a broad range of aesthetic treatment information and facilitates online reservations; (ii) a network of branded aesthetic centers where consumers receive high-quality treatments directly under our care; and (iii) the development, production and distribution of non-surgical medical aesthetic products such as optoelectronic medical equipment and injectable products. By bringing these components into a unified, closed-loop platform, So-Young offers an end-to-end solution that supports consumers throughout their treatment journey, making it the first one-stop platform of its kind in the industry.

To date, consumers could access our services via mobile app, Weixin mini program and website, including approximately 1.0 million private domain consumers who benefit from direct and frequent interactions supported by our in-house coverage and support. The number of verified paid visits reached approximately 69,000 for the year ended December 31, 2024, representing a significant increase from approximately 4,800 in the year ended December 31, 2023. The number of verified paid aesthetic treatments was approximately 141,000 in 2024, as compared to approximately 7,000 in 2023. Embracing our digitally native, one-stop solutions, consumers drive our organic growth through word of mouth and user-generated content. Our strong brand recognition, digital reach, affordable treatments and efficient supply chain work together to build lasting consumer trust and satisfaction. These strengths attract a steady flow of high-value consumers while keeping customer acquisition costs low.

Our Path of Evolution

So-Young is a consumer-centric medical aesthetic platform that evolves alongside the changing needs of its audience. Over the years, So-Young has grown into an all-in-one platform for aesthetic treatments, progressing through three key phases of development:

- ***So-Young 1.0***. Launched in November 2013, So-Young began as a digital platform where consumers could access trustworthy information and share their experiences. The vibrant community empowered consumers to make informed choices and facilitated offline treatment reservations with aesthetic practitioners.

- ***So-Young 2.0***. In July 2021, we advanced toward vertical integration with the acquisition of a controlling interest in Wuhan Miracle, which enabled us to expand into the development, production and distribution of laser and optoelectronic equipment. We also introduced injectable products sourced from a robust network of qualified suppliers, making them available through offline channels.

- ***So-Young 3.0***. In May 2023, leveraging our strong brand and market presence, we entered the offline space by launching our branded aesthetic centers. Our three-pronged business model—combining an online platform, a network of aesthetic centers, and supply chain services—creates an end-to-end solution for standardized, non-surgical aesthetic treatments that make high-quality aesthetic care more accessible, affordable and efficient.

With a trusted reputation, strong partnerships with aesthetic practitioners and leadership in the medical aesthetics industry, So-Young closes the gap between online engagement and offline care delivery. By translating digital trust into tangible, accessible services, we create a more connected, informed and satisfying experience for consumers seeking aesthetic treatments.

Our Business Model

Our Online Platform

Our online platform operates across multiple access points, including mobile app, Weixin mini program, and *soyoung.com* website, where both consumers and aesthetic practitioners can access to rich media content, an engaging social community and a transparent reservation system. For aesthetic practitioners, we have developed an operational dashboard on *soyoung.com* to improve the efficiency and effectiveness of their business operations.

The platform supports every step of the consumer's treatment journey, offering features such as access to medical aesthetic knowledge, community support and reservation options for aesthetic procedures. It also includes a messaging system for direct communication with aesthetic practitioners and institutions, a dashboard for managing orders and interactions, and a vast knowledge base for those researching medical aesthetic options. These features work together to create an intuitive and engaging experience across all access points, guiding consumers toward informed decisions about their aesthetic care.

Our vibrant and trustworthy social community enables consumers to discover the latest aesthetic treatment trends and helps them make purchase decisions. Personal experiences shared by individuals who have undergone aesthetic treatments build confidence for others considering similar procedures. We also encourage consumers to rate, review and share their treatment experiences, fostering an environment where trust and transparency thrive. We believe the user-generated content, ratings and reviews on our platform incentivize aesthetic practitioners to offer high-quality and diversified treatment with transparent pricing.

Our Aesthetic Center Network

Our branded aesthetic centers extend the reach of our digital platform, combining the convenience of online engagement with the care of in-person aesthetic and anti-aging treatments. By focusing on consistency, affordability, convenience and intelligence, we empower consumers to confidently explore treatments that align with their individual goals.

We make high-quality aesthetic care within reach for a broader audience through cost optimization, refined treatment protocols and standardized service delivery. Our aesthetic centers are anchored by the following key strengths:

- ***Standardized treatments consumers can trust***. So-Young aesthetic centers deliver consistent service standards across all locations within our network. Our team includes highly skilled physicians, including leading specialists from major public hospitals and seasoned experts in medical aesthetics. We implement standardized treatment protocols and provide ongoing training to keep our practitioners at the forefront of the field. With over 350 service standards in place, we guide every step of the treatment process from initial consultation to post-treatment care. Whether visiting a center in Beijing, Shenzhen or any other city, consumers can expect consistent, reliable clinical results regardless of such consumer's choice of practitioner or location.

- ***Affordable access to comprehensive care***. Our centers offer a wide range of treatments, from non-invasive to minimally invasive procedures, catering to diverse consumer goals such as skin rejuvenation and facial contouring. Supported by our robust supply chain capabilities, centralized procurement and operational efficiency, we provide high-value treatments with highly competitive prices. Our cost optimization strategies allow consumers to receive multiple treatments at prices well below traditional options, making premium aesthetic care more accessible.

- ***Thoughtful care within reach***. Our centers are strategically located in prime urban commercial areas to provide a curated collection of aesthetic treatments. Situated within a ten-kilometer radius of most consumers' homes, these centers ensure that quality care is always close at hand. The spaces feature a blend of modern, minimalist design and warm, inviting touches, creating a professional yet welcoming atmosphere that supports consumer comfort and confidence.

- ***Tech-driven care delivery***. So-Young aesthetic centers leverage IoT and AI technologies to create a well-coordinated system that optimizes the use of treatment rooms, devices and personnel in real time. Before beginning aesthetic treatments, consumers undergo a smart skin analysis that generates personalized treatment plans based on their individual skin conditions and needs. With the mobile app and Weixin mini program of So-Young aesthetic centers, consumers can explore treatment options with transparent details about pricing, discounts and service popularity, empowering them to make informed, confident decisions about their care. Scheduling appointments and completing purchases is quick and intuitive, allowing treatments to be served at nearby centers in moments. Our wearable wristbands assist in accurately tracking the duration of each treatment session, facilitating efficient treatment flow management and improving overall operational efficiency by minimizing wait times.

Images of the storefront and reception area, wating area, cleansing station and procedure room at So-Young Aesthetic Centers

As of December 31, 2024, customer satisfaction reached 4.98 out of 5, based on feedback collected through our own in-house surveys. These metrics reflect the strong growth and operational efficiency of our aesthetic center network, as well as our commitment to delivering high-quality care and an exceptional consumer experience.

Since opening our first So-Young aesthetic center in May 2023 and as of December 31, 2024, we have expanded to a network of 19 aesthetic centers across nine major cities, including Beijing, Shanghai, Guangzhou, Shenzhen, Hangzhou, Wuhan, Changsha, Chongqing and Chengdu. The rapidly growing network, combined with our strong digital presence, offers a unique combination of efficiency, trust and high-quality care, setting new standards in the medical aesthetics industry.

Our Supply Chain

Our strong supply chain forms the bedrock of our operations, driving the efficient and cost-effective delivery of high-quality medical aesthetic products and services. Through Wuhan Miracle, we engage in the development, production and distribution of a diverse range of medical aesthetic devices. Our portfolio includes cutting-edge laser and optoelectronic equipment, such as light therapy devices, surgical lasers, and specialized tools used in dermatology, urology and ophthalmology. With over 150 patents and more than 20 medical device registration certificates, Wuhan Miracle has earned recognition as a "Little Giant," a prestigious designation for innovative, high-performing small and medium-sized enterprises in specialized fields.

We work closely with over 1,200 institutions, managing product commercialization, distribution, marketing and professional training. For example, as the exclusive distributor of Elastine in China—a leading Korean brand for hyaluronic acid fillers and thread-lifting products—we address the growing demand in China's mid-to-high-end market for minimally invasive treatments with reliable, world-class injectable products.

Our Value Propositions

Our business model has unique value propositions for its constituents.

For Consumers. We bring together the ease of digital access and the reliability of in-person aesthetic and anti-aging treatments. Our aesthetic centers deliver consistent, high-quality care through standardized protocols and experienced physicians, providing consumers with trusted outcome at any location within our network. Our cost-efficient model makes aesthetic treatments more affordable, allowing more consumers to access a wider range of services. Strategically located in prime urban areas and integrated with smart technology, our centers offer a seamless, efficient consumer experience from quick online booking to minimal wait times and well-coordinated treatments. Our digital platform empowers consumers with transparent information, helping them explore treatment options, compare pricing, and make informed decisions. Once consumers identify suitable options, they can conveniently book treatments through our online reservation system, which also connects them to insurance service referrals for added support. After treatment, consumers can share their experiences through reviews and ratings, contributing to a community-driven feedback system that builds trust and informs others.

For Aesthetic Practitioners. Aesthetic practitioners benefit from greater exposure and credibility through our platform. By attracting a growing base of consumers, supported by rich-media content and a trusted reputation, the platform provides aesthetic practitioners with opportunities to expand their reach. The platform's ratings and reviews promote transparency and encourage practitioners to deliver diverse, high-quality treatments. Practitioners gain additional exposure and improve consumer conversion through features such as online reservation system, which not only facilitates bookings but also provides actionable insights into consumer preferences and emerging market trends. These insights enable aesthetic practitioners to streamline their operations, refine their offerings and align their services with evolving consumer demands. Furthermore, our branded aesthetic center network and involvement in medical aesthetic product development offer practitioners access to advanced technology and new avenues for business growth.

Our business model creates a self-reinforcing cycle that integrates consumers and practitioners. Consumers are drawn to the platform for the convenience of online reservations and the accessibility of high-quality treatments at our branded aesthetic centers. As more consumers use these services, practitioners are incentivized to join, benefiting from increased visibility and opportunities to serve at our aesthetic centers. This expanding network of practitioners expands treatment availability and geographic reach, making the platform even more appealing to consumers. As the ecosystem grows, the collaboration between aesthetic practitioners and our offline aesthetic centers strengthens, driving further consumer trust and sustained platform growth.

Our Offerings

Information and Reservation Services

We leverage our rich user-generated content and an engaged consumer base to offer a diverse range of information services aimed at helping aesthetic practitioners introduce their offerings and expand their clientele. We generally enter into framework supply agreements with our aesthetic practitioners annually based on our standard form. Under the agreements, aesthetic practitioners are required to comply with all relevant laws and regulations, offer attractive treatment prices on our platform, actively resolve complaints and respond to other negative consumer feedback. We also reserve the right to terminate the agreements when the aesthetic practitioner posts exaggerated or false information, relies on expired certifications, engages in illegal conducts or receives serious customer complaints.

Our platform supports practitioners through information display options and branding opportunities, such as short-form video series. Upon joining, practitioners are automatically enrolled in a multi-tiered growth system that evaluates their performance regularly based on indicators such as consumer feedback. Poor performance, often linked to unsatisfactory feedback, can result in a downgrade within the system. This structure incentivizes practitioners to maintain high service standards over time, as higher-tier participants receive exclusive benefits, such as discounts on information service fees and access to premium features such as customized short videos and prominent app display options. The growth system also helps our business development team allocate resources effectively, offering targeted consulting and support to practitioners based on their tiers.

As of December 31, 2022, 2023 and 2024, there were over 14,400, 15,100 and 15,500 aesthetic practitioners on our platform, respectively, including approximately 9,100 aesthetic practitioners and 5,300 other healthcare service providers in 2022, approximately 9,600 aesthetic practitioners and 5,500 other healthcare service providers in 2023 and approximately 9,900 aesthetic practitioners and 5,600 other healthcare service providers in 2024. Other healthcare services that can be reserved through our platform include dermatology, dentistry and orthodontics, physical examinations, gynecology and postnatal care.

Consumers can also reserve aesthetic treatments through our platform, for which we typically charge a reservation fee of approximately 10% or 30% of the total service amount. In 2024, we had over 378 thousand consumers who purchased aesthetic treatment services through our platform.

Our agreements with aesthetic practitioners extend to all services delivered to consumers introduced through our platform, even if such consumers visit the practitioners directly, choose different treatments onsite, add services during their visits, or returns for other treatments later. Aesthetic practitioners log these transactions through their interface on our reservation system to ensure proper fee calculation. To verify reservation service fees, we actively engage with consumers for feedback and encourage them to share ratings and reviews online, which helps validate reported orders. Over time, our penalty and compliance mechanisms have fostered cooperation, making adherence to service agreements a practical and cost-effective choice for practitioners.

Aesthetic Treatment Services

So-Young aesthetic centers offer a diverse range of aesthetic treatments catering to a variety of consumer needs. From non-invasive and minimally invasive procedures, aesthetic treatments typically available at our centers include device-based options such as thread lifts, intense pulsed light, ultrasound facelifts, picosecond lasers and body contouring treatments. Additionally, we provide injectable treatments such as skin boosters, Hyaluronic Acid-based products, Botox, and Type I and Type III collagen.

Our strong supply chain capabilities, centralized procurement and operational efficiency allow us to provide treatments at highly competitive prices, far below the price options available at traditional clinics. Simpler procedures are accessible at affordable rates, and more complex treatments are priced to reflect the level of expertise and resources required. Package deals offer additional value, meeting the needs of consumers seeking a variety of aesthetic solutions.

Consumers can choose from a practitioner team that includes leading specialists from major public hospitals and seasoned experts in medical aesthetics. These practitioners are supported by well-trained nurses and dedicated consultants, collaborating to deliver standardized care at every stage of the treatment process. To maintain consistent quality, we implement uniform treatment protocols across all locations, provide ongoing training for our teams and incorporate consumer feedback to refine our services. Consumer feedback is actively collected to refine and improve our services. Beyond serving consumers, So-Young aesthetic centers contribute to the broader medical aesthetics industry by sharing best practices in operations, product management and customer services to the public, which we believe elevates the overall quality and accessibility of aesthetic treatment services across the sector.

Our integrated digital platform connects online convenience with in-person care, offering consumers an intuitive way to manage their treatment journey. Through the Weixin mini program of So-Young aesthetic centers, consumers can explore treatment options, check pricing, schedule appointments, participate in online consultations and track follow-ups, which reduces wait times and simplifies access to services, creating a more efficient and user-friendly treatment experience. Educational content shared via social media complements this platform, providing valuable insights into available treatments and helping consumers make informed decisions. Within our aesthetic centers, AI and IoT technologies play a vital role by enabling real-time monitoring of rooms, equipment and staff, optimizing resource allocation and improve overall operational efficiency.

Interface of So-Young Aesthetic Center Weixin Mini Program

Revenue from So-Young aesthetic centers consist primarily of service fees for procedures and treatments. We plan to expand our center network to streamline operations and leverage economies of scale through bulk purchasing and resource sharing. By increasing the number of aesthetic centers, we aim to enhance operational efficiency, lower costs, and strengthen our brand presence. A larger network will also provide deeper insights into consumer preferences and emerging trends, enable us to accumulate valuable operational expertise, and improve our ability to secure prime locations.

Sales of Medical Products and Maintenance Services

We have developed and maintained an integrated system of raw material procurement, research and development, production and distribution suitable for our supply chain and sales growth.

Light Therapy and Surgical Laser Devices

Wuhan Miracle provides light therapy device that uses specific wavelengths of light to support the treatment of various medical conditions. The devices utilize the biological effects of different kinds of light to stimulate human bodies' natural healing processes. Light therapy devices are effective for managing skin disorders such as psoriasis, vitiligo, and allergic dermatitis, as well as for applications such as reducing acne scars, removing vascular and pigmented lesions and hair removal. The product range includes excimer laser systems, UV excimer therapy devices, LED and red-light therapy systems, and advanced laser and intense pulsed light technologies, all of which designed to promote natural healing and deliver targeted therapeutic effects.

Wuhan Miracle also provides surgical laser devices and other specialized medical equipment, with a focus on urological, dermatological and aesthetic applications. Our major products include carbon dioxide laser machines, multi-wavelength and semiconductor laser systems for urological treatments, and hydrodynamic-assisted liposuction systems for plastic surgery. Wuhan Miracle also offers pneumatic liquid spray devices for skin cleansing and ophthalmic intense pulsed light systems for managing dry eye conditions.

Injectable Products

We work closely with over 1,200 institutions, managing product commercialization, distribution, marketing and professional training. For example, as the exclusive distributor of Elastine in China—a leading Korean brand for hyaluronic acid fillers and thread-lifting products—we address unmet needs in China's mid-to-high-end market, catering to the rising demand for minimally invasive treatments with reliable, world-class injectable products.

Maintenance Services

Wuhan Miracle provides sales and technical services for spare parts of its products and maintenance services for its equipment users. It covers a wide range of services, including installation, operational training, error reporting, maintenance services and equipment packaging. Wuhan Miracle's technical service department and customer service department have a number of experienced maintenance and technical support professional engineers who have received professional technical trainings. In addition to one-year maintenance, rapid maintenance response and other regular services, they provide customers with free consultation, guidance and testing services to ensure the safety and effectiveness of the products. Wuhan Miracle also organizes consumers to participate in clinical trainings and provides after-sales technical trainings and application support services to help them better understand the product properties. Wuhan Miracle's brand image and customer stickiness flourish on its comprehensive and high-quality service system.

Branding and Marketing

We believe that our rich content and satisfactory consumer experience have contributed to the expansion of our consumer base and the increase in consumer engagement, leading to a strong word-of-mouth effect that strengthens our brand awareness.

We promote our platform and enhance brand awareness through a variety of online and offline marketing and brand promotion activities. We engage passionate and active aesthetic influencers and arrange for them to attend marketing and brand promotion campaigns and produce interesting video and textual professional content on various social media networks. We cooperate with application stores, third-party apps, popular search engines and social media platforms for online and mobile marketing. We also conduct offline marketing primarily in the form of cinema advertising, television commercials, and promotion events.

Sales

We sell medical equipment, including products produced by ourselves and third-party produced products, to offline aesthetic practitioners and hospitals. With Wuhan Miracle, we offer diverse laser and other optoelectronic medical equipment. We also sell medical aesthetic products produced by third-party providers. We have built strong synergies among our product development pipeline, sales team and our online platform.

Manufacturing

We manufacture our medical equipment at our facilities in China.

We purchase both custom and off-the-shelf components from a large number of suppliers and subject them to stringent quality specifications and processes. We work closely with our suppliers to help ensure continuity of supply while maintaining high quality and reliability. Generally, we have been able to obtain adequate supplies of raw materials and components. We purchase the majority of our components and components through purchase orders rather than long-term supply agreements and generally do not maintain large volumes of finished goods relative to our anticipated demand.

Technology and Infrastructure

The success of our business is supported by our strong technological capabilities that enable us to deliver superior experience and increase our operational efficiency. We provide interactive medical aesthetic features and other AI analysis tools, including our "3D try and test" treatment selection, skin texture testing, and eye shape and eyebrow design, as solutions for our growing community of consumer who are looking for effective services and tools to facilitate their decision making. At the same time, these features and tools increase consumers' exposure to highly relatable and relevant information that enriches the overall experience.

Our technology team, coupled with our proprietary artificial intelligence technology and the large volume of data generated and collected on our platform each day, have created opportunities for continued improvements in our technology capabilities, empowering reliability, scalability and flexibility.

As of December 31, 2024, we had a research and development team with 256 employees, including those focusing on technology development to support every aspect of our business operation, those focusing on artificial intelligent algorithm design and development, those focusing on underlying data and technology maintenance, and those focusing on the constant improvement of our existing products and the introduction of new products.

Big Data

We have built a proprietary big data analysis framework on our platform to improve operating efficiencies and consumer satisfaction. We leverage big data analytics and artificial intelligence technologies to enhance the accuracy of consumer behavior predictions and consumer profiling and optimize our operation, targeted content and consumer experience.

The seamless collaboration among our technology and operational teams, together with our big data analytics capability, result in improved operational efficiency for our company and our aesthetic practitioners. Our data engineers are involved in all critical operational areas. They have thorough understanding of the computational needs from different business segments and are therefore capable of providing technological support to address diversified needs in operating our platform.

Security and Data Privacy

We are committed to protecting information of all participants on our platform. We collect personal information and data only with users' prior consent. We do not provide sensitive user data to aesthetic practitioners or other third parties.

We have a security team of engineers and technicians dedicated to protecting the security of our platform. Our back-end proprietary security system is capable of handling malicious attacks each day to safeguard the security of our platform and to protect the privacy of our users and aesthetic practitioners. We back up our user and certain other critical forms of data daily in separate and various secured data back-up systems to minimize the risk of data lost. We encrypt confidential personal information we gather from our platform. To further ensure data security and avoid data leakage, we have established internal protocols under which we grant classified access to confidential personal data to limited employees with strictly defined and layered access authority. We strictly control and manage the use of data within our various teams.

Risk Management and Internal Control

We have adopted and implemented various policies and procedures to ensure rigorous risk management and internal control.

Content Screening and Monitoring

We are committed to complying with laws and regulations on online content. We have invested significant resources in developing advanced content monitoring technologies, policies and procedures.

We maintain content management and review procedures to monitor Beauty Diaries, short-form videos, treatment reviews, featured articles, chat messages and other content on our platform to ensure that we are able to promptly identify content that may be deemed to be inappropriate, in violation of laws, regulations and government policies or infringing upon third-party rights. When any inappropriate or illegal content is identified, we promptly remove the content. We also take further actions to hold relevant content creators accountable when needed.

We have an automated AI-backed screening mechanism that serves as the first layer of defense in our content review system. This system automatically flags and screens out content that duplicates other content, or involve inappropriate or illegal audio, video, comments or texts. Once the content is processed by the automated screening mechanism, our system then extracts the content and sends to our manual content screening team, our second layer of defense, for further review. We have a dedicated team reviewing and handling content on our platform for compliance with applicable laws and regulations and ensuring the quality of our content.

Quality Control

In addition to the strict selection process to ensure qualification of our aesthetic practitioners, we have built a framework in which we constantly monitor the service provided by medical institution, through our online system and on-site visits. We have established a credit score system for aesthetic practitioners where we deduct the score if we find malicious competition, spam orders and ratings, repetitive unsatisfactory user services, or negative media exposure. Lower credit scores result in less exposure and lower ranking on our platform. If we are no longer satisfied with the action of aesthetic practitioners, we may initiate termination process to remove them from our online platform, thereby protecting our brand image and our users.

We have also adopted a series of measures for the quality control of our laser and other optoelectronic medical equipment and medical aesthetic products. Through more than two decades of development and sales of laser and other optoelectronic medical equipment, Wuhan Miracle has established a strong quality control department with experienced technical personnel. It has implemented comprehensive quality procedures, covering a number of operation aspects including material purchase, production procedure, parts assembly, product testing, self-inspection and warehouse management. We also have a system for selecting reliable and quality third-party providers of medical aesthetic products. Our selection process is based on a thorough review of providers, considering their product offering, quality, pricing and reputation, among others.

We have implemented a comprehensive quality control system for offline services as well. All aesthetic practitioners must pass strict onboarding assessments and training before providing services. Medical products are subject to supplier and product qualification checks, including third-party inspections upon warehouse entry and during storage. Our service standards cover the entire consumer journey from pre-visit to post-visit. We gather feedback through reviews, surveys, complaints and anonymous evaluations, and categorize issues for timely and appropriate resolution. To promote accountability, we apply a structured system of penalties and incentives to reduce negative incidents and improve consumer satisfaction.

Competition

The medical aesthetics industry in China is highly competitive and rapidly evolving. Our primary competitors in the industry include (i) leading search engines, (ii) other online medical aesthetic service platforms, (iii) general online e-commerce platforms, (iv) other medical aesthetic products and equipment and (v) other aesthetic centers and clinics.

We compete primarily on the basis of the following factors: (i) the rich and specialized content on aesthetic treatment for our targeted audience; (ii) our ability to seamlessly connect content and consumers with aesthetic practitioners; (iii) the superior decision-making process on our platform; (iv) our large and active user base; (v) pricing of aesthetic treatments that could be reserved on our platform or in aesthetic centers; (vi) our ability to attract and retain aesthetic practitioners; (vii) aesthetic practitioner validation, and treatment quality control; (viii) brand recognition and reputation; (ix) our equipment, product and service quality; (x) our ability to launch new equipment and products; (xi) our expertise and qualifications in providing treatments; (xii) the location and accessibility of our aesthetic centers; (xiii) the effectiveness of our branding and marketing activities; (iv) technological innovation and (v) the experience and expertise of our management team.

Intellectual Property

We regard our trademarks, copyrights, patents, domain names, know-how, proprietary technologies, and similar intellectual property as critical to our success, and we rely on copyright, trademark and patent law in mainland China, as well as confidentiality procedures and contractual provisions with our employees, contractors and others to protect our proprietary rights.

As of December 31, 2024, we own 1,306 registered trademarks, copyrights to 217 software programs developed by us relating to various aspects of our operations, copyrights to 115 literature and art works, 335 issued patents, and 56 registered domain names, including *soyoung.com.*

Insurance

We maintain various insurance policies to safeguard against risks and unexpected events. We currently maintain directors and officers liability insurance, property insurance and public liability insurance. We provide social security insurance including pension insurance, unemployment insurance, work-related injury insurance and medical insurance for our employees. We consider our insurance coverage to be sufficient for our business operations in China.

Regulations

This section sets forth a summary of the most significant rules and regulations that affect our business activities in China or our shareholders' rights to receive dividends and other distributions from us.

Regulations on Value-added Telecommunication Services

On September 25, 2000, the State Council promulgated the Telecommunications Regulations of the PRC, which were amended on July 29, 2014 and February 6, 2016. The regulations are the primary law of mainland China governing telecommunication services and sets out the general regulatory framework for telecommunication services provided by companies in mainland China. The regulations distinguish between "basic telecommunication services" and "value-added telecommunication services." The regulations define value-added telecommunications services as telecommunications and information services provided through public networks. Pursuant to the regulations, commercial operators of value-added telecommunications services must first obtain an operating license from the Ministry of Industry and Information Technology, or the MIIT, or its provincial level counterparts.

The Catalog of Telecommunications Business, which was issued as an attachment to the regulations and updated on February 21, 2003, December 28, 2015 and June 6, 2019, further categorizes value-added telecommunication services into two classes: Class 1 value-added telecommunication services and Class 2 value-added telecommunication services. Internet information services and online data processing and transaction processing services fall within Class 2 value-added telecommunications services, and the provider of Internet information services and online data processing and transaction processing services shall obtain ICP License and EDI Licenses from the MIIT, or its provincial branches, prior to the provision of ICP Services or EDI Services.

On July 3, 2017, the MIIT issued the Measures on the Administration of Telecommunications Business Operating Permits, which became effective on September 1, 2017, to supplement the Telecommunications Regulations of the PRC. These measures set forth the types of licenses required to operate value-added telecommunications services and the qualifications and procedures for obtaining such licenses. The measures also provides that an operator providing value-added telecommunication services in multiple provinces is required to obtain an inter-regional license, whereas an operator providing value-added telecommunication services in one province is required to obtain an intra-provincial license. Any telecommunication services operator must conduct its business in accordance with the specifications in its license.

We engage in business activities that are value-added telecommunication services as defined in the Telecommunications Regulations of the People's Republic of China and the Catalog of Telecommunications Business. To comply with the laws and regulations, Beijing So-Young, the consolidated affiliated entity, has obtained a Value-Added Telecommunications Services Operating License for providing information services via the internet, or the ICP License, which will remain effective until August 20, 2025, and an EDI License which will remain effective until December 7, 2028. Beijing Meifenbao Technology Co., Ltd., a subsidiary of Beijing So-Young, held an ICP License, which expired on April 25, 2023. We ceased to provide the operations permitted under such license after its expiration. See "Item 3. Key Information-D. Risk Factors-Risks Related to Our Business and Industry-Our failure to obtain and maintain approvals, licenses or permits applicable to our business could have a material adverse impact on our business, financial conditions and results of operations."

Regulations on Foreign Investment

The Foreign Investment Catalog

Investments conducted by foreign investors in mainland China are subject to the Catalog of Industries for Encouraging Foreign Investment (2022), and the Special Administrative Measures (Negative List) for Foreign Investment Access (2024), or the Negative List, which were jointly promulgated by the National Development and Reform Commission and the Ministry of Commerce on October 26, 2022 and September 6, 2024, and became effective on January 1, 2023 and November 1, 2024, respectively. The Negative List sets out the special administrative measures stipulated by the State for foreign investment's access to specific areas, pursuant to which foreign investors would not be allowed to make investments in prohibited industries under the Negative List, while foreign investments must satisfy certain conditions stipulated in the Negative List for investment in the fields that are included in the Negative List. According to the Negative List, the proportion of foreign investment in entities engaged in value-added telecommunication services (excluding e-commerce, domestic multi-party communications services, store-and-forward services, and call center services) shall not exceed 50%.

The establishment, operation and management of corporate entities in the PRC is governed by the PRC Company Law, which was latest amended on December 29, 2023 and has taken effect on July 1, 2024. The PRC Company Law governs two types of companies —— limited liability companies and joint stock limited companies. The PRC Company Law shall also apply to foreign invested companies. Where laws on foreign investment have other stipulations, such stipulations shall prevail. The primary amendments in the latest amended PRC Company Law include revisions aimed at improving the company's establishment and exit system, optimizing the company's organizational structure, detailing exercise of shareholder rights, perfecting the company's-capital system and strengthening the responsibilities of controlling shareholders and management-personnel. etc.

Foreign Investment Law

The Foreign Investment Law, promulgated by the National People's Congress on March 15, 2019, has come into effect on January 1, 2020 and has replaced the trio of old laws regulating foreign investment in China, namely, the Sino-foreign Equity Joint Venture Enterprise Law, the Sino-foreign Cooperative Joint Venture Enterprise Law and the Wholly Foreign-invested Enterprise Law, together with their implementation rules and ancillary regulations. The Foreign Investment Law is formulated to further expand opening-up, vigorously promote foreign investment and protect the legitimate rights and interests of foreign investors. According to the Foreign Investment Law, China adopts a system of national treatment plus the Negative List with respect to foreign investment administration, and the Negative List will be issued by, amended or released upon approval by the State Council, from time to time. Foreign investment and domestic investment in industries outside the scope of the Negative List would be treated equally.

According to the Foreign Investment Law, "foreign-invested enterprises" thereof refer to enterprises that are wholly or partly invested by foreign investors and registered within the territory of mainland China under the laws of mainland China, "foreign investment" thereof refer to any foreign investor's direct or indirect investment in mainland China, including: (i) establishing foreign-invested enterprises s in mainland China either individually or jointly with other investors; (ii) obtaining stock shares, stock equity, property shares, other similar interests in domestic enterprises in mainland China; (iii) investing in new projects in mainland China either individually or jointly with other investors; and (iv) making investment through other means provided by laws, administrative regulations, or State Council provisions. According to the Foreign Investment Law, the business forms, structures, and rules of activities of foreign-invested enterprises shall be governed by the Company Law of the People's Republic of China, the Partnership Law of the PRC, and other laws. The existing foreign invested enterprises established prior to the effective of the Foreign Investment Law may keep their corporate forms within five years.

Foreign investors' investment, earnings and other legitimate rights and interests within the territory of China shall be protected in accordance with the law, and all national policies on supporting the development of enterprises shall equally apply to foreign-invested enterprises. Among others, the state guarantees that foreign-invested enterprises participate in the formulation of standards in an equal manner and that foreign-invested enterprises participate in government procurement activities through fair competition in accordance with the law. Further, the state shall not expropriate any foreign investment except under special circumstances. In special circumstances, the state may levy or expropriate the investment of foreign investors in accordance with the law for the needs of the public interest. The expropriation and requisition shall be conducted in accordance with legal procedures and timely and reasonable compensation shall be given. In carrying out business activities, foreign-invested enterprises shall comply with provisions on labor protection.

On December 26, 2019, the State Council issued the Implementation Regulations for the Foreign Investment Law of the PRC, which also became effective on January 1, 2020. Under the regulations, in the event of any discrepancy between provisions or regulations on foreign investment formulated or promulgated prior to January 1, 2020 and the Foreign Investment Law and the regulations, the Foreign Investment Law and the regulations shall prevail. The regulations also indicated that foreign investors that invest in sectors on the Negative List in which foreign investment is restricted shall comply with special management measures with respect to shareholding, senior management personnel and other matters in the Negative List. The Foreign Investment Law and the regulations do not mention the relevant concept and regulatory regime of VIE structures. However, since it is relatively new, uncertainties still exist in relation to its interpretation and implementation. See "Item 3. Key Information-D. Risk Factors-Risks Related to Our Corporate Structure-Uncertainties exist with respect to the interpretation and implementation of the PRC Foreign Investment Law and how it may impact the viability of our current corporate structure, corporate governance and business operations."

On December 30, 2019, the Ministry of Commerce and the State Administration for Market Regulation, or the SAMR, jointly issued the Measures for Reporting of Foreign Investment Information, which came into effect on January 1, 2020 and replaced the Interim Administrative Measures for the Record-filing of the Establishment and Modification of Foreign-invested Enterprises. Since January 1, 2020, for foreign investors carrying out investment activities directly or indirectly in mainland China, foreign investors or foreign-invested enterprises shall submit investment information through the Enterprise Registration System and the National Enterprise Credit Information Publicity System operated by the SAMR. Foreign investors or foreign-invested enterprises shall disclose their investment information by submitting reports for their establishments, modifications and cancellations and their annual reports in accordance with the Measures for Reporting of Foreign Investment Information, and relevant information will be shared by the competent market regulation department to the competent commercial department, and separate report to the commercial department is no longer required.

Regulations on Foreign Investment in the Value-added Telecommunications Industry

Foreign direct investment in telecommunications companies in China is governed by the Provisions on the Administration of Foreign-Invested Telecommunications Enterprises, which were promulgated by the State Council on December 11, 2001 and latest amended on March 29, 2022. These regulations require that foreign-invested value-added telecommunications enterprises in China must be legally established and the ultimate foreign equity ownership in a foreign-invested value-added telecommunication enterprise is subject to a cap of 50%.

On July 13, 2006, the Ministry of Information Industry, the predecessor of the MIIT, issued the Circular on Strengthening the Administration of Foreign Investment in and Operation of Value-added Telecommunications Business, pursuant to which a company in mainland China that holds an ICP License is prohibited from leasing, transferring or selling the ICP License to foreign investors in any form, and from providing any assistance, including resources, sites or facilities, to foreign investors that conduct value-added telecommunications business illegally in China. Moreover, the domain names and registered trademarks used by an operating company providing value-added telecommunications services shall be legally owned by such company and/or its shareholders. In addition, such company's operation premises and equipment must comply with its approved ICP License, and such company must improve its internal internet and information security standards and emergency management procedures.

On June 19, 2015, the MIIT issued the Circular on Loosening the Restrictions on Shareholding by Foreign Investors in Online Data Processing and Transaction Processing Business (for-profit E-commerce), or the Circular 196. The Circular 196 allows a foreign investor to hold 100% of the equity interest in an entity in mainland China that provides online data processing and transaction processing services (for-profit E-commerce). With respect to the applications for a license for on-line data processing and transaction processing businesses (for-profit E-commerce), the requirements for the proportion of foreign equity are governed by this Circular; other requirements and corresponding approval procedures are subject to the Provisions on the Administration of Foreign-Invested Telecommunications Enterprises.

In view of these restrictions on foreign direct investment in value-added telecommunications services and certain other types of businesses under which our business may fall, including internet audio-visual program services and radio/television programs production and operation businesses, we have established various domestic consolidated affiliated entities to engage in value-added telecommunications services. For more information, please see "Item 4. Information on the Company-C. Organizational Structure." Due to the lack of interpretative guidance 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 Related to Our Corporate Structure-If the PRC government finds that the agreements that establish the structure for operating our operations in China do not comply with regulations of mainland China 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." If our current ownership structure is found to be in violation of current or future laws, rules or regulations of mainland China regarding the legality of foreign investment in value-added telecommunications services and other types of businesses in which foreign investment is restricted or prohibited, we could be subject to severe penalties.

Regulations on Internet Content Providers

The Administrative Measures on Internet Information Services, which were promulgated by the State Council on September 25, 2000 and amended on January 8, 2011, set out guidelines on the provision of internet information services. The measures specify that internet information services regarding news, publications, education, medical and health care, pharmacy and medical appliances, among other things, are required to be examined, approved and regulated by the authorities. In December 2019, the Cyberspace Administration of China issued the Provisions on Ecological Governance of the Internet Information Content, which came into effect on March 1, 2020. The Provisions on Ecological Governance of the Internet Information Content further strength the supervision on the platform of Internet information content provider and impose a stricter management requirement on the Internet information providers.

For instance, Internet information providers are prohibited from providing services beyond those included in the scope of their licenses or filings. Furthermore, the above two regulations specify a list of illegal content. Internet information providers are prohibited from producing, copying, publishing or distributing illegal or prohibited information that is humiliating or defamatory to others, or contains obscene, violent, terrorist content or that infringes the legal rights of others. Internet information providers that violate such prohibition may face criminal charges or administrative sanctions, including legal sanctions, suspending our business for rectification, closing our website, revoking the licenses needed to operate our platform, or removing our So-Young mobile app from application stores. See "Item 3. Key Information-D. Risk Factors-Risks Related to Our Business and Industry-We may be held liable for information or content displayed on, retrieved from or linked to our platform, which may materially and adversely affect our business and operating results." Internet information providers must monitor and control the information posted on their websites. If any prohibited content is found, they must remove the content immediately, keep a record of such content and report to the authorities.

The Administrative Measures on Internet Information Services classifies internet information services into commercial internet information services and non-commercial internet information services. Commercial internet information services refer to services that provide information or services to internet users with charge. A provider of commercial internet information services must obtain an ICP License.

Regulations on Advertising

On October 27, 1994, the Standing Committee of the National People's Congress promulgated the Advertising Law, as amended most recently on April 29, 2021. The Advertising Law requires that advertisers, advertising operators, and advertisement publishers shall abide by the laws and administrative regulations, and by the principles of fairness and good faith while engaging in advertising activities. Administrative departments for market regulation at and above the county level are in charge of supervision and administration of advertising.

On July 4, 2016, the State Administration for Industry and Commerce, the predecessor of the State Administration of Market Regulation, promulgated the Interim Measures for the Administration of Internet Advertising, which became effective as of September 1, 2016. The measures set forth further compliance requirements for online advertising business in addition to those in the Advertising Law. On February 25, 2023, the SAMR promulgated the Administrative Measures for Internet Advertising, effective from May 1, 2023, and replace the measures. The measures apply to commercial advertising activities for the direct or indirect promotion of commodities or services within the territory of the People's Republic of China by making use of websites, webpages, internet applications and other internet media in the forms of texts, pictures, audios, videos or other forms. Major additional compliance requirements are: (i) advertisements must be identifiable and marked with the word "advertisement," enabling consumers to distinguish them from non-advertisement content; (ii) publishing advertisements on the Internet through a pop-up page or in other forms shall provide a prominently marked "CLOSE" button to ensure "one-click closure"; (iii) sponsored search results must be clearly distinguished from organic search results; (iv) it is forbidden to send advertisements or advertisement links by email or Internet instant message without the recipient's permission or induce Internet users to click on an advertisement in a deceptive manner; (v) internet information service providers that do not participate in the operation of internet advertisements should stop publishing illegal advertisements if they know or should know that the advertisements are illegal; and (vi) no advertisement of any medical treatment, medicines, foods for special medical purpose, medical apparatuses, pesticides, veterinary medicines, dietary supplements or other special commodities or services which are subject to review by advertisement review authorities as stipulated by laws and regulations shall be released unless it has passed such review. Besides, pursuant to the Interim Measures for the Administration of Internet Advertising, Internet advertisers are prohibited from publishing in disguised form advertisements for medical treatment, drugs, medical devices, health food or formula food for special medical purposes in the form of introducing knowledge on health or health maintenance. For the introduction of knowledge on health and health maintenance, the address, contact details, shopping links and other contents of commodity operators or service providers of relevant medical treatment, drugs, medical devices, health food, or formula food for special medical purposes shall not be presented on the same page or together with such knowledge.

The Administrative Measures on Medical Advertisement, which were jointly promulgated by the State Administration for Industry and Commerce and the National Health and Family Planning Commission of China, the predecessor of the National Health Commission of China, on November 10, 2006 and came into effect on January 1, 2007, require that medical advertisements shall be reviewed by health authorities and obtain a Medical Advertisement Review Certificate before they may be released by a healthcare institution. The Medical Advertisement Review Certificate has an effective term of one year and may be renewed upon application.

The Interim Administrative Measures for Censorship of Advertisements for Drugs, Medical Devices, Dietary Supplements and Foods for Special Medical Purpose, were issued by the SAMR on December 24, 2019, which took effect on March 1, 2020. The measures stipulate the scope of application, contents of advertisement, competent authorities, examination procedures and legal liabilities in respect to advertisements examination of drugs and medical devices with a view to strengthening the supervision and administration of advertisements for drugs and optimizing examination procedure of advertisement for drugs and medical devices.

Pursuant to the measures, the contents of a drug advertisement shall be subject to the drug instructions approved by the medical products administration authority under the State Council, and the contents of a medical device advertisement shall be subject to the registration certificate or record-filing certificate approved by, or the product instructions registered by or filed with the competent medical products administration. Advertisement publishers shall publish advertisements for drugs and medical devices strictly accordance with the contents censored and shall not make any editing, splicing or modification.

In addition, an applicant seeking to advertise its drugs or medical device must apply for an advertising license number. The validity period of a drug advertisement or a medical device advertisement shall be consistent with the validity period of the registration certificate or record-filing certificate or production license of such drugs or medical devices, whichever is the shortest. Where no validity period is set forth in the registration certificate or the record-filing certificate or the production license of the drugs or medical devices, the validity period of such advertisement license number shall be two years. The applicants for drug advertisement license or medical advertisement license must be product registration certificate holder or product record-filing certificate holder or their authorized manufacture enterprise or operation enterprise.

On November 1, 2021, the SAMR enacted the Law Enforcement Guide on Medical Cosmetology Advertising, which indicted that "medical cosmetology advertising" refers to any commercial advertising that directly or indirectly introduces a medical cosmetology institution or medical cosmetology services through certain media or in any form. Market regulatory authorities shall rectify various medical cosmetology advertising chaos according to law and strive to solve problems with great harm and high public concern, with focus on crackdown on the following circumstances: (i) violating good social practices by creating "appearance anxiety"; (ii) advertising any drug or medical device that has not been approved by or filed for record with the drug authority in violation of laws and regulations governing drugs, medical devices, advertising, etc.; (iii) publicizing an y medical treatment item or service item that has not been approved by or filed for record with the health authority; (iv) publicizing the treatment effect or making any promise on the safety and efficacy of treatment; (v) using the name and image of the industry association or any other social community or organization as proof or using the name or image of a patient to compare the effects of treatment before and after treatment or to prove the same; (vi) using an advertising spokesperson to recommend or certify for medical cosmetology, and a so-called "recommendation officer" or "experience officer" appearing in a medical cosmetology treatment advertisement shall be deemed as an advertising spokesperson if he/she uses his/her own name or image to recommend a medical cosmetology treatment; (vii) publishing medical cosmetology treatment advertisings in a disguised form such as introduction of health or youth preservation knowledge, personal interviews, or news reports, etc. (viii) publicizing disease treatment functions relating to medical cosmetology treatment on food, health food, disinfection products or cosmetics; and (ix) other violations of advertising laws and regulations that seriously infringe upon the rights and interests of the people.

See "Item 3. Key Information-D. Risk Factors-Risks Related to Our Business and Industry-Characterization of our business as engaging in medical, drug and/or medical device advertisement distribution in China without proper licenses or permits may have material impacts on our operations."

Regulations on E-commerce

On August 31, 2018, the Standing Committee of the National People's Congress promulgated the PRC E-Commerce Law, which became effective on January 1, 2019. The law establishes the regulatory framework for the e-commerce sector in mainland China for the first time by laying out certain requirements on e-commerce operators, including e-commerce platform operators like us. Pursuant to the law, e-commerce platform operators are required to (i) take necessary actions or report to relevant competent government authorities when such operators notice any illegal production or services provided by merchants on the e-commerce platforms; (ii) verify the identity of the business operators on the platforms, including but not limited to verify the business license, Medical Institution Practicing License, Medical Advertisement Review Certificate, physician qualification certificate, or license of aesthetic medical attending in-charge physician of services provider, as appropriate; (iii) provide identity and tax related information of merchants to local branches of the State Administration for Market Regulation and tax bureaus; or (iv) record and preserve goods and service information and transaction information on the e-commerce platform. The law also specifically stipulates that e-commerce platform operators shall not impose unreasonable restrictions or conditions on the transactions of their business operators on the platforms. According to the law, failures to comply with these requirements may subject the e-commerce platform operators to administrative penalties, fines and/or the suspension of business. In addition, for goods and services provided via e-commerce platforms and pertinent to the life and health of consumers, e-commerce platform operators shall bear relevant responsibilities, which may give rise to civil or criminal liabilities if the consumers suffered damages due to the e-commerce platform operators' failure to duly verify the qualifications or the licenses of the business operators on the platforms or to duly perform their safety protection obligations as required by the PRC E-Commerce Law. For details about medical liabilities that might arise, please refer to "Item 4. Information on the Company-B. Business Overview-Regulations-Regulations on Medical Liabilities."

Regulations on Consumer Protection

On October 31, 1993, the Standing Committee of the National People's Congress promulgated the Law on the Protection of Rights and Interests of Consumers, which was amended on August 27, 2009 and October 25, 2013. Pursuant to the law, business operators must ensure that the commodities they sell satisfy safety requirements, provide consumers with authentic information, and guarantee the quality, function, term of use of the commodities. Failure to comply with the law may subject business operators to liabilities such as refund, returns, repairs, and the payment of damages. If business operators infringe upon the legal rights and interests of consumers, they may be subject to criminal liabilities. The amended Consumer Protection Law launched in October 2013 further enhances consumer protection and intensifies the obligations imposed on online trading platforms and business operators.

The PRC Civil Code, which was promulgated by the National People's Congress on May 28, 2020 and became effective on January 1, 2021, provides that if an online services provider is aware that an online user is engaged in infringing activities but fails to take necessary measures, it shall be held jointly liable. If the online service provider receives any notice from the infringed party on any infringing activities, the online service provider shall take necessary measures, including removing, blocking and unlinking the infringing content, in a timely manner. Otherwise, it shall be held jointly liable with the online user.

In March 2021, the SAMR promulgated the Administrative Measures for Online Trading Supervision, or Online Trading Measures, which became effective on May 1, 2021, to regulate the business of products sale and services provision through the internet, which provides general obligations and responsibilities of online trading operators and online trading platform providers. The State Administration for Industry and Commerce issued the Guidelines for the Performance of Social Responsibilities by Online Trading Platform Operators on May 28, 2014 to regulate online product trading and the relevant services, guide online trading platform operators to actively perform social responsibilities, protect the lawful rights and interests of consumers and business operators, and promote the sustainable and healthy development of the online economy. These guidelines aim at enhancing the social responsibilities of online trading platforms.

Regulations on Medical Liabilities

The PRC Civil Code provides that, if a medical institution or its medical personnel are at fault for damage inflicted on a patient during the course of diagnosis and treatment, the medical institution will be liable for compensation. Medical institutions shall be liable and pay for the damage caused by the failure of the medical personnel to fulfill their statutory obligations in the course of diagnosis and treatment. Medical institutions and their medical personnel shall protect the privacy of their patients and will be subject to tortious liabilities for any damage caused by divulging the patients' private or medical records without their consent.

The Regulations on Handling Medical Incidents, which were promulgated by the State Council on April 4, 2002 and effective on September 1, 2002, provide detailed provisions regarding the prevention, disposition, technical identification, administrative disposition and supervision and compensation of medical incidents. "Medical incident" means an accident caused by a medical institution or its medical personnel resulting in personal injuries to a patient due to faults in medical activities as a result of any violation of the laws, administrative regulations or departmental rules on medical and health administration, or of standards or procedures for diagnosis, cure and nursing. The medical institution and the patient may, through negotiation, settle the disputes on civil liability such as the compensation for medical incidents; if they are unwilling or fail to reach settlement, the parties concerned may apply for mediation to the health administration department, or may directly bring a civil lawsuit in the people's court. The following factors shall be taken into account for determining the actual amount of compensation for medical incidents: the grade of the medical incidents; the extent of responsibility of the medical fault for the injury in the medical incidents; and the relationship between the injury in the medical incidents and the illness of the patient. Where a medical institution produces a medical accident, the health administration department may give the penalty to the medical institution according to the grade of the medical accident and circumstances.

Under the Regulations on Handling Medical Incidents, a medical incident can be classified as four degrees according to the seriousness of personal injuries to patients: (i) first degree medical incident: causing death or heavy disability of a patient, (ii) second degree medical incident: causing medium disability, or organ or tissue damage of a patient, thus resulting in severe dysfunction, (iii) third degree medical incident: causing minor disability, or organ or tissue damage of a patient, thus resulting in common dysfunction, and (iv) fourth degree medical incident: causing other tangible personal injuries to a patient. According to the Interim Measures for Medical Incident Appraisal, liability for medical incidents can be classified into four levels: (i) complete liability: the patient's injuries were entirely attributable to the healthcare provider's fault, (ii) primary liability: the patient's injuries were primarily attributable to the healthcare provider's fault, with other factors playing a secondary role, (iii) secondary liability: the patient's injuries were primarily attributable to other factors, with the healthcare provider's fault playing a secondary role, and (iv) minor liability: the patient's injuries were for the most part attributable to other factors, with the healthcare provider's fault playing a minor role. In practice, medical associations administered by the respective local branch of the National Health and Family Planning Commission of China may also adjudicate peer liability which denotes a 50% liability attributable to the healthcare provider.

Regulations on Payment Services

In June 2010, the People's Bank of China, or PBOC, issued the Administrative Measures for the Payment Services of Non-Financial Institutions, which became effective in September 2010 and amended on April 29, 2020. Under the measures, a non-financial institution must obtain a payment business license, or Payment License, to qualify as a paying institution and provide payment services. The State Council promulgated the Regulations on the Supervision and Administration of Non-bank Payment Institutions, or the Non-bank Payment Institutions Regulations on December 9, 2023, which became effective from May 1, 2024 and replaced the Administrative Measures for the Payment Services of Non-Financial Institutions. According to these regulations, the Non-bank Payment Institution refers to limited liability companies or joint stock limited companies established in accordance with the law within the PBOC, other than banking financial institutions, that has obtained the payment license and engaged in the transfer of currency funds and other payment businesses based on electronic payment instructions submitted by payees or payers. The payment services provided by the non-bank payment institutions are divided into two types based on whether they can receive prepaid funds from payees: stored value account operation and payment transaction processing. The specific classification and supervision rules for stored value account operation and payment transaction processing are formulated by the PBOC.

In November 2017, PBOC published a notice, or the PBOC Notice, on the investigation and administration of illegal offering of settlement services by financial institutions and third-party payment service providers to unlicensed entities. The PBOC Notice intended to prevent unlicensed entities from using licensed payment service providers as a conduit for conducting the unlicensed payment settlement services in order to safeguard fund security and information security.

Regulations on Healthcare Institutions

The Administrative Measures on Healthcare Institutions, which were promulgated on February 26, 1994 by the State Council and effective on September 1, 1994, and were revised on February 6, 2016, and March 29, 2022, and the Implementation Measures of the Administrative Measures on Healthcare Institutions, which were promulgated by the National Health and Family Planning Commission of China on August 29, 1994 and effective on September 1, 1994, stipulate that the establishment of healthcare institutions shall be reviewed and approved by healthcare administrative departments at or above the county level and obtain an Approval Letter of Establishment of Medical Institution. Any entity or individual that intends to establish a healthcare institution must follow the application approval procedures and register with the healthcare administrative authorities to obtain the Medical Institution Practicing License.

Regulations on Aesthetic Medical Services

The Administrative Measures for Aesthetic Medical Services, which were promulgated by the National Health and Family Planning Commission of China on January 22, 2002, effective on May 1, 2002 and amended on February 13, 2009 and January 19, 2016, stipulate that aesthetic medical item shall be classified as a first-level subject, and aesthetic surgery, aesthetic dentistry, aesthetic dermatology and aesthetic Chinese medicine shall be classified as a secondary subject. Medical practitioners of aesthetic medical services shall obtain the qualification license of aesthetic medical attending in-charge physician or provide aesthetic medical clinical services under the supervision of a licensed attending in-charge physician. An aesthetic medical attending in-charge physician shall meet certain requirements and provincial level health authorities shall be responsible for the qualification review of aesthetic medical attending in-charge physicians.

The Classification Catalog of Aesthetic Medical Item, which was promulgated by the National Health and Family Planning Commission of China on December 11, 2009 and effective on the same date, classifies aesthetic medical services into four categories: (i) aesthetic surgery items; (ii) aesthetic dentistry items; (iii) aesthetic dermatological items and (iv) aesthetic Chinese medicine items. Provincial-level counterparts of the commission may adjust the catalog based on local circumstances. In accordance with the difficulty and complexity of the surgery, the possibility of medical malpractice and the level of surgery risk, the aesthetic surgical items are divided into four grades. Surgeries that involve uncomplicated operation processes and less technical difficulty and risk shall be classified as grade 1. Surgeries that involve general complexity of operation processes and certain technical difficulty and risk, as well as requiring the use of epidural space block anesthesia and intravenous anesthesia, shall be classified as grade 2. Surgeries involving relatively high complexity of operation processes and relatively huge technical difficulties and risk, as well as requiring the preoperative blood preparation and tracheal intubation for general anesthesia, shall be classified as grade 3. If highly complicated operation processes are needed and huge technical difficulty and high risk are involved, the surgeries shall be classified as grade 4.

The Basic Standard for Aesthetic Medical Institution and Aesthetic Medical Department (For Trial Implementation), which was promulgated by the National Health and Family Planning Commission of China on April 16, 2002 and effective on the same date, specifies basic standards that aesthetic medical hospitals, aesthetic medical out-patient departments, aesthetic medical clinics and aesthetic medical departments should meet, such as the number of beds, clinical departments and medical personnel.

Regulations on Medical Personnel

On August 20, 2021, the Standing Committee of the National People's Congress, issued the Law on Doctors of the People's Republic of China, effective on March 1, 2022. According to the law, when taking medical, preventive or healthcare measures and when signing medical certificate, the licensed medical practitioners shall conduct diagnosis and investigation personally and fill out the medical files without delay. No medical practitioners may conceal, forge or destroy any medical files or relevant data.

The Notice on the Several Opinions on Promoting and Regulating Concerning Multi-site Practice of Doctors, which was jointly promulgated by the National Health and Family Planning Commission of China and other four departments on November 5, 2014 and effective on the same date, provides that doctors may practice in cooperative healthcare institutions after performing registration procedures with the authorities. The local National Health and Family Planning Commission of China shall propose and implement its own multi-site practice policies. Key areas of such policies include: (i) doctors should obtain approval from the local commission for multi-site practice; (ii) doctors should satisfy certain criteria before they become eligible to engage in multi-site practice; (iii) no multi-site doctor should have more than three practice sites in the same province; and (iv) doctors should enter into a written agreement with the hospitals that they intend to engage in multi-site practice with, which should clearly provide for legal liabilities in the event of disputes and other related matters prior to commencement of multi-site practice.

According to Administrative Measures for the Registration of Medical Practitioners, which were promulgated by the National Health and Family Planning Commission of China on February 28, 2017 and became effective on April 1, 2017, medical practitioners shall obtain the Practice Certificate for Medical Practitioners to practice upon registration. Person who fails to obtain the Practice Certificate for Medical Practitioners shall not engage in medical treatment, prevention and healthcare activities. A medical practitioner who practices for multiple institutions at the same place of practice shall determine one institution as the main practicing institution where he or she practices, and apply for registration to the administrative department of health and family planning that approves the practice of such institution; and, for other institutions where the medical practitioner is to practice, the medical practitioner shall apply for recordation to the administrative health and family planning authority that approves the practice of such institution, and indicate the names of the institutions where he or she is to practice. If a medical practitioner practices in another institution which is not at the registered place of practice, he or she shall apply for to register the additional institution to the administrative health and family planning authority approving the practice of such institution.

Regulations on Internet Medical Services

According to the Opinion Concerning the Promotion of the Development of Internet Plus Medical and Health, promulgated and implemented on April 25, 2018 by the General Office of the State Council, third-party organizations such as the internet medical health service platform shall ensure that the qualifications of their medical service staffs are in compliance with the regulation provisions and bear the responsibilities for the services provided. The internet medical health service platform shall also be strictly in accordance with the regulation provisions regarding information security and confidentiality obligations for health and medical data and establish or improve its privacy information protection system.

According to the Notice of Publishing of the Measures on the Administration of the Internet Diagnosis and Treatment (For Trial Implementation) and Other Two Documents, which were promulgated and implemented on July 17, 2018 by the National Health Commission and State Administration of Traditional Chinese Medicine, Internet diagnosis and treatment refer to the use of doctors registered in the institution using the Internet and other information technology to carry out diagnosis of some common diseases, chronic diseases re-diagnosis and "Internet Plus" family doctor contract services. Internet diagnosis and treatment activity shall be provided by a medical institution that has obtained the Medical Institution Practicing License and the medical institution shall apply for registration of Internet diagnosis and treatment activity. Medical institutions carrying out Internet diagnosis and treatment activities should be consistent with their diagnosis and treatment subjects.

Regulations on Internet Hospital

According to the Measures for the Administration of Internet Hospitals (Trial), the state implements access management for internet hospitals pursuant to the Regulations on Administration of Medical Institutions (Revised in 2022) and the Detailed Rules for the Implementation of the Medical Institute Management Regulations. Before implementing access for internet hospitals, provincial health administrative departments shall establish provincial internet medical service supervision platforms to connect with information platforms of internet hospitals to achieve real-time supervision. The establishment of an internet hospital is governed by the administrative approval process as stipulated in the Measures for the Administration of Internet Hospitals (Trial).

The health administrative department of the State Council and the competent departments of traditional Chinese medicine shall be responsible for the supervision and administration of the internet hospitals that are based in mainland China. The local health administrative departments at all levels (including the competent departments of traditional Chinese medicine) shall be responsible for the supervision and management of internet hospitals within their respective jurisdictions.

In terms of the supervision and management of internet hospitals, the Measures for the Administration of Internet Hospitals (Trial) clarify that provincial health administrative departments and the registration authorities for internet hospitals shall jointly implement supervision on internet hospitals through the provincial internet medical service supervision platform, focusing on the supervision on internet hospitals' personnel, prescriptions, diagnosis and treatment behaviors, patients' privacy protection and information security. Internet hospitals shall adopt information security protection measures for Level 3 information system in accordance with information security laws and regulations, including completion of filings with local public security authorities. Doctors can only provide follow-up diagnosis services through internet hospitals for patients that have been diagnosed with certain common or chronic diseases, unless the patients are in physical hospitals and the doctors in the physical hospital invite other doctors to provide diagnosis services through internet hospital. Additionally, the Basic Standards for Internet Hospitals (Trial) as attached to the Measures for the Administration of Internet Hospitals (Trial) sets forth specific requirements for diagnosis and treatment items, departments, personnel, buildings and device and equipment, and rules and regulations of internet hospitals.

To further standardize internet diagnosis and treatment activities and strengthen the construction of internet diagnosis and treatment system, the National Health Commission of the PRC and the National Administration of Traditional Chinese Medicine jointly promulgated the Detailed Rules for the Supervision of Internet Diagnosis and Treatment (Trial) on February 8, 2022. The rules provide specific guidelines for supervising their medical institutions, their operations, personnel and quality safety of internet-based diagnosis and treatment activities.

Regulations on Internet Drug Information Service

The Administrative Measures on Internet Drug Information Service were promulgated by the China Food and Drug Administration in July 8, 2004 and amended in November 17, 2017 and effective on November 17, 2017, pursuant to which the internet drug information services is to provide drug (including medical device) information services to online users; services are divided into commercial internet drug information services and non-commercial internet drug information services. The website operator that provides drugs (including medical devices) information services must complete a Drug and Medical Device Internet Information Service Registration or obtain an Internet Drug Information Service Qualification Certificate from the competent counterpart of the China Food and Drug Administration. Furthermore, as requested by Internet Drug Measures, the information relating to drugs shall be accurate and scientific in nature, and its provision shall comply with the laws and regulations. No product information of stupefacient, psychotropic drugs, medicinal toxic drugs, radiopharmaceutical, detoxification drugs and pharmaceutics made by medical institutes shall be distributed on the website. In addition, advertisements relating to drugs (including medical devices) shall be approved by the China Food and Drug Administration or its competent counterparts. To comply with the laws and regulations, Beijing So-Young, the consolidated affiliated entity, has completed the Drug and Medical Device Internet Information Service Registration on December 20, 2023.

Regulations on Medical Devices

Sales of Medical Devices

In mainland China, medical devices are classified into three different categories, Class I, Class II and Class III, based on the invasiveness of and risks associated with each medical device. According to the Measures on the Supervision and Administration of the Business Operations of Medical Devices, which were promulgated by the China Food and Drug Administration on July 30, 2014 and last amended on March 10, 2022, and which became effective on May 1, 2022, business operations of medical devices are administered by category depending on the degree of risks of medical devices. Doing business for Class I medical devices will not require licensing or record-filing, while operations of Class II medical devices and Class III medical devices shall be subject to administration by record-filing and by licensing respectively. Also, the medical device operator shall bear the legal liability for any act of purchasing or selling medical devices performed by its salespersons in its name and shall establish and put in practice the purchase inspection records system, and shall purchase medical devices from qualified manufacturers or operators. According to the Measures for the Administration and Supervision of Online Sales of Medical Devices, which were promulgated by the China Food and Drug Administration on December 20, 2017, and effective on March 1, 2018, enterprises engaged in online sales of medical devices shall be medical device production and operation enterprises that have obtained, or filed application of, a medical device production license or operation license in accordance with the law, unless such license or application is not required by laws and regulations. Providers of third-party platforms providing online trading service for medical devices shall take technical measures to guarantee that data and materials in respect of online sales of medical devices are authentic, complete and traceable and shall obtain the Qualification Certificate for Medicine Information Services on the Internet in accordance with the law.

Hainan So-Young Medical Technology Co., Ltd. has obtained a Medical Devices Operating License, which will remain effective until November 28, 2026, and a Medical Devices Operating Filing for wholesale of Class II medical devices.

Production of Medical Devices

According to the Regulations on the Supervision and Administration of Medical Devices, which were promulgated by the PRC State Council on January 4, 2000 and latest amended on February 9, 2021 and effective on June 1, 2021, to engage in the production of Class II and Class III medical devices, an entity shall apply for a production permit to the drug regulatory department of the people's government of the province, autonomous region or municipality where it is located and submit the relevant materials that meet the conditions and the registration certificate of the medical devices to be produced. Enterprises engaged in the production of Class I medical devices only need to make filing relating to the production of such Class I medical devices with the food and drug supervision and administration department of the people's government of the local city with districts and provide supporting materials to prove its satisfaction of the relevant conditions of engaging in the production of medical devices.

The production permit of the production of Class II and/or Class III medical devices is valid for five years and the producer of the relevant medical device is responsible for renewal. Entities who engaged in manufacturing or operation Class-II or Class-III medical devices without obtaining such permit may be ordered to suspend or terminate the provision of services, confiscation of illegal income, fines or other penalties.

Wuhan Miracle Laser Systems, Inc has obtained the production permit from Hubei Provincial Drug Administration, which will remain effective until July 17, 2029.

Registration and Filing of Medical Devices

According to the Regulations on the Supervision and Administration of Medical Devices, the Class I medical devices are subject to record-filing requirements, and Class II and Class III medical devices are subject to registration requirements.

According to the Administrative Measures on the Registration and Filing of Medical Devices, which were promulgated by the SAMR on August 26, 2021 and effective on October 1,2021, filing is required for domestic Class I medical devices, and the filing applicants shall submit the filing materials to the food and drug supervision and administration departments of the people's governments of the local municipalities with districts. Domestic Class II and Class III medical devices are subject to registration requirements. Class II medical devices shall be examined by the drug supervision and administration departments of the people's governments of the provinces, autonomous regions and municipalities directly under the central government where the registration applicants are located, and a Medical Device Registration Certificate for such medical devices shall be issued upon approval. Class III medical devices shall be examined by the National Medical Products Administration and a Medical Device Registration Certificate for such medical devices shall be issued upon approval. In case of any substantial change, including the designs, raw materials, production technologies, scopes of application and application methods, of the registered Class II or Class III medical devices, which may affect the safety and effectiveness of such medical devices, the registrants shall apply to the original registration departments for changing registration.

Regulations on Internet Audio-Visual Program Services

Audio-Visual License

On December 20, 2007, the State Administration of Radio, Film and Television, the predecessor of NRTA, and the MIII jointly promulgated the Administrative Provisions on Internet Audio-Visual Program Services, which became effective as of January 31, 2008 and were subsequently amended on August 28, 2015. Providers of internet audio-visual program services are required to obtain the license for online transmission of audio-visual programs, or the Audio-Visual License issued by the State Administration of Radio, Film and Television, or complete record-filing procedures with the administration. In general, providers of internet audio-visual program services must be either state-owned or state-controlled entities, and their businesses must satisfy the overall planning and guidance catalog for internet audio-visual program service determined by the administration.

On May 21, 2008, the State Administration of Radio, Film and Television issued a Notice on Relevant Issues Concerning Application and Approval of License for the Online Transmission of Audio-Visual Programs, which was amended on August 28, 2015, and further sets out detailed provisions concerning the application and approval process regarding the Audio-Visual License. The notice also stipulates that internet audiovisual program services providers that had engaged in such services prior to the promulgation of the Administrative Provisions on Internet Audio-Visual Program Services are able to apply for the license so long as (i) the violation of the laws and regulations is minor in scope and can be rectified in a timely manner, and (ii) the providers had no violations of laws during the last three months prior to the promulgation of the provisions.

On March 30, 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 prohibits internet audio-visual programs containing violence, pornography, gambling, terrorism, superstition 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 for trial implementation, which were amended on March 10, 2017. In addition, the Notice concerning Strengthening the Administration of the Live Video Broadcast Service of Online Audio-Visual Programs promulgated by the State Administration of Press and Publication Radio, Film and Television, or SAPPRFT, the predecessor of NRTA, on September 2, 2016 emphasizes that, unless a specific license is granted, an audio-visual programs service provider is forbidden from engaging in live video broadcasting on major political, military, economic, social, cultural, or sports events, among others.

The Cyberspace Administration of China Rules

On November 4, 2016, the Cyberspace Administration of China promulgated the Provisions on the Administration of Online Live Video Broadcast Services effective as of December 1, 2016. Under these provisions, an online live video broadcasting service provider shall (i) establish a live video broadcasting content review platform; (ii) conduct authentication registration of internet live video broadcasting issuers based on their identity certificates, business licenses and organization code certificates; and (iii) enter into a service agreement with internet live video broadcasting services user to specify both parties' rights and obligations.

On July 12, 2017, in order to tighten its scrutiny on content distributed through live video broadcasting platforms, the Cyberspace Administration of China issued a notice requiring that online live video broadcasting service providers to file with local branches of the administration starting July 15, 2017.

See "Item 3. Key Information-D. Risk Factors-Risks Related to Our Business and Industry-Our failure to obtain and maintain approvals, licenses or permits applicable to our business could have a material adverse impact on our business, financial conditions and results of operations."

Regulations on Production and Operation of Radio/Television Programs

On July 19, 2004, the State Administration of Radio, Film and Television promulgated the Administrative Measures on the Production and Operation of Radio and Television Programs, which came into effect on August 20, 2004 and was amended on August 28, 2015 and October 29, 2020. The measures provide that any business that produces or operates radio or television programs must first obtain a Radio and Television Program Production and Operation Permit. Entities holding such permits shall conduct their business within the permitted scope as provided in their permits. In addition, foreign-invested enterprises are not allowed to engage in the above-mentioned services. To comply with the regulations, Beijing So-Young has obtained a Radio and Television Program Production and Operation Permit, which will remain effective until June 16, 2025.

Regulations on Online Publishing

On February 4, 2016, the SAPPRFT and the MIIT jointly issued the Rules for the Administration for Internet Publishing Services, which became effective on March 10, 2016, to replace the Provisional Rules for the Administration for Internet Publishing that had been jointly issued by the SAPPRFT and the MIIT on June 27, 2002. The 2016 rules define "internet publications" as digital works that are edited, produced, or processed to be published and provided to the public through the internet, including (a) original digital works, such as pictures, maps, games, and comics; (b) digital works with content that is consistent with the type of content that, prior to the internet age, typically was published in media such as books, newspapers, periodicals, audio-visual products, and electronic publications; (c) digital works in the form of online databases compiled by selecting, arranging, and compiling other types of digital works; and (d) other types of digital works identified by the SAPPRFT. Under the rules, internet operators distributing such publications via internet are required to apply for an internet publishing license with the governmental authorities and for SAPPRFT approval before distributing internet publications.

Regulations on Internet Security

Internet information in China is regulated and restricted from a national security standpoint. The Standing Committee of the National People's Congress, has enacted the Decisions on Maintaining Internet Security on December 28, 2000, amended on August 27, 2009, which may subject violators to criminal punishment in China for any effort to: (i) gain improper entry into a computer or system of strategic importance; (ii) disseminate politically disruptive information; (iii) leak state secrets; (iv) spread false commercial information; or (v) infringe intellectual property rights. In 1997, the Ministry of Public Security promulgated measures that prohibit use of the internet in ways which, among other things, result in a leakage of state secrets or a spread of socially destabilizing content. If an internet information service provider violates these measures, the Ministry of Public Security and the local security bureaus may revoke its operating license and shut down its websites.

On November 7, 2016, the Standing Committee of the National People's Congress promulgated the Cybersecurity Law of the PRC, which became effective on June 1, 2017. The law requires network operators, to comply with laws and regulations and fulfill their obligations to safeguard security of the network when conducting business and providing services. It further requires network operators to take all necessary measures in accordance with applicable laws, regulations and compulsory national requirements to safeguard the safe and stable operation of the networks, respond to network security incidents effectively, prevent illegal and criminal activities, and maintain the integrity, confidentiality and usability of network data.

On June 10, 2021, the Standing Committee of the National People's Congress issued the Data Security Law of the PRC, which has taken effect on September 1, 2021. The law provides a national data security review system, under which data processing activities that affect or may affect national security shall be reviewed. In addition, it clarifies the data security protection obligations of organizations and individuals carrying out data activities and implementing data security protection responsibility, data processors shall establish and improve the whole-process data security management rules, organize and implement data security trainings as well as take appropriate technical measures and other necessary measures to protect data security. Any organizational or individual data processing activities that violate the law shall bear the corresponding civil, administrative or criminal liabilities depending on specific circumstances.

On September 24, 2024, the State Council promulgated the Regulations on Network Data Security Management and has taken effect on January 1, 2025, which does not expand the scope of the cybersecurity review as stipulate in the Data Security Law.

Regulations on Privacy Protection

In December 2011, the MIIT issued Several Provisions on Regulating the Market Order of Internet Information Services, which provide that an internet information service provider may not collect any user's personal information or provide any such information to third parties without such user's consent. Pursuant to The Several Provisions on Regulating the Market Order of Internet Information Services, internet information service providers are required to, among others, (i) expressly inform the users of the method, content and purpose of the collection and processing of such users' personal information and may only collect such information necessary for the provision of its services; and (ii) properly maintain the users' personal information, and in case of any leak or possible leak of a user's personal information, online lending service providers must take immediate remedial measures and, in severe circumstances, make an immediate report to the telecommunications regulatory authority.

In addition, pursuant to the Decision on Strengthening the Protection of Online Information, issued by the Standing Committee of the National People's Congress in December 2012, and the Order for the Protection of Telecommunication and Internet User Personal Information, issued by the MIIT in July 2013, any collection and use of any user personal information must be subject to the consent of the user, and abide to the applicable law, rationality and necessity of the business and fall within the specified purposes, methods and scopes in the applicable law.

Pursuant to the Ninth Amendment to the Criminal Law, issued by the Standing Committee of the National People's Congress in August 2015, which became effective in November, 2015, any internet service provider that fails to fulfill its obligations related to internet information security administration as required under applicable laws and refuses to rectify upon orders shall be subject to criminal penalty. In addition, Interpretations of the Supreme People's Court and the Supreme People's Procuratorate on Several Issues Concerning the Application of Law in the Handling of Criminal Cases Involving Infringement of Personal Information, issued on May 8, 2017 and effective as of June 1, 2017, clarified certain standards for the conviction and sentencing of the criminals in relation to personal information infringement.

The PRC government promulgated the Measures for Cybersecurity Review in April 2020, which became effective in June 2020. Under these measures, critical information infrastructure operators must pass a cybersecurity review when purchasing network products and services which do or may affect national security. On December 28, 2021, the Cyberspace Administration of China, together with certain other PRC governmental authorities, jointly released the Revised Cybersecurity Review Measures, which took effect on February 15, 2022. Pursuant to the Revised Cybersecurity Review Measures, 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. 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 Cybersecurity Review Measures set out certain general factors which would be the focus in assessing the national security risk during a cybersecurity review.

On August 20, 2021, the Standing Committee of the National People's Congress promulgated the Law of Personal Information Protection of PRC, which became effective on November 1, 2021. The law specifically specified the rules for handling sensitive personal information, which means personal information that, once leaked or illegally used, may easily cause harm to the dignity of natural persons or grave harm to personal or property security, including information on biometric characteristics, financial accounts, individual location tracking, etc., as well as the personal information of minors under the age of 14. Personal information handlers shall bear responsibility for their personal information handling activities and adopt the necessary measures to safeguard the security of the personal information they handle. Otherwise, the personal information handlers will be ordered to correct or suspend or terminate the provision of services, confiscation of illegal income, fines or other penalties.

On July 30, 2021, the PRC State Council promulgated the Regulations on Security Protection of Critical Information Infrastructure, which became effective on September 1, 2021. Pursuant to such regulations, "critical information infrastructure" shall mean any important network facilities or information systems of important industries or fields such as public communication and information service, energy, communications, water conservation, finance, public services, e-government affairs and national defense science, and any other important network facilities or information systems which may endanger national security, people's livelihood and public interest in case of damage, function loss or data leakage. In addition, administration departments of each critical industry and sector shall be responsible to formulate eligibility criteria and determine the critical information infrastructure operator in the respective industry or field. The operators shall be informed about the final determination as to whether they are categorized as critical information infrastructure operators.

In addition, the PRC Civil Code requires personal information of individuals to be protected. Any organization or individual requiring personal information of others shall obtain such information legally and ensure the security of such information, and shall not illegally collect, use, process, or transmit such personal information, or illegally buy, sell, provide, or publish such personal information.

While we have taken measures to protect the confidentiality of information that we have access to, our security measures could be breached. Any accidental or willful security breaches or other unauthorized access to our platform could cause confidential information of users to be stolen and used for criminal purposes. Any security breaches or unauthorized access to confidential information could also expose us to liability for loss of information and negative publicity.

Regulations on Mobile Internet Applications Information Services

Regulations for Administration on Mobile Internet Applications Information Services, which were promulgated by the Cyberspace Administration of China, on June 28, 2016, and amended on June 14, 2022 strengthened the administration of mobile internet application information services. The regulations were enacted to regulate mobile app information service providers. Pursuant to the regulations, the Cyberspace Administration of China and local offices of cyberspace administration shall be responsible for the supervision and administration of nationwide or local mobile app information, respectively.

Under the regulations, mobile app information service providers shall process personal information by following the principles of legitimacy, rightfulness, necessity and good faith, have clear and reasonable purposes, disclose processing rules, comply with the provisions on the scope of necessary personal information, regulate personal information processing activities, and take necessary measures to ensure the security of personal information.

On July 21, 2023, the MIIT issued the Notice on Carrying out the Filing of Mobile Internet Applications, requiring APP operators engaged in Internet information services within the territory of the PRC to complete filing formalities in accordance with the Anti-Telecommunications Network Fraud Law of the PRC and the Administrative Measures on Internet Information Services. App operators shall complete filing formalities with the provincial-level communications administration bureau where they are domiciled, and their network access service providers and app distribution platforms (including the distribution platforms of mini programs, quick applications and others) shall submit such applications online for inspection and review through the National Internet Basic Resources Management System. To comply with the relevant laws and regulations, we have completed filing formalities.

Regulations on Account Names of Internet Users

On February 4, 2015, the Cyberspace Administration of China promulgated the Administrative Provisions on the Account Names of Internet Users, which became effective as of March 1, 2015. These provisions strengthened the administration of the account names of internet users. In addition to the authentication requirement for the real identity of internet users by requiring users to provide their real names during the registration process, these provisions specifically require that any internet information service provider shall enhance security administration, perfect the user service agreement, purge any illegal or malicious information from account names, photos, personal profiles and user registration information. Service providers must employ specialized personnel in proportion to its service scale, to (i) review account names, photos, personal profile and all relevant user registration information of internet users, (ii) deregister account names containing illegal and malicious information, and (iii) protect the information of the users, accept the supervision from the public, and purge the illegal and malicious information in account names, photos, self-introductions and other registration-related information reported by the public in a timely manner.

Regulations on Intellectual Property

Patent Law

According to the Patent Law of the PRC, which was last amended in 2020 and became effective in June 2021, the State Intellectual Property Office is responsible for administering patent law in mainland China. The patent administration departments of provincial, autonomous region or municipal governments are responsible for administering patent law within their respective jurisdictions. The Chinese patent system adopts a first-to-file principle, which means that when more than one person files different patent applications for the same invention, only the person who files the application first is entitled to obtain a patent of the invention. To be patentable, an invention or a utility model must meet three criteria: novelty, inventiveness and practicability. A patent is valid for twenty years in the case of an invention, ten years in the case of utility models and fifteen years in the case of designs. Patents cannot be granted for scientific discoveries, rules and methods for intellectual activities, methods used to diagnose or treat diseases, animal and plant breeds or substances obtained by means of nuclear transformation. The Patent Office under the State Intellectual Property Office is responsible for receiving, examining and approving patent applications. Except under certain specific circumstances provided by law, any third-party user must obtain consent or a proper license from the patent owner to use the patent, or else the use will constitute an infringement of the rights of the patent holder.

Regulations on Copyright

The Copyright Law of the PRC, which took effect on June 1, 1991 and last amended in 2020 and took effect from June 1, 2021, provides that Chinese citizens, legal persons, or unincorporated organizations shall, whether published or not, own copyright in their copyrightable works, which include, among others, works of literature, art, science, engineering technology and computer software. Copyright owners enjoy certain legal rights, including right of publication, right of authorship and right of reproduction. In addition, the law provides for a voluntary registration system administered by the China Copyright Protection Center.

According to the law, an infringer of the copyrights shall be subject to various civil liabilities, which include ceasing infringement activities, apologizing to the copyright owners and compensating the loss of copyright owner. Infringers of copyright may also be subject to fines and/or administrative or criminal liabilities in severe situations.

Pursuant to the Computer Software Copyright Protection Regulations promulgated by the State Council on December 20, 2001 and last amended on January 30, 2013, the software copyright owner may go through the registration formalities with a software registration authority recognized by the State Council's copyright administrative department. The software copyright owner may authorize others to exercise that copyright and is entitled to receive remuneration.

Trademark Law

Trademarks are protected by the Trademark Law of the PRC, which was adopted on August 23, 1982, and subsequently amended in 1993, 2001, 2013 and 2019 respectively as well as by the Implementation Regulations of the PRC Trademark Law adopted by the State Council in 2002. The Trademark Office under the State Administration for Industry and Commerce handles trademark registrations. The Trademark Office grants a ten-year term to registered trademarks and the term may be renewed for another ten-year period upon request by the trademark owner. A trademark registrant may license its registered trademarks to another party by entering into trademark license agreements, which must be filed with the Trademark Office for its record. As with patents, the Trademark Law has adopted a first-to-file principle with respect to trademark registration. If a trademark applied for is identical or similar to another trademark that has already been registered or subject to a preliminary examination and approval for use on the same or similar kinds of products or services, such trademark application may be rejected. Any person applying for the registration of a trademark may not injure existing trademark rights first obtained by others, nor may any person register in advance a trademark that has already been used by another party and has already gained a "sufficient degree of reputation" through such party's use.

Regulations on Domain Names

The MIIT promulgated the Measures on Administration of Internet Domain Names on August 24, 2017, which took effect on November 1, 2017. According to the measures, the MIIT is in charge of the administration of internet domain names in mainland China. The domain name registration follows a first-to-file principle. Applicants for registration of domain names must provide the true, accurate and complete information of their identities to domain name registration service institutions. The applicants will become the holder of such domain names upon the completion of the registration procedure.

Regulations on Foreign Exchange

General Administration of Foreign Exchange

Under the PRC Foreign Currency Administration Rules promulgated on January 29, 1996 and most recently amended on August 5, 2008 and various regulations issued by the State Administration of Foreign Exchange of the PRC, or SAFE and other PRC government authorities, Renminbi is convertible into other currencies for current account items, such as trade-related receipts and payments and payment of interest and dividends. The conversion of Renminbi into other currencies and remittance of the converted foreign currency outside mainland China for capital account items, such as direct equity investments, loans and repatriation of investment, requires the prior approval from SAFE or its local office.

Payments for transactions that take place within mainland China must be made in Renminbi. Unless otherwise approved, companies in mainland China may not repatriate foreign currency payments received from abroad or retain the same abroad. Foreign-invested enterprises may retain foreign exchange in accounts with designated foreign exchange banks under the current account items subject to a cap set by SAFE or its local office. Foreign exchange proceeds under the current accounts may be either retained or sold to a financial institution engaged in settlement and sale of foreign exchange pursuant to SAFE rules and regulations. For foreign exchange proceeds under the capital accounts, approval from SAFE is generally required for the retention or sale of such proceeds to a financial institution engaged in settlement and sale of foreign exchange.

Pursuant to the Circular of SAFE on Further Improving and Adjusting Foreign Exchange Administration Policies for Direct Investment, or SAFE Circular No. 59 promulgated by SAFE on November 19, 2012, which became effective on December 17, 2012, and last amended in 2019, approval of SAFE is not required for opening a foreign exchange account and depositing foreign exchange into the accounts relating to the direct investments. SAFE Circular No. 59 also simplified foreign exchange-related registration required for the foreign investors to acquire the equity interests of Chinese companies and further improve the administration on foreign exchange settlement for foreign-invested enterprises.

The circular on Further Simplifying and Improving the Foreign Currency Management Policy on Direct Investment, or SAFE Circular No. 13, which became effective from June 1, 2015, and was amended in December 2019, cancels the administrative approvals of foreign exchange registration of direct domestic investment and direct overseas investment and simplifies the procedure of foreign exchange-related registration. Pursuant to SAFE Circular No. 13, the investors shall register with banks for direct domestic investment and direct overseas investment.

The Circular on Reforming the Management Approach regarding the Settlement of Foreign Capital of Foreign-invested Enterprise, or SAFE Circular No. 19, which was promulgated by SAFE on March 30, 2015 and latest amended on March 23, 2023, provides that a foreign-invested enterprise may, according to its actual business needs, settle with a bank the portion of the foreign exchange capital in its capital account for which the relevant foreign exchange administration has confirmed monetary capital contribution rights and interests (or for which the bank has registered the injection of the monetary capital contribution into the account).

Pursuant to SAFE Circular No. 19, for the time being, foreign-invested enterprises are allowed to settle 100% of their foreign exchange capitals on a discretionary basis; a foreign-invested enterprise shall truthfully use its capital for its own operational purposes within the scope of business; where an ordinary foreign-invested enterprise makes domestic equity investment with the amount of foreign exchanges settled, the invested enterprise must first go through domestic re-investment registration and open a corresponding account for foreign exchange settlement pending payment with the foreign exchange administration or the bank at the place where it is registered.

The Circular on Reforming and Regulating Policies on the Control over Foreign Exchange Settlement of Capital Accounts, or SAFE Circular No. 16, which was promulgated by SAFE and became effective on June 9, 2016, provides that enterprises registered in mainland China may also convert their foreign debts from foreign currency into Renminbi on self-discretionary basis. SAFE Circular No. 16 also provides an integrated standard for conversion of foreign exchange under capital account items (including but not limited to foreign currency capital and foreign debts) on a self-discretionary basis, which applies to all enterprises registered in mainland China.

Pursuant to SAFE Circular No. 13 and other laws and regulations relating to foreign exchange, when setting up a new foreign invested enterprise, the foreign invested enterprise shall register with the bank located at its registered place after obtaining the business license, and if there is any change in capital or other changes relating to the basic information of the foreign-invested enterprise, including without limitation any increase in its registered capital or total investment, the foreign invested enterprise must register such changes with the bank located at its registered place after obtaining the approval from or completing the filing with competent authorities.

Based on the forgoing, if we intend to provide funding to our wholly foreign-owned subsidiaries through capital injection at or after their establishment, we must register the establishment of and any follow-on capital increase in our wholly foreign-owned subsidiaries with the SAMR or its local counterparts, file such via the Foreign Investment Comprehensive Management Information System and register such with the local banks for the foreign exchange related matters.

Loans by the Foreign Companies to their Subsidiaries in Mainland China

A loan made by foreign investors as shareholders in a foreign-invested enterprise is considered to be foreign debt in China and is regulated by various laws and regulations, including the Regulation of the People's Republic of China on Foreign Exchange Administration, the Interim Provisions on the Management of Foreign Debts, the Statistical Monitoring of Foreign Debts Tentative Provisions and Supervision of External Debt, and the Administrative Measures for Registration of Foreign Debts. Under these rules and regulations, a shareholder loan in the form of foreign debt made to an entity in mainland China does not require the prior approval of SAFE. However, such foreign debt must be registered with and recorded by SAFE or its local branches within fifteen (15) days after entering into the foreign debt contract. Pursuant to these rules and regulations, the balance of the foreign debts of a foreign invested enterprise shall not exceed the difference between the total investment and the registered capital of the foreign invested enterprise, or Total Investment and Registered Capital Balance.

On January 11, 2017, the People's Bank of China, or the PBOC, promulgated the Notice of the People's Bank of China on Matters concerning the Macro-Prudential Management of Full-Covered Cross-Border Financing, or the PBOC Notice No. 9. Pursuant to the PBOC Notice No. 9, within a transition period of one year from January 11, 2017, the foreign-invested enterprises may adopt the currently valid foreign debt management mechanism, or Current Foreign Debt Mechanism, or the mechanism as provided in the PBOC Notice No. 9, or Notice No. 9 Foreign Debt Mechanism, at their own discretion. The PBOC Notice No. 9 provides that enterprises may conduct independent cross-border financing in RMB or foreign currencies as required. Pursuant to the PBOC Notice No. 9, the outstanding cross-border financing of an enterprise (the outstanding balance drawn, here and below) shall be calculated using a risk-weighted approach, or Risk-Weighted Approach, and shall not exceed the specified upper limit, namely: risk-weighted outstanding cross-border financing £ the upper limit of risk-weighted outstanding cross-border financing. Risk-weighted outstanding cross-border financing = ∑ outstanding amount of RMB and foreign currency denominated cross-border financing * maturity risk conversion factor * type risk conversion factor + ∑ outstanding foreign currency denominated cross-border financing * exchange rate risk conversion factor. Maturity risk conversion factor shall be 1 for medium- and long-term cross-border financing with a term of more than one year and 1.5 for short-term cross-border financing with a term of less than one year. Type risk conversion factor shall be 1 for on-balance-sheet financing and 1 for off-balance-sheet financing (contingent liabilities) for the time being. Exchange rate risk conversion factor shall be 0.5. The PBOC Notice No. 9 further provides that the upper limit of risk-weighted outstanding cross-border financing for enterprises shall be 200% of its net assets, or Net Asset Limits. Enterprises shall file with SAFE in its capital item information system after entering into the relevant cross-border financing contracts and prior to three business day before drawing any money from the foreign debts.

Based on the foregoing, if we provide funding to our wholly foreign-owned subsidiaries through shareholder loans, the balance of such loans shall not exceed the Total Investment and Registered Capital Balance and we will need to register such loans with SAFE or its local branches in the event that the Current Foreign Debt Mechanism applies, or the balance of such loans shall be subject to the Risk-Weighted Approach and the Net Asset Limits and we will need to file the loans with SAFE in its information system in the event that the Notice No. 9 Mechanism applies. According to the PBOC Notice No. 9, after a transition period of one year from January 11, 2017, the PBOC and SAFE will determine the cross-border financing administration mechanism for the foreign-invested enterprises after evaluating the overall implementation of the PBOC Notice No. 9. As of the date hereof, neither PBOC nor SAFE has promulgated and made public any further rules, regulations, notices or circulars in this regard. It is uncertain which mechanism will be adopted by PBOC and SAFE in the future and what statutory limits will be imposed on us when providing loans to our subsidiaries in mainland China.

Offshore Investment

Under the Circular of the State Administration of Foreign Exchange on Issues Concerning the Foreign Exchange Administration over the Overseas Investment and Financing and Round-trip Investment by Domestic Residents via Special Purpose Vehicles, or SAFE Circular 37, issued by SAFE and effective on July 4, 2014, residents in mainland China are required to register with the local SAFE branch prior to the establishment or control of an offshore special purpose vehicle, or SPV, which is defined as offshore enterprises directly established or indirectly controlled by residents in mainland China for offshore equity financing of the enterprise assets or interests they hold in China. An amendment to registration or subsequent filing with the local SAFE branch by such resident in mainland China is also required if there is any change in basic information of the offshore company or any material change with respect to the capital of the offshore company. At the same time, SAFE has issued the Operation Guidance for the Issues Concerning Foreign Exchange Administration over Round-trip Investment regarding the procedures for SAFE registration under SAFE Circular 37, which became effective on July 4, 2014 as an attachment of Circular 37.

SAFE Notice Circular No. 13 has amended SAFE Circular 37 requiring residents or entities in mainland China to register with qualified banks rather than SAFE or its local branches in connection with their establishment or control of an offshore entity established for the purpose of seeking offshore investment or making offshore financing.

Failure to comply with the registration procedures set forth in SAFE Circular 37 may result in bans on the foreign exchange activities of the relevant onshore company, including the payment of dividends and other distributions to its offshore parent or affiliates, and may also subject relevant residents in mainland China to penalties under foreign exchange administration regulations of mainland China.

Regulations on Dividend Distribution

The principal laws and regulations regulating the dividend distribution of dividends by foreign-invested enterprises in mainland China include the Company Law. The Foreign Investment Law and its implementation regulations effective on January 1, 2020. Under the current regulatory regime in mainland China, foreign-invested enterprises in mainland China may pay dividends only out of their retained earnings, if any, determined in accordance with accounting standards and regulations of mainland China. A company in mainland China is required to set aside as statutory reserve funds at least 10% of its after-tax profit, until the cumulative amount of such reserve funds reaches 50% of its registered capital unless laws regarding foreign investment provide otherwise. A company in mainland China shall not distribute any profits until any losses from prior fiscal years have been offset. Profits retained from prior fiscal years may be distributed together with distributable profits from the current fiscal year.

Regulations on Employee Share Incentive Plans of Overseas Publicly-Listed Company

In February 2012, SAFE promulgated the Notice on Issues Concerning the Foreign Exchange Administration for Domestic Individuals Participation in Share Incentive Plan of Companies Listed Overseas, or the 2012 SAFE Notice. Under such notice and other rules and regulations, residents in mainland China, including PRC citizens or non-PRC citizens who reside in China for a continuous period of not less than one year, who participate in any share incentive plan of any overseas publicly-listed company, are required to register with SAFE or its local branches and complete certain other procedures. Participants of a share incentive plan who are residents in mainland China must retain a qualified PRC agent, which could be a subsidiary in mainland China of the overseas publicly listed company or another qualified institution selected by the subsidiary in mainland China, to conduct the SAFE registration and other procedures with respect to the share incentive plan on behalf of the participants. We and our executive officers and other employees who are residents in mainland China that have been granted share incentive awards are subject to these regulations. Failure by these individuals to complete their SAFE registrations may subject such individuals and us to fines and other legal sanctions.

The State Administration of Taxation has issued certain circulars concerning employee share incentive awards. Under these circulars, our employees working in China who exercise share incentive awards will be subject to PRC individual income tax. Our subsidiary in mainland China has the obligation to make filings related to employee share incentive awards with tax authorities and to withhold individual income taxes of those employees who exercise their share incentive awards. If our employees fail to pay or we fail to withhold their income taxes according to laws and regulations, we may face sanctions imposed by the tax authorities or other PRC governmental authorities.

Regulations on Tax

Enterprise Income Tax

On March 16, 2007, the Standing Committee of the National People's Congress promulgated the Law of the PRC on Enterprise Income Tax, which was last amended on December 29, 2018 and on December 6, 2007, the State Council enacted the Regulations for the Implementation of the Law on Enterprise Income Tax, which was amended on April 23, 2019. Under the law, both resident enterprises and non-resident enterprises are subject to tax in mainland China. Resident enterprises are defined as enterprises that are established in China in accordance with laws of mainland China, or that are established in accordance with the laws of foreign countries but are actually or in effect controlled from within mainland China. Non-resident enterprises are defined as enterprises that are organized under the laws of foreign countries and whose actual management is conducted outside mainland China, but have established institutions or premises in mainland China, or have no such established institutions or premises but have income generated from mainland China. Under this law and related implementing regulations, a uniform corporate income tax rate of 25% is applied. However, if non-resident enterprises have not formed permanent establishments or premises in mainland China, or if they have formed permanent establishment or premises in mainland China but there is no actual relationship between the relevant income derived in mainland China and the established institutions or premises set up by them, enterprise income tax is set at the rate of 10% with respect to their income sourced from mainland China.

Pursuant to the Announcement on Issues Regarding Implementation of Preferential Income Tax Policy for High and New Technology Companies released on June 19, 2017 by the State Administration of Taxation, company qualified as high or new technology company shall enjoy preferential tax from the year indicated on the certificate for high and new technology company, and file for registration with taxation agency of jurisdiction according to relevant provisions. On expiration of the qualification as high and new technology company, income tax shall be temporarily levied pursuant to a preferential tax rate of 15% before renewal of the qualification; an enterprise may benefit from a tax exemption or preferential tax rate of 12.5% under the Enterprise Income Tax Law of the PRC if it qualifies as a "Software Enterprise." Enterprises that enjoy the "Software Enterprise" status will be subject to governmental authorities' assessment each year as to whether they are entitled to the tax exemption or preferential tax rate of 12.5%. Prior to May 2016, a "Software Enterprise" was designated jointly by the NDRC, the MIIT, the Ministry of Commerce, the Ministry of Finance and the State Administration of Taxation. In May 2016, the four PRC governmental authorities jointly issued a notice, pursuant to which an enterprise may be entitled to the exemption or preferential income tax rate of 12.5% by filing with the local tax authority with supporting documentation proving its qualifications to be a "Software Enterprise" during its annual income tax filing process. If such qualifications are not obtained before the end of the year, the difference between the preferential tax rate and the regular tax rate should be paid according to applicable provisions.

Value-added Tax

The Provisional Regulations of the PRC on Value-added Tax were promulgated by the State Council on December 13, 1993 and effective on January 1, 1994 which were subsequently amended on November 10, 2008 and effective on January 1, 2009 and most recently amended on February 6, 2016 and November 19, 2017. The Detailed Rules for the Implementation of the Provisional Regulations of the PRC on Value-added Tax (Revised in 2011) were promulgated by the Ministry of Finance on December 25, 1993 and subsequently amended on December 15, 2008 and October 28, 2011, or collectively, VAT Law. On November 19, 2017, the State Council promulgated The Decisions on Abolishing the Provisional Regulations of the PRC on Business Tax and Amending the Provisional Regulations of the PRC on Value-added Tax, or Order 691. According to the VAT Law and Order 691, all enterprises and individuals engaged in the sale of goods, the provision of processing, repair and replacement services, sales of services, intangible assets, real property and the importation of goods within the territory of mainland China are the taxpayers of VAT. The VAT tax rates generally applicable are simplified as 17%, 11%, 6% and 0%, and the VAT tax rate applicable to the small-scale taxpayers is 3%. The Notice of the Ministry of Finance and the State Administration of Taxation on Adjusting Value-added Tax Rates, or the Notice, was promulgated on April 4, 2018 and effective on May 1, 2018. The Notice adjusted the VAT tax rates of 17% and 11% to 16% and 10%, respectively. According to the Announcement on Relevant Policies for Deepening Value-Added Tax Reform, with effect from April 1, 2019, the VAT tax rate of 16% and 10% are changed into 13% and 9%, respectively.

As of December 31, 2024, our subsidiaries in mainland China and consolidated affiliated entities are generally subject to 3%, 6%, 9% and 13% VAT rates.

Dividend Withholding Tax

The Enterprise Income Tax Law of the PRC provides that since January 1, 2008, an income tax rate of 10% will normally be applicable to dividends declared to non-resident investors who do not have an establishment or place of business in mainland China, or who have such establishment or place of business but the relevant income is not effectively connected with the establishment or place of business, to the extent such dividends are derived from sources within mainland China.

Pursuant to an Arrangement Between the Mainland of China and the Hong Kong Special Administrative Region for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with Respect to Taxes on Incomes, or the Double Tax Avoidance Arrangement, and other applicable laws of mainland China, if a Hong Kong resident enterprise is determined by the competent PRC tax authority to have satisfied the relevant conditions and requirements under the Double Tax Avoidance Arrangement and other applicable laws, the 10% withholding tax on the dividends the Hong Kong resident enterprise receives from a resident enterprise in mainland China may be reduced to 5%. However, based on the Circular on Certain Issues with Respect to the Enforcement of Dividend Provisions in Tax Treaties, or the SAT Circular 81, issued on February 20, 2009 by the State Administration of Taxation, if the PRC tax authorities determine, in 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. According to the Circular on Several Questions regarding the "beneficial owner" in Tax Treaties, which was issued on February 3, 2018 by the State Administration of Taxation and has taken effect on April 1, 2018, when determining the applicant's status of the "beneficial owner" regarding tax treatment in connection with dividends, interests or royalties in the tax treaties, several factors, including without limitation, whether the applicant is obligated to pay more than 50% of his or her income in twelve months to residents in third country or region, whether the business operated by the applicant constitutes the actual business activities, and whether the counterparty country or region to the tax treaties does not levy any tax or grant tax exemption on relevant incomes or levy tax at an extremely low rate, will be taken into account, and it will be analyzed according to the actual circumstances of the specific cases. This circular further provides that applicants who intend to prove his or her status of the "beneficial owner" shall submit relevant documents to the tax bureau according to the Announcement on Issuing the Measures for the Administration of Non-Resident Taxpayers' Enjoyment of the Treatment under Tax Agreements.

Tax on Indirect Transfer

On February 3, 2015, the State Administration of Taxation issued the Circular on Issues of Enterprise Income Tax on Indirect Transfers of Assets by Non-PRC Resident Enterprises, or Circular 7, which was amended in October 2017 and December 2017. Pursuant to Circular 7, an "indirect transfer" of assets, including equity interests in a resident enterprise in mainland China, by non-resident enterprises in mainland China, may be recharacterized and treated as a direct transfer of taxable assets in mainland China, 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. When determining whether there is a "reasonable commercial purpose" of the transaction arrangement, features to be taken into consideration include, inter alia, whether the main value of the equity interest of the offshore enterprise derives directly or indirectly from taxable assets in mainland China; whether the assets of the offshore enterprise mainly consists of direct or indirect investment in China or if its income is mainly derived from China; and whether the offshore enterprise and its subsidiaries directly or indirectly holding taxable assets in mainland China have real commercial nature which is evidenced by their actual function and risk exposure. According to Circular 7, where the payor fails to withhold any or sufficient tax, the transferor shall declare and pay such tax to the tax authority by itself within the statutory time limit. Late payment of applicable tax will subject the transferor to default interest. Circular 7 does not apply to transactions of sale of shares by investors through a public stock exchange where such shares were acquired on a public stock exchange. On October 17, 2017, the State Administration of Taxation issued the Circular on Issues of Tax Withholding regarding Non-PRC Resident Enterprise Income Tax, or the SAT Circular 37, as amended in 2018, which further elaborates the relevant implemental rules regarding the calculation, reporting and payment obligations of the withholding tax by the non-resident enterprises. Nonetheless, there remain uncertainties as to the interpretation and application of Circular 7. Circular 7 may be determined by the tax authorities to be applicable to our offshore transactions or sale of our shares or those of our offshore subsidiaries where non-resident enterprises, being the transferors, were involved.

Regulations on Employment and Social Welfare

Employment

According to the Labor Law of the PRC, which was promulgated by the Standing Committee of the National People's Congress on July 5, 1994, effective since January 1, 1995 and last amended on December 29, 2018, and the Labor Contract Law of the PRC which was promulgated by the Standing Committee of the National People's Congress on June 29, 2007 and amended on December 28, 2012, employers must execute written labor contracts with full-time employees. All employers must pay their employees with wages equal to at least the local minimum wage standards. In addition, an employer is obligated to sign an indefinite term labor contract with an employee if the employer continues to employ the employee after two consecutive fixed term labor contracts. Violations of the PRC Labor Contract Law and the PRC Labor Law may result in the imposition of fines and other administrative penalties. For serious violations, criminal liability may arise.

Social Insurance and Housing Fund

As required under the Regulation of Insurance for Labor Injury implemented on January 1, 2004 and amended in 2010, the Provisional Measures for Maternity Insurance of Employees of Corporations implemented on January 1, 1995, the Decisions on the Establishment of a Unified Program for Old-Aged Pension Insurance of the State Council issued on July 16, 1997, the Decisions on the Establishment of the Medical Insurance Program for Urban Workers of the State Council promulgated on December 14, 1998, the Unemployment Insurance Measures promulgated on January 22, 1999 and the Social Insurance Law of the PRC implemented on July 1, 2011 and amended on December 29, 2018, employers are required to provide their employees in mainland China with welfare benefits covering pension insurance, unemployment insurance, maternity insurance, labor injury insurance and medical insurance. These payments are made to local administrative authorities. Any employer that fails to make social insurance contributions may be ordered 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 relevant contributions within the prescribed time, it may be subject to a fine ranging from one to three times the amount overdue.

In accordance with the Regulations on the Management of Housing Fund which was promulgated by the State Council in 1999 and last amended in March 2019, employers must register at the designated administrative centers and open bank accounts for depositing employees' housing funds. Employer and employee are also required to pay and deposit housing funds, with an amount no less than 5% of the monthly average salary of the employee in the preceding year in full and on time. See "Item 3. Key Information—D. Risk Factors—Risks Related to Our Business and Industry—Increases in labor costs and enforcement of stricter labor laws and regulations in mainland China may adversely affect our business and results of operations."

Employee Stock Incentive Plan

Pursuant to the Notice of Issues Related to the Foreign Exchange Administration for Domestic Individuals Participating in Stock Incentive Plan of Overseas Listed Company, which was issued by SAFE on February 15, 2012, employees, directors, supervisors, and other senior management who participate in any stock incentive plan of a publicly-listed overseas company and who are PRC citizens or non-PRC citizens residing in China for a continuous period of no less than one year, subject to a few exceptions, are required to register with SAFE through a qualified domestic agent, which may be a subsidiary in mainland China of such overseas listed company, and complete certain other procedures.

In addition, the State Administration of Taxation has issued certain circulars concerning employee stock options and restricted shares. Under these circulars, employees working in mainland China who exercise stock options or are granted restricted shares will be subject to PRC individual income tax. The subsidiaries in mainland China of an overseas listed company are required to file documents related to employee stock options and restricted shares with tax authorities and to withhold individual income taxes of employees who exercise their stock option or purchase restricted shares. If the employees fail to pay or the subsidiaries in mainland China fail to withhold income tax in accordance with laws and regulations, the subsidiaries in mainland China may face sanctions imposed by the tax authorities or other PRC governmental authorities.

Regulations Relating to M&A Rules and Overseas Listing

Ministry of Commerce, China Securities Regulatory Commission, or CSRC, SAFE and three other PRC governmental and regulatory agencies promulgated the Rules on Acquisition of Domestic Enterprises by Foreign Investors on August 8, 2006, as later amended on June 22, 2009, or the M&A Rules, governing the mergers and acquisitions of domestic enterprises by foreign investors. The M&A Rules, among other things, require that if a domestic company, domestic enterprise, or a domestic individual, through an overseas company established or controlled by it/him/her, acquires a domestic company which is affiliated with it/him/her, an approval from the Ministry of Commerce is required. The M&A Rules further require that a SPV, that is controlled directly or indirectly by the companies or individuals in mainland China and that has been formed for overseas listing purposes through acquisitions of domestic interest held by such companies or individuals in mainland China, shall obtain the approval of CSRC prior to overseas listing and trading of such SPV's securities on an overseas stock exchange. Moreover, if foreign investors merge a domestic enterprise and obtain the actual control over the enterprise, and if such merger involves any critical industry, affects or may affect the security of national economy, or causes transference of actual control over the domestic enterprise who possesses a resound trademark or China time-honored brand, the parties to the merger shall file an application to the Ministry of Commerce.

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 regulatory systems to deal with the risks and incidents faced by China-based overseas-listed companies. As a follow-up, on February 17, 2023, the CSRC released the Filing Rules, which took effect from March 31, 2023, requiring the overseas securities offerings or listings of Chinese domestic companies to be filed with the CSRC. The Filing Rules clarify the scope of overseas offerings or listings by Chinese domestic companies which are subject to the filing and reporting requirements, and provide, among others, that Chinese domestic companies that have already directly or indirectly offered and listed securities in overseas markets prior to the effectiveness of the Filing Rules shall fulfil their filing obligations and report relevant information to the CSRC within three working days after conducting a follow-on securities offering on the same overseas market. Such companies must also follow the reporting requirements within three working days upon the occurrence and public disclosure of any specified circumstances provided thereunder, including (i) change of control; (ii) investigations or sanctions imposed by overseas securities regulatory agencies or other competent authorities; (iii) change of listing status or transfer of listing segment; (iv) voluntary or mandatory delisting. In addition, where the main business of an issuer undergoes material change after overseas offering and listing and is therefore beyond the scope of business stated in the filing documents, such issuer shall follow the reporting requirements within three working days after occurrence of the changes. In case of any violations of the foregoing requirements, competent Chinese authorities may impose administrative regulatory measures, such as orders for correction, warnings, fines, and may pursue legal liability in accordance with law.

Furthermore, on February 24, 2023, the CSRC, together with certain other PRC governmental authorities, promulgated the Provisions on Strengthening Confidentiality and Archives Administration of Overseas Securities Offering and Listing by Domestic Companies, which came into effect on March 31, 2023. According to the provisions, Chinese companies that directly or indirectly conduct overseas offerings and listings, shall strictly abide by laws and regulations on confidentiality when providing or publicly disclosing, either directly or through their overseas listed entities, documents and materials to securities service providers such as securities companies and accounting firms or overseas regulators in the process of their overseas offering and listing. In the event such documents or materials contain state secrets or working secrets of government agencies, the Chinese companies shall first obtain approval from competent authorities according to law, and file with the secrecy administrative department at the same level with the approving authority; in the event that such documents or materials, if divulged, will jeopardize national security or public interest, the Chinese companies shall strictly fulfill the procedures stipulated by applicable national regulations. Chinese companies shall also provide a written statement of the specific state secrets and sensitive information that are contained in the documents and materials provided to securities companies and securities service providers, and the securities companies and securities service providers shall properly retain such written statements for inspection. According to these provisions, where overseas securities regulators or competent authorities request to inspect, investigate or collect evidence from Chinese domestic companies concerning their overseas offering and listing or their securities companies and securities service providers that undertake securities business for such Chinese domestic companies, such inspection, investigation and evidence collection must be conducted under the cross-border regulatory cooperation mechanism, and the CSRC or competent authorities of the Chinese government will provide necessary assistance pursuant to the bilateral and multilateral cooperation mechanism.

Regulations on Anti-Monopoly

The PRC Anti-Monopoly Law, which was promulgated by the Standing Committee of the National People's Congress on August 30, 2007, effective since August 1, 2008, and was amended on June 24, 2022, established the PRC anti-monopoly regulatory framework. Under the PRC Anti-Monopoli Law, behaviors that may have the effect of eliminating or restricting competition, including the monopolistic of agreements, abuse of a dominant market position, and increase in business concentration, are prohibited, and the infringed party is entitled to request for punitive compensation.

In March 2018, the State Administration for Market Regulation, or SAMR, was formed as a governmental agency to take over, among other things, the anti-monopoly enforcement functions from the departments under the Ministry of Commerce, the National Development and Reform Commission, or the NDRC, and the State Administration for Industry and Commerce.

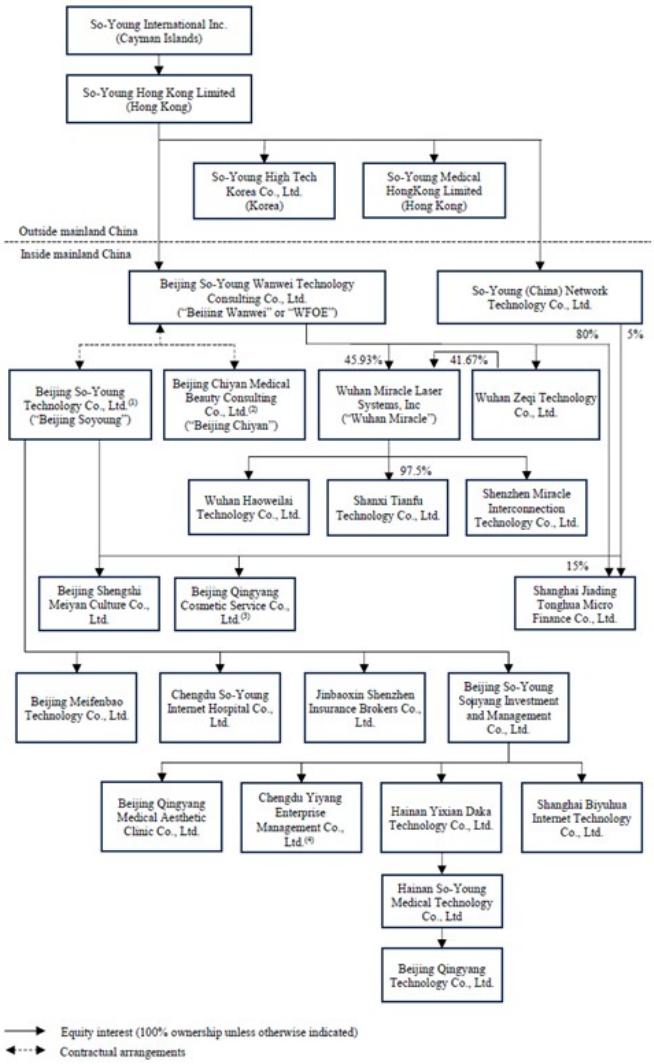
In February 2021, the Anti-monopoly Bureau of SAMR published the Platform Economy Anti-Monopoly Guidelines. The Platform Economy Anti-Monopoly Guidelines set out detailed standards and rules regarding the definition of markets, typical types of cartel activity, and abusive behavior by the operators of internet platform with market dominance, as well as merger control review procedures involving variable interest entities, which provide further guidelines for the enforcement of anti-monopoly laws regarding online platform operators. Moreover, the Platform Economy Anti-Monopoly Guidelines further clarified the calculation method for the thresholds for declaring concentration of online platform operators, and the evaluation mechanism for the effect of the concentration of online platform operators on competition. Although we do not believe we have engaged in any behaviors in violation of the Anti-monopoly Law, such as entering into monopolistic agreements or abusing market position, we cannot assure you that the regulators would agree with us, and we may be required to adjust our business practices or pay penalties, such as confiscation of incomes or fines, if our business practices are deemed to be non-compliant with the Anti-monopoly Law.

In April 2021, the SAMR, together with certain other PRC government authorities convened an administrative guidance meeting, focusing on unfair competition acts in community group buying, self-inspection and rectification by major internet companies of possible violations of anti-monopoly, anti-unfair competition, tax and other related laws and regulations, and requesting such companies to comply with laws and regulations strictly and be subject to public supervision. In addition, many internet companies, including over 30 companies which attended such administrative guidance meeting, are required to conduct a comprehensive self-inspection and make necessary rectification accordingly. The SAMR stated that it will organize and conduct inspections on the companies' rectification results. If a company is found to conduct illegal activities, more severe penalties are expected to be imposed in accordance with the laws.

On May 6, 2024, the SAMR issued the Provisions on Preventing Unfair Online Competition, which has taken effect on September 1, 2024 and detailed the implementation of the PRC Unfair Competition Law, including specifying certain online unfair competition behaviors that should be prohibited.

C. Organizational Structure

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



Note:

1) Shareholders of Beijing So-Young are Mr. Hui Shao, Mr. Xing Jin, and Mr. Tao Yu, holding 59.7%, 37.8%, and 2.5%, respectively, of the equity interest in Beijing So-Young. Mr. Hui Shao, Mr. Xing Jin and Mr. Tao Yu are our beneficiary owners; Mr. Jin is our co-founder, director and chief executive officer, and Mr. Yu is our co-founder, former chief information officer, and a consultant of our company.

2) Shareholders of Beijing Chiyan are Mr. Tao Yu and Mr. Xing Jin, holding 70% and 30%, respectively, of the equity interest in Beijing Chiyan. Mr. Tao Yu and Mr. Xing Jin are our beneficiary owners; Mr. Jin is our co-founder, director and chief executive officer, and Mr. Yu is our co-founder, former chief information officer, and a consultant of our company.

3) Beijing Qingyang Cosmetic Service Co., Ltd. is previously known as Beijing So-Young Qingyang Medical Instrument Co., Ltd.

4) Chengdu Yiyang Enterprise Management Co., Ltd. is previous known as Chengdu Wuhou Yililanhu Medical Aesthetic Clinic Co., Ltd.

Contractual Arrangements with the Consolidated Affiliated Entities and Their Respective Shareholders

The following is a summary of the currently effective contractual arrangements by and among our wholly-owned subsidiary, Beijing Wanwei, our consolidate affiliated entities Beijing So-Young and Beijing Chiyan and their respective shareholders. These contractual arrangements enable us to (i) exercise effective control over the VIEs; (ii) receive substantially all of the economic benefits of the VIEs; and (iii) have an exclusive option to purchase all or part of the equity interests in and assets of the VIEs when and to the extent permitted by laws of mainland China.

Agreements that provide us effective control over the VIEs

Powers of Attorney. Pursuant to the powers of attorney, each shareholder of VIEs irrevocably authorized our WFOE to act on the behalf of such shareholder with respect to all matters concerning the shareholding of the shares in VIEs, including without limitation, attending shareholders' meetings of VIEs, exercising all the shareholders' rights and shareholders' voting rights, and designating and appointing the legal representative, directors, supervisors, general managers and other senior management members of VIEs.

Equity Interest Pledge Agreement. Pursuant to the equity pledge agreements, the shareholders pledge 100% of their equity interest in Beijing So-Young to our WFOE to guarantee the performance by Beijing So-Young and its shareholders of their obligations under the exclusive business cooperation agreement, the exclusive option agreements and the power of attorney. If events of default defined therein occur, upon giving written notice to the shareholders, our WFOE may exercise the right to enforce the pledge to the extent permitted by laws of mainland China, unless the event of default has been successfully resolved to the satisfaction of our WFOE. The shareholders of Beijing So-Young agree that, without our WFOE's prior written consent, during the term of the equity interest pledge agreement, they will not place or permit the existence of any security interest or other encumbrance on the equity interest in Beijing So-Young or any portion thereof. On September 4, 2019, our WFOE, Beijing Chiyan and the shareholders of Beijing Chiyan entered into an equity interest pledge agreement, which contained terms substantially similar to the equity interest pledge agreement by and among our WFOE, Beijing So-Young and its shareholders described above. On January 15, 2020, we have completed registering the equity pledge with the office of the PRC State Administration of Market Regulation in accordance with the PRC Property Rights Law.

Spousal Consent Letter. The spouse of each shareholder of VIEs has each signed a spousal consent letter. Under the spousal consent letter, the signing spouse unconditionally and irrevocably approved the execution by her spouse of the power of attorney, equity interest pledge agreement and exclusive option agreement, and that her spouse may perform, amend or terminate such agreements without her consent. The signing spouse confirms she will not assert any rights over the equity interests in VIEs held by her spouse. In addition, in the event that the spouse obtains any equity interest in VIEs held by her spouse for any reason, she agrees to be bound by and sign any legal documents substantially similar to the contractual arrangements entered into by her spouse, as may be amended from time to time.

Agreements that allow us to receive economic benefits from the VIEs

Exclusive Business Cooperation Agreement. On November 1, 2018, Beijing So-Young and our WFOE entered into an exclusive business cooperation agreement. Pursuant to the exclusive business cooperation agreement, our WFOE has the exclusive right to provide Beijing So-Young with comprehensive technical support, consulting services and other services. Without prior written consent of our WFOE, Beijing So-Young agrees not to accept directly or indirectly the same or any similar services provided by any third party regarding the matters contemplated by this agreement. Beijing So-Young agrees to pay our WFOE service fees, which will be determined by our WFOE based on various factors, including but not limited to the complexity, cost and value of the services provided by our WFOE. Our WFOE will have exclusive and proprietary ownership, rights and interests in any and all intellectual properties arising out of or developed during the performance of this agreement. The agreement may be terminated in accordance with the provisions of this agreement. Similarly, on September 4, 2019, Beijing Chiyan and our WFOE entered into an exclusive business cooperation agreement. Pursuant to the exclusive business cooperation agreement, our WFOE has the exclusive right to provide Beijing Chiyan with comprehensive technical support, consulting services and other services. Without prior written consent of our WFOE, Beijing Chiyan agrees not to directly or indirectly accept the same or any similar services provided by any third party regarding the matters contemplated by this agreement. Beijing Chiyan agrees to pay our WFOE service fees, which will be determined by our WFOE based on various factors, including but not limited to the complexity, cost and value of the services provided by our WFOE. Our WFOE will have exclusive and proprietary ownership, rights and interests in any and all intellectual properties arising out of or developed during the performance of this agreement. The agreement may be terminated in accordance with the provisions of this agreement.

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

Exclusive Option Agreement. Pursuant to the exclusive option agreement entered into on November 1, 2018, each shareholder of Beijing So-Young has irrevocably granted our WFOE an exclusive option to purchase, or have its designated person or persons to purchase, at its discretion, to the extent permitted under laws of mainland China, all or part of the shareholder's equity interests in Beijing So-Young. The purchase price shall be RMB10 (US$1.4), the amount of registered capital contributed by such shareholder of Beijing So-Young in Beijing So-Young or the minimum price required by laws of mainland China. If our WFOE exercises the option to purchase part of the equity interest held by a shareholder, the purchase price shall be calculated proportionally. Without our WFOE's prior written consent, Beijing So-Young shall not amend its articles of association, increase or decrease the registered capital, sell or otherwise dispose of its material assets or beneficial interest, create or allow any encumbrance on its material assets or other beneficial interests, provide any loans to any third parties except for payables incurred in the ordinary course of business other than through loans, enter into any material contract with a value of more than RMB500,000 (US$70.4 thousand) (except those contracts entered into in the ordinary course of business), merge with or acquire any other persons or make any investments, or distribute dividends to the shareholders. Each shareholder of Beijing So-Young has agreed that, without our WFOE's prior written consent, he or she will not dispose of his or her equity interests in Beijing So-Young or create or allow any encumbrance on their equity interests. Moreover, without our WFOE's prior written consent, no dividend will be distributed to Beijing So-Young's shareholders, and if any of the shareholders receives any profit, interest, dividend or proceeds of share transfer or liquidation, the shareholder must give such profit, interest, dividend and proceeds to our WFOE or its designated person(s). On September 4, 2019, our WFOE, Beijing Chiyan and the shareholders of Beijing Chiyan entered into an exclusive option agreement, which contained terms substantially similar to the exclusive option agreement by and among our WFOE, Beijing So-Young and each shareholder of Beijing So-Young described above. The agreements by and among our WFOE, the VIEs and their respective shareholders will remain effective until all equity interests of Beijing So-Young and Beijing Chiyan held by their respective shareholders have been transferred or assigned to our WFOE or its designated person(s), respectively.

In the opinion of CM Law Firm, our PRC legal counsel:

- the ownership structures of our WFOE and the VIEs are not in any violation of laws or regulations of mainland China currently in effect; and

- the contractual arrangements among our WFOE, the VIEs and their respective shareholders governed by laws of mainland China are currently valid, binding and enforceable, and will not result in any violation of laws or regulations of mainland China 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 laws, regulations and rules of mainland China. Accordingly, the PRC regulatory authorities may in the future take a view that is contrary to or otherwise different from the above opinion of our PRC legal counsel. If the PRC government finds that the agreements that establish the structure for operating our online medical aesthetic service business do not comply with PRC government restrictions on foreign investment in our businesses, we could be subject to severe penalties including being prohibited from continuing operations. See "Item 3. Key Information—D. Risk Factors—Risks Related to Our Corporate Structure—We rely on contractual arrangements with the consolidated affiliated entities and their respective shareholders for our business operations, which may not be as effective as direct ownership in providing operational control."

D. Property, Plants and Equipment

We are headquartered in Beijing, China. As of December 31, 2024, we leased over 9,000 square meters of office space in Beijing as our headquarters with a lease term of approximately five years that will expire in March 2029. We also leased an aggregate of over 5,000 square meters of office space in 18 other cities in China with lease terms typically from one to five years and an aggregate of over 1,000 square meters research and development and office complex in Shenzhen. Other than office space, we leased an aggregate of approximately 10,000 square meters of space for branded aesthetic centers in nine cities with lease terms typically from three to five years. We believe that our existing facilities are generally adequate to meet our current needs, but we expect to adjust our office space to accommodate future needs.

ITEM 4A. UNRESOLVED STAFF COMMENTS

None.

ITEM 5. OPERATING AND FINANCIAL REVIEW AND PROSPECTS

You should read the following discussion and analysis of our financial condition and results of operations in conjunction with the consolidated financial statements and the related notes included elsewhere in this annual report on Form 20-F. This discussion may contain forward-looking statements based upon current expectations that involve risks and uncertainties. Our actual results may 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" or in other parts of this annual report on Form 20-F.

A. Operating Results

Key Factors Affecting Our Results of Operations

Our business and operating results are primarily affected by the general factors affecting China's medical aesthetic industry, including the increase in per capita disposable income and the growth in medical aesthetic spending in China. In addition, they are also affected by factors driving online media and social community in China, such as the growing number of online users, the improved telecommunications infrastructure and the increasing adoption of mobile payment. Furthermore, our business and operating results are influenced by governmental policies and initiatives in mainland China affecting the medical aesthetic service and content distribution industries. Changes in any of these general factors could affect the demand for content and services on our platform and our results of operations.

Despite the general factors mentioned above, we believe our results of operations are more directly affected by the following specific factors.

- The size of our user base, the level of user engagement and the audience reach of our content.
- The quality, integrity and diversity of our content.
- The effectiveness and the formats of our information services for aesthetic practitioners, including our ability to apply relevant technologies to enhance targeted information distribution and service provider exposure.

- Our ability to operate and scale our branded aesthetic centers efficiently, including managing service quality, regulatory compliance, and the incremental growth from new store openings.
- Our ability to increase transaction volume for aesthetic practitioners.
- Our ability to launch new equipment and products.
- The efficiency of our sales and marketing activities.
- The diversity of our monetization channels, including the vertical expansion along the medical aesthetic industry value chain and the horizontal expansion into the massive consumption healthcare service market.

Expansion of our branded aesthetic centers

The expansion of our branded aesthetic centers plays a key role in driving revenue growth. Our growing network of centers enables us to deliver consistent, high-quality services across more locations, enhancing brand visibility and customer engagement. Our revenues from aesthetic treatment services increased by 1206.1% from RMB13.0 million in 2023 to RMB169.3 million (US$23.2 million) in 2024. The increase was primarily due to the business extension of the branded aesthetic centers. While expansion supports our growth, it also presents risks such as rising operational costs, staffing challenges, and service consistency. We continue to refine our site selection strategy, strengthen operational oversight, and invest in training to support sustainable development.

New product launches

Our ability to launch new equipment and products is pivotal to our success. Since July 2021, we have acquired Wuhan Miracle and have expanded into the research, development, production, sales, agency and maintenance of laser and other optoelectronic medical equipment. In addition, we also engage in the sales of medical beauty products, which mainly include cosmetic injectables. Over the past three years, our medical products and maintenance services have grown significantly. Our revenues from the sales of medical products and maintenance services increased by 28.7% from RMB259.1 million in 2022 to RMB333.5 million in 2023, and further increased by 10.3% to 368.0 million in 2024. Leveraging our expansive user and service provider network, we are able to spot emerging trend quickly and bring new and competitive products to the market efficiently. We expect to continue to develop and launch new products as our product development pipeline and sales team become more mature.

Effectiveness of our marketing strategies

Our results of operations also depend on our ability to attract and retain customers while maintaining reasonable marketing expenses. We promote our brand awareness through a variety of online and offline marketing and brand promotion activities, including engaging medical aesthetic influencers, cooperating with application stores and online platforms, cinema advertising, television commercials and offline promotion events. Our sales and marketing expenses have been and will continue to be affected by the number of new product launches and promotional activities for our new and existing products and services. Through our data analysis, we also monitor our return on investment across our various marketing channels and adjust our spending strategy accordingly. Our sales and marketing expenses increased by 10.2% from RMB472.1 million in 2022 to RMB520.5 million in 2023, which was primarily caused by an increase in expenses associated with branding and user acquisition activities. This amount decrease by 5.0% to RMB494.5 million in 2024, mainly in relation to a decrease in expenses associated with branding and user acquisition activities. We plan to continue monitoring and optimizing our expenses through different marketing channels to grow our different lines of business and achieve profitability.

Development of our technological capabilities

Another factor affecting our revenues and financial results is our technological capabilities. We have a strong ability to incorporate advanced technologies into our services, products and operation. We have developed artificial intelligence products, including AI Diagnosis, Cosmetic Surgery Simulation and Intelligent Image Search. We also utilize AI technologies and big data analysis to improve user behavior predictions and optimize our operation. We will continue to pay close attention to the development of artificial intelligence and big data analysis and their applications in our industry. We believe our ability to grow our business depends on our ability to continue to upgrade and utilize our technological capabilities.

The size of our user base, the level of user engagement, and the number of paying service providers

The size of our user base, the level of user engagement, and the number of paying medical service providers on our platform are important to our business. We measure our effectiveness in attracting and engaging users primarily through the number of purchasing users, who made verified transactions with service providers. Total number of purchasing users increased from 396.2 thousand in 2022 to 450.1 thousand in 2023, and decreased to 378.4 thousand in 2024. We measure our effectiveness in increasing the number of paying medical service providers by tracking the number of service providers that pay for information services and/or reservation services, which declined from 7,111 in 2022 to 3,796 in 2023, and further to 2,637 in 2024. These decreases were primarily due to continued softness in consumer demand for discretionary medical aesthetic services amid macroeconomic headwinds, as well as intensified competition for online traffic among digital platforms in China.

Key Line Items and Specific Factors Affecting Our Results of Operations

Revenues

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

	For the Year Ended December 31,						
	2022		2023		2024		
	RMB	%	RMB	%	RMB	US$	%
	(in thousands, except for percentages)						
Revenues							
Information, reservation services and others	998,808	79.4	1,151,532	76.9	929,455	127,335	63.4
Aesthetic treatment services[(1)]	—	—	12,959	0.9	169,263	23,189	11.5
Sales of medical products and maintenance services	259,066	20.6	333,538	22.2	367,980	50,413	25.1
Total	**1,257,874**	**100.0**	**1,498,029**	**100.0**	**1,466,698**	**200,937**	**100.0**

Note:

(1) Starting from the year of 2024, in light of the better monitoring business development of branded aesthetic centers, the previous line item information services and others was separated into two line items, which are aesthetic treatment services and information services and others. And the Company grouped the revenue generated from information services and others and reservation services, which is renamed as information, reservation services and others.

The revenue generated from aesthetic treatment services was previously reported in line item of information services and others. The information, reservation services and others for the years of 2022 and 2023 have also been retrospectively updated. The amount reclassified from previous line item information services and others to aesthetic treatment services are RMB169.3 million for the year of 2024, and RMB13.0 million for the year of 2023.

Information, reservation services and other revenues. We generate revenues from information services primarily by listing the profiles and information of aesthetic practitioners on our platform. We generate revenues from reservation services primarily from aesthetic practitioners on treatment bookings for aesthetic treatments made by users through our platform, as well as subsequent treatments that users purchase from such service providers and are recorded on our platform, as long as the sales leads originated on our platform and the aesthetic practitioner remains active on it. We also generate a small portion of our revenues by placing information of other consumption healthcare service providers, beauty salons and certain beauty product sellers on our platform or in our content distributed through social media networks. See “Item 4. Information on the Company —B. Business Overview—Our Offerings— Information and Reservation Services.”

Aesthetic treatment services revenues. We generate revenues from aesthetic treatment services primarily from provision of non-surgical aesthetic medical treatments, comprising injection aesthetic treatments, energy-based treatments and other aesthetic medical services in our branded aesthetic centers. See “Item 4. Information on the Company—B. Business Overview—Our Offerings—Aesthetic Treatments Services.”

Sales of medical products and maintenance services. We generate revenues from selling equipment through Wuhan Miracle and cosmetic injectables. See "Item 4. Information on the Company—B. Business Overview—Our Offerings—Sales of Medical Products and Maintenance Services"

Cost of revenues

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

	For the Year Ended December 31,						
	2022		2023		2024		
	RMB	%	RMB	%	RMB	US$	%
	(in thousands, except for percentages)						
Cost of revenues							
Cost of information, reservation services and others	253,531	20.2	375,986	25.1	252,841	34,639	17.2
Cost of aesthetic treatment services[(1)]	—	—	9,596	0.6	131,580	18,026	9.0
Cost of medical products sold and maintenance services	139,761	11.1	158,754	10.6	183,164	25,093	12.5
Total	**393,292**	**31.3**	**544,336**	**36.3**	**567,585**	**77,758**	38.7

Note:

(1) Starting from the year of 2024, the previous line item cost of services and others was separated into two line items, which are cost of aesthetic treatment services and cost of information, reservation services and others. Cost of aesthetic treatment services primarily consists of expenditures relating to aesthetic treatment services in branded aesthetic centers, and the remaining cost of services and others is reclassified into cost of information, reservation services and others. The cost of aesthetic treatment services and cost of information, reservation services and others for the years of 2022 and 2023 have also been retrospectively reclassified.

Cost of information, reservation services and others. Cost of information, reservation services and others primarily consists of payroll costs, share-based compensation expenses, servers and bandwidth costs, depreciation expenses, payment processing fee paid to third party online platform, tax related surcharges, rental expenses and other direct costs related to the operation of business.

Cost of aesthetic treatment services. Cost of aesthetic treatment services consists primarily of payroll costs, rental expenses, depreciation expenses, medical consumables costs and other direct costs related to the aesthetic treatment services.

Cost of medical products sold and maintenance services. Cost of medical products sold and maintenance services primarily consists of cost of inventories, payroll costs and consumables used in maintenance services.

Gross profit and gross margin

The following table sets forth our gross profit and gross margin for the years presented:

	For the Year Ended December 31,			
	2022	2023	2024	
	(in thousands, except for percentages)			
Gross profit	RMB864,582	RMB953,693	RMB899,113	US$123,179
Gross margin	68.7%	63.7%	61.3%	61.3%

Operating expenses

We classify our operating expenses into four categories: sales and marketing expenses, general and administrative expenses, research and development expenses and impairment of goodwill. The following table sets forth the break-down of our total operating expenses and as percentages of our total revenues for the years presented:

	For the Year Ended December 31,						
	2022		2023		2024		
	RMB	%	RMB	%	RMB	US$	%
	(in thousands, except for percentages)						
Operating expenses							
Sales and marketing expenses	472,092	37.5	520,451	34.7	494,493	67,745	33.7
General and administrative expenses	260,208	20.7	290,765	19.4	324,073	44,398	22.1
Research and development expenses	235,087	18.7	203,524	13.6	165,030	22,609	11.3
Impairment of goodwill	—	—	—	—	540,009	73,981	36.8
Total	967,387	76.9	1,014,740	67.7	1,523,605	208,733	103.9

Sales and marketing expenses. Sales and marketing expenses consist primarily of marketing expenses, user acquisition activities expenses, payroll costs, share-based compensation expenses and rental expenses.

The following table sets forth the break-down of our sales and marketing expenses and as percentages of our total revenues for the years presented:

	For the Year Ended December 31,						
	2022		2023		2024		
	RMB	%	RMB	%	RMB	US$	%
	(in thousands, except for percentages)						
Sales and marketing expenses							
Marketing and user acquisition activities expenses	(254,893)	20.3	(270,304)	18.0	(188,225)	(25,787)	12.8
Payroll costs	(170,988)	13.6	(186,504)	12.4	(222,226)	(30,445)	15.2
Others	(46,211)	3.6	(63,643)	4.3	(84,042)	(11,513)	5.7
Total	(472,092)	37.5	(520,451)	34.7	(494,493)	(67,745)	33.7

General and administrative expenses. General and administrative expenses primarily consist of payroll costs, general office expenses, share-based compensation expenses and professional service fees.

Research and development expenses. Research and development expenses primarily consist of payroll costs, share-based compensation expenses and rental expenses incurred associated with research and development.

Impairment of goodwill. Impairment of goodwill was the amount by which the carrying amount of certain asset exceeds their fair value in relation to the acquiring subsidiary.

Taxation

Cayman Islands

The Cayman Islands currently levies no taxes on corporations based upon profits, income, gains or appreciation. There are no other taxes likely to be material to us levied by the government of the Cayman Islands except for stamp duties which may be applicable on 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

Under the current Hong Kong Inland Revenue Ordinance, from the year of assessment 2018/2019 onwards, the subsidiaries in Hong Kong are subject to profits tax at the rate of 8.25% on assessable profits up to HK$2,000,000; and 16.5% on any part of assessable profits over HK$2,000,000. We generated income from operations in Hong Kong in 2022, 2023 and 2024. Additionally, payments of dividends by our subsidiary incorporated in Hong Kong to the Company are not subject to any Hong Kong withholding tax.

Mainland China

Generally, our subsidiary in mainland China, consolidated variable interest entities and their 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 tax laws and accounting standards of mainland China.

So-Young Wanwei was entitled as "High and New Technology Enterprise" ("HNTE") in 2018 and eligible for a preferential EIT rate of 15%, for the three-year period from 2018 to 2020 and extended to additional three-year period from 2021 to 2023, so long as it meets the HNTE criteria, however, as So-Young Wanwei qualified as "Software Company", hence to enjoy income tax rate of 0% for the two-year period from 2019 to 2020, and enjoys income tax rate of 12.5% for the three-year period from 2021 to 2023. So-Young Wanwei extended to additional three-year period from 2024 to 2026 for HNTE, therefore, eligible for a preferential income tax rate of 15% for the three-year period from 2024 to 2026.

Wuhan Miracle was qualified as "High and New Technology Enterprise" in 2023 and eligible for a preferential EIT rate of 15% for the three-year period from 2023 to 2025.

The preferential effective tax rates may be as low as 5% for small and micro enterprises that meet certain conditions for the years ended December 31, 2022, 2023 and 2024.

Dividends paid by our wholly foreign-owned subsidiary in China to our intermediary holding company in Hong Kong will be subject to a withholding tax rate of 10%, unless the 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 relevant 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 a withholding tax at the standard rate of 5%. Effective from November 1, 2015, the above mentioned approval requirement has been abolished, but a Hong Kong entity is still required to file 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 Related to Our Corporate Structure—We may rely on dividends and other distributions on equity paid by our subsidiaries in mainland China to fund any cash and financing requirements we may have, and any limitation on the ability of our subsidiaries in mainland China to make payments to us and any tax we are required to pay 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 Related to Doing Business in China—If we are classified as a resident enterprise in mainland China for PRC income tax purposes, such classification could result in unfavorable tax consequences to us and our shareholders that are non-resident of mainland China 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 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 particular period are not necessarily indicative of our future trends.

	For the Year Ended December 31,						
	2022		2023		2024		
	RMB	%	RMB	%	RMB	US$	%
	(in thousands, except for percentages)						
Revenues:							
Information, reservation services and others	998,808	79.4	1,151,532	76.9	929,455	127,335	63.4
Aesthetic treatment services[1]	—	—	12,959	0.9	169,263	23,189	11.5
Sales of medical products and maintenance services	259,066	20.6	333,538	22.2	367,980	50,413	25.1
Total revenues	**1,257,874**	**100.0**	**1,498,029**	**100.0**	**1,466,698**	**200,937**	**100.0**
Cost of revenues:							
Cost of information, reservation services and others	(253,531)	(20.2)	(375,986)	(25.1)	(252,841)	(34,639)	(17.2)
Cost of aesthetic treatment services[3]	—	—	(9,596)	(0.6)	(131,580)	(18,026)	(9.0)
Cost of medical products sold and maintenance services	(139,761)	(11.1)	(158,754)	(10.6)	(183,164)	(25,093)	(12.5)
Total cost of revenues[2]	**(393,292)**	**(31.3)**	**(544,336)**	**(36.3)**	**(567,585)**	**(77,758)**	**(38.7)**
Gross profit	**864,582**	**68.7**	**953,693**	**63.7**	**899,113**	**123,179**	**61.3**
Operating expenses:							
Sales and marketing expenses [2]	(472,092)	(37.5)	(520,451)	(34.7)	(494,493)	(67,745)	(33.7)
General and administrative expenses [2]	(260,208)	(20.7)	(290,765)	(19.4)	(324,073)	(44,398)	(22.1)
Research and development expenses [2]	(235,087)	(18.7)	(203,524)	(13.6)	(165,030)	(22,609)	(11.3)
Impairment of goodwill	—	—	—	—	(540,009)	(73,981)	(36.8)
Total operating expenses	**(967,387)**	**(76.9)**	**(1,014,740)**	**(67.7)**	**(1,523,605)**	**(208,733)**	**(103.9)**
Loss from operations	**(102,805)**	**(8.2)**	**(61,047)**	**(4.0)**	**(624,492)**	**(85,554)**	**(42.6)**
(Loss)/Income before tax	**(87,072)**	**(6.9)**	**7,869**	**0.5**	**(588,087)**	**(80,567)**	**(40.1)**
Income tax benefits	20,965	1.7	18,075	1.2	905	124	0.1
Net (loss)/income	**(66,107)**	**(5.2)**	**25,944**	**1.7**	**(587,182)**	**(80,443)**	**(40.0)**

Notes:

(1) Starting from the year of 2024, in light of the better monitoring business development of branded aesthetic centers, the previous line item information services and others was separated into two line items, which are aesthetic treatment services and information services and others. And the Company grouped the revenue generated from information services and others and reservation services, which is renamed as information, reservation services and others. The revenue generated from aesthetic treatment services was previously reported in line item of information services and others. The information, reservation services and others for the years of 2022 and 2023 have also been retrospectively updated. The amount reclassified from previous line item information services and others to aesthetic treatment services are RMB169.3 million for the year of 2024, and RMB13.0 million for the year of 2023.

(2) Share-based compensation expenses were allocated as follows:

	For the Year Ended December 31,			
	2022	2023	2024	
	RMB	RMB	RMB	US$
	(in thousands)			
Cost of revenues	(8,282)	(1,800)	(289)	(40)
Sales and marketing expenses	(6,781)	(5,680)	(659)	(90)
General and administrative expenses	(19,021)	(23,590)	(29,527)	(4,045)
Research and development expenses	(9,252)	(5,251)	(2,180)	(299)

(3) Starting from the year of 2024, the previous line item cost of services and others was separated into two line items, which are cost of aesthetic treatment services and cost of information, reservation services and others. Cost of aesthetic treatment services primarily consists of expenditures relating to aesthetic treatment services in branded aesthetic centers, and the remaining cost of services and others is reclassified into cost of information, reservation services and others. The cost of aesthetic treatment services and cost of information, reservation services and others for the years of 2022 and 2023 have also been retrospectively reclassified.

Year ended December 31, 2024 compared to year ended December 31, 2023

Revenues

Our revenues decreased by 2.1% from RMB1,498.0 million in 2023 to RMB1,466.7 million (US$200.9 million) in 2024, primarily resulted from a decrease in average revenue per paying medical service provider.

Our revenues from information, reservation services and others decreased by 19.3% from RMB1,151.5 million in 2023 to RMB929.5 million (US$127.3 million) in 2024. This decrease was primarily due to a decrease in average revenue per paying medical service provider.

Our revenues from aesthetic treatment services increased by 1206.1% from RMB13.0 million in 2023 to RMB169.3 million (US$23.2 million) in 2024. The increase was primarily due to the business extension of the branded aesthetic centers.

Our revenues from sales of medical products and maintenance services increased by 10.3% from RMB333.5 million in 2023 to RMB368.0 million (US$50.4 million) in 2024. The increase was primarily due to an increase in sales of cosmetic products.

Cost of revenues

Our cost of revenues increased by 4.3% from RMB544.3 million in 2023 to RMB567.6 million (US$77.8 million) in 2024. The increase was primarily due to the business extension of the branded aesthetic centers. In addition, cost of revenues included share-based compensation expenses of RMB0.3 million (US$0.0 million) in 2024 compared to RMB1.8 million in 2023.

Our cost of information, reservation services and others decreased by 32.8% from RMB376.0 million in 2023 to RMB252.8 million (US$34.6 million) in 2024. The decrease was primarily due to a decrease in costs associated with So-Young Prime.

Our cost of aesthetic treatment services increased by 1271.2% from RMB9.6 million in 2023 to RMB131.6 million (US$18.0 million) in 2024. The increase was primarily due to the business extension of the branded aesthetic centers.

Our cost of medical products sold and maintenance services increased by 15.4% from RMB158.8 million in 2023 to RMB183.2 million (US$25.1 million) in 2024. The increase was primarily due to an increase in costs associated with the sales of cosmetic products.

Gross profit

As a result of the foregoing, our gross profit decreased by 5.7% from RMB953.7 million in 2023 to RMB899.1 million (US$123.2 million) in 2024. Our gross margin decreased from 63.7% in 2023 to 61.3% in 2024.

Operating expenses

Sales and marketing expenses. Our sales and marketing expenses decreased by 5.0% from RMB520.5 million in 2023 to RMB494.5 million (US$67.7 million) in 2024. The decrease was primarily due to a decrease in expenses associated with branding and user acquisition activities. Sales and marketing expenses for 2024 included share-based compensation expenses of RMB0.7 million (US$0.1 million) in 2024, compared to RMB5.7 million in 2023.

General and administrative expenses. Our general and administrative expenses increased by 11.5% from RMB290.8 million in 2023 to RMB324.1 million (US$44.4 million) in 2024. The increase was primarily due to the increase in allowance for credit losses of RMB24.1 million (US$3.3 million). General and administrative expenses for 2024 included share-based compensation expenses of RMB29.5 million (US$4.0 million) in 2024, compared to RMB23.6 million in 2023.

Research and development expenses. Our research and development expenses decreased by 18.9% from RMB203.5 million in 2023 to RMB165.0 million (US$22.6 million) in 2024, primarily attributable to improvements in staff efficiency. Research and development expenses for 2024 included share-based compensation expenses of RMB2.2 million (US$0.3 million) in 2024, compared to RMB5.3 million in 2023.

Impairment of goodwill. Impairment of goodwill represents the amount by which the carrying amount of certain asset exceeds their fair value in relation to the acquiring subsidiary, based on an annual goodwill assessment. For a detailed discussion of the impairment of goodwill, please see "Item 5. Operating and Financial Review and Prospects—E. Critical Accounting Estimates" and "Note 2 Summary of Significant Accounting Policies, Note 7 Goodwill" in financial statement.

Loss from operations

As a result of the foregoing, we had loss from operations of RMB624.5 million (US$85.6 million) in 2024 compared to a loss of RMB61.0 million in 2023.

Others, net

Others, net were RMB1.1 million (US$0.2 million) in 2024, compared with RMB21.9 million which mainly consisted of government grants in 2023.

Income tax benefits

We recorded income tax benefits of RMB0.9 million (US$0.1 million) in 2024, which was primarily due to the impact of the decrease of deferred income tax benefits recognized from net operating tax loss, compared to income tax benefits of RMB18.1 million in 2023.

Net (loss)/income

As a result of the foregoing, we incurred net loss of RMB587.2 million (US$80.4 million) in 2024, compared to net income of RMB25.9 million in 2023.

Year ended December 31, 2023 compared to year ended December 31, 2022

Revenues

Our revenues increased by 19.1% from RMB1,257.9 million in 2022 to RMB1,498.0 million in 2023, primarily resulted from an increase in revenues generated by So-Young Prime and sales of cosmetic injectables mainly due to the increase of order volumes.

Our revenues from information, reservation services and others increased by 15.3% from RMB998.8 million in 2022 to RMB1,151.5 million in 2023. This increase was primarily due to an increase in revenues generated by So-Young Prime.

Our revenues from aesthetic treatment services increased by 100.0% from nil in 2022 to RMB13.0 million in 2023. The increase was primarily due to the launch of our branded aesthetic centers.

Our revenues from sales of medical products and maintenance services increased by 28.7% from RMB259.1 million in 2022 to RMB333.5 million in 2023. The increase was primarily due to an increase in the sales of cosmetic injectables.

Cost of revenues

Our cost of revenues increased by 38.4% from RMB393.3 million in 2022 to RMB544.3 million in 2023. The increase was primarily due to an increase in costs associated with So-Young Prime and sales of cosmetic injectables. In addition, cost of revenues included share-based compensation expenses of RMB1.8 million in 2023 compared to RMB8.3 million in 2022.

Our cost of information, reservation services and others increased by 48.3% from RMB253.5 million in 2022 to RMB376.0 million in 2023. The increase was primarily due to an increase in costs associated with So-Young Prime.

Our cost of aesthetic treatment services increased by 100.0% from nil in 2022 to RMB9.6 million in 2023. The increase was primarily due to the launch of our branded aesthetic centers.

Our cost of medical products sold and maintenance services increased by 13.6% from RMB139.8 million in 2022 to RMB158.8 million in 2023. The increase was primarily due to an increase in costs associated with the sales of cosmetic injectables.

Gross profit

As a result of the foregoing, our gross profit increased by 10.3% from RMB864.6 million in 2022 to RMB953.7 million in 2023. Our gross margin decreased from 68.7% in 2022 to 63.7% in 2023.

Operating expenses

Sales and marketing expenses. Our sales and marketing expenses increased by 10.2% from RMB472.1 million in 2022 to RMB520.5 million in 2023. The increase was primarily due to an increase in expenses associated with branding and user acquisition activities. Sales and marketing expenses for 2023 included share-based compensation expenses of RMB5.7 million, compared to RMB6.8 million in 2022.

General and administrative expenses. Our general and administrative expenses increased by 11.7% from RMB260.2 million in 2022 to RMB290.8 million in 2023. The increase was primarily due to an increase in payroll costs associated with the expansion of administrative employees to support our business upgrade and new strategic businesses. General and administrative expenses for 2023 included share-based compensation expenses of RMB23.6 million, compared to RMB19.0 million in 2022.

Research and development expenses. Our research and development expenses decreased by 13.4% from RMB235.1 million in 2022 to RMB203.5 million in 2023, primarily attributable to improvements in staff efficiency. Research and development expenses for 2023 included share-based compensation expenses of RMB5.3 million, compared to RMB9.3 million in 2022.

Impairment of goodwill. We did not recognize any impairment of goodwill in 2023. Impairment of goodwill represents the amount by which the carrying amount of certain asset exceeds their fair value in relation to the acquiring subsidiary, based on an annual goodwill impairment assessment. For a detailed discussion of the impairment of goodwill, please see “Item 5. Operating and Financial Review and Prospects—E. Critical Accounting Estimates” and “Note 2 Summary of Significant Accounting Policies, Note 7 Goodwill” in financial statement.

Loss from operations

As a result of the foregoing, we had loss from operations of RMB61.0 million in 2023 compared to a loss of RMB102.8 million in 2022.

Others, net

Others, net were RMB21.9 million, which mainly consisted of government grants in 2023, compared with RMB8.2 million in 2022.

Income tax benefits

We recorded income tax benefits of RMB18.1 million in 2023, which was primarily due to the impact of additional deduction for research and development expenditures, compared to income tax benefits of RMB21.0 million in 2022.

Net income/(loss)

As a result of the foregoing, we incurred net income of RMB25.9 million in 2023, compared to net loss of RMB66.1 million in 2022.

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,			
	2022	2023	2024	
	RMB	RMB	RMB	US$
	(in thousands)			
Net cash (used in)/provided by operating activities	(112,873)	22,501	(25,633)	(3,510)
Net cash (used in)/provided by investing activities	(572,212)	(202,611)	257,039	35,215
Net cash used in financing activities	(13,586)	(100,015)	(21,512)	(2,946)
Effect of exchange rate changes on cash, cash equivalents and restricted cash	55,862	11,865	3,335	453
Net (decrease)/increase in cash, cash equivalents and restricted cash	(642,809)	(268,260)	213,229	29,212
Cash, cash equivalents and restricted cash at the beginning of the year	1,343,809	701,000	432,740	59,285
Cash, cash equivalents and restricted cash at the end of the year	701,000	432,740	645,969	88,497

To date, we have financed our operating and investing activities primarily through net cash generated from operating activities and historical equity financing activities. As of December 31, 2022, 2023 and 2024, our cash, cash equivalents and restricted cash were RMB0.7 billion, RMB0.4 billion and RMB0.6 billion (US$88.5 million) respectively. Our cash, cash equivalents and restricted cash primarily consist of cash on hand and demand deposits.

We believe that our current cash, cash equivalents and restricted cash and our anticipated cash flows from operations will be sufficient to meet our anticipated working capital requirements and capital expenditures for at least the next 12 months. 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, 2024, 76.3% and 23.7% of our cash, cash equivalents and restricted cash were held in China and overseas, respectively, of which 42.4% were denominated in U.S. dollars and 57.5% were denominated in Renminbi. As of December 31, 2024, 17.2% and 82.8% of our term deposits and short-term investments were held in China and overseas, respectively, of which 6.9% were denominated in Renminbi. As of December 31, 2024, 24.5% of our cash, cash equivalents and restricted cash were held by the VIEs and its subsidiaries. Although we consolidate the results of the variable interest entity and its subsidiaries, we only have access to the assets or earnings of the variable interest entity and its subsidiaries through our contractual arrangements with the variable interest entity and its shareholders. See "Item 4. Information on the Company—C. Organizational Structure." For restrictions and limitations on liquidity and capital resources as a result of our corporate structure, see "Item 5. Operating and Financial Review and Prospects—B. Liquidity and Capital Resources—Holding Company Structure."

In utilizing the proceeds received from our initial public offering, we may make additional capital contributions to our subsidiary in mainland China, establish new subsidiaries in mainland China and make capital contributions to these new subsidiaries in mainland China, make loans to our subsidiary in mainland China, or acquire offshore entities with operations in China in offshore transactions. However, most of these uses are subject to regulations of mainland China. See "Item 3. Key Information—D. Risk Factors—Risks Related to Doing Business in China—Regulations of mainland China of loans to and direct investment in entities in mainland China by offshore holding companies and governmental control of currency conversion may delay or prevent us from using the proceeds of our initial public offering to make loans or to make additional capital contributions to our subsidiaries in mainland China and variable interest entities, which could materially and adversely affect our liquidity and our ability to fund and expand our business."

We expect that a substantial majority of our future revenues will continue to be denominated in Renminbi. Under existing foreign exchange regulations of mainland China, payments of current account items, including profit distributions, interest payments and trade and service-related foreign exchange transactions, can be made in foreign currencies without prior SAFE approval as long as certain routine procedural requirements are fulfilled. Therefore, our subsidiary in mainland China is allowed to pay dividends in foreign currencies to us without prior SAFE 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 2024 was RMB25.6 million (US$3.5 million). The difference between net cash used in operating activities and net loss of RMB587.2 million (US$80.4 million) in the same period was substantially due to (i) the increase of RMB540.0 million (US$74.0 million) in impairment of goodwill, (ii) the increase of RMB32.7 million (US$4.5 million) in share-based compensation expenses, (iii) the increase of RMB45.9 million (US$6.3 million) in depreciation of property and equipment and amortization of intangible assets, (iv) the decrease of RMB40.9 million (US$5.6 million) in prepayment and other current assets, (v) the decrease of RMB60.4 million (US$8.3 million) in trade receivables, and (vi) the increase of RMB39.7 million (US$5.4 million) in expected credit loss.

Net cash provided by operating activities in 2023 was RMB22.5 million. The difference between net cash provided by operating activities and net income of RMB25.9 million in the same period was substantially due to (i) the increase of RMB36.3 million in share-based compensation expenses, (ii) the increase of RMB46.1 million in depreciation of property and equipment and amortization of intangible assets, and (iii) the decrease of RMB50.5 million in prepayment and other current assets, and (iv) the decrease of RMB29.0 million in trade receivables.

Net cash used in operating activities in 2022 was RMB112.9 million. The difference between net cash used in operating activities and net loss of RMB66.1 million in the same period was substantially due to (i) the increase of RMB43.3 million in share-based compensation expenses, (ii) the increase of RMB47.1 million in depreciation of property and equipment and amortization of intangible assets, and (iii) the decrease of RMB51.3 million in other non-current assets.

Investing activities

Net cash provided by investing activities in 2024 was RMB257.0 million (US$35.2 million), primarily due to cash paid for purchase of short-term investments and term deposits of RMB1,167.0 million (US$159.9 million), cash paid for purchase of property and equipment and intangible assets of RMB62.5 million (US$8.6 million), offset by proceeds from maturities of short-term investments and term deposits of RMB1,527.1 million (US$209.2 million).

Net cash used in investing activities in 2023 was RMB202.6 million, primarily due to cash paid for purchase of short-term investments and term deposits of RMB2,235.4 million, cash paid for purchase of property and equipment and intangible assets of RMB51.2 million, offset by proceeds from maturities of short-term investments and term deposits of RMB2,103.1 million.

Net cash used in investing activities in 2022 was RMB572.2 million, primarily due to the purchase of short-term investments and term deposits of RMB1,205.8 million, cash paid for acquisition of subsidiaries of RMB97.5 million, offset by proceeds from maturities of short-term investments and term deposits of RMB764.8 million.

Financing activities

Net cash used in financing activities in 2024 was RMB21.5 million (US$2.9 million), primarily due to cash paid for repurchase of ordinary shares of RMB18.2 million (US$2.5 million), cash paid for dividend distribution of RMB43.6 million (US$6.0 million), and cash paid for repayment of short-term borrowings of RMB70.0 million (US$9.6 million), offset by proceeds from short-term borrowing of RMB110.0 million (US$15.1 million).

Net cash used in financing activities in 2023 was RMB100.0 million, primarily due to cash paid for repurchase of ordinary shares of RMB125.6 million, offset by proceeds from short-term borrowing of RMB29.8 million.

Net cash used in financing activities in 2022 was RMB13.6 million, primarily due to repurchase of ordinary shares of RMB15.1 million.

Material cash requirements

Our material cash requirements as of December 31, 2024 and any subsequent interim period primarily include our capital expenditures and operating lease obligations.

Our capital expenditures are primarily incurred for purchases of medical equipment, electronic equipment, furniture and office equipment, and micro-finance license. Our capital expenditures were RMB15.7 million in 2022, RMB51.2 million in 2023 and RMB62.5 million (US$8.6 million) in 2024. We intend to fund our future capital expenditures with our existing cash balance. We will continue to make capital expenditures to meet the expected growth of our business.

Our operating lease obligations consist of the commitments under the lease agreements for our office premises and branded aesthetics centers. We lease our office premises and branded aesthetics centers under non-cancelable operating leases with various expiration dates. The majority of our operating lease commitments are related to our headquarters' lease agreements ending in March 2029 and leases for our branded aesthetics centers. The lease payments and related property management fees for these agreements are expected to be RMB64.1 million in 2025, RMB64.7 million in 2026, RMB59.1 million in 2027, RMB53.0 million in 2028 and RMB11.1 million in 2029.

Other than as discussed above, we did not have any significant capital and other commitments, long-term obligations or guarantees as of December 31, 2024.

Holding Company Structure

So-Young International Inc. is a holding company with no material operations of its own. We conduct our operations primarily through our subsidiary in mainland China, consolidated variable interest entities and their subsidiaries. As a result, So-Young International Inc.'s ability to pay dividends depends upon dividends paid by our subsidiary in mainland China. If our existing subsidiary in mainland China 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 subsidiary in China is permitted to pay dividends to us only out of their retained earnings, if any, as determined in accordance with accounting standards and regulations of mainland China. Under laws of mainland China, each of our subsidiary and consolidated variable interest entity 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. In addition, our wholly foreign-owned subsidiary in China may allocate a portion of their after-tax profits based on accounting standards in mainland China to enterprise expansion funds and staff bonus and welfare funds at their discretion, and the consolidated variable interest entities may allocate a portion of their after-tax profits based on accounting standards in mainland China to a surplus fund at its discretion. 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 SAFE. Our WFOE generated accumulated profits after meeting the requirements for statutory reserve funds in 2021.

C. Research and Development, Patents and Licenses, Etc.

See "Item 4. Information On the Company—B. Business Overview—Technology and Infrastructure" and "—Intellectual Property."

D. Trend Information

We are not aware of any material trends in sales and inventory, the state of costs and selling prices for the period since January 1, 2025. Other than as disclosed elsewhere in this annual report, we are not aware of any trends, uncertainties, demands, commitments or events for the year ended December 31, 2024 that are reasonably likely to have a material adverse effect on our net revenues, income, profitability, liquidity or capital resources, or that caused the disclosed financial information to be not necessarily indicative of future operating results or financial conditions.

E. Critical Accounting Estimates

We prepare our financial statements in conformity with U.S. GAAP and pursuant to the regulations of the SEC, which requires us to make judgments, estimates and assumptions that affect the reported amounts of assets, liabilities, revenues, costs and expenses, and related disclosures. We regularly evaluate these estimates and assumptions based on the most recently available information, our own historical experiences, and various other assumptions that we believe to be reasonable under the circumstances. Since the use of estimates is an integral component of the financial reporting process, actual results could differ from our expectations as a result of changes in our estimates.

We consider an accounting estimate to be critical if: (1) the accounting estimate requires us to make assumptions about matters that were highly uncertain at the time the accounting estimate was made, and (2) 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.

For a detailed discussion of our significant accounting policies and related judgments, please see "Note 2-Summary of Significant Accounting Policies." You should read the following description of critical accounting estimates in conjunction with our consolidated financial statements and other disclosures included in this annual report.

Impairment of goodwill

Nature of Estimates Required-Goodwill. We tested goodwill impairment at the reporting unit level annually or more frequently if events or changes in circumstances would more likely than not reduce the fair value of a reporting unit below its carrying value. A quantitative assessment is performed if we determine it is more likely than not that the carrying value of the net assets is more than the fair value of the reporting unit after the qualitative assessment. If the carrying value of the reporting unit is above fair value, an impairment loss is recognized in an amount equal to the excess.

Assumptions Used-Goodwill. The significant assumptions used in the determination of fair value of our reporting unit include the following:

Projected revenue and projected operating result. These projections are derived using our internal business plan forecasts that are updated at least annually and reviewed by our Board of Directors. The internal business plan forecasts were developed considering the market data, selling plan and industry research.

Discount rate. When measuring the fair value of our reporting unit, the future cash flows are discounted at a rate that is consistent with a weighted-average cost of capital that we anticipate a potential market participant would use. Weighted-average cost of capital is an estimate of the overall risk-adjusted pre-tax rate of return expected by equity and debt holders of a business enterprise.

Sensitivity Analysis. In 2022 and 2023, we determined that the estimated fair value of the Wuhan Miracle reporting unit exceeded its carrying value after the assessment, therefore, no impairment was recorded. As a measure of sensitivity, for an increase or decrease of 100 basis points to discount rate or increase or decrease of 10% to the other assumptions, no material effects are identified or any other outcomes that are reasonably likely to occur. In 2024, we fully impaired the goodwill of RMB540.0 million related to our Wuhan Miracle reporting unit after the assessment. The goodwill impairment in Wuhan Miracle reporting unit was affectedby (i) Wuhan Miracle withdrew its IPO plan on December 23, 2024, and (ii) Wuhan Miracle did not achieve the anticipated growth and financial performance due to the highly competitive market.

Useful lives of Intangible Assets

Our intangible assets are amortized using the straight-line method over the estimated useful lives of the assets. Key elements considered in the determination of the useful lives of the intangible assets are the changes to ongoing business operations, changes in the planned use and utilization of assets, or technological advancements. Amortization expenses of RMB25.4 million, RMB25.3 million and RMB23.2 million (US$3.2 million) were recorded in the consolidated statements of comprehensive income/(loss) for the years ended December 31, 2022, 2023 and 2024, respectively. As a measure of sensitivity, for 10% decrease to the useful lives of all intangible assets for the year ended December 31, 2024, we would have recorded an additional amortization expense of approximately RMB2.4 million.

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
Xing Jin	45	Co-Founder, Chairman, Chief Executive Officer
Hui Zhao	43	Director, Chief Financial Officer
Gefei Li	30	Chief Operating Officer
Bei Wang	39	Chief Marketing Officer
Xiaodong Ying	45	Director, Chief Technology Officer
Haipeng Zhang	53	Independent Director
Chao He	66	Independent Director
Nan Shen	40	Independent Director
Nan Huang	43	Chief HR Officer

Mr. Xing Jin is our co-founder and has served as our director and chief executive officer since our inception in March 2013. Prior to founding our company, Mr. Jin was the vice president and general manager of social operations of IM2.0 Interactive Group from 2011 to 2013. From 2009 to 2011, Mr. Jin served as a product operations director at Tenpay, an online payment service provider under Tencent Group (HKEX: 0700). Prior to that, Mr. Jin co-founded a social networking service community from 2007 to 2009, served as a senior product operations manager at Oak Pacific Interactive from 2004 to 2007, and served as a product development manager for Tom.com from 2001 to 2004. Mr. Jin received his bachelor's degree in management information systems from Tianjin University in 2001.

Mr. Hui Zhao has served as our director since October 2023 and our chief financial officer since May 2023. Mr. Zhao joined us in November 2022 as a senior vice president. Prior to joining the Company, Mr. Zhao served as a director of finance at KE Holdings Inc. (NYSE: BEKE; HKEX: 2423), from 2017 to 2022. Prior to that, Mr. Zhao was the director of finance at Yusys Technologies Co., Ltd. from 2016 to 2017, the director of financial analysis and reporting at Boston Battery Technology Co., Ltd. from 2015 to 2016, and a senior audit manager at Ernst & Young Hua Ming LLP from 2005 to 2015. Mr. Zhao is a member of ACCA and AICPA. Mr. Zhao received a bachelor's degree in financial management from Nankai University in 2003 and a master's degree in economics and finance from York University in 2004.

Ms. Gefei Li has served as our chief operating officer since January 2025. From January 2024 to December 2024, Ms. Li served as our senior vice president. Prior to joining us, she held various positions at McKinsey & Company (Shanghai) Consulting Co., Ltd. from July 2017 to January 2024, with her last role being global associate partner. Her primary focus was on the healthcare and pharmaceutical industry sectors. Ms. Li received a bachelor's degree in economics and statistics from Cornell University in 2017.

Ms. Bei Wang joined us in March 2013 as a founding member and has served as our chief marketing officer since January 2025. She is responsible for content, branding, and marketing. Throughout her tenure, she has held various positions including director of new media, vice president of content center, and senior vice president of brand marketing center. Before joining us, she worked at Beijing Benyi Century Technology Development Co., Ltd. from March 2012 to February 2013 and Beijing Foreign Enterprise Human Resources Service Co., Ltd. from July 2010 to February 2012. Ms. Wang received a bachelor's degree in journalism in 2009 from Renmin University of China.

Mr. Xiaodong Ying has served as our director since October 2023, chief growth officer from September 2022 to December 2024 and chief technology officer since January 2025. Mr. Ying joined us in May 2021 as vice president of supply chain. Prior to joining us, Mr. Ying served as director of commercial product team, director of technology commercial team, and general manager of medical aesthetics department at Baidu from 2010 to 2021. From 2002 to 2010, he was responsible for sales related work in media companies, such as China Software Development Network, eNet and 21 Economic News. Mr. Ying received a bachelor's degree from Zhejiang University.

Dr. Haipeng Zhang has served as our director from December 2019 to January 2024 and has served as our independent director since January 2024. Dr. Zhang is also the chairman of Chengshi Buertang Culture Media Co., Ltd. now. Dr. Zhang served as a senior managing director and the Head of Healthcare Group at CITIC Capital Partners from 2015 to 2021. Prior to joining CITIC Capital, he was the chief executive officer of China Resources Healthcare Group Limited and the general manager of the strategy management department at China Resources (Holdings) Co., Limited. Prior to that, Dr. Zhang was a partner at McKinsey & Company and has also worked with China Merchants Holdings (International) Company Limited as the head of Internal Control and Auditing. Dr. Zhang has extensive industry experience and served on the boards of multiple companies in the healthcare industry. He received an MBA degree from Goizueta Business School at Emory University in 2000 and an M.D. degree from Peking Union Medical College in 1998.

Prof. Chao He has served as our independent director since May 2020. Prof. He is currently a professor of surgical oncology in the Medical School of Zhejiang University and has over 20 years of clinical practice experience. Prof. He has also served as the independent director of Baida Group Co., Ltd. (Shanghai Stock Exchange: 600865) since May 2020 and the independent director of Lionco Pharmaceutical Group Co., Ltd. (Shanghai Stock Exchange: 603669) since February 2019. Prof. He has also served as the director and general manager of Greentown Medical Management Company since 2021. He served as a senior vice president in WeDoctor Group and the chief executive officer of WeDoctor Primary Care from 2016 to 2019. Prior to that, he was the vice general manager in healthcare affairs at Taikang Community Investment Co., Ltd. from 2014 to 2016. Prof. He practiced as a physician and also took on managerial roles in Sir Run Run Shaw Hospital, a hospital affiliated with the Medical School of Zhejiang University, in Hangzhou, Zhejiang from 1999 to 2014. He was the president of Sir Run Shaw Hospital from 2003 to 2013. He practiced in the First Affiliated Hospital of Zhejiang University from 1983 to 1999, where he also served as a vice president from 1993 to 1999. Prof. He received his bachelor's degree in medicine from Zhejiang Medical University in 1982, where he also obtained his master's degree in medicine in 1989. He received an EMBA degree from China-European International Business School in 2003.

Ms. Nan Shen has served as our independent director since October 2023. Ms. Shen has served as the chief financial officer of Gaotu Techedu Inc. (NYSE: GOTU) since December 2018 and the senior vice president of Gaotu Techedu Inc. since October 2023. Prior to joining Gaotu Techedu Inc., Ms. Shen was the chief financial officer of China Sinoedu Co., Ltd., running its VIE in Shandong Yingcai University, from November 2017 to November 2018. Before that, Ms. Shen served multiple positions at PricewaterhouseCoopers between February 2012 to November 2017, including the last position as assurance manager. From September 2014 to July 2016, she was based in the Greater Michigan office of PricewaterhouseCoopers. Prior to February 2012, Ms. Shen was an investment manager of Dalian Port & Shipping Industry Fund, where she was also in charge of investor relations management. Ms. Shen received her bachelor's and master's degrees in financial management from Dongbei University of Finance and Economics in 2006 and 2009, respectively. Ms. Shen is a certified public accountant in China. She is currently pursuing an executive master of business administration degree at Tsinghua University.

Mr. Nan Huang has served as our chief HR officer since September 2022. He served as our senior vice president of human resources from December 2021 to September 2022. Prior to joining us, Mr. Huang served as a HR VP in Missfresh Inc. from 2019 to 2021. From 2013 to 2019, he worked in Wanda Group and Longfor Group, both as a senior HR director. From 2005 to 2013, he was a consulting professional in global consulting firms, including Ernst & Young, Mercer, etc. Mr. Huang received a bachelor's degree in economics from Fudan University in 2005 and an EMBA degree from CEIBS in 2019.

B. Compensation of Directors and Executive Officers

For the fiscal year ended December 31, 2024, we paid an aggregate of RMB9.2 million (US$1.3 million) in cash to our executive officers and non-executive directors. We have not set aside or accrued any amount to provide pension, retirement or other similar benefits to our executive officers and directors. For share incentive grants to our directors and executive officers, see "Item 6. Directors, Senior Management and Employees —B. Compensation of Directors and Executive Officers—Share Incentive Plans."

Our subsidiaries in mainland China and VIEs are required by law to make contributions equal to certain percentages of each employee's salary for his or her pension insurance, medical insurance, unemployment insurance and other statutory benefits and a housing provident fund.

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, which may be extended at the end of the initial term. We may terminate employment for cause, at any time, without additional remuneration, for certain acts of the executive officer, such as conviction or plea of guilty to a felony or any crime involving moral turpitude, dishonest acts to our detriment, gross negligence or willful misconduct, or continued 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 may be mutually agreed. 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 clients or prospective clients, 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.

Share Incentive Plans

Second Amended and Restated 2018 Share Plan

Our board of directors approved a Second Amended and Restated 2018 Share Plan, or the 2018 Plan, in March 2019 to attract and retain the best available personnel, provide additional incentives to employees, directors and consultants and promote the success of our business. The 2018 Plan supersedes all of our previously adopted share incentive plans. Under the 2018 Plan, the maximum aggregate number of ordinary shares which may be issued pursuant to all awards under the 2018 Plan is 7,700,000 ordinary shares plus an annual increase of 2% of our total outstanding share capital as of December 31 of the immediately preceding calendar year on the first day of each fiscal year, beginning in 2020, or such lesser number of Class A ordinary shares as determined by our board of directors, provide that the aggregate number of shares initially reserved and subsequently increased during the term of the 2018 Plan shall not be more than 10% of our total outstanding share capital on December 31 immediately preceding the most recent increase. The maximum aggregate number of shares which may be issued pursuant to all awards under the 2018 Plan is 7,765,951 Class A ordinary shares as of the date of this annual report. As of February 28, 2025, awards to purchase 227,058 Class A ordinary shares under the 2018 Plan have been granted and outstanding, excluding awards that were forfeited or cancelled after the relevant grant dates. The number of Class A ordinary shares available for future issuance upon the exercise of future grants under the 2018 Plan was 258,769 as of February 28, 2025.

The following paragraphs describe the principal terms of the 2018 Plan.

Types of awards. The 2018 Plan permits the awards of shares, options, restricted shares, restricted share units or any other type of awards approved by the plan administrator.

Plan administration. Our board of directors or one or more committees (as may be established by our board of directors) will administer the 2018 Plan. Our board of directors or the committees, as applicable, will determine the participants to receive awards, the type and number of awards to be granted to each participant, and the terms and conditions of each award.

Award agreement. Awards granted under the 2018 Plan are evidenced by an award agreement that sets forth the terms, conditions and limitations for each award, which may include the term of the award, the provisions applicable in the event that the grantee's employment or service terminates, and our authority to unilaterally or bilaterally amend, modify, suspend, cancel or rescind the award.

Eligibility. We may grant awards to the employees, directors and consultants of our company and our subsidiaries and such other individuals as approved by the plan administrator.

Vesting schedule. In general, the plan administrator determines the vesting schedule, which is specified in the relevant award agreement.

Exercise of options. The plan administrator determines the exercise price for each award, which is stated in the award agreement. The vested portion of option will expire if not exercised prior to the time as the plan administrator determines at the time of its grant. However, the maximum exercisable term is ten years from the date of a grant.

Transfer restrictions. Awards may not be transferred in any manner by the participant other than in accordance with the exceptions provided in the 2018 Plan or the corresponding award agreements, such as transfers by will or the laws of descent and distribution.

Termination and amendment of the 2018 Plan. Unless terminated earlier or extended pursuant to its terms, the 2018 Plan has a term of ten years. Our board of directors has the authority to terminate, amend or modify the 2018 Plan. However, no termination, amendment or modification of the 2018 Plan may adversely affect in any material way any awards previously granted unless agreed by the relevant grantee.

2021 Share Incentive Plan

Our board of directors approved the 2021 Share Incentive Plan, or the 2021 Plan, in April 2021 to attract and retain the best available personnel, provide additional incentives to employees, directors and consultants and promote the success of our business. Under the 2021 Plan, the maximum aggregate number of shares which may be issued pursuant to all awards was initially 1,734,760, plus commencing with the fiscal year beginning January 1, 2022, an annual increase on the first day of each fiscal year during the term of this Plan, by an amount equal to 2% of the total number of shares issued and outstanding on an as-converted fully diluted basis on the last day of the immediately preceding fiscal year; or such lesser number of shares as determined by our board of directors. As of February 28, 2025, awards to purchase 564,085 Class A ordinary shares have been granted and outstanding under the 2021 Plan, excluding awards that were forfeited or cancelled after the relevant grant dates. The 2021 Plan expired in April 2023.

The following paragraphs describe the principal terms of the 2021 Plan.

Types of awards. The 2021 Plan permitted the awards of shares, options, restricted shares, restricted share units or any other type of awards approved by the plan administrator.

Plan administration. Our board of directors or one or more committees (as established by our board of directors) administered the 2021 Plan. Our board of directors or the committees, as applicable, determined the participants to receive awards, the type and number of awards to be granted to each participant, and the terms and conditions of each award.

Award agreement. Awards granted under the 2021 Plan are evidenced by an award agreement that sets forth the terms, conditions and limitations for each award, which may include the term of the award, the provisions applicable in the event that the grantee's employment or service terminates, and our authority to unilaterally or bilaterally amend, modify, suspend, cancel or rescind the award.

Eligibility. We may grant awards to the employees, directors and consultants of our company and our subsidiaries and such other individuals as approved by the plan administrator.

Vesting schedule. In general, the plan administrator determined the vesting schedule, which is specified in the relevant award agreement.

Exercise of options. The plan administrator determined the exercise price for each award, which is stated in the award agreement. The vested portion of option will expire if not exercised prior to the time as the plan administrator determines at the time of its grant. However, the maximum exercisable term is ten years from the date of a grant.

Transfer restrictions. Awards may not be transferred in any manner by the participant other than in accordance with the exceptions provided in the 2021 Plan or the corresponding award agreements, such as transfers by will or the laws of descent and distribution.

Termination and amendment of the 2021 Plan. Unless terminated earlier or extended pursuant to its terms, the 2021 Plan has a term of two years. Our board of directors has the authority to terminate, amend or modify the 2021 Plan. However, no termination, amendment or modification of the 2021 Plan may adversely affect in any material way any awards previously granted unless agreed by the relevant grantee.

2023 Share Incentive Plan

Our board of directors approved the 2023 Share Incentive Plan, or the 2023 Plan, in February 2023 to attract and retain the best available personnel, provide additional incentives to employees, directors and consultants and promote the success of our business. Under the 2023 Plan, the maximum aggregate number of shares available for granting of awards shall be 3,000,000 Class A ordinary shares (including those represented by ADSs). As of February 28, 2025, awards to purchase 907,284 Class A ordinary shares under the 2023 Plan have been granted and outstanding, excluding awards that were forfeited or cancelled after the relevant grant dates. The number of Class A ordinary shares available for future issuance upon the exercise of future grants under the 2023 Plan was 1,521,253 as of February 28, 2025.

The following paragraphs describe the principal terms of the 2023 Plan.

Types of awards. The 2023 Plan permits the awards of options, restricted shares, restricted share units or other types of award approved by the Committee granted to a participant pursuant to the 2023 Plan.

Plan administration. Our board of directors or one or more committees (as may be established by our board of directors) will administer the 2023 Plan. Our board of directors or the committees, as applicable, will determine the participants to receive awards, the type and number of awards to be granted to each participant, and the terms and conditions of each award.

Award agreement. Awards granted under the 2023 Plan are evidenced by an award agreement that sets forth the terms, conditions and limitations for each award, which may include the term of the award, the provisions applicable in the event that the grantee's employment or service terminates, and our authority to unilaterally or bilaterally amend, modify, suspend, cancel or rescind the award.

Eligibility. We may grant awards to the employees, consultants and directors, as determined by the plan administrator.

Vesting schedule. In general, the plan administrator determines the vesting schedule, which is specified in the relevant award agreement.

Exercise of options. The plan administrator determines the exercise price for each award, which is stated in the award agreement. The vested portion of option will expire if not exercised prior to the time as the plan administrator determines at the time of its grant. However, the maximum exercisable term is ten years from the date of a grant.

Transfer restrictions. Awards may not be transferred in any manner by the participant other than in accordance with the exceptions provided in the 2023 Plan or the corresponding award agreements, such as transfers by will or the laws of descent and distribution.

Termination and amendment of the 2023 Plan. Unless terminated earlier or extended pursuant to its terms, the 2023 Plan has a term of ten years. Our board of directors has the authority to terminate, amend or modify the 2023 Plan. However, no termination, amendment or modification of the 2023 Plan may adversely affect in any material way any awards previously granted unless agreed by the relevant grantee.

The following table summarizes, as of February 28, 2025, the outstanding options that have been granted under the 2018 Plan, the 2021 Plan and the 2023 Plan to several of our directors and executive officers, excluding awards that were exercised, forfeited or cancelled after the relevant grant dates.

Name	Ordinary Shares Underlying Options	Exercise Price (US$/Share)	Date of Grant	Date of Expiration
Hui Zhao	*	$ 0.01	June 30, 2023	June 29, 2033
Gefei Li	*	$ 0.01	August 15, 2024	August 14, 2034
			February 1,2025	January 31,2035
Bei Wang	*	$ 0.01	May 27, 2021	May 26, 2031
			November 1, 2022	October 31, 2032
Xiaodong Ying	*	$ 0.01	August 16, 2021	August 15, 2031
			November 1, 2022	October 31, 2032
			March 1, 2023	February 28, 2033
			June 1, 2023	May 31, 2033
			September 1,2023	August 31,2033
			December 1,2023	November 30,2033
			September 1, 2024	August 31, 2034
			November 18, 2024	November 17, 2034
Nan Huang	*	$ 0.01	November 1, 2022	October 31, 2032
			August 19, 2024	August 18, 2034
			September 1, 2024	August 31, 2034
			February 1, 2025	January 31, 2035
Total	**653,657**			

Note:

* Less than one percent of our total outstanding shares.

As of February 28, 2025, other employees as a group held outstanding options to purchase 1,044,770 Class A ordinary shares of our company, at a weighted average exercise price of US$0.01 per share.

So-Young Medical Share Incentive Plan

So-Young Medical HongKong Limited (“So-Young Medical”), a wholly-owned subsidiary of us adopted its own share incentive plans in January 2024, which permits the granting of stock options, restricted share units and other types of awards of So-Young Medical to its employees, directors and consultants. As of February 28, 2025, share option to purchase 56,000,005 shares of So-Young Medical has been granted and outstanding.

C. Board Practices

Our board of directors consists of six 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 transaction, or proposed contract or transaction, with our company is required to declare the nature of his interest at a meeting of our directors. A director may vote with respect to any contract or transaction, or proposed contract or transaction, notwithstanding that he may be interested therein, and if he does so his vote shall be counted and he may be counted in the quorum at any meeting of our directors at which any such contract or transaction or proposed contract or transaction is considered. Our directors may exercise all the powers of our company to issue debentures, debenture stock, bonds or other securities, whether outright or as collateral 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.

As of the date of this annual report, three out of six of our directors meet the "independence" definition under the Nasdaq Stock Market Rules. As we are a "controlled company" as defined under the Nasdaq Stock Market Rules, we are permitted to elect to rely, and may rely, on certain exemptions from corporate governance rules. For example, we may rely on the exemption from the corporate governance rule that a majority of our board of directors must be independent directors. See "Item 16G. Corporate Governance."

Committees of the Board of Directors

We have established three committees under the board of directors. The three regular committees are: an audit committee, a compensation committee and a nominating and corporate governance committee. We have adopted a charter for each of the committees. Each committee's members and functions are described below.

Audit Committee. Our audit committee consists of Ms. Nan Shen, Mr. Haipeng Zhang and Prof. Chao He. Ms. Nan Shen is the chairman of our audit committee. We have determined that Ms. Nan Shen, Mr. Haipeng Zhang and Prof. Chao He each satisfies the "independence" requirements of Rule 5605(c)(2) of the Nasdaq Stock Market Rules and meet the independence standards under Rule 10A-3 under the Exchange Act, as amended. We have determined that Ms. Nan Shen 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 Mr. Haipeng Zhang, Ms. Nan Shen and Prof. Chao He. Mr. Haipeng Zhang is the chairman of our compensation committee. We have determined that Mr. Haipeng Zhang, Ms. Nan Shen and Prof. Chao He each satisfies the "independence" requirements of Rule 5605(c)(2) of the Nasdaq Stock Market Rules. The compensation committee assists the board of directors 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 Prof. Chao He, Ms. Nan Shen and Mr. Haipeng Zhang. Prof. Chao He is the chairman of our nominating and corporate governance committee. We have determined that Prof. Chao He, Mr. Haipeng Zhang and Ms. Nan Shen each satisfies the "independence" requirements of Rule 5605(a)(2) of the Nasdaq Stock Market Rules. 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 exercise 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 elected by a resolution of our board of directors, or by an ordinary resolution of our shareholders. The service of our independent directors may be terminated by the director or by us with a 30-day advance written notice or such other shorter period of notice as mutually agreed. A director will also 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 to be or becomes of unsound mind, (iii) resigns his office by notice in writing to our company, or (iv) without special leave of absence from our board, is absent from three consecutive board meetings and our directors resolve that his office be vacated.

Our officers are elected by and serve at the discretion of our board of directors.

Board Diversity Matrix

Board Diversity Matrix (As of the date of this annual report)				
Country of Principal Executive Offices	PRC			
Foreign Private Issuer	Yes			
Disclosure Prohibited Under Home Country Law	No			
Total Number of Directors	6			
	Female	**Male**	**Non-Binary**	**Did Not Disclose Gender**
Part I: Gender Identity				
Directors	1	5	0	0
Part II: Demographic Background				
Underrepresented Individual in Home Country Jurisdiction			0	
LGBTQ+			0	
Did Not Disclose Demographic Background			0	

D. Employees

We had a total of 1,800, 1,357 and 1,573 employees as of December 31, 2024, 2023 and 2022, respectively. The following table gives a breakdown of our employees as of December 31, 2024, by function:

Function	Number of Employees
Platform operation and customer services	456
Equipment manufacture	64
Sales and marketing	748
General and administrative	276
Research and development	256
Total	**1,800**

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, as a result, have generally been able to attract and retain qualified personnel and maintain a stable core management team.

As required by regulations in China, we participate in various employee social security plans that are organized by municipal and provincial governments, including pension, unemployment insurance, childbirth insurance, work-related injury insurance, medical insurance and housing insurance. We are required under laws of mainland China to make contributions to employee benefit plans at specified percentages of the salaries, bonuses and certain allowances of our employees, up to a maximum amount specified by the local government from time to time. To date, we have not experienced any significant labor disputes. None of our employees are represented by labor unions.

E. Share Ownership

Except as specifically noted, the following table sets forth information with respect to the beneficial ownership of our ordinary shares as of February 28, 2025 by:

- each of our directors and executive officers; and
- each person known to us to own beneficially 5% or more of each class of our voting securities.

The calculations in the table below are based on 77,456,092 ordinary shares outstanding as of February 28, 2025, including 65,456,092 Class A ordinary shares (excluding the 12,544,594 Class A ordinary repurchased pursuant to our share repurchase program) and 12,000,000 Class B ordinary shares outstanding.

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			
	Class A ordinary shares	Class B ordinary shares	% of total ordinary shares	% of aggregate voting power†
Directors and Executive Officers:**				
Xing Jin(1)	3,767,692	12,000,000	20.4 %	85.5 %
Hui Zhao	*	—	*	*
Haipeng Zhang	—	—	—	—
Nan Shen	—	—	—	—
Chao He	—	—	—	—
Gefei Li	*	—	*	*
Bei Wang	*	—	*	*
Xiaodong Ying	*	—	*	*
Nan Huang	*	—	*	*
All Directors and Executive Officers as a Group	**4,594,727**	**12,000,000**	**21.3 %**	**85.6 %**
Principal Shareholders:				
Beauty & Health Holdings Limited(1)	—	12,000,000	15.5 %	84.6 %
Matrix Partners China III Hong Kong Limited(2)	11,033,826	—	14.2 %	2.6 %
Orchid Asia entities(3)	10,646,534	—	13.7 %	2.5 %
Trustbridge Partners V, L.P.(4)	8,237,774	—	10.6 %	1.9 %

Notes:

* Less than 1% of our total outstanding ordinary shares

** Each of Xing Jin, Hui Zhao, Chao He, Gefei Li, Bei Wang, Xiaodong Ying and Nan Huang's business address is 2/F, East Tower, Poly Plaza, No. 66 Xiangbin Road, Chaoyang District, Beijing, People's Republic of China. The business address of Haipeng Zhang is House 18, Le Cap, No.83 Lai Ping Road, Shatin, N.T., Hong Kong. The business address of Nan Shen is 5F, Gientech Building, 17 East Zone, No. 10 Xibeiwang East Road, Haidian District, Beijing, People's Republic of China.

† For each person and 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 A ordinary shares is entitled to one vote per share and each holder of our Class B ordinary shares is entitled to thirty votes 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 3,767,692 Class A ordinary shares directly held by Mr. Xing Jin and 12,000,000 Class B ordinary shares held by Beauty & Health Holdings Limited, a company incorporated in the British Virgin Islands. Beauty & Health Holdings Limited is controlled by Xing Jin. The registered address of Beauty & Health Holdings Limited is Start Chambers, Wickham's Cay II, P.O. Box 2221, Road Town, Tortola, British Virgin Islands.

(2) Represents 14,343,965 ADSs and 7 Class A ordinary shares held by Matrix Partners China III Hong Kong Limited, a company incorporated in Hong Kong, as reported on the Schedule 13G/A filed by Matrix Partners China III Hong Kong Limited and affiliated parties on February 9, 2024. The registered office address of Matrix Partners China III Hong Kong Limited is Flat 2807, 28/F, AIA Central, No.1 Connaught Road, Central, Hong Kong, China. Matrix Partners China III Hong Kong Limited is held by Matrix Partners China III, L.P. and Matrix Partners China III-A, L.P.. Matrix China Management III, L.P. and Matrix China III GP GP, Ltd. are the direct and indirect general partners, respectively, of Matrix Partners China III, L.P. and Matrix Partners China III-A, L.P., and as such, may exercise voting and dispositive power over the shares held by Matrix Partners China III, L.P. and Matrix Partners China III-A, L.P.. David Su, a director of Matrix China III GP GP, Ltd., may be deemed to share the voting and dispositive power over these shares. The registered office address of Matrix Partners China III, L.P. and Matrix Partners China III-A, L.P. is Maples Corporate Services Limited, PO Box 309, Ugland House, Grand Cayman, KY1-1104, Cayman Islands.

(3) Represents approximately 10,646,534 Class A ordinary shares that are equivalent to 13,840,494 ADSs held by Orchid Asia Entities, defined as the reporting persons of the Schedule 13D/A filed by Absolute Fortune Limited and affiliated parties on August 31, 2020. Pursuant to the Schedule 13D/A, Class A ordinary shares and/or ADSs that are equivalent to 2,616,027 ADSs were held by Absolute Fortune Limited, Class A ordinary shares and/or ADSs that are equivalent to 4,029,756 ADSs were held by Golden Horizon Limited, Class A ordinary shares and/or ADSs that are equivalent to 10,457,540 ADSs were held by Orchid Asia VII, L.P., and Class A ordinary shares and/or ADS that are equivalent to 766,927 ADSs were held by Orchid Asia VII Co-Investment, Limited. Each of Absolute Fortune Limited, Golden Horizon Limited and Orchid Asia VII Co-Investment, Limited is a Cayman Islands limited company. Pursuant to the Schedule 13D/A, each of AREO Holdings Limited and Ms. Lam Lai Ming may be deemed to beneficially own an aggregate of Class A ordinary shares/ADS that are equivalent to 13,840,494 ADS held by Orchid Asia entities. The address of principal business office of Absolute Fortune Limited, Golden Horizon Limited and Orchid Asia VII Co-Investment, Limited is c/o Vistra (Cayman) Limited P. O. Box 31119, Grand Pavilion, Hibiscus Way, 802 West Bay Road, Grand Cayman, KY1-1205 Cayman Islands. Orchid Asia VII, L.P. is exempted limited partnership formed under the laws of the Cayman Islands. The address of principal business office of Orchid Asia VII, L.P. is c/o Maples Corporate Services Limited, PO Box 309, Ugland House, Grand Cayman, KY1-1104, Cayman Islands.

(4) Represents 8,237,774 Class A ordinary shares held by Trustbridge Partners V, L.P., a Cayman Islands limited partnership, including 3,067,873 ADSs, based on the Schedule 13G filed by TB Alternative Assets Ltd on February 10, 2025. TB Alternative Assets Ltd acts as the investment adviser of the investment manager of Trustbridge Partners V, L.P.. The business address of TB Alternative Assets Ltd is c/o Maples Corporate Services Limited, Ugland House, Grand Cayman, Cayman Islands, KY1-1104.

Our ordinary shares are divided into Class A ordinary shares and Class B ordinary shares. Holders of Class A ordinary shares are entitled to one vote per share, while holders of Class B ordinary shares are entitled to thirty votes per share based on our dual class share structure. We issued Class A ordinary shares represented by our ADSs in our initial public offering in May 2019. 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.

To our knowledge, other than Mr. Xing Jin, we are not owned or controlled, directly or indirectly, by another corporation, by any foreign government or by any other natural or legal persons, severally or jointly. We are not aware of any arrangement that may, at a subsequent date, result in a change of control of our company.

To our knowledge, as of February 28, 2025, 50,039,712 of our Class A ordinary shares in the form of ADSs were held by one record holder in the United States, which was Deutsche Bank Trust Company Americas, the depositary of our ADS program. The number of beneficial owners of the ADSs in the United States is likely to be much larger than the number of record holders of our common shares in the United States.

F. Disclosure of Registrant's Action to Recover Erroneously Awarded Compensation

Not applicable.

ITEM 7. MAJOR SHAREHOLDERS AND RELATED PARTY TRANSACTIONS

A. Major Shareholders

Please refer to "Item 6. Directors, Senior Management and Employees—E. Share Ownership."

B. Related Party Transactions

Contractual Arrangements with the Variable Interest Entities and their respective Shareholders

See "Item 4. Information on the Company—C. Organizational Structure."

Registration Rights

Pursuant to our fourth amended and restated shareholders agreement dated August 23, 2018, we have granted certain registration rights to our shareholders. Set forth below is a description of the registration rights granted under the agreement.

Demand Registration Rights

At any time after the earlier of (i) August 23, 2021, or (ii) the date that is six months after the closing of the initial public offering, holder(s) holding 10% or more of the total registrable securities then outstanding may request in writing that we effect a registration of the registrable securities. Upon such a request, we shall within ten business days give written notice of the proposed registration to all holders and shall thereafter use our best efforts to, as soon as practicable, cause the registrable securities specified in the request, together with any registrable securities of any holder who requests in writing to join such registration within ten business days after the delivery of our written notice, to be registered and/or qualified for sale and distribution in such jurisdiction as the initiating holders may request. We have the right to defer filing of a registration statement for a period of not more than 90 days after the receipt of the request of the initiating holders under certain conditions, but we cannot exercise the deferral right more than once in any 12-month period and we cannot register any other share during the foregoing 90-day period. We are not obligated to effect a demand registration if we have, within the six-month period prior to the date of a demand registration request, already effected a registration. We are not obligated to effect more than three demand registrations other than demand registration to be effected pursuant to registration statement on Form F-3, for which an unlimited number of demand registrations shall be permitted.

Registration on Form F-3 or Form S-3

If we qualify for registration on Form F-3 or Form S-3 (or any comparable or successor form), any holder has the right to request us to file an unlimited number of registration statements on Form F-3 or Form S-3(or any comparable or successor form). Promptly after receiving such requests, we shall give written notice of the proposed registration and as soon as practicable, we shall effect the registration of the qualified securities on Form F-3 or Form S-3 (or any comparable or successor form).

Piggyback Registration Rights

If we propose to file a registration statement for a public offering of our securities (except registration statement field in relation to demand registration, Form F-3 registration, Form S-3 registration or to any employee benefit plan or a corporate reorganization), we shall give each holder written notice of such registration at least 30 days prior to filing of such registration statement and, upon the written request of any holder given within 10 business days after delivery of such notice, we shall include in such registration any registrable securities thereby requested to be registered by such holder. If a holder decides not to include all or any of its registrable securities in such registration, such holder will continue to have the right to include any registrable securities in any subsequent registration statement as may be filed by us, subject to certain limitations. 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 registrable securities shall allocate first to us, second to each of holders requesting for the inclusion of their registrable securities pursuant to the piggyback registration, subject to certain conditions.

Expenses of Registration

We will bear all registration expenses, other than underwriting discounts and selling commissions incurred in connection with any demand (subject to certain exceptions), piggyback or F-3 registration.

Termination of Obligations

The registration rights set forth above shall terminate (i) on the date that is five years from the date of closing of a qualified initial public offering as defined in the fourth amended and restated shareholders agreement, or (ii) with respect to any holder, the date on which such holder may sell all of such holder's registrable securities under Rule 144 of the Securities Act.

Employment Agreements and Indemnification Agreements

See "Item 6. Directors, Senior Management and Employees—B. Compensation of Directors and Executive Officers—Employment Agreements and Indemnification Agreements."

Share Incentive Plans

See "Item 6. Directors, Senior Management and Employees—B. Compensation of Directors and Executive Officers—Share Incentive Plans."

Transactions with Beijing Mevos

In November 2018, we invested in Beijing Mevos Management Consulting Company Limited, or Beijing Mevos, by purchasing 11.11% of its equity interest with certain substantial preferential rights. The total cash consideration for the investment was RMB5.2 million. We incurred an expense of RMB1.6 million, RMB0.7 million and RMB0.3 million (US$0.0 million) to Beijing Mevos in 2022, 2023 and 2024. As of December 31, 2023 and 2024, we had RMB0.1 million and RMB0.1 million (US $0.0 million) due to Beijing Mevos.

Transactions with Yicai

In April 2019, we completed the investment in Beijing Yicai Health Management Consulting Co., Ltd., or Yicai, by purchasing 35% of its equity interest with certain substantial preferential rights. The total cash consideration for the investment was RMB17.5 million. In September 2021, we additionally acquired Yicai's newly issued ordinary shares by paying the cash consideration of RMB0.4 million. After the subsequent investment in 2021, we held 35% of its issued and outstanding shares. We offered loan to Beijing Yicai in the amount of RMB2.0 million in 2021. As of December 31, 2023 and 2024, Yicai had RMB0.4 million due to us, which we fully impaired in 2021.

Transactions with Chengdu Zhisu

In October 2018, we invested in Chengdu Zhisu Medical Management Company Limited, or Chengdu Zhisu, by purchasing 16% of its equity interest with certain substantial preferential rights. The total cash consideration for the investment was RMB4.0 million. In September 2019, we additionally acquired Chengdu Zhisu's newly issued ordinary shares by paying the cash consideration of RMB4.3 million. After the subsequent investment in 2019, we held approximately 16% of its issued and outstanding shares. We provided information and reservation services to Chengdu Zhisu in the amount of RMB1.2 million, RMB1.2 million and nil in 2022, 2023 and 2024, respectively. As of December 31, 2023 and 2024, Chengdu Zhisu had RMB0.5 million and RMB0.5 million due to us, respectively, of which RMB0.5 million was impaired in 2021.

Transactions with Xingying

In October 2016, we completed the investment in Shanghai Xingying Medical Technology Co., Ltd., or Xingying, and obtained its 10% equity interest with certain substantial preferential rights. Total consideration for the investment in Xingying was RMB4.0 million with a combination of RMB1.0 million in cash and RMB3.0 million in the form of information services. We provided information and reservation services to Xingying in the amount of RMB0.8 million, RMB1.2 million and RMB0.7 million (US$0.1 million) in 2022, 2023 and 2024, respectively. As of December 31, 2023 and 2024, we had RMB0.1 million and nil due to Xingying.

Transactions with Beijing Sharing New Medical

In October 2019, we invested in Beijing Sharing New Medical Technology Co., Ltd., or Sharing New Medical, by purchasing 49% of its equity interest. The total cash consideration for the investment was RMB13.5 million. In February 2021, the registered capital of Sharing New Medical increased and we additionally invested RMB7.6 million to Sharing New Medical in proportion to its shareholdings. In February 2023, upon the receipt of the loan repayment by Sharing New Medical in the amount of RMB18.6 million, we invested an additional RMB19.6 million in Sharing New Medical in proportion to its shareholdings. In addition, in December 2023, we invested an additional RMB14.1 million in Sharing New Medical in proportion to its shareholdings by converting our loan receivable from Sharing New Medical. Upon the completion of these transactions, we still held approximately 49% of its equity interest. We offered loans to Sharing New Medical in the amount of RMB18.1 million, RMB8.3 million and RMB5.0 million (US$0.7 million) and Sharing New Medical repaid nil, RMB18.6 million and RMB13.2 million (US$1.8 million) in 2022, 2023 and 2024, respectively, related loan interest for the years of 2022, 2023 and 2024 was RMB1.1 million, RMB0.9 million and RMB0.4 million (US$0.1 million). As of December 31, 2023 and 2024, Sharing New Medical had RMB8.5 million and RMB13.8 million (US$1.9 million) due to us, of which RMB13.8 million was impaired in 2024.

Transactions with Beijing Souyang

In September 2021, we invested in Beijing Souyang Management Consulting Co., Ltd, or Beijing Souyang, by purchasing 77% of its equity interest. The total cash consideration for the investment was RMB5.0 million. In Februray 2023, we disposed 11% of its equity interest with the cash consideration of RMB0.7 million. In May 2023, we made a capital reduction of 46% of its equity interest with the cash consideration of RMB3.8 million. As of December 31, 2024, we held 20% of its equity interest. We incurred an expense of RMB0.6 million, RMB0.3 million and nil to Beijing Souyang in 2022, 2023 and 2024 for consulting services, respectively. As of December 31, 2023 and 2024, Beijing Souyang had RMB0.6 million and RMB0.6 million (US$0.1 million) due to us, and we had RMB0.2 million and nil due to Beijing Souyang.

Transactions with Future Light

We acquired Wuhan Miracle in July 2021 and Wuhan Future Light Property Service Co., Ltd., or Future Light is controlled by direct relatives of Wuhan Miracle's chairperson. Future Light provided property management service to Wuhan Miracle in the amount of RMB1.3 million, RMB1.7 million and RMB1.1 million (US$0.2 million) in 2022, 2023 and 2024.

Transactions with Yinchuxing

We acquired Wuhan Miracle in July 2021, and Wuhan Yinchuxing Technology Development Co., Ltd, or Yinchuxing, is controlled by direct relatives of Wuhan Miracle's chairperson. Yinchuxing provided rental service to Wuhan Miracle in the amount of RMB0.4 million, RMB0.4 million and RMB 0.4 million (US$0.1 million) in 2022, 2023 and 2024, respectively.

Transactions with Chutian

We acquired Wuhan Miracle in July 2021, and Chutian Laser Group, or Chutian, is controlled by direct relatives of Wuhan Miracle's chairperson. Chutian provided rental service to Wuhan Miracle in the amount of RMB0.1 million, RMB0.1 million and RMB0.1 million (US$0.0 million) in 2022, 2023 and 2024, respectively.

Transactions with First BCC

We invested in First BCC Plastic Surgery Hospital, or First BCC, in October 2017 by purchasing 1% of its equity interest, with a total cash consideration of RMB1.7 million. We provided information and reservation services to First BCC in the amount of nil, nil and RMB2.0 million (US$0.3 million) in 2022, 2023 and 2024, respectively. As of December 31, 2023 and 2024, We had nil and RMB0.4 million (US$0.1 million) due to First BCC, respectively.

Transactions with Zhejiang Xinyang

We invested in Zhejiang Xinyang Medical Instrument Co., Ltd., or Zhejiang Xinyang, in April 2024 by purchasing 60% of its equity interest, with a total cash consideration of US$3.8 million. We offered loan to Zhejiang Xinyang in the amount of nil, nil and RMB0.5 million (US$0.1 million) in 2022, 2023 and 2024, respectively. As of December 31, 2023 and 2024, Zhejiang Xinyang had nil and RMB0.5 million (US$0.1 million) due to us.

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 are currently not a party to, and we are not aware of any pending or threatened legal, arbitral or administrative proceedings or claims, which, in the opinion of our management, is likely to have a material and adverse effect on our business, financial condition or results of operations. We may from time to time become a party to various legal, arbitral or administrative proceedings or claims arising in the ordinary course of our business. See "Item 3. Key Information—D. Risk Factors—Risks Related to Our Business and Industry—We have been, and may continue to be, subject to liabilities for infringement, misappropriation or other violations of third-party intellectual property rights or other allegations based on the content available on our platform or services we provide."

Dividend Policy

Our board of directors has complete discretion on whether to distribute dividends. In addition, our shareholders may by ordinary resolution declare a dividend, but no dividend may exceed the amount recommended by our board of directors. In either case, 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, 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 immediately following the date on which the dividend is paid. 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.

On March 20, 2024, our board of directors declared a special cash dividend of US$0.078 per ordinary share, or US$0.06 per ADS, to holders of ordinary shares and holders of ADSs of record as of the close of business on April 12, 2024. The payment date is expected to be on or around April 29, 2024. The total amount of cash distributed for the dividend is US$6.1 million.

On March 28, 2025, our board of directors declared a special cash dividend of US$0.03445 per ordinary share, or US$0.0265 per ADS, to holders of ordinary shares and holders of ADSs of record as of the close of business on April 8, 2025, U.S. Eastern Time. The payment date is expected to be on or around April 25, 2025. The total amount of cash to be distributed for the dividend is expected to be approximately US$2.7 million, which will be funded by surplus cash on the Company's balance sheet.

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. Regulations of mainland China may restrict the ability of our subsidiaries in mainland China to pay dividends to us. See "Item 4. Information on the Company-B. Business Overview-Regulation-Regulations on Dividend Distribution."

If we pay any dividends on our ordinary shares, we will pay those dividends which are payable in respect of the ordinary shares underlying our ADSs to the depositary, as the registered holder of such ordinary shares, and the depositary then will pay such amounts to our ADS holders in proportion to 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 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. Offering and Listing Details

See "—C. Markets."

B. Plan of Distribution

Not applicable.

C. Markets

The ADSs, 13 of which represent 10 of our Class A ordinary shares, have been listed on Nasdaq since May 2, 2019. We filed a transfer application to transfer from The Nasdaq Global Market to The Nasdaq Capital Market on February 11, 2025. Nasdaq approved the transfer on February 25, 2025 and the transfer took effect on February 27, 2025. The ADSs trade under the symbol "SY."

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 currently effective 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. The information set forth in Exhibit 2.5 to this Annual Report on Form 20-F is incorporated herein by reference.

Objects of Our Company. Under our amended and restated 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 law of the Cayman Islands.

Ordinary Shares. 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 nonresidents of the Cayman Islands may freely hold and vote their shares.

Class of 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. Each Class A ordinary share shall entitle the holder thereof to one vote on all matters subject to vote at general meetings of our company, and each Class B ordinary share shall entitle the holder thereof to thirty votes on all matters subject to vote at general meetings of our company.

Conversion. Each Class B ordinary share shall be convertible into one Class A ordinary share at the option of the holder thereof at any time upon written notice to the Company, while Class A ordinary shares cannot be converted into Class B ordinary shares under any circumstances. Upon any sale, transfer, assignment or disposition of any Class B ordinary share by a holder thereof to any person who is not the Founder or an Affiliate of the Founder (as such terms are defined in our amended and restated articles of association), such Class B ordinary share shall be automatically and immediately converted into one Class A ordinary share.

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 amended and restated memorandum and articles of association provide that dividends may be declared and paid out of our profits, realized or unrealized, or from any reserve set aside from profits which our board of directors determine is no longer needed. Dividends may also be declared and paid out of share premium account or any other fund or account which can be authorized for this purpose in accordance with the Companies Act. 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 immediately following the date on which the dividend is paid.

Voting Rights. Holders of Class A ordinary shares and Class B ordinary shares shall, at all times, vote together as one class on all matters submitted to a vote by the members at any general meeting of the Company. Each Class A ordinary share shall entitle the holder thereof to one vote on all matters subject to vote at general meetings of our company, and each Class B ordinary share shall entitle the holder thereof to thirty votes on all matters subject to vote at general meetings of our company. At any general meeting a resolution put to the vote at the meeting shall be decided on a show of hands, unless a poll is (before or on the declaration of the result of the show of hands) demanded by the chairman of such meeting or any one shareholder present in person or by proxy.

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 which are cast at the meeting, while a special resolution requires the affirmative vote of no less than two-thirds of the votes attaching to the issued and outstanding ordinary shares which are cast at the meeting. Both ordinary resolutions and special resolutions may also be passed by a unanimous written resolution signed by all the shareholders of our company, as permitted by the Companies Act and our amended and restated memorandum and articles of association. 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.

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 amended and restated 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 or a majority of our board of directors. Advance notice of at least ten 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 one or more our shareholders, present in person or by proxy or, if a corporation or other non-natural person, by its duly authorized representative, holding shares which carry in aggregate not less than one-third of all votes attaching to all of our shares in issue and entitled to vote at such 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 amended and restated 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 the total number of votes attaching to all 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 amended and restated 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 writing, and in any usual or common form or such other form approved by our board of directors and shall be executed by or on behalf of the transferor, and if in respect of a nil or partly paid up share, or if so required by the directors, shall also be executed on behalf of the transferee.

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 in respect of only one class of ordinary shares;
- 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 Nasdaq Stock Market LLC 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 calendar 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 rules of the Nasdaq Stock Market LLC, 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 amongst 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 amongst 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, or by a special resolution of our shareholders. 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 or by an ordinary resolution of our shareholders. 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 issued and 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 of shares, the rights attached to any such class may (subject to any rights or restrictions attached to any class) only be materially adversely varied with the consent in writing of the holders of two-thirds of the issued shares of that class or with the sanction of a special resolution passed at a separate meeting of the holders of the shares of that class. For these purposes, our directors may treat all the classes or any two or more classes as forming one class if they consider that all such classes would be affected in the same way by the proposals under consideration, but in any other case shall treat them as separate classes. The rights conferred upon the holders of the shares of any class issued with preferred or other rights shall not (subject to any rights or restrictions attached to the shares of that class) be deemed to be materially adversely varied by, inter alia, the creation, allotment or issue of further shares ranking pari passu with or subsequent to them or the redemption or purchase of any shares of any class by our company. The rights of the holders of shares shall not be deemed to be materially adversely varied by the creation or issue of shares with preferred or other rights including, without limitation, the creation of shares with enhanced or weighted voting rights.

Issuance of Additional Shares. Our amended and restated memorandum of association authorizes 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 amended and restated memorandum of association also authorizes 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 the memorandum and articles of association and any special resolutions passed by our company, and the registers of mortgages and charges of our company).

Anti-Takeover Provisions. Some provisions of our amended and restated 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 amended and restated 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 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 obtain an undertaking against the imposition of any future taxation (such undertakings are usually given for 20 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).

Differences in Corporate Law

The Companies Act of the Cayman Islands is derived, to a large extent, from the older Companies Acts of England but does not follow recent English statutory enactments and accordingly there are significant differences between the Companies Act of the Cayman Islands and the current Companies Act of England. In addition, the Companies Act of the Cayman Islands differs from laws applicable to U.S. corporations and their shareholders. Set forth below is a summary of certain significant differences between the provisions of the Companies Act of the Cayman Islands applicable to us and the laws applicable to companies incorporated in the United States and their shareholders.

Mergers and Similar Arrangements. The Companies Act permits mergers and consolidations between Cayman Islands companies and between Cayman Islands companies and non-Cayman Islands companies. For these purposes, (a) "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 (b) 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 to 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 (a) a special resolution of the shareholders of each constituent company, and (b) 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 of the Cayman Islands 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. 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 ninety percent (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 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, or (b) a majority in number representing 75% in value of the creditors, as the case may be, that are 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 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 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 and sanctioned, or if a tender offer is made and accepted, in accordance with the foregoing statutory procedures, a 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 the company to challenge actions where:

- a company acts or proposes to act illegally or ultra vires;
- 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
- those who control the company are perpetrating a "fraud on the minority."

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 post-offering amended and restated memorandum and articles of association provide that we shall indemnify our officers and directors against all actions, proceedings, costs, charges, expenses, losses, damages or liabilities incurred or sustained by such directors or officer, other than by reason of such person's dishonesty, willful default or fraud, in or about the conduct of our company's business or affairs (including as a result of any mistake of judgment) or in the execution or discharge of his duties, powers, authorities or discretions, including without prejudice to the generality of the foregoing, any costs, expenses, losses or liabilities incurred by such director or officer in defending (whether successfully or otherwise) any civil proceedings concerning our company or its affairs in any court whether in the Cayman Islands or elsewhere. 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 post-offering amended and restated 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 reasonably believes to be in the best interests of the corporation. He 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 owes the following duties to the company—a duty to act bona fide in the best interests of the company, a duty not to make a profit based on his position as director (unless the company permits him to do so), a duty not to put himself in a position where the interests of the company conflict with his personal interest or his 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 to act with skill and care. It was previously considered that a director need not exhibit in the performance of his duties a greater degree of skill than may reasonably be expected from a person of his 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 post-offering amended and restated memorandum and articles of association provide that shareholders may approve corporate matters by way of a unanimous written resolution signed by or on behalf of each shareholder who would have been entitled to vote on such matter at a general meeting without a meeting being held, and any such resolution in writing shall be as valid and effective as if the same had been passed at a general meeting of our company duly convened and 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 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 post-offering amended and restated memorandum and articles of association allow any one or more of our shareholders who together hold shares which carry in aggregate not less than one-third of the total number of votes attaching to all issued and outstanding shares of our company entitled to vote at general meetings to requisition an extraordinary general meeting of our shareholders, in which case our board is obliged to convene an extraordinary general meeting and to put the resolutions so requisitioned to a vote at such meeting. Other than this right to requisition a shareholders' meeting, our post-offering amended and restated memorandum and articles of association do not provide our shareholders with any other right to put proposals before annual general meetings or extraordinary general meetings. As an exempted Cayman Islands company, we are not obliged by law to call shareholders' annual general meetings.

Cumulative Voting. Under the Delaware General Corporation Law, cumulative voting for elections 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 in relation to cumulative voting under the laws of the Cayman Islands but our post-offering amended and restated 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 outstanding shares entitled to vote, unless the certificate of incorporation provides otherwise. Under our post-offering amended and restated memorandum and articles of association, subject to certain restrictions as contained therein, directors may be removed by an ordinary resolution of our shareholders.

Transactions with Interested Shareholders. The Delaware General Corporation Law contains a business combination statute applicable to Delaware 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 share within the past three years. This 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, among other things, 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 not with the effect of constituting a fraud on the minority shareholders.

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 our post-offering memorandum and articles of association, if our share capital is divided into different classes of shares, the rights attached to any such class may (subject to any rights or restrictions attached to any class) only be materially adversely varied with the consent in writing of the holders of two-thirds of the issued shares of that class or with the sanction of a special resolution passed 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 the Companies Act and our post-offering amended and restated 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 post-offering amended and restated 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 post-offering amended and restated memorandum and articles of association governing the ownership threshold above which shareholder ownership must be disclosed.

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," in 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 on Foreign Exchange."

E. Taxation

The following summary of the material Cayman Islands, PRC and U.S. federal income tax consequences of an investment in our 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 consequences relating to an investment in our ADSs or Class A ordinary shares, such as the tax consequences under U.S. state and local tax laws or under the tax laws of jurisdictions other than the Cayman Islands, China and the United States. To the extent that the discussion relates to matters of Cayman Islands tax law, it represents the opinion of Maples and Calder (Hong Kong) LLP, our counsel as to Cayman Islands law, and to the extent it relates to PRC tax law, it represents the opinion of CM Law Firm, our PRC legal counsel as to laws of mainland China.

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 gains 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 gains to any holder of our ordinary shares or ADSs, nor will capital gains derived from the disposal of our ordinary shares or ADSs be subject to Cayman Islands income or corporation tax.

Our company has been incorporated under the laws of the Cayman Islands as an exempted company with limited liability and, as such, has obtained an undertaking from the Financial Secretary of the Cayman Islands as to tax concessions under the Tax Concessions Act (As Revised). In accordance with the provision of Section 6 of The Tax Concessions Act (As Revised), the Financial Secretary has undertaken with our company:

- that no law which is hereafter enacted in the Cayman Islands imposing any tax to be levied on profits, income, gains or appreciations shall apply to our company or its operations; and

- in addition, that no tax to be levied on profits, income, gains or appreciations or which is in the nature of estate duty or inheritance tax shall be payable:

  (i) on or in respect of the shares, debentures or other obligations of our company; or

  (ii) by way of the withholding, in whole or part, of any relevant payment as defined in the Tax Concessions Acts (As Revised).

These concessions shall be for a period of 20 years from February 13, 2019.

Taxation in Mainland China

Under the PRC Enterprise Income Tax Law and its implementation rules, an enterprise established outside China with "de facto management body" within China is considered a resident enterprise. 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 April 2009, the State Administration of Taxation issued a circular, known as Circular 82, which provides certain specific criteria for determining whether the "de facto management body" of an offshore-incorporated enterprise controlled by an enterprise in mainland China is located in mainland China. Although this circular only applies to offshore enterprises controlled by enterprises or enterprise groups in mainland China, not those controlled by individuals in mainland China 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" text should be applied in determining the tax resident status of all offshore enterprises. According to Circular 82, an offshore incorporated enterprise controlled by an enterprise or enterprise group in mainland China will be regarded as a tax resident in mainland China 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 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 that So-Young International Inc. is not a resident enterprise in mainland China for PRC tax purposes. So-Young International Inc. is not controlled by an enterprise or enterprise group in mainland China and we do not believe that So-Young International Inc. meets all of the conditions above. So-Young International Inc. is a company incorporated outside China. As a holding company, its key assets are its ownership interests in its subsidiaries, and its key assets are located, and its records (including the resolutions of its board of directors and the resolutions of its shareholders) are maintained, outside China. In addition, we are not aware of any offshore holding companies with a similar corporate structure as ours ever having been deemed a "resident enterprise" in mainland China by the PRC tax authorities. 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 ours.

If the PRC tax authorities determine that So-Young International Inc. is a resident enterprise in mainland China for enterprise income tax purposes, we may be required to withhold a 10% withholding tax from dividends we pay to our shareholders that are nonresident enterprises, including the holders of our ADSs. In addition, non-resident enterprise shareholders (including our ADS holders) may be subject to a 10% PRC tax 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. It is unclear whether our shareholders that are not individuals in mainland China (including our ADS holders) would be subject to any PRC tax on dividends or gains obtained by such shareholders that are not individuals in mainland China in the event we are determined to be a resident enterprise in mainland China. 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. However, it is also unclear whether shareholders of So-Young International Inc. that are non-resident in mainland China would be able to claim the benefits of any tax treaties between their country of tax residence and China in the event that So-Young International Inc. is treated as a resident enterprise in mainland China. See "Item 3. Key Information—D. Risk Factors—Risks Related to Doing Business in China—If we are classified as a resident enterprise in mainland China for PRC income tax purposes, such classification could result in unfavorable tax consequences to us and our shareholders that are non-resident of mainland China or ADS holders."

U.S. 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 by a U.S. Holder (as defined below) that holds our ADSs as "capital assets" (generally, property held for investment) under the U.S. Internal Revenue Code of 1986, as amended (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. There can be no assurance that the Internal Revenue Service (the "IRS") or a court will not take a contrary position. This discussion, moreover, does not address the U.S. federal estate, gift, Medicare tax on certain net investment income, and alternative minimum tax considerations, the consequences of special tax accounting rules under Section 451(b) of the Code, or any state, local and non-U.S. tax considerations, relating to the ownership or disposition of our ADSs. 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);
- individual retirement accounts or other tax-deferred accounts;
- persons liable for minimum tax;
- persons who acquire their ADSs pursuant to any employee share option or otherwise as compensation;
- investors that will hold their ADSs 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 10% or more of our ADSs (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 through such entities,
- 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.

General

For purposes of this discussion, a "U.S. Holder" is a beneficial owner of our ADSs 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 within the meaning of Section 7701(a)(30) of the Code who have the authority to control all substantial decisions of the trust or (B) that has otherwise validly elected under the applicable United States Treasury Regulations to be treated as a U.S. person.

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, 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 and their partners are urged to consult their tax advisors regarding an investment in our ADSs.

The discussion below assumes that the representations contained in the deposit agreement are true and that the obligations in the deposit agreement and any related agreement will be complied with in accordance with their terms. For U.S. federal income tax purposes, a U.S. Holder of ADSs should generally 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 ordinary shares for ADSs will generally not be subject to U.S. federal income tax. The U.S. Treasury has expressed concerns that intermediaries in the chain of ownership between the holder of an ADS and the issuer of the security underlying the ADS may be taking actions that are inconsistent with the beneficial ownership of the underlying security. Accordingly, the creditability of foreign taxes, if any, as described below, could be affected by actions taken by intermediaries in the chain of ownership between the holders of ADSs representing our shares and our company if, as a result of such actions, the holders of ADSs representing our ordinary shares are not properly treated as beneficial owners of the underlying shares.

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 produce or are held for the production of passive income. For this purpose, cash and assets readily convertible into cash are categorized as passive assets and the company's goodwill and other unbooked intangibles are taken into account. Passive income generally includes, among other things, dividends, interest, rents, royalties (other than certain rents or royalties derived from the active conduct of a trade or business), 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 unclear, we treat the VIEs (and their subsidiaries) as being owned by us for U.S. federal income tax purposes because we control their management decisions and are entitled to substantially all of the economic benefits associated with them, and, as a result, we consolidate their results of operations in our consolidated U.S. GAAP financial statements.

Based upon the nature and composition of our income and assets (including the significant amount of cash, deposits and investments), and the market price of our ADSs, we believe that we were a PFIC for United States federal income tax purposes for the taxable year ended December 31, 2024, and we will likely be a PFIC for our current taxable year unless the market price of our ADSs increases and/or we invest a substantial amount of the cash and other passive assets we hold in assets that produce or are held for the production of active income. There can be no assurance that we will not be treated as a PFIC for any future taxable year and our U.S. counsel expresses no opinion with respect to our PFIC status for any prior, current or future taxable year. Even if we determine that we are not a PFIC for a taxable year, there can be no assurance that the IRS, will agree with our conclusion and that the IRS would not successfully challenge our position. Each U.S. holder is strongly urged to consult its tax advisor regarding our PFIC status and any available elections to mitigate such tax consequences.

If we are a PFIC for any taxable year during which a U.S. Holder holds our ADSs, we generally will continue to be treated as a PFIC with respect to such U.S. Holder for all succeeding taxable years during which such U.S. Holder holds our ADSs, regardless of whether we continue to meet the PFIC tests described above in such years, unless certain elections are made.

Dividends

Subject to the PFIC rules discussed below, any cash distributions paid on our ADSs (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 depositary. 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. Any distribution we pay will generally be treated as "foreign source dividend income" for U.S. federal income tax purposes, and as a result, dividends received on our ADSs 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 gain tax rate applicable to "qualified dividend income," provided that certain conditions are satisfied, including that (1) our ADSs 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 resident enterprise in mainland China under the PRC tax law, we are eligible for the benefit of the U.S.-PRC income tax treaty (the "Treaty"), (2) we are not a PFIC (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. Our ADSs are listed on the Nasdaq Capital Market, which is an established securities market in the United States, and the ADSs are expected to be readily tradable. Since we do not expect that our ordinary shares will be listed on an established securities market, it is unclear whether dividends that we pay on our ordinary shares that are not represented by ADSs will meet the conditions required for the reduced tax rate. There can be no assurance that our ADSs will continue to be considered readily tradable on an established securities market in later years. 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 .

For U.S. foreign tax credit purposes, dividends paid on our ADSs generally will be treated as income from foreign sources and generally will constitute passive category income. In the event that we are deemed to be a resident enterprise in mainland China under the PRC Enterprise Income Tax Law, a U.S. Holder may be subject to PRC withholding taxes on dividends paid on our ADSs. 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 mentioned above, we believe that we were a PFIC for the taxable year ended December 31, 2024, and we will likely be classified as a PFIC for our current taxable year. U.S. Holders are urged to consult their tax advisors regarding the availability of the reduced tax rate on dividends with respect to the ADSs in their particular circumstances.

Sale or Other Disposition

Subject to the PFIC rules discussed below, a U.S. Holder will generally recognize gain or loss upon the sale or other disposition of ADSs in an amount equal to the difference between the amount realized upon the disposition and the holder's adjusted tax basis in such ADSs. The gain or loss will generally be capital gain or loss. Any capital gain or loss will be long term if the ADSs have been held for more than one year. Non-corporate U.S. Holders (including individuals) generally will be subject to United States federal income tax on long-term capital gain at preferential rates. 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.

However, and as described in "Item 10. Additional Information—E. Taxation—Taxation in Mainland China," if we are deemed to be a resident enterprise in mainland China under the PRC Enterprise Income Tax Law, gains from the disposition of the ADSs 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 non-U.S. source income from mainland China under the Treaty. Pursuant to United States 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 ordinary shares, unless such credit can be applied (subject to applicable limitations) against U.S. federal income tax due on other income derived from foreign sources in the same income category (generally, the passive category). The rules regarding foreign tax credits and deduction of foreign taxes are complex. U.S. Holders should consult their tax advisors regarding the availability of a foreign tax credit or deduction in light of their particular circumstances, including their eligibility for benefits under the Treaty, and the potential impact of the United States Treasury regulations

If the consideration received by a U.S. Holder upon a sale or other taxable disposition of ADSs is not paid in U.S. dollars, the amount realized will be the U.S. dollar value of such payment calculated by reference to the exchange rate in effect on the date of such sale or disposition. A U.S. Holder may have foreign currency gain or loss to the extent of the difference, if any, between (i) the U.S. dollar value of such payment on the date of such sale or disposition and (ii) the U.S. dollar value of such payment calculated by reference to the exchange rate in effect on the date of settlement.

As mentioned above, we believe that we were a PFIC for the taxable year ended December 31, 2024, and we will likely be classified as a PFIC for our current taxable year. U.S. Holders are urged to consult their tax advisors regarding the tax considerations of the sale or other disposition of the ADSs in their particular circumstances.

Passive Foreign Investment Company Rules

As mentioned above, we believe that we were a PFIC for the taxable year ended December 31, 2024, and we will likely be classified as a PFIC for our current taxable year. If we are classified as a PFIC for any taxable year during which a U.S. Holder holds our ADSs, 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 in the three preceding taxable years or, if shorter, the U.S. Holder's holding period for the ADSs), and (ii) any gain realized on the sale or other disposition of ADSs. Under the PFIC rules:

- the excess distribution or gain will be allocated ratably over the U.S. Holder's holding period for the ADSs;
- the amount allocated to the current taxable year 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 (each, a "pre-PFIC year"), will be taxable as ordinary income;
- the amount allocated to each prior taxable year, other than a pre-PFIC year, will be subject to tax at the highest tax rate in effect for individuals or corporations, as applicable to such U.S. Holder, for that year; and
- the interest charge generally applicable to underpayments of tax will be imposed on the tax attributable to each prior taxable year, other than a pre-PFIC year.

If we are classified as a PFIC for any taxable year during which a U.S. Holder holds our ADSs and any of our subsidiaries, the VIEs or the subsidiaries of the VIEs 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 VIEs or any of the subsidiaries of the VIEs.

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, including a national securities exchange that is registered with the SEC, or other market, as defined in applicable United States Treasury regulations. Our ADSs, but not our ordinary shares, are traded on the Nasdaq Stock Market which is a qualified exchange. We anticipate that our ADSs should qualify as marketable stock as long as our ADSs remain regularly traded on a national securities exchange, such as the Nasdaq Stock Market. Such ADSs generally will be regularly traded for any calendar year during which such stock is traded, other than in *de minimis* quantities, on at least 15 days during each calendar quarter, but no assurances may be given in this regard.

Because a mark-to-market election cannot technically be made for any lower-tier PFICs that we may own, a U.S. Holder 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 we are treated as a PFIC, during the period in which a U.S. Holder holds our ADSs and we subsequently cease to be treated as a PFIC, the U.S. Holder might seek to make a purging election to rid its ADSs of the PFIC taint. Under the purging election, the U.S. Holder will be deemed to have sold its ADSs at their fair market value and any gain recognized on such deemed sale will be treated as an excess distribution, as described above. As a result of the purging election, the U.S. Holder will have a new adjusted tax basis and holding period in the ADSs solely for purposes of the PFIC rules.

If we are treated as a PFIC and, at any time, have a non-U.S. subsidiary that is treated as a PFIC, a U.S. Holder generally would be deemed to own a proportionate amount of the shares of such lower-tier PFIC, and generally could incur liability for the deferred tax and interest charge described above if we receive a distribution from, or sell or otherwise dispose of all or part of our interest in, such lower-tier PFIC, or the U.S. Holder otherwise was deemed to have sold or otherwise disposed of an interest in such lower-tier PFIC. U.S. Holders should consult their tax advisors regarding the application of the lower-tier PFIC rules in their particular circumstances.

If a U.S. Holder owns (or is deemed to own) our ADSs during any taxable year that we are a PFIC, the holder must generally file an annual IRS Form 8621 (whether or not a mark-to-market election is made) or such other form as is required by the United States Treasury Department. Failure to do so, if required, will extend the statute of limitations applicable to such U.S. Holder until such required information is furnished to the IRS and could result in penalties. Each U.S. Holder should consult its tax advisor regarding the U.S. federal income tax consequences of owning and disposing of our ADSs if we are or become a PFIC.

Information Reporting and Backup Withholding

U.S. Holders may be subject to information reporting to the IRS and U.S. backup withholding with respect to dividends on and proceeds from the sale or other disposition of our ADSs. Backup withholding will not apply, however, to (i) U.S. Holders that are corporations or other exempt recipients and properly establish their exempt status or (ii) U.S. Holders that provide a correct taxpayer identification number and other required information on IRS Forms W-9 establishing that such U.S. Holders are not subject to backup withholding.

Backup withholding is not an additional tax. Amounts withheld as backup withholding may be credited against a U.S. Holder's U.S. federal income tax liability and may entitle the U.S. Holder to a refund of any excess amounts withheld provided that the required information is timely furnished to the IRS.

U.S. Holders should consult their tax advisors regarding the information reporting requirements and the application of backup withholding rules in their particular circumstances.

THIS DISCUSSION IS FOR GENERAL INFORMATIONAL PURPOSES ONLY AND IS NOT TAX ADVICE. U.S. HOLDERS SHOULD CONSULT THEIR TAX ADVISORS REGARDING THE U.S. FEDERAL, STATE, AND LOCAL AND NON-U.S. INCOME AND NON-INCOME TAX CONSEQUENCES OF THE ACQUISITION, OWNERSHIP, AND DISPOSITION OF OUR ADSs, INCLUDING THE IMPACT OF ANY POTENTIAL CHANGE IN LAW, IN THEIR PARTICULAR CIRCUMSTANCES.

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 end of each fiscal year, which is December 31. All information we file with the SEC can be obtained over the internet at the SEC's website at *www.sec.gov*. As a foreign private issuer, we are exempt from the rules under the Exchange Act prescribing the furnishing and content of quarterly reports and proxy statements, and officers, directors and principal shareholders are exempt from the reporting and short-swing profit recovery provisions contained in Section 16 of the Exchange Act.

We will furnish Deutsche Bank Trust Company Americas, the depositary of our 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.

In accordance with Nasdaq Stock Market Rule 5250(d), we will post this annual report on Form 20-F on our website at *ir.soyoung.com*. In addition, we will provide hardcopies of our annual report free of charge to shareholders and ADS holders upon request.

I. Subsidiary Information

Not applicable.

J. Annual Report to Security Holders

Not applicable.

ITEM 11. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Market Risks

Foreign Exchange Risk

Substantially all of our revenues and expenses are denominated in RMB. 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. It is difficult to predict how market forces or PRC or U.S. government policy may impact the exchange rate between Renminbi and the U.S. dollar in the future.

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 RMB 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 or for other business purposes, appreciation of the U.S. dollar against the Renminbi would have a negative effect on the U.S. dollar amounts available to us.

As of December 31, 2024, we had Renminbi-denominated cash, cash equivalents and restricted cash of RMB376.4 million. A 10% depreciation of Renminbi against the U.S. dollar based on the foreign exchange rate on December 31, 2024 would result in a decrease of US$5.2 million in cash, cash equivalents and restricted cash. A 10% appreciation of Renminbi against the U.S. dollar based on the foreign exchange rate on December 31, 2024 would result in an increase of US$5.2 million in cash, cash equivalents and restricted cash.

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. 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.

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 the ADS Holders May Have to Pay

Deutsche Bank Trust Company Americas, as depositary, registers and delivers the ADSs. 13 ADSs represent 10 Class A ordinary shares, deposited with Deutsche Bank AG, Hong Kong Branch, as custodian for the depositary. Each ADS also represents ownership of any other securities, cash or other property which may be held by the depositary. The depositary's corporate trust office at which the ADSs are administered is located at 60 Wall Street, New York, NY 10005, USA. The principal executive office of the depositary is located at 60 Wall Street, New York, NY 10005, USA.

As an ADS holder, you 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 your ADSs):

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)	Up to US$0.05 per ADS issued
● Cancellation of ADSs, including the case of termination of the deposit agreement	Up to US$0.05 per ADS cancelled
● Distribution of cash dividends	Up to US$0.05 per ADS held
● Distribution of cash entitlements (other than cash dividends) and/or cash proceeds from the sale of rights, securities and other entitlements	Up to US$0.05 per ADS held
● Distribution of ADSs pursuant to exercise of rights	Up to US$0.05 per ADS held
● Distribution of securities other than ADSs or rights to purchase additional ADSs	Up to US$0.05 per ADS held
● Depositary services	Up to US$0.05 per ADS held on the applicable record date(s) established by the depositary bank

As an ADS holder, you will also be responsible to pay 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 your ADSs) such as:

- Fees for the transfer and registration of shares charged by the registrar and transfer agent for the shares in the Cayman Islands (i.e., upon deposit and withdrawal of 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 shares are deposited or withdrawn from deposit).
- Fees and expenses incurred in connection with the delivery or servicing of shares on deposit.
- Fees and expenses incurred in connection with complying with exchange control regulations and other regulatory requirements applicable to 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.

The fees and charges holders of our ADSs may be required to pay may vary over time and may be changed by us and by the depositary bank.

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. In 2024, we received a total of US$0.5 million from the depository for expenses incurred in connection with the establishment and maintenance of the ADS program.

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—Class of Ordinary Shares" for a description of the rights of securities holders, which remain unchanged.

Use of Proceeds

The following "Use of Proceeds" information relates to the registration statement on Form F-1, as amended (File Number 333-230760) in relation to our initial public offering, which was declared effective by the SEC on May 1, 2019. Our initial public offering closed in May 2019. Deutsche Bank Securities Inc. and China International Capital Corporation Hong Kong Securities Limited were the representatives of the underwriters for our initial public offering. Counting in the ADSs sold upon the exercise of the over-allotment option by our underwriters, we offered and sold an aggregate of 14,950,000 ADSs at an initial public offering price of US$13.80 per ADS, and received US$187.5 million in net proceeds after deducting underwriting commissions and discounts and the offering expenses payable by us.

The total expenses incurred for our company's account in connection with our initial public offering was US$4.3 million. None of the transaction expenses included payments to directors or officers of our company or their associates, persons owning more than 10% or more of our equity securities or our affiliates. None of the net proceeds from the initial public offering were paid, directly or indirectly, to any of our directors or officers or their associates, persons owning 10% or more of our equity securities or our affiliates.

For the period from May 1, 2019, the date that the F-1 Registration Statement was declared effective by the SEC, to December 31, 2024, we utilized US$187.5 million of the net proceeds from our initial public offering in strategic investments and acquisition, dividend distribution and share repurchase, among which we used an aggregate of approximately US$6.1 million of the net proceeds from our initial public offering for payment of dividends. Except for the payment of dividends, there is no material change in the use of proceeds as described in our registration statement on Form F-1. We still intend to use the proceeds from our initial public offering, as disclosed in our registration statements on Form F-1, to invest in technology and research and development and enhance our content offering, and for brand promotion and user acquisition efforts and horizontal and vertical business expansions, and for general corporate purposes and working capital needs and potential strategic investments and acquisitions.

ITEM 15. CONTROLS AND PROCEDURES

Evaluation of Disclosure Controls and Procedures

Our management, with the participation of our chief executive officer and chief financial officer, has performed an evaluation of the effectiveness of our disclosure controls and procedures (as defined in Rule 13a-15(e) under the Exchange Act) as of the end of the period covered by this report, as required by Rule 13a-15(b) under the Exchange Act.

Based upon that evaluation, our management has concluded that, as of December 31, 2024, our disclosure controls and procedures were effective in ensuring that the 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 rules and forms, and that the 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 chief executive officer, as appropriate, to allow timely decisions regarding required disclosure.

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.

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, 2024 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, the management concluded that our internal control over financial reporting was effective as of December 31, 2024. Because of its inherent limitations, internal control over financial reporting may not prevent or detect all potential 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.

Although we are not required to obtain an auditor attestation report on internal control over financial reporting as we were a non-accelerated filer for the year ended December 31, 2024, we voluntarily engaged our independent registered public accounting firm to report on the effectiveness of our internal control over financial reporting. PricewaterhouseCoopers Zhong Tian LLP, our independent registered public accounting firm, audited the effectiveness of our company's internal control over financial reporting as of December 31, 2024, as stated in its report, which appears on pages F-2 and F-3 of this annual report on Form 20-F.

Changes in Internal Control over Financial Reporting

There were no changes in our internal controls over financial reporting that occurred during the period covered by this annual report on Form 20-F that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

Attestation Report of the 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, 2024, as stated in its report, which appears on page F-2 of this annual report on Form 20-F.

ITEM 16A. AUDIT COMMITTEE FINANCIAL EXPERT

Our board of directors has determined that Ms. Nan Shen, the chairman of our audit committee and an independent director (under the standards set forth in Rule 5605(c)(2) of the Nasdaq Stock Market Rules and Rule 10A-3 under the Securities Exchange Act of 1934), is an audit committee financial expert.

ITEM 16B. CODE OF ETHICS

Our board of directors adopted a code of business conduct and ethics that applies to our directors, officers and employees in April 2019. We have posted a copy of our code of business conduct and ethics on our website at *ir.soyoung.com*.

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 external auditors, for the periods indicated.

	For the Year Ended December 31,	
	2023	2024
	(in thousands of RMB)	
Audit fees[(1)]	11,655	10,710
Tax fees[(2)]	1,428	641
Other fees[(3)]	80	—

Notes:

(1) "Audit fees" represent the aggregate fees billed for professional services rendered by our principal auditor for the audit of our annual financial statements and the review of our comparative interim financial statements.

(2) "Tax fees" represent the aggregate fees billed in each of the fiscal years listed for professional services rendered by our principal auditor for tax compliance, and tax advice.

(3) "Other fees" represent the aggregate fees incurred in each of the fiscal years listed for services rendered by our principal auditors excluding 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 as described above, other than those for *de minimis* services which are approved by the 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

The table below is a summary of the shares repurchased by us from January 1, 2024 to December 31, 2024 under the 2024 Share Repurchase Program. All shares were repurchased in the open market pursuant to our 2024 Share Repurchase Program.

Periods	Total Number of ADSs Purchased	Average Price Paid per ADS (US$)	Total Number of ADSs Purchased as Part of Publicly Announced Plans	Maximum Dollar Value of ADSs that May Yet be Purchased Under the Plans
March 22, 2024 to March 31, 2024	84,424	1.06	84,424	24,910,415
April 1, 2024 to April 30, 2024	246,284	1.20	246,284	24,615,722
May 1, 2024 to May 31, 2024	198,877	1.21	198,877	24,375,240
June 1, 2024 to June 30, 2024	319,519	1.13	319,519	24,015,207
July 1, 2024 to July 31, 2024	160,933	1.00	160,933	23,854,777
August 1, 2024 to August 31, 2024	219,057	0.89	219,057	23,659,010
September 1, 2024 to September 30, 2024	328,423	0.82	328,423	23,388,395
October 1, 2024 to October 31, 2024	498,618	1.05	498,618	22,864,526
November 1, 2024 to November 30, 2024	269,689	0.87	269,689	22,629,462
December 1, 2024 to December 31, 2024	238,883	0.81	238,883	22,436,415
Total	**2,564,707**	**1.00**	**2,564,707**	**22,436,415**

Notes:

- On March 18, 2024, our board of directors authorized a share repurchase program, under which we may repurchase up to an aggregate value of US$25 million of our ADSs or ordinary shares over the 12-month period beginning from March 22, 2024. On March 21, 2025, our board of directors authorized the extension of the 2024 Share Repurchase Program for an additional 12-month period.

ITEM 16F. CHANGE IN REGISTRANT'S CERTIFYING ACCOUNTANT

Not applicable.

ITEM 16G. CORPORATE GOVERNANCE

As a Cayman Islands exempted company listed on Nasdaq Stock Market LLC, we are subject to the Nasdaq corporate governance listing standards. However, Nasdaq Stock Market LLC 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 Nasdaq Stock Market corporate governance listing standards.

For example, Nasdaq Rule 5620 requires each issuer to hold an annual meeting of shareholders no later than one year after the end of the issuer's fiscal year-end. However, Nasdaq Rule 5615(a)(3) permits foreign private issuers like us to follow "home country practice" in certain corporate governance matters. We followed home country practice and did not hold an annual meeting of shareholders in 2024. In addition, we elected to follow our home country practices and did not seek shareholder approval for the adoption of our 2021 Share Incentive Plan or the adoption of our 2023 Share Incentive Plan.

Further, we also rely on exemptions afforded to controlled companies. We are a "controlled company" as defined under the Nasdaq Stock Market Rules because Mr. Xing Jin beneficially 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 currently rely, on certain exemptions from corporate governance rules, including an exemption from the rule that a majority of our board of directors must be independent directors. As a result, you will not have the same protection afforded to shareholders of companies that are subject to these corporate governance requirements. Currently, the majority of the members of our board of directors are not independent directors.

We may continue to rely on these or other exemptions in the future, and our shareholders may be afforded less protection than shareholders of companies that are subject to these corporate governance requirements as a result. See "Item 3. Key Information -D. Risk Factors-Risks Related to Our ADSs-As an exempted 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 Nasdaq corporate governance listing standards; these practices may afford less protection to shareholders than they would enjoy if we comply fully with the Nasdaq corporate governance listing standards" and "Item 3. Key Information-D. Risk Factors-Risks Related to Our ADSs-We are a "controlled company" within the meaning of the Nasdaq Stock Market Rules and, as a result, can rely on exemptions from certain corporate governance requirements that provide protection to shareholders of other companies."

ITEM 16H. MINE SAFETY DISCLOSURE

Not applicable.

ITEM 16I. DISCLOSURE REGARDING FOREIGN JURISDICTIONS THAT PREVENT INSPECTIONS

Not applicable.

ITEM 16J. INSIDER TRADING POLICIES

We have adopted an insider trading policy governing the purchase, sale, and other dispositions of our securities by directors, senior management and employees. Our insider trading policy aims to promote compliance with applicable insider trading laws, rules and regulations, and the listing standards of The Nasdaq Stock Market LLC. A copy of our insider trading policy is attached as an exhibit to this Annual Report.

ITEM 16K. CYBERSECURITY

Risk Management and Strategy

We have implemented robust processes for assessing, identifying and managing material risks from cybersecurity threats and monitoring the prevention, detection, mitigation and remediation of material cybersecurity incident. We have also integrated cybersecurity risk management into our overall enterprise risk management system.

We have established a dynamic and multi-layered cybersecurity defense system to effectively mitigate both internal and external cyber threats. This comprehensive system spans multiple security domains, including network, host, and application layers. It integrates a range of security capabilities such as threat defense, continuous monitoring, confidential data classification, data encryption, in-depth analysis, rapid response, as well as strategic deception and countermeasures. Our approach to managing cybersecurity risks and safeguarding sensitive data is multi-faceted, involving technological safeguards, procedural protocols, a rigorous program of surveillance on our corporate network, ongoing internal and external evaluations of our security measures, a solid incident response framework and regular cybersecurity training sessions for our employees. We have established and implemented detailed internal policies for the collection, storage, use, transfer and disposal of sensitive information.

Our different departments cooperate to protect our information system. Our cybersecurity department bears the responsibility for designing our cybersecurity policies according to our defensive goals, providing internal cybersecurity-related services, responding to cybersecurity incidents, conducting regular cybersecurity examinations of our information infrastructure and equipment and organizing periodic cybersecurity awareness trainings and cyber incident simulations. When cybersecurity incidents occur, our cybersecurity department would quickly respond to them according to our pre-prepared emergency plans for various levels of cybersecurity incidents, collect relevant evidence, reach out to impacted parties and report the incidents to our department heads and management, to the extent appropriate. After the incidents, our cybersecurity department would analyze the incident and generate insights and reports for our future cybersecurity practices. Our business department is responsible for executing our internal protocols, reporting material cybersecurity risks and incidents to our cybersecurity department and responding to other departments' cybersecurity-related requests. Our IT department manages the risks of equipment failure and handles lost or damaged equipment. Our legal and internal control departments conduct evaluations of the security grade status of our cybersecurity defense system and strive to ensure our compliance with cybersecurity regulations and policies.

Moreover, we have engaged third-party cybersecurity service companies to better protect our information system. For example, we have contracted with service providers for data leakage prevention, anti-virus, network security, and cyberattack interception services and network security evaluation services.

We also work closely with third-party service providers to ensure their compliance with our cybersecurity standards and to assess risks arising from our engagements with them. Before collaborating with third-party service providers, we conduct investigation of the business backgrounds of the providers and evaluate their cybersecurity management systems and capabilities. During the collaboration, our sharing of data with the providers is subject to strict review of our legal, internal control and cybersecurity departments. If the providers' services involve the handling of personal information, we require the providers to supplement third-party cybersecurity analysis reports of their information systems. After the collaboration, we promptly stop data sharing and require the providers to dispose historical data.

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 cybersecurity officer is an industry veteran with more than 17 years of experience in cybersecurity risk management. He holds the Certified Information Systems Security Professional certification issued by International Information Systems Security Certification Consortium. Our cybersecurity officer, chief executive officer and chief financial officer are responsible for overseeing our cybersecurity risk and incident management. If a cybersecurity incident occurs, our cybersecurity department quickly reports to our cybersecurity officer, who will promptly organize relevant personnel for emergence responses. Our cybersecurity officer will also initiate an internal assessment, and if it is determined that the incident could potentially be a material cybersecurity event, our cybersecurity officer will promptly report the incident and assessment results to (i) our disclosure committee, which is comprised of our principal accounting officer, our head of the legal department, our principal investor relations officer, our cybersecurity officer and the appropriate business unit heads and (ii) other members of senior management and external legal counsel, to the extent appropriate. Our cybersecurity officer and other relevant departments shall prepare disclosure material on the cybersecurity incident for review and approval by (i) our disclosure committee, (ii) our chief financial officer, (iii) our chief executive officer, (iv) our board of directors or nominating and corporate governance committee and other members of senior management and external legal counsel, if necessary, before it is disseminated to the public.

Moreover, our chief executive officer, chief financial officer and cybersecurity officer shall meet with our board of directors or the nominating and corporate governance committee (i) in connection with each quarterly earnings release, update the status of any material cybersecurity incidents or material risks from cybersecurity threats, 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 question and answer session. Our board of directors or nominating and corporate governance committee maintain oversight of the disclosure related to cybersecurity matters in the periodic reports of our company.

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 So-Young International Inc. are included at the end of this annual report.

ITEM 19. EXHIBITS

Exhibit Number	Description of Document
1.1	Ninth Amended and Restated Memorandum and Articles of Association of the Registrant (incorporated herein by reference to Exhibit 3.2 to the Form F-1 filed on April 8, 2019 (File No. 333-230760))
2.1	Registrant's Specimen American Depositary Receipt (included in Exhibit 2.3)
2.2	Registrant's Specimen Certificate for Class A Ordinary Shares (incorporated herein by reference to Exhibit 4.2 to the Form F-1/A filed on April 22, 2019 (File No. 333-230760))
2.3	Deposit Agreement dated May 1, 2019 among the Registrant, the depositary and holders of the American Depositary Receipts (incorporated herein by reference to Exhibit 4.3 to the Form S-8 filed on June 14, 2019 (File No. 333-232109))
2.4	Fourth Amended and Restated Shareholders Agreement between the Registrant and other parties thereto dated August 23, 2018 (incorporated herein by reference to Exhibit 4.4 to the Form F-1 filed on April 8, 2019 (File No. 333-230760))
2.5	Description of securities (incorporated herein by reference to Exhibit 2.5 to the Form 20-F filed on April 27, 2020 (File No. 001-38878))
4.1	Second Amended and Restated 2018 Share Plan (incorporated herein by reference to Exhibit 10.1 to the Form F-1 filed on April 8, 2019 (File No. 333-230760))
4.2	2021 Share Incentive Plan (incorporated herein by reference to Exhibit 4.2 to the Form 20-F filed on April 30, 2021 (File No. 001-38878))
4.3	2023 Share Incentive Plan (incorporated herein by reference to Exhibit 99.1 to the Form 6-K filed on February 3, 2023 (File No. 001-38878))
4.4	Form of Indemnification Agreement between the Registrant and its directors and executive officers (incorporated herein by reference to Exhibit 10.2 to the Form F-1 filed on April 8, 2019 (File No. 333-230760))
4.5	Form of Employment Agreement between the Registrant and its executive officers (incorporated herein by reference to Exhibit 10.3 to the Form F-1 filed on April 8, 2019 (File No. 333-230760))
4.6	Form of Director Service Agreement between the Registrant and its independent directors (incorporated herein by reference to Exhibit 10.4 to the Form F-1 filed on April 8, 2019 (File No. 333-230760))
4.7	English translation of the executed form of the power of attorney among Beijing Wanwei and shareholders of Beijing So-Young, as currently in effect, and a schedule of all executed shareholders' power of attorney adopting the same form (incorporated herein by reference to Exhibit 10.5 to the Form F-1 filed on April 8, 2019 (File No. 333-230760))

Exhibit Number	Description of Document
4.8	English translation of the executed equity interest pledge agreement among Beijing Wanwei, Mr. Xing Jin and Beijing So-Young dated November 1, 2018, as currently in effect (incorporated herein by reference to Exhibit 10.6 to the Form F-1 filed on April 8, 2019 (File No. 333-230760))
4.9	English translation of the executed equity interest pledge agreement among Beijing Wanwei, Mr. Hui Shao and Beijing So-Young dated November 1, 2018, as currently in effect (incorporated herein by reference to Exhibit 10.7 to the Form F-1 filed on April 8, 2019 (File No. 333-230760))
4.10	English translation of the executed equity interest pledge agreement among Beijing Wanwei, Mr. Tao Yu and Beijing So-Young dated November 1, 2018, as currently in effect (incorporated herein by reference to Exhibit 10.8 to the Form F-1 filed on April 8, 2019 (File No. 333-230760))
4.11	English translation of the executed exclusive business cooperation agreement among Beijing Wanwei and Beijing So-Young dated November 1, 2018, as currently in effect (incorporated herein by reference to Exhibit 10.9 to the Form F-1 filed on April 8, 2019 (File No. 333-230760))
4.12	English translation of the executed exclusive option agreement among Beijing Wanwei, Mr. Xing Jin and Beijing So-Young dated November 1, 2018, as currently in effect (incorporated herein by reference to Exhibit 10.10 to the Form F-1 filed on April 8, 2019 (File No. 333-230760))
4.13	English translation of the executed exclusive option agreement among Beijing Wanwei, Mr. Hui Shao and Beijing So-Young dated November 1, 2018, as currently in effect (incorporated herein by reference to Exhibit 10.11 to the Form F-1 filed on April 8, 2019 (File No. 333-230760))
4.14	English translation of the executed exclusive option agreement among Beijing Wanwei, Mr. Tao Yu and Beijing So-Young dated November 1, 2018, as currently in effect (incorporated herein by reference to Exhibit 10.12 to the Form F-1 filed on April 8, 2019 (File No. 333-230760))
4.15	English translation of the executed form of spousal consent letter by the spouses of shareholders of Beijing So-Young, as currently in effect, and a schedule of all spousal consent letters adopting the same form (incorporated herein by reference to Exhibit 10.13 to the Form F-1 filed on April 8, 2019 (File No. 333-230760))
4.16	English translation of the executed form of the power of attorney among Beijing Wanwei and shareholders of Beijing Chiyan, as currently in effect, and a schedule of all executed shareholders' power of attorney adopting the same form (incorporated herein by reference to Exhibit 4.14 to the Form 20-F filed on April 27, 2020 (File No. 001-38878))
4.17	English translation of the executed equity interest pledge agreement among Beijing Wanwei, Mr. Xing Jin and Beijing Chiyan dated September 4, 2019, as currently in effect (incorporated herein by reference to Exhibit 4.15 to the Form 20-F filed on April 27, 2020 (File No. 001-38878))
4.18	English translation of the executed equity interest pledge agreement among Beijing Wanwei, Mr. Tao Yu and Beijing Chiyan dated September 4, 2019, as currently in effect (incorporated herein by reference to Exhibit 4.16 to the Form 20-F filed on April 27, 2020 (File No. 001-38878))
4.19	English translation of the executed exclusive business cooperation agreement among Beijing Wanwei and Beijing Chiyan dated September 4, 2019, as currently in effect (incorporated herein by reference to Exhibit 4.17 to the Form 20-F filed on April 27, 2020 (File No. 001-38878))
4.20	English translation of the executed exclusive option agreement among Beijing Wanwei, Mr. Xing Jin and Beijing Chiyan dated September 4, 2019, as currently in effect (incorporated herein by reference to Exhibit 4.18 to the Form 20-F filed on April 27, 2020 (File No. 001-38878))

Exhibit Number	Description of Document
4.21	English translation of the executed exclusive option agreement among Beijing Wanwei, Mr. Tao Yu and Beijing Chiyan dated September 4, 2019, as currently in effect (incorporated herein by reference to Exhibit 4.19 to the Form 20-F filed on April 27, 2020 (File No. 001-38878))
4.22	English translation of the executed form of spousal consent letter by the spouses of shareholders of Beijing Chiyan, as currently in effect, and a schedule of all spousal consent letters adopting the same form (incorporated herein by reference to Exhibit 4.20 to the Form 20-F filed on April 27, 2020 (File No. 001-38878))
4.23	English translation of the Equity Transfer Agreement among Beijing So-Young Technology Co., Ltd., Wuhan Zeqi Technology Co., Ltd., and other parties named therein dated June 27, 2021 (incorporated herein by reference to Exhibit 4.22 to the Form 20-F filed on May 2, 2022 (File No. 001-38878))
8.1*	Principal subsidiaries and consolidated affiliated entities of the Registrant
11.1	Code of Business Conduct and Ethics of the Registrant (incorporated herein by reference to Exhibit 99.1 to the Form F-1 filed on April 8, 2019 (File No. 333-230760))
11.2*	Amended and Restated Statement of Policies Governing Material Non-Public Information and the Prevention of Insider Trading
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 PricewaterhouseCoopers Zhong Tian LLP, an independent registered public accounting firm
15.2*	Consent of CM Law Firm
15.3*	Consent of Maples and Calder (Hong Kong) LLP
97	Clawback Policy of Registration (incorporated herein by reference to Exhibit 97 to the Form 20-F filed on April 25, 2024 (File No. 001-38878))
101.INS*	Inline XBRL Instance Document - the instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document
101.SCH*	Inline XBRL Taxonomy Extension Schema Document
101.CAL*	Inline XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF*	Inline XBRL Taxonomy Extension Definition Linkbase Document
101.LAB*	Inline XBRL Taxonomy Extension Labels Linkbase Document
101.PRE*	Inline XBRL Taxonomy Extension Presentation Linkbase Document
104*	Cover Page Interactive Data File (embedded within the Exhibit 101 Inline XBRL document set)

* Filed with this Annual Report on Form 20-F.
** Furnished with this Annual Report on Form 20-F.

SIGNATURES

The registrant hereby certifies that it meets all of the requirements for filing on Form 20-F and that it has duly caused and authorized the undersigned to sign this annual report on its behalf.

So-Young International Inc.

By: /s/ Xing Jin
Name: Xing Jin
Title: Chairman of the Board of Directors
and Chief Executive Officer

Date: April 18, 2025

SO-YOUNG INTERNATIONAL INC.
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Report of Independent Registered Public Accounting Firm

To the Board of Directors and Shareholders of So-Young International Inc.

Opinions on the Financial Statements and Internal Control over Financial Reporting

We have audited the accompanying consolidated balance sheets of So-Young International Inc. and its subsidiaries (the "Company") as of December 31, 2024 and 2023, and the related consolidated statements of comprehensive income/(loss), of changes in shareholders' equity and of cash flows for each of the three years in the period ended December 31, 2024, 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, 2024, 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, 2024 and 2023, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2024 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, 2024, 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.

Assessment for Impairment of Goodwill – Wuhan Miracle Laser Systems, Inc. ("Wuhan Miracle") Reporting Unit

As described in Notes 2(n) and 7 to the consolidated financial statements, the Company recognized a goodwill impairment charge of RMB540 million related to the Wuhan Miracle reporting unit during the year ended December 31, 2024. Management conducts an impairment assessment on an annual basis, or more frequently if events or changes in circumstances indicate that the carrying value of goodwill may be impaired. Impairment is identified by comparing the fair value of a reporting unit to its carrying value, including goodwill. Fair value is estimated by management using a discounted cash flow model. Management's cash flow projections for the Wuhan Miracle reporting unit included significant judgments and assumptions relating to projected revenue, projected operating results, and the discount rate.

The principal considerations for our determination that performing procedures relating to the goodwill impairment assessment of the Wuhan Miracle reporting unit is a critical audit matter are (i) the significant judgment by management when developing the fair value estimate of the Wuhan Miracle reporting unit; (ii) a high degree of auditor judgment, subjectivity, and effort in performing procedures and evaluating management's significant assumptions related to the projected revenue, projected operating results, and the discount rate; and (iii) the audit effort involved the use of professionals with specialized skill and knowledge.

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 management's goodwill impairment assessment, including controls over the valuation of fair value of the Wuhan Miracle reporting unit. These procedures also included, among others (i) testing management's process for developing the fair value estimate of the Wuhan Miracle reporting unit; (ii) evaluating the appropriateness of the discounted cash flow model used by management; (iii) testing the completeness and accuracy of underlying data used in the discounted cash flow model; and (iv) evaluating the reasonableness of the significant assumptions used by management related to projected revenue, projected operating results and the discount rate. Evaluating management's assumptions related to projected revenue and projected operating results involved evaluating whether the assumptions used by management were reasonable considering (i) the current and past performance of the Wuhan Miracle reporting unit; (ii) the consistency with external market and industry data; and (iii) whether the assumptions were consistent with evidence obtained in other areas of the audit. Professionals with specialized skill and knowledge were used to assist in evaluating (i) the appropriateness of the discounted cash flow model and (ii) the reasonableness of the discount rate assumption.

/s/ PricewaterhouseCoopers Zhong Tian LLP
Beijing, the People's Republic of China
April 18, 2025

We have served as the Company's auditor since 2018.

SO-YOUNG INTERNATIONAL INC.
CONSOLIDATED BALANCE SHEETS
(Amounts in thousands, except for share and per share data)

	As of		
	December 31, 2023	December 31, 2024	December 31, 2024
	RMB	RMB	US$ Note 2(e)
Assets			
Current assets:			
Cash and cash equivalents	426,119	587,749	80,521
Restricted cash and term deposits	14,695	66,367	9,092
Trade receivables	57,219	98,774	13,532
Inventories	118,924	151,754	20,790
Receivables from online payment platforms	23,158	24,255	3,323
Amounts due from related parties	9,212	1,218	167
Term deposits and short-term investments	900,823	599,041	82,068
Prepayment and other current assets	171,774	195,202	26,743
Total current assets	**1,721,924**	**1,724,360**	**236,236**
Non-current assets:			
Long-term investments	261,016	280,281	38,398
Intangible assets	145,253	126,615	17,346
Goodwill	540,693	684	94
Property and equipment, net	116,782	155,352	21,283
Deferred tax assets	78,034	84,950	11,638
Operating lease right-of-use assets	118,408	162,764	22,299
Other non-current assets	232,455	200,152	27,421
Total non-current assets	**1,492,641**	**1,010,798**	**138,479**
Total assets	**3,214,565**	**2,735,158**	**374,715**
Liabilities			
Current liabilities (including amounts of the consolidated VIE and its subsidiaries without recourse to the primary beneficiaries of RMB376,261 and RMB415,503 as of December 31, 2023 and 2024, respectively):			
Short-term borrowings	29,825	69,771	9,559
Taxes payable	56,894	61,862	8,475
Contract liabilities	103,374	76,579	10,491
Salary and welfare payables	86,290	111,396	15,261
Amounts due to related parties	388	477	65
Accrued expenses and other current liabilities	233,913	265,216	36,334
Operating lease liabilities-current	29,739	44,905	6,152
Total current liabilities	**540,423**	**630,206**	**86,337**
Non-current liabilities (including amounts of the consolidated VIE and its subsidiaries without recourse to the primary beneficiaries of RMB46,951 and RMB98,584 as of December 31, 2023 and 2024, respectively):			
Operating lease liabilities-non current	86,210	125,200	17,152
Deferred tax liabilities	25,082	19,758	2,707
Other non-current liabilities	1,536	1,264	173
Total non-current liabilities	**112,828**	**146,222**	**20,032**
Total liabilities	**653,251**	**776,428**	**106,369**
Commitments and Contingencies (see Note 21)			

The accompanying notes are an integral part of the consolidated financial statements.

SO-YOUNG INTERNATIONAL INC.
CONSOLIDATED BALANCE SHEETS (Continued)
(Amounts in thousands, except for share and per share data)

	As of		
	December 31, 2023	December 31, 2024	December 31, 2024
	RMB	RMB	US$ Note 2(e)
Shareholders' equity			
Treasury stock	(358,453)	(376,690)	(51,606)
Class A ordinary shares (US$0.0005 par value; 750,000,000 shares authorized as of December 31, 2023 and 2024; 73,688,044 and 63,422,436 shares issued and outstanding as of December 31, 2023; 77,897,969 and 65,659,510 shares issued and outstanding as of December 31, 2024, respectively)	238	253	35
Class B ordinary shares (US$0.0005 par value; 20,000,000 shares authorized as of December 31, 2023 and 2024; 12,000,000 shares issued and outstanding as of December 31, 2023 and 2024)	37	37	5
Additional paid-in capital	3,080,433	3,069,799	420,561
Statutory reserves	33,855	40,552	5,556
Accumulated deficit	(330,166)	(926,390)	(126,915)
Accumulated other comprehensive income	18,185	31,560	4,324
Total So-Young International Inc. shareholders' equity	**2,444,129**	**1,839,121**	**251,960**
Non-controlling interests	117,185	119,609	16,386
Total shareholders' equity	**2,561,314**	**1,958,730**	**268,346**
Total liabilities and shareholders' equity	**3,214,565**	**2,735,158**	**374,715**

The accompanying notes are an integral part of the consolidated financial statements.

SO-YOUNG INTERNATIONAL INC.
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME/(LOSS)
(Amounts in thousands, except for share and per share data)

	For the Year Ended December 31,			
	2022	2023	2024	2024
	RMB	RMB	RMB	US$ Note 2(e)
Revenues:				
Information, reservation services and others	998,808	1,151,532	929,455	127,335
Aesthetic treatment services	—	12,959	169,263	23,189
Sales of medical products and maintenance services	259,066	333,538	367,980	50,413
Total revenues	**1,257,874**	**1,498,029**	**1,466,698**	**200,937**
Cost of revenues:				
Cost of information, reservation services and others	(253,531)	(375,986)	(252,841)	(34,639)
Cost of aesthetic treatment services	—	(9,596)	(131,580)	(18,026)
Cost of medical products sold and maintenance services	(139,761)	(158,754)	(183,164)	(25,093)
Total cost of revenues	**(393,292)**	**(544,336)**	**(567,585)**	**(77,758)**
Gross profit	**864,582**	**953,693**	**899,113**	**123,179**
Operating expenses:				
Sales and marketing expenses	(472,092)	(520,451)	(494,493)	(67,745)
General and administrative expenses	(260,208)	(290,765)	(324,073)	(44,398)
Research and development expenses	(235,087)	(203,524)	(165,030)	(22,609)
Impairment of goodwill	—	—	(540,009)	(73,981)
Total operating expenses	**(967,387)**	**(1,014,740)**	**(1,523,605)**	**(208,733)**
Loss from operations	**(102,805)**	**(61,047)**	**(624,492)**	**(85,554)**
Other income/(expenses):				
Investment income, net	4,264	12,004	11,020	1,510
Interest income, net	28,883	48,843	46,507	6,371
Exchange (losses)/gains	(492)	(662)	112	15
Impairment of long-term investment	(7,945)	(444)	(7,350)	(1,007)
Share of losses of equity method investee	(17,223)	(12,723)	(15,015)	(2,057)
Others, net	8,246	21,898	1,131	155
(Loss)/Income before tax	**(87,072)**	**7,869**	**(588,087)**	**(80,567)**
Income tax benefits	20,965	18,075	905	124
Net (loss)/income	**(66,107)**	**25,944**	**(587,182)**	**(80,443)**
Net loss/(income) attributable to non-controlling interests	553	(4,664)	(2,345)	(321)
Net (loss)/income attributable to So-Young International Inc.	**(65,554)**	**21,280**	**(589,527)**	**(80,764)**

The accompanying notes are an integral part of the consolidated financial statements.

SO-YOUNG INTERNATIONAL INC.
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME/(LOSS) (Continued)
(Amounts in thousands, except for share and per share data)

	For the Year Ended December 31,			
	2022 RMB	2023 RMB	2024 RMB	2024 US$ Note 2(e)
Net (loss)/income	**(66,107)**	**25,944**	**(587,182)**	**(80,443)**
Other comprehensive income:				
Foreign currency translation adjustment	87,998	14,078	13,375	1,832
Total other comprehensive income	**87,998**	**14,078**	**13,375**	**1,832**
Total comprehensive income / (loss):	**21,891**	**40,022**	**(573,807)**	**(78,611)**
Comprehensive loss/(income) attributable to non-controlling interests	553	(4,664)	(2,345)	(321)
Comprehensive income/(loss) attributable to So-Young International Inc.	**22,444**	**35,358**	**(576,152)**	**(78,932)**
Net (loss)/earnings per ordinary share				
Net (loss)/earnings per ordinary share attributable to So-Young International Inc. - basic	(0.79)	0.27	(7.43)	(1.02)
Net (loss)/earnings per ordinary share attributable to So-Young International Inc. - diluted	(0.79)	0.27	(7.43)	(1.02)
Weighted average number of ordinary shares used in computing (loss)/earnings per share, basic*	82,665,269	77,646,899	79,384,454	79,384,454
Weighted average number of ordinary shares used in computing (loss)/earnings per share, diluted*	82,665,269	78,054,950	79,384,454	79,384,454
Net (loss)/earnings per ADS				
Net (loss)/earnings per ADS attributable to So-Young International Inc. - basic (13 ADS represents 10 Class A ordinary shares)	(0.61)	0.21	(5.72)	(0.78)
Net (loss)/earnings per ADS attributable to So-Young International Inc. - diluted (13 ADS represents 10 Class A ordinary shares)	(0.61)	0.21	(5.72)	(0.78)
Share-based compensation expenses included in:				
Cost of revenues	(8,282)	(1,800)	(289)	(40)
Sales and marketing expenses	(6,781)	(5,680)	(659)	(90)
General and administrative expenses	(19,021)	(23,590)	(29,527)	(4,045)
Research and development expenses	(9,252)	(5,251)	(2,180)	(299)

* Both Class A and Class B ordinary shares are included in the calculation of the weighted average number of ordinary shares outstanding, basic and diluted.

The accompanying notes are an integral part of the consolidated financial statements.

SO-YOUNG INTERNATIONAL INC.
CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY
(Amounts in thousands, except for share and per share data)

	Class A ordinary shares		Class B ordinary shares		Treasury stock		Additional paid-in capital	Accumulated deficit	Statutory reserves	Accumulated other comprehensive (loss)/income	Total shareholders' equity attributable to shareholders of the Company	Non-controlling interests	Total equity
	Shares	Amount RMB	Shares	Amount RMB	Shares	Amount RMB	RMB	RMB	RMB	RMB	RMB	RMB	RMB
Balance as of December 31, 2021	**71,486,059**	**230**	**12,000,000**	**37**	**(2,643,692)**	**(217,712)**	**2,999,562**	**(272,368)**	**20,331**	**(83,891)**	**2,446,189**	**70,845**	**2,517,034**
Net loss	—	—	—	—	—	—	—	(65,554)	—	—	(65,554)	(553)	(66,107
Statutory reserves	—	—	—	—	—	—	—	(8,696)	8,696	—	—	—	—
Repurchase of Class A ordinary shares	—	—	—	—	(1,578,975)	(15,123)	—	—	—	—	(15,123)	—	(15,123
Share-based compensation expenses	—	—	—	—	—	—	43,336	—	—	—	43,336	—	43,336
Issuance of Class A ordinary shares from exercise of share options (see Note 19)	1,579,928	6	—	—	—	—	1,073	—	—	—	1,079	—	1,079
Capital contribution from non-controlling interests	—	—	—	—	—	—	—	—	—	—	—	661	661
Change of the capital from non-controlling interest shareholder	—	—	—	—	—	—	—	—	—	—	—	38,990	38,990
Foreign currency translation adjustment	—	—	—	—	—	—	—	—	—	87,998	87,998	—	87,998
Balance as of December 31, 2022	**73,065,987**	**236**	**12,000,000**	**37**	**(4,222,667)**	**(232,835)**	**3,043,971**	**(346,618)**	**29,027**	**4,107**	**2,497,925**	**109,943**	**2,607,868**
Net income	—	—	—	—	—	—	—	21,280	—	—	21,280	4,664	25,944
Statutory reserves	—	—	—	—	—	—	—	(4,828)	4,828	—	—	—	—
Repurchase of Class A ordinary shares	—	—	—	—	(6,042,941)	(125,618)	—	—	—	—	(125,618)	—	(125,618
Dividend to non-controlling interests shareholders	—	—	—	—	—	—	—	—	—	—	—	(4,464)	(4,464
Share-based compensation expenses	—	—	—	—	—	—	36,321	—	—	—	36,321	—	36,321
Issuance of Class A ordinary shares from exercise of share options (see Note 19)	622,057	2	—	—	—	—	141	—	—	—	143	—	143
Disposal of subsidiaries	—	—	—	—	—	—	—	—	—	—	—	6,992	6,992
Capital contribution from non-controlling interests	—	—	—	—	—	—	—	—	—	—	—	50	50
Foreign currency translation adjustment	—	—	—	—	—	—	—	—	—	14,078	14,078	—	14,078
Balance as of December 31, 2023	**73,688,044**	**238**	**12,000,000**	**37**	**(10,265,608)**	**(358,453)**	**3,080,433**	**(330,166)**	**33,855**	**18,185**	**2,444,129**	**117,185**	**2,561,314**

The accompanying notes are an integral part of the consolidated financial statements.

SO-YOUNG INTERNATIONAL INC.
CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY (Continued)
(Amounts in thousands, except for share and per share data)

	Class A ordinary shares		Class B ordinary shares		Treasury stock		Additional paid-in capital	Accumulated deficit	Statutory reserves	Accumulated other comprehensive income	Total shareholders' equity attributable to shareholders of the Company	Non-controlling interests	Total equity
	Shares	Amount RMB	Shares	Amount RMB	Shares	Amount RMB	RMB	RMB	RMB	RMB	RMB	RMB	RMB
Balance as of December 31, 2023	**73,688,044**	**238**	**12,000,000**	**37**	**(10,265,608)**	**(358,453)**	**3,080,433**	**(330,166)**	**33,855**	**18,185**	**2,444,129**	**117,185**	**2,561,314**
Net (loss)/income	—	—	—	—	—	—	—	(589,527)	—	—	(589,527)	2,345	(587,182)
Statutory reserves	—	—	—	—	—	—	—	(6,697)	6,697	—	—	—	—
Repurchase of Class A ordinary shares	—	—	—	—	(1,972,851)	(18,237)	—	—	—	—	(18,237)	—	(18,237)
Dividend distribution	—	—	—	—	—	—	(43,573)	—	—	—	(43,573)	—	(43,573)
Share-based compensation expenses	—	—	—	—	—	—	32,655	—	—	—	32,655	—	32,655
Issuance of Class A ordinary shares from exercise of share options and vesting of RSUs (see Note 19)	4,209,925	15	—	—	—	—	284	—	—	—	299	—	299
Disposal of subsidiaries	—	—	—	—	—	—	—	—	—	—	—	79	79
Foreign currency translation adjustment	—	—	—	—	—	—	—	—	—	13,375	13,375	—	13,375
Balance as of December 31, 2024	**77,897,969**	**253**	**12,000,000**	**37**	**(12,238,459)**	**(376,690)**	**3,069,799**	**(926,390)**	**40,552**	**31,560**	**1,839,121**	**119,609**	**1,958,730**

The accompanying notes are an integral part of the consolidated financial statements.

SO-YOUNG INTERNATIONAL INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
(Amounts in thousands, except for share and per share data)

	For the Year Ended December 31,			
	2022	2023	2024	2024
	RMB	RMB	RMB	US$ Note 2(e)
Cash flows from operating activities:				
Net (loss)/income	(66,107)	25,944	(587,182)	(80,443)
Depreciation of property and equipment and amortization of intangible assets	47,086	46,090	45,918	6,291
Inventory provision	(1,681)	(734)	3,403	466
Impairment of amount due from related parties	—	—	13,843	1,896
Impairment of long-term investment	7,945	444	7,350	1,007
Impairment of property and equipment	1,350	844	—	—
Impairment of other current assets	5,421	—	—	—
Impairment of goodwill	—	—	540,009	73,981
Gains on disposal of subsidiaries	—	(5,497)	—	—
Loss on disposal of property and equipment	5	136	6,195	849
Gains on disposal of long-term investments	—	(2,842)	(2,376)	(326)
Expected credit losses	13,224	15,629	39,748	5,445
Share-based compensation expenses	43,336	36,321	32,655	4,474
Lease expense to reduce right-of-use assets	38,588	45,699	47,783	6,547
Share of losses of equity method investee	17,223	12,723	15,015	2,057
Exchange losses/(gains)	492	662	(112)	(15)
Deferred income tax	(24,803)	(33,515)	(16,166)	(2,215)
Fair value change of short-term investments	49	(492)	246	34
Unrealized losses on equity investments	—	3,534	(4,110)	(563)
Changes in operating assets and liabilities:				
Trade receivables	13,564	(28,950)	(60,381)	(8,272)
Receivables from online payment platforms	4,077	(8,371)	(1,097)	(150)
Prepayment and other current assets	(48,259)	(50,450)	(40,876)	(5,600)
Inventories	(27,988)	(2,122)	(36,751)	(5,035)
Other non-current assets	(51,340)	5,682	(29,940)	(4,102)
Contract liabilities	(28,996)	(6,014)	(26,795)	(3,671)
Taxes payable	27,243	(1,630)	12,810	1,755
Salary and welfare payables	(31,092)	14,261	25,106	3,440
Amounts due (from)/to related parties	3,898	(6,499)	95	13
Operating lease liabilities	(40,505)	(56,517)	(37,984)	(5,204)
Accrued expenses and other liabilities	(15,603)	18,165	27,961	3,831
Net cash (used in)/provided by operating activities	**(112,873)**	**22,501**	**(25,633)**	**(3,510)**
Cash flows from investing activities:				
Purchase of property and equipment and intangible assets	(15,707)	(51,176)	(62,548)	(8,569)
Purchase of short-term investments and term deposits	(1,205,770)	(2,235,423)	(1,166,988)	(159,877)
Proceeds from maturities of short-term investments and term deposits	764,785	2,103,093	1,527,110	209,213
Cash paid for long-term investments, including prepayment for new investment	—	(36,264)	(51,388)	(7,040)
Proceeds from disposal of property and equipment	102	299	77	11
Proceeds from disposal of subsidiaries and investees, net of cash disposed	—	6,570	3,400	466
Acquisition of subsidiaries, net of cash acquired	(97,492)	—	—	—
Loans advanced to related party (see Note 23)	(18,130)	(8,330)	(5,854)	(802)
Proceeds from repayment of the loan advanced to related party (see Note 23)	—	18,620	13,230	1,813
Net cash (used in)/provided by investing activities	**(572,212)**	**(202,611)**	**257,039**	**35,215**

The accompanying notes are an integral part of the consolidated financial statements.

SO-YOUNG INTERNATIONAL INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS (Continued)
(Amounts in thousands, except for share and per share data)

	For the Year Ended December 31,			
	2022	2023	2024	2024
	RMB	RMB	RMB	US$ Note 2(e)
Cash flows from financing activities:				
Cash paid for repurchase of ordinary shares	(15,123)	(125,618)	(18,237)	(2,498)
Proceeds from capital injection of investee	661	50	—	—
Proceeds from short-term borrowings	—	29,825	110,000	15,070
Repayment of short-term borrowings	—	—	(70,000)	(9,590)
Dividend paid to non-controlling interests shareholders	—	(4,464)	—	—
Dividend distribution	—	—	(43,573)	(5,969)
Proceeds from exercise of share options and vesting of RSUs	876	192	298	41
Net cash used in financing activities	**(13,586)**	**(100,015)**	**(21,512)**	**(2,946)**
Effect of exchange rate changes on cash, cash equivalents and restricted cash	**55,862**	**11,865**	**3,335**	**453**
Net (decrease)/increase in cash, cash equivalents and restricted cash	**(642,809)**	**(268,260)**	**213,229**	**29,212**
Cash, cash equivalents and restricted cash at the beginning of the year	**1,343,809**	**701,000**	**432,740**	**59,285**
Cash, cash equivalents and restricted cash at the end of the year	**701,000**	**432,740**	**645,969**	**88,497**
Supplemental disclosures of cash flow information:				
Cash paid for income taxes	(11,360)	(16,257)	11,599	1,589
Supplemental disclosures of non-cash investing activities：				
Converting loan receivable to long-term investment	—	15,115	—	—
Inventories transferred to property and equipment, net	—	4,412	518	71
Reconciliation to amounts on consolidated balance sheets:				
Cash and cash equivalents	694,420	426,119	587,749	80,521
Restricted cash	6,580	6,621	58,220	7,976
Total cash, cash equivalents and restricted cash	**701,000**	**432,740**	**645,969**	**88,497**

The accompanying notes are an integral part of the consolidated financial statements.

SO-YOUNG INTERNATIONAL INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Amounts in thousands, except for share and per share data, unless otherwise noted)

1. Operations and principal activities

(a) Principal activities

So-Young International Inc., (the "Company" or "So-Young"), is a leading aesthetic treatment platform in China connecting consumers with online services and offline treatments. The Company, through its consolidated subsidiaries and consolidated variable interest entities ("VIEs") and the subsidiaries of the VIE (collectively referred to as the "Group") is primarily engaged in the operation of the platform that enables users to both discover reliable content and share their own experience on medical aesthetics procedures, and leads users to reserve treatment services from medical aesthetic service providers for offline treatment in the People's Republic of China (the "PRC" or "China") and internationally. Following the acquisition of Wuhan Miracle in 2021, the Group expands supply chain business for production and sales of upstream medical products. In 2023, leveraging its strong brand and market presence, the Group started to provide aesthetic treatment services by launching its branded aesthetic centers.

In May 2019, the Company completed its IPO on the Nasdaq Global Market and the underwriters subsequently exercised their over-allotment option in May 2019. In the offering, 14,950,000 American depositary shares ("ADSs"), representing 11,500,000 Class A Ordinary shares, were issued and sold to the public at a price of US$13.80 per ADS. The net proceeds to the Company from the IPO, after deducting commission and offering expenses, were approximately US$187.5 million (RMB1,267 million).

SO-YOUNG INTERNATIONAL INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)
(Amounts in thousands, except for share and per share data, unless otherwise noted)

1. Operations and principal activities (Continued)

(a) Principal activities (Continued)

As of December 31, 2024, the Company's major subsidiaries, consolidated VIEs and VIEs' subsidiaries are as follows:

	Place and year of incorporation or year of acquisition	Percentage of direct or indirect economic ownership	Principal activities
Subsidiaries			
So-Young Hong Kong Limited ("So-Young HK")	Hong Kong, 2014	100 %	Investment holding
So-Young High Tech Korea Co., Ltd.	Korea, 2014	100 %	Technology advisory services
Beijing So-Young Wanwei Technology Consulting Co., Ltd. ("So-Young Wanwei")	the PRC, 2014	100 %	Management consulting services
So-Young (China) Network Technology Co., Ltd. ("So-Young China")	the PRC, 2018	100 %	Management consulting services
Wuhan Zeqi Technology Co., Ltd. ("Wuhan Zeqi")	the PRC, 2021	100 %	Investment holding
Wuhan Miracle Laser Systems, Inc. ("Wuhan Miracle")	the PRC, 2021	87.60 %	Production, sales and agency of equipment
Wuhan Haoweilai Technology Co., Ltd. ("Wuhan Haoweilai")	the PRC, 2021	87.60 %	Production, sales and agency of equipment
Shanghai Jiading Tonghua Micro Finance Co., Ltd. ("Tonghua Micro Finance")	the PRC, 2021	100 %	Micro finance services
Shanxi Tianfu Technology Co., Ltd. ("Shanxi Tianfu")	the PRC, 2023	85.41 %	Production, sales and agency of equipment
Shenzhen Miracle Interconnection Technology Co., Ltd. ("Shenzhen Miracle")	the PRC, 2023	87.60 %	Development of equipment
So-Young Medical HongKong Limited ("So-Young Medical")	Hong Kong, 2023	100 %	Investment holding
VIEs			
Beijing So-Young Technology Co., Ltd. ("Beijing So-Young")	the PRC, 2013	100 %	Internet information and technology advisory services
Beijing Chiyan Medical Beauty Consulting Co., Ltd. ("Chiyan Beijing")	the PRC, 2019	100 %	Internet information and technology advisory services
VIE's Subsidiaries			
Beijing So-Young Souyang Investment and Management Co., Ltd.	the PRC, 2016	100 %	Management consulting services
Beijing Meifenbao Technology Co., Ltd.	the PRC, 2016	100 %	Technology advisory services
Beijing Qingyang Cosmetic Service Co., Ltd. (Previously known as Beijing So-Young Qingyang Medical Instrument Co., Ltd.)	the PRC, 2017	100 %	Cosmetic services
Beijing Shengshi Meiyan Culture Co., Ltd.	the PRC, 2018	100 %	Internet culture services
Beijing Qingyang Medical Aesthetic Clinic Co., Ltd.	the PRC, 2020	100 %	Medical aesthetic services
Chengdu So-Young Internet Hospital Co., Ltd.	the PRC, 2020	100 %	Online medical treatment and consultation services
Jinbaoxin Shenzhen Insurance Brokers Co., Ltd. ("Jinbaoxin")	the PRC, 2020	100 %	Technology advisory services
Chengdu Yiyang Enterprise Management Co., Ltd. (Previsous known as Chengdu Wuhou Yililanhu Medical Aesthetic Clinic Co., Ltd.)	the PRC, 2021	100 %	Medical aesthetic services
Hainan Yixian Daka Technology Co., Ltd. ("Yixian Daka")	the PRC, 2021	100 %	Technology advisory services
Hainan So-Young Medical Technology Co., Ltd	the PRC, 2021	100 %	Sales and agency of equipment
Shanghai Biyuhua Internet Technology Co., Ltd.	the PRC, 2021	100 %	Internet information and technology advisory services
Beijing Qingyang Technology Co., Ltd.	the PRC, 2022	100 %	Sales of cosmetics

SO-YOUNG INTERNATIONAL INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)
(Amounts in thousands, except for share and per share data, unless otherwise noted)

1. Operations and principal activities (Continued)

(b) VIE arrangements between the Company's PRC subsidiaries

As of December 31, 2024, the Company, through the wholly foreign-owned enterprise ("WFOE"), entered into the following contractual arrangements with the VIEs and its shareholders that enabled the Company to (1) have power to direct the activities that most significantly affect the economic performance of the VIEs, and (2) bear the risks and enjoy the rewards normally associated with ownership of the VIEs. Accordingly, the Company is the ultimate primary beneficiary of the VIEs. Consequently, the financial results of the VIEs were included in the Group's consolidated financial statements.

i) Contracts that give the Company effective control of the VIEs

Exclusive Call Option Agreement. Pursuant to the exclusive call option agreement among the WFOE, the VIEs and the VIEs' shareholders, each of the shareholders of the VIEs irrevocably granted the 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 the VIEs, and the purchase price shall be RMB0.01 or the lowest price permitted by applicable the PRC law. The shareholders of the VIEs undertakes that, without the prior written consent of the WFOE or the Company, they shall not increase or decrease the registered capital, dispose of its assets, incur any debts 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, distribute any dividends to shareholders. The term of exclusive call option agreement is effective until all equity interests held by the VIE's shareholders in VIE have been transferred or assigned to WFOE and/or any other person designated by WFOE.

Powers of Attorney. Pursuant to the powers of attorney, each shareholder of the VIEs irrevocably authorized the WFOE to act on the behalf of such shareholder with respect to all matters concerning the shareholding of the shares in the VIEs, including without limitation, attending shareholders' meetings of the VIEs, exercising all the shareholders' rights and shareholders' voting rights, and designating and appointing the legal representative, directors, supervisors, general managers and other senior management members of the VIEs.

Equity Interest Pledge Agreement. Pursuant to the equity interest pledge agreements, the shareholders pledge 100% of their equity interest in the VIEs to the WFOE to guarantee the performance by the VIEs and its shareholders of their obligations under the exclusive business cooperation agreement, the exclusive call option agreements and the power of attorney. If events of default defined therein occur, upon giving written notice to the shareholders, the WFOE may exercise the right to enforce the pledge to the extent permitted by the PRC laws, unless the event of default has been successfully resolved to the satisfaction of the WFOE. The shareholders of the VIEs agree that, without the WFOE's prior written consent, during the term of the equity interest pledge agreement, they will not place or permit the existence of any security interest or other encumbrance on the equity interest in the VIEs or any portion thereof.

Spousal Consent Letter. The spouse of each shareholder of the VIEs has each signed a spousal consent letter. Under the spousal consent letter, the signing spouse unconditionally and irrevocably approved the execution by her spouse of the power of attorney, equity interest pledge agreement and exclusive option agreement, and that her spouse may perform, amend or terminate such agreements without her consent. The signing spouse confirms she will not assert any rights over the equity interests in the VIEs held by her spouse. In addition, in the event that the spouse obtains any equity interest in the VIEs held by her spouse for any reason, she agrees to be bound by and sign any legal documents substantially similar to the contractual arrangements entered into by her spouse, as may be amended from time to time.

SO-YOUNG INTERNATIONAL INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)
(Amounts in thousands, except for share and per share data, unless otherwise noted)

1. Operations and principal activities (Continued)

(b) VIE arrangements between the Company's PRC subsidiaries (Continued)

ii) Contracts that enable the Company to receive substantially all of the economic benefits from the VIE

Exclusive business cooperation agreements. The VIEs have entered into an exclusive technical development, consultation and service agreement with the WFOE, pursuant to which the WFOE provides exclusive services to the VIEs. In exchange, the VIEs pay a service fee to the WFOE, the amount of which shall be determined, to the extent permitted by applicable PRC laws as proposed by the WFOE, resulting in a transfer of substantially all of the profits from the VIEs to the WFOE. The VIEs have incurred RMB251,739, RMB279,342 and RMB325,906 service fee to the WFOE for the years ended December 31, 2022, 2023 and 2024, respectively.

iii) Risks in relation to VIE structure

The Company believes that the contractual arrangements between the WFOE and its VIEs and its respective shareholders are in compliance with PRC laws and regulations and are legally enforceable. However, uncertainties in the PRC legal system could limit the WFOE's ability to enforce the contractual arrangements. If the legal structure and contractual arrangements were found to be in violation of the PRC laws and regulations, the PRC government could:

- revoke the business and operating licenses of the Company's PRC subsidiaries and the VIEs;
- discontinue or restrict the operations of any related-party transactions between the Company's PRC subsidiaries and the VIEs;
- limit the Group's business expansion in China;
- impose fines or other requirements with which the Company's PRC subsidiaries and the VIEs may not be able to comply;
- take other regulatory or enforcement actions against the Group that could be harmful to the Group's business; or
- require the Company or the Company's PRC subsidiaries or the VIEs to restructure the relevant ownership structure or operations.

The Company's ability to conduct its business may be negatively affected if the PRC government were to carry out any of the aforementioned actions. As a result, the Company may not be able to consolidate its VIEs in its consolidated financial statements as it may lose the ability to exert effective control over the VIEs and its shareholders and it may lose the ability to receive economic benefits from the VIEs, if any. In the opinion of management, the likelihood of loss in respect of the Group's current ownership structure or the contractual arrangements with its VIEs is remote.

The nominee shareholders of VIE are also the beneficiary owners of the Company. The interests of the VIE's nominee shareholders may differ from the interests of the Company as a whole. The Company cannot assert that when conflicts of interest arise, the VIE shareholders will act in the best interests of the Company or that conflicts of interests will be resolved in the Company's favor. Currently, the Company does not have existing arrangements to address potential conflicts of interest the VIE shareholders may encounter in their capacity as beneficial owners and directors of the VIEs, on the one hand, and as beneficial owners and directors of the Company, on the other hand. The Company relies on the VIE shareholders, as directors and executive officers of the Company, to fulfill their fiduciary duties and abide by laws of the PRC and Cayman Islands and act in the best interest of the Company. If the Company cannot resolve any conflicts of interest or disputes between the Company and the VIE shareholders, the Company would have to rely on legal proceedings, which could result in disruption of its business, and there is substantial uncertainty as to the outcome of any such legal proceedings.Furthermore, the enforceability, and therefore the benefits, of the contractual agreements between the Company and the VIE depend on these individuals enforcing the contracts. There is a risk that the benefits of ownership between the Company and the VIE may not be aligned in the future. Given the significance and importance of the VIEs, there would be a significant negative impact to the Company if these contracts were not enforced.

SO-YOUNG INTERNATIONAL INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)
(Amounts in thousands, except for share and per share data, unless otherwise noted)

1. Operations and principal activities (Continued)

(b) VIE arrangements between the Company's PRC subsidiaries (Continued)

iii) Risks in relation to VIE structure (continued)

The current shareholders of VIEs have no current interest in seeking to act contrary to the contractual arrangements. However, to further protect the investors' interest from any risk that shareholders of VIEs may act contrary to the contractual arrangements, the Company, through WFOE, entered into an irrevocable power of attorney with all of the shareholders of VIEs. Through the power of attorney, all shareholders of VIEs have entrusted WFOE as its proxy to exercise their rights as the shareholders of VIEs with respect to an aggregate of 100% of the equity interests in VIEs.

The Ministry of Commerce of the People's Republic of China, or MOFCOM, published a discussion draft of the proposed Foreign Investment Law in January 2015, or the 2015 Draft FIL. Among other things, the 2015 Draft FIL adopts the principle of "substance over form" in determining whether an entity is a domestic enterprise or a foreign-invested enterprise, or a FIE, by introducing the concept of "de facto control". Specifically, entities established in China but "controlled" by foreign investors will be treated as FIEs, whereas an entity set up in a foreign jurisdiction would nonetheless be, upon market entry clearance by the MOFCOM, treated as a PRC domestic investor provided that the entity is "controlled" by PRC entities and/or citizens. In this context, "control" is broadly defined in the 2015 Draft FIL to cover the scenario of having the power to exert decisive influence, via contractual or trust arrangements, over the subject entity's operations, financial matters or other key aspects of business operations. The Group is currently operating under the "variable interest entity" structure, or VIE structure, may be deemed as FIEs according to the 2015 Draft FIL and thus subject to the foreign investment restrictions in the PRC.

On December 26, 2018, the Standing Committee of the National People's Congress of the PRC published a discussion draft of the proposed Foreign Enterprise Investment Law, or the 2018 Draft FEIL, the updated version of which was reviewed and discussed by the National People's Congress of the PRC on March 11, 2019. The 2018 Draft FEIL does not explicitly stipulate contractual arrangements as a form of foreign investment, nor does it include the concept of "de facto control". However, the draft law contains a catch-all provision under the definition of "foreign investment" that will include investments made by foreign investors in China through means stipulated by laws or administrative regulations or other methods prescribed by the State Council. Based on the 2018 Draft FEIL, it is likely that prospective laws, administrative regulations or provisions of the State Council may deem contractual arrangements as a way of foreign investment.

There is substantial uncertainty with respect to the final content, interpretation, adoption timeline and effective date of the 2015 Draft FIL and/or the 2018 Draft FEIL. In the event that the Group's variable interest entity contractual arrangements under which the Group operates its business were not treated as a domestic investment and its operations are classified in the "restricted" or "prohibited" industry in the "negative list" under the 2015 Draft FIL or the 2018 Draft FEIL when officially enacted, the Group might be required to obtain market entry clearance. If the restrictions and prohibitions on FIE included in the Draft FIE Law are enacted and enforced in their current form, the Group's ability to use the contractual arrangements with its VIEs and the Group's ability to conduct business through the VIEs could be severely limited. For example, the National People's Congress approved the Foreign Investment Law on March 15, 2019 and the State Council approved the Regulation on Implementing the Foreign Investment Law (the "Implementation Regulations") on December 26, 2019, effective from January 1, 2020. The MOFCOM and the State Administration for Market Regulation jointly issued the Measures for Reporting of Foreign Investment Information on December 30, 2019, effective from January 1, 2020 and replaced the Interim Administrative Measures for the Record-filing of the Establishment and Modification of Foreign-invested Enterprises. The Foreign Investment Law and the Implementation Regulations do not touch the relevant concepts and regulatory regimes that were historically suggested for the regulation of VIE structures, and thus this regulatory topic remains unclear under the Foreign Investment Law. Since the Foreign Investment Law and the Implementation Regulations are new, there are substantial uncertainties exist with respect to its implementation and interpretation and it is also possible that variable interest entities will be deemed as foreign invested enterprises and be subject to restrictions in the future. Such restrictions may cause interruptions to our operations, products and services and may incur additional compliance cost, which may in turn materially and adversely affect the Group's business, financial condition and results of operations.

SO-YOUNG INTERNATIONAL INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)
(Amounts in thousands, except for share and per share data, unless otherwise noted)

1. Operations and principal activities (Continued)

(b) VIE arrangements between the Company's PRC subsidiaries (Continued)

iii) Risks in relation to VIE structure (continued)

The following consolidated financial information of the VIEs and its subsidiaries taken as a whole as of December 31, 2023 and 2024 and for the years ended December 31, 2022, 2023 and 2024 was included in the consolidated financial statements of the Group. Transactions between the VIEs and its subsidiaries are eliminated in the financial information presented below:

	As of December 31,	
	2023	2024
	RMB	RMB
Assets		
Current assets:		
Cash and cash equivalents	144,035	136,846
Restricted cash and term deposits	14,630	23,174
Trade receivables	39,587	54,822
Inventories	15,999	43,198
Receivables from online payment platforms	18,153	21,200
Amounts due from Group companies	137,937	162,198
Amounts due from related parties	9,127	1,133
Term deposits and short-term investments	16,153	—
Prepayment and other current assets	46,289	71,201
Total current assets	**441,910**	**513,772**
Non-current assets:		
Investment in subsidiaries	34,691	35,081
Long-term investments	164,456	143,853
Intangible assets	28,023	27,320
Goodwill	684	684
Property and equipment, net	29,082	74,264
Deferred tax assets	23,717	27,167
Operating lease right-of-use assets	59,458	119,643
Other non-current assets	49,950	61,209
Total non-current assets	**390,061**	**489,221**
Total assets	**831,971**	**1,002,993**
Liabilities		
Current liabilities:		
Taxes payable	42,955	48,092
Contract liabilities	78,131	54,429
Salary and welfare payables	34,099	49,757
Amounts due to Group companies	310,394	523,403
Amounts due to related parties	87	412
Accrued expenses and other current liabilities	203,771	230,940
Operating lease liabilities-current	17,218	31,873
Total current liabilities	**686,655**	**938,906**
Non-current liabilities:		
Operating lease liabilities-non current	41,254	92,217
Deferred tax liabilities	5,697	6,367
Total non-current liabilities	**46,951**	**98,584**
Total liabilities	**733,606**	**1,037,490**

SO-YOUNG INTERNATIONAL INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)
(Amounts in thousands, except for share and per share data, unless otherwise noted)

1. Operations and principal activities (Continued)

(b) VIE arrangements between the Company's PRC subsidiaries (Continued)

iii) Risks in relation to VIE structure (continued)

	For the Year Ended December 31,		
	2022	2023	2024
	RMB	RMB	RMB
Third-party revenues	992,705	1,203,754	1,173,828
Inter-company revenues	12,203	19,466	27,907
Total revenues	**1,004,908**	**1,223,220**	**1,201,735**
Third-party costs	(236,094)	(388,143)	(413,523)
Inter-company costs	(253,929)	(280,781)	(312,935)
Total costs	**(490,023)**	**(668,924)**	**(726,458)**
Total operating expenses	(533,684)	(552,945)	(578,746)
(Loss)/Income from non-operations	(7,288)	931	(33,536)
(Loss)/Income before tax	**(26,087)**	**2,282**	**(137,005)**
Income tax benefits/ (expenses)	1,969	7,514	(1,246)
Net (loss)/income	**(24,118)**	**9,796**	**(138,251)**
Net loss attributable to non-controlling interests	2,328	3	75
Net (loss)/income attributable to So-Young International Inc.	**(21,790)**	**9,799**	**(138,176)**

	For the Year Ended December 31,		
	2022	2023	2024
	RMB	RMB	RMB
Net cash used in Group companies	(302,028)	(239,088)	(206,009)
Other operating activities	278,354	267,865	206,519
Net cash (used in)/provided by operating activities	**(23,674)**	**28,777**	**510**
Purchase of short-term investments	(40,500)	(31,000)	—
Proceeds from maturities of short-term investments	36,000	15,000	16,000
Loans to Group companies	(37,000)	(57,680)	—
Repayments from Group companies	—	73,982	—
Other investing activities	(33,444)	(61,681)	(67,980)
Net cash used in investing activities	**(74,944)**	**(61,379)**	**(51,980)**
Borrowings under loan from Group companies	63,548	17,012	82,527
Repayments to borrowings under loan from Group companies	(56,252)	(10,589)	(29,778)
Other financing activities	661	—	—
Net cash provided by financing activities	**7,957**	**6,423**	**52,749**
Net (decrease)/increase in cash, cash equivalents and restricted cash	**(90,661)**	**(26,179)**	**1,279**

In accordance with various contractual agreements, the Company has the power to direct the activities of the VIEs and can have assets transferred out of the VIEs. Therefore, the Company considers that there are no assets in the respective VIEs that can be used only to settle obligations of the respective VIEs, except for the registered capital of the VIEs amounting to approximately RMB4,547 and RMB4,547 as of December 31, 2023 and 2024, respectively. As the respective VIEs and its subsidiaries are incorporated as limited liability companies under the PRC Company Law, creditors do not have recourse to the general credit of the Company for the liabilities of the respective 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.

The VIEs have paid RMB264.0 million, RMB264.1 million and RMB231.1 million of service fee to the WFOE for the years ended December 31, 2022, 2023 and 2024, respectively. There is no VIE in the Group where the Company or any subsidiary has a variable interest but is not the primary beneficiary.

SO-YOUNG INTERNATIONAL INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)
(Amounts in thousands, except for share and per share data, unless otherwise noted)

1. Operations and principal activities (Continued)

(b) VIE arrangements between the Company's PRC subsidiaries (Continued)

Liquidity

The Group had net loss of RMB66,107 and RMB587,182 for the years ended December 31, 2022 and 2024, respectively, and had net income of RMB25,944 for the year ended December 31, 2023. Net cash used in operating activities was RMB112,873 and RMB25,633 for the years ended December 31, 2022 and 2024, and net cash provided by operating activities was RMB22,501 for the year ended December 31, 2023. Accumulated deficit was RMB330,166 and RMB926,390 as of December 31, 2023 and 2024, respectively. The Group assesses its liquidity by its ability to generate cash from operating activities and attract investors' investments.

Historically, the Group has relied principally on both operational sources of cash and non-operational sources of financing from investors to fund its operations and business development. The Group's ability to continue as a going concern is dependent on management's ability to successfully execute its business plan, which includes revenues while controlling operating expenses, as well as, generating operational cash flows and continuing to gain support from outside sources of financing.

Based on the cash flows projection from operating activities and existing balance of cash and cash equivalents and restricted cash, management is of the opinion that the Group has sufficient funds for sustainable operation and it will be able to meet its payment obligations from operations for the next twelve months from the issuance of the consolidated financial statements. Based on the above considerations, the Group's consolidated financial statements have been prepared on a going concern basis, which contemplate the realization of assets and liquidation of liabilities during the normal course of operations.

2. Summary of Significant Accounting Policies

(a) Basis of presentation and consolidation

The consolidated financial statements of the Group have been prepared in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP"). Significant accounting policies followed by the Group in the preparation of the accompanying consolidated financial statements are summarized below.

(b) Principles of consolidation

The consolidated financial statements include the financial statements of the Company, its subsidiaries, the VIEs and subsidiaries of the VIEs for which the Company are the primary beneficiary.

Subsidiaries are those entities in which the Company, directly or indirectly, controls more than one half of the voting power, 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 the board 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 consolidated VIE is an entity in which the Company, or its subsidiary, through contractual arrangements, has the power to direct the activities that most significantly impact the entity's economic performance, 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, the consolidated VIE and subsidiaries of the VIE have been eliminated upon consolidation.

SO-YOUNG INTERNATIONAL INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)
(Amounts in thousands, except for share and per share data, unless otherwise noted)

2. Summary of Significant Accounting Policies (Continued)

(c) Use of estimates

The preparation of the Group's consolidated financial statements in conformity with the U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent liabilities at the balance sheet date and reported revenues and expenses during the reported years in the consolidated financial statements and accompanying notes.

Significant accounting estimates include, but are not limited to impairment of goodwill and useful lives of intangible assets. Actual results could differ from those estimates and such differences may be material to the consolidated financial statements.

(d) Functional currency and foreign currency translation

The Group uses Renminbi ("RMB") as its reporting currency. The functional currency of the Company and its overseas subsidiaries which incorporated in the Cayman Islands and Hong Kong is United States dollars ("US$" or "USD"). The functional currency of the Company's subsidiary incorporated in Korea is Korea Won. The functional currency of the Group's PRC entities is RMB.

In the consolidated financial statements, the financial information of the Company and other entities located outside of the PRC 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 rate for the period. Translation adjustments are reported as foreign currency translation adjustments and are shown as a component of other comprehensive income/(loss) in the consolidated statements of comprehensive income/(loss).

Foreign currency transactions denominated in currencies other than the 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 are translated into the functional currency using the applicable exchange rates at the balance sheet dates. Net gains and losses resulting from foreign exchange transactions are included in exchange losses/(gains) in the consolidated statements of comprehensive income/(loss).

(e) Convenience translation

Translations of balances in the consolidated balance sheets, consolidated statements of comprehensive income/(loss) and consolidated statements of cash flows from RMB into USD as of and for the year ended December 31, 2024 are solely for the convenience of the reader and were calculated at the rate of US$1.00 = RMB7.2993, representing the exchange rate set forth in the H.10 statistical release of the Federal Reserve Board on December 31, 2024. No representation is made that the RMB amounts represent or could have been, or could be, converted, realized or settled into USD at that rate on December 31, 2024, or at any other rate.

(f) 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 it considers assumptions that market participants would use when pricing the asset or liability.

SO-YOUNG INTERNATIONAL INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)
(Amounts in thousands, except for share and per share data, unless otherwise noted)

2. Summary of Significant Accounting Policies (Continued)

(f) Fair value measurements (Continued)

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. Accounting guidance specifies a hierarchy of valuation techniques, which is based on whether the inputs into the valuation techniques 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.

Accounting guidance also 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.

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.

See Note 22 Fair Value Measurement for additional information.

(g) Cash and cash equivalents

Cash and cash equivalents consist of cash on hand and demand deposits which have original maturities of three months or less and are readily convertible to known amount of cash.

(h) Restricted cash

Cash that is restricted as to withdrawal or for use or pledged as security is reported separately on the face of the consolidated balance sheets as restricted cash. Restricted cash represents cash received from medical aesthetic service providers and reserved in a bank supervised account for purchasing the services of the Company and the guarantee deposit.

SO-YOUNG INTERNATIONAL INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)
(Amounts in thousands, except for share and per share data, unless otherwise noted)

2. Summary of Significant Accounting Policies (Continued)

(i) Term deposits

Term deposits represent time deposits placed with banks with original maturities of more than three months. Interest earned is recorded as interest income in the consolidated statements of comprehensive income/(loss) during the years presented. As of December 31, 2023 and 2024, the Group has the short-term deposits with the maturities within one year of RMB800,512 and RMB557,820, respectively. As of December 31, 2023 and 2024, the Group has the long-term deposits with the maturities over one year of RMB112,219 and RMB62,688, respectively, recorded in other non-current assets.

(j) Trade receivables and other receivables

The Group's trade receivables and other receivables including loan receivables are measured at amortized cost and reported on the consolidated balance sheets at outstanding principal adjusted for any write-offs and the allowance for credit losses. Starting from January 1, 2020, the Group adopted ASU 2016-13 and estimated the allowance for credit losses to reflect the Group's estimated expected losses. The Group assesses the allowance for credit losses, mainly based on the past collection experience as well as consideration of current and future economic conditions and changes in the Group's customer collection trends. Interest income from these instruments is using the effective interest rate method if applicable.

(k) Current expected credit losses

Starting from January 1, 2020, the Group adopted ASU No. 2016-13, "Financial Instruments—Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments" ("ASC Topic 326"), which amends previously issued guidance regarding the impairment of financial instruments by creating an impairment model that is based on expected losses rather than incurred losses.

The Group's trade receivables, amounts due from related parties, other receivables recorded in prepayment and other current assets, other non-current assets, cash and cash equivalents, restricted cash and term deposits and receivables from online payment platforms are within the scope of ASC Topic 326. The Group's expected credit loss of cash and cash equivalents, restricted cash and term deposits and receivables from online payment platforms within the scope of ASC Topic 326 were immaterial.

To estimate expected credit losses, 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 the 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 past collection experience, current economic conditions, future economic conditions (external data and macroeconomic factors) and changes in the Group's customer collection trends. The Group also provides specific provisions for allowance when facts and circumstances indicate that the receivables are unlikely to be collected. This is assessed at each quarter based on the Group's specific facts and circumstances. No significant impact of changes in the assumptions since adoption.

The Group recorded a provision for current expected credit loss. The following table sets out movements of the allowance for doubtful accounts for the years ended December 31, 2023 and 2024:

	For the Year Ended December 31,		
	2022	2023	2024
	RMB	RMB	RMB
Beginning balance	**29,210**	**42,434**	**55,823**
Additional allowance for credit losses, net of recoveries	13,224	15,629	53,591
Write-offs	—	(2,240)	—
Ending balance	**42,434**	**55,823**	**109,414**

SO-YOUNG INTERNATIONAL INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)
(Amounts in thousands, except for share and per share data, unless otherwise noted)

2. Summary of Significant Accounting Policies (Continued)

(l) Inventories

Inventories are stated at the lower of cost and net realizable value. Cost of inventories is determined using the weighted average cost method. Adjustments are recorded to write down the cost of inventories to the estimated net realizable value due to slow-moving merchandise and damaged goods, which is dependent upon factors such as inventory aging, historical and forecasted consumer demand, and market conditions that impact pricing. In addition to the cost of materials and direct labor, an appropriate proportion of production overhead is included in the cost of inventories. Once inventory is written-down, a new, lower-cost basis for that inventory is established and subsequent changes in facts and circumstances do not result in the restoration or increase in that newly established cost basis.

The Group classifies its inventories to raw materials, semi-finished products and finished products. Raw materials and semi-finished products include purchased materials, components and supplies to be used in production. Finished products include products manufactured by the Group and products purchased for resale and aesthetic treatment services.

(m) Investments

Short-term investments mainly include investments in financial instruments with a variable interest rate. In accordance with ASC 825 —"Financial Instruments", for investments in financial instruments with a variable interest rate indexed to time float, the Group elected the fair value method at the date of initial recognition and carried these investments at fair value. Changes in the fair value are reflected in the consolidated statements of comprehensive income/(loss) as other income/(expenses).

The Company's long-term investments consist of investments in privately held companies and the publicly traded company.

In accordance with ASC 323 "Investments-Equity Method and Joint Ventures", the Group applies the equity method of accounting to equity investments in common stock, over which it has significant influence but does not own majority equity interest or control.

Equity investments with readily determinable fair values are measured and recorded at fair value using the market approach based on the quoted prices in active markets at the reporting date. The Group classifies the valuation techniques that use these inputs as Level I of fair value measurements. The related gains/(losses) amounts are recognized in "investment income, net" in the consolidated statements of comprehensive income/(loss).

In January 2016, the FASB issued ASU No. 2016-01 Financial Instruments-Overall (Subtopic 825-10): "Recognition and Measurement of Financial Assets and Financial Liabilities", which requires all equity investments to be measured at fair value with changes in the fair value recognized through non-operating income (other than those accounted for under equity method of accounting or those that result in consolidation of the investee). Effective January 1, 2018 with the adoption of ASU 2016-01, the Group has elected to use the measurement alternative to account for the equity investments, over which the Company does not have significant influence, or investments in shares that are not ordinary shares or in-substance ordinary shares and that do not have readily determinable fair value, and therefore carries these investments at cost adjusted for changes from observable transactions for identical or similar investments of the same investee, less impairment. In addition, the existing impairment model has been replaced with a new one-step qualitative impairment model.

Management regularly evaluates the equity investments for impairment based on performance and financial position of the investees as well as other evidence of market value. Such evaluation includes, but not limited to, reviewing the investees' cash position, recent financing, projected and historical financial performance, cash flow forecasts and financing needs. An impairment loss is recognized in the consolidated statements of comprehensive income/(loss) equal to the excess of the investment's cost over its fair value at the balance sheet date of the reporting year for which the assessment is made. The fair value would then become the new cost basis of investment.

RMB7,945, RMB444 and RMB7,350 impairment losses were recognized for the years ended December 31, 2022, 2023 and 2024.

SO-YOUNG INTERNATIONAL INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)
(Amounts in thousands, except for share and per share data, unless otherwise noted)

2. Summary of Significant Accounting Policies (Continued)

(n) Business combination and goodwill

The Group accounts for its business combinations using the acquisition method of accounting in accordance with ASC 805, Business Combinations. The cost of an acquisition is measured as the aggregate of the acquisition date fair values of the assets transferred and liabilities incurred by the Group to the sellers and equity instruments issued. Transaction costs directly attributable to the acquisition are expensed as incurred. Identifiable assets and liabilities acquired or assumed are measured separately at their fair values as of the acquisition date, irrespective of the extent of any non-controlling interests. The excess of (i) the total costs of acquisition, fair value of the non-controlling interests and acquisition date fair value of any previously held equity interest in the acquiree over (ii) the fair value of the identifiable net assets of the acquiree is recorded as goodwill. If the cost 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/(loss).

A non-controlling interest is recognized to reflect the portion of a subsidiary's equity which is not attributable, directly or indirectly, to the Company. When the non-controlling interest is contingently redeemable upon the occurrence of a conditional event, which is not solely within the control of the Company, the non-controlling interest is classified as mezzanine equity. Consolidated net income/(loss) on the consolidated statements of comprehensive income/(loss) includes the net loss attributable to non-controlling interests and mezzanine equity holders when applicable. Net loss attributable to mezzanine equity holders is included in net loss attributable to non-controlling interests on the consolidated statements of comprehensive income/(loss), while it is excluded from the consolidated statements of changes in shareholders' equity. For the year ended December 31, 2022, net loss attributable to non-controlling interests amounted to RMB553. For the years ended December 31, 2023 and 2024, net income attributable to non-controlling interests amounted to RMB4,664 and RMB2,345, respectively. The cumulative results of operations attributable to non-controlling interests are also recorded as non-controlling interests in the Company's consolidated balance sheets. Cash flows related to transactions with non-controlling interests are presented under financing activities in the consolidated statements of cash flows when applicable.

Goodwill represents the excess of the total cost of the acquisition, the fair value of any non-controlling interests and the acquisition date fair value of any previously held equity interest in the acquiree over the fair value of the identifiable tangible and intangible assets acquired and liabilities assumed of the acquired entity as a result of the Company's acquisitions of interests in its subsidiaries and the VIEs. Goodwill is not amortized but is tested for impairment on an annual basis, or more frequently if events or changes in circumstances indicate that it might be impaired.

The Company has the option to assess qualitative factors first to determine whether it is necessary to perform the quantitative impairment test in accordance with ASC 350, Intangibles-Goodwill and Other: Goodwill ("ASC 350-20"). If the Company believes, as a result of the qualitative assessment, that it is more-likely-than-not that the fair value of the reporting unit is less than its carrying amount, the quantitative impairment test described above is required. Otherwise, no further testing is required. In the qualitative assessment, the Company considers primary factors such as industry and market considerations, overall financial performance of the reporting unit, and other specific information related to the operations. The quantitative goodwill impairment test, used to identify both the existence of impairment and the amount of impairment loss, compares the fair value of a reporting unit with its carrying amount, including goodwill. If the carrying amount of a reporting unit is greater than zero and its fair value exceeds its carrying amount, goodwill of the reporting unit is considered not impaired.

SO-YOUNG INTERNATIONAL INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)
(Amounts in thousands, except for share and per share data, unless otherwise noted)

2. Summary of Significant Accounting Policies (Continued)

(o) Assets acquisition

When the Company acquires other entities, if the assets acquired and liabilities assumed do not constitute a business, the transaction is accounted for as an asset acquisition. Assets are recognized based on the cost, which generally includes the transaction costs of the asset acquisition, and no gain or loss is recognized unless the fair value of noncash assets given as consideration differs from the assets' carrying amounts on the Company's books. The cost of a group of assets acquired in an asset acquisition is allocated to the individual assets acquired or liabilities assumed based on their relative fair value and does not give rise to goodwill.

(p) Intangible assets

Intangible assets mainly include those acquired through business combinations and purchased intangible assets. Intangible assets acquired through business combinations are recognized as assets separate from goodwill if they satisfy either the "contractual-legal" or "separability" criterion. Intangible assets arising from business combinations are recognized and measured at fair value upon acquisition. Purchased intangible assets are initially recognized and measured at cost upon acquisition. Intangible assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of such assets may not be recoverable. Separately identifiable intangible assets that have determinable lives continue to be amortized over their estimated useful lives using the straight-line method as follows:

Developed technology	7-10 years
License and in-process research and development intangible assets	10 years
Software, trade names and others	3-10 years
Customer relationship	8 years
Supplier relationship	3 years

(q) Property and equipment, net

Property and equipment are stated at cost less accumulated depreciation and impairment, if any. Depreciation is computed using the straight-line method over the estimated useful lives of the assets, which range as follows:

Computers, electrical equipment and production machinery	1-5 years
Medical equipment	3-5 years
Office equipment, furniture and others	1-10 years
Building	20 years
Leasehold improvements	shorter of remaining lease period or estimated useful life

Expenditures for maintenance and repairs are expensed as incurred. The gain or loss on the disposal of property and equipment is the difference between the net sales proceeds and the carrying amount of the relevant assets and is recognized in the consolidated statements of comprehensive income/(loss).

SO-YOUNG INTERNATIONAL INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)
(Amounts in thousands, except for share and per share data, unless otherwise noted)

2. Summary of Significant Accounting Policies (Continued)

(r) Impairment of long-lived assets other than goodwill

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 flow 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.

(s) Leases

The Group determines if an arrangement is a lease or contains a lease at lease inception. For operating leases, the Group recognizes a right-of-use ("ROU") asset and a lease liability based on the present value of the lease payments over the lease term on the consolidated balance sheets at commencement date. As most of the Company's leases do not provide an implicit rate, the Company estimates its incremental borrowing rate based on the information available at the commencement date in determining the present value of lease payments. The incremental borrowing rate is estimated to approximate the interest rate on a collateralized basis with similar terms and payments, and in economic environments where the leased asset is located. Lease terms are determined after taking into account of rental escalation clauses, renewal options and/or termination options, if any. Lease expense is recorded in the consolidated statements of comprehensive income/(loss) on a straight-line basis over the lease term. The Group has elected to apply "the package" of practical expedients afforded under ASU No. 2016-02, Leases (Topic 842) ("ASC 842"). Short-term leases have not been recorded on the balance sheet.

(t) Borrowings

Borrowings are initially recognized at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortized cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognized in profit or loss over the period of the borrowings using the effective interest method.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting period.

(u) Reclassifications

Starting from the year of 2024, in light of the better monitoring business development of branded aesthetic centers, the previous line item information services and others was separated into two line items, which are aesthetic treatment services and information services and others. And the Company grouped the revenue generated from information services and others and reservation services, which is renamed as information, reservation services and others.

The revenue generated from aesthetic treatment services was previously reported in line item of information services and others. The information, reservation services and others for the years of 2022 and 2023 have also been retrospectively updated. The amount reclassified from previous line item information services and others to aesthetic treatment services are nil and RMB13.0 million for the year of 2022 and 2023, respectively.

Starting from the year of 2024, the previous line item cost of services and others was separated into two line items, which are cost of aesthetic treatment services and cost of information, reservation services and others. Cost of aesthetic treatment services primarily consists of expenditures relating to aesthetic treatment services in branded aesthetic centers, and the remaining cost of services and others is reclassified into cost of information, reservation services and others. The cost of aesthetic treatment services and cost of information, reservation services and others for the years of 2022 and 2023 have also been retrospectively reclassified.

SO-YOUNG INTERNATIONAL INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)
(Amounts in thousands, except for share and per share data, unless otherwise noted)

2. Summary of Significant Accounting Policies (Continued)

(v) Revenue recognition

The Group adopted ASC Topic 606, "Revenue from Contracts with Customers" (ASC 606) for all years presented. According to ASC 606, revenue is recognized when control of the promised goods or services is transferred to the customers, in an amount that reflects the consideration the Group expects to be entitled to in exchange for those goods or services. Revenues are recorded net of discounts, return allowances, and value-added taxes and surcharges. We determine revenue recognition through the following steps:

- identification of the contract, or contracts, with a customer;
- identification of the performance obligations in the contract;
- determination of the transaction price, including the constraint on variable consideration;
- allocation of the transaction price to the performance obligations in the contract; and
- recognition of revenue when (or as) we satisfy a performance obligation

The Group's revenues are mainly generated from information services, reservation services, aesthetic treatment services and sales of medical products and maintenance services. Refer to "Note 24 - Segment Information" for disaggregation of revenue.

i) Information services

The Group generates revenue from offering information services primarily to help medical aesthetic service providers better introduce their services and increase their customer base. The Group helps the service providers introduce their services through information display in main entrance banners and pop ups to increase exposure on the platform. The Group also places content of participating service providers on social platforms in the forms of pictures, videos or links.

The Group generates its information service revenue primarily i) at a fixed fee per each day's content display, ii) based on a contractual rate per unit of output, such as per click, etc., iii) at a fixed fee per each article posted on the Group's social media accounts. These information services may be sold in combination as a bundled arrangement or separately on a stand-alone basis.

Service providers can choose to sign up arrangements through the Group's online information service system or sign-up off-line arrangements. Advance payment is required when signing up the arrangements. In the case of signing up on-line arrangements, the service providers are required to purchase So Young tokens (the "Token") in the service provider account as the information service is priced in Tokens on the on-line platform. Tokens are the virtual currency of the Company's platform. The Token will be locked in the individual service provider account when a service provider places an order on-line and will be deducted from the service provider account when service is performed. On a recurring basis, the Group offers free Tokens to service providers as certain percentage of purchased Tokens. The free Tokens have the same purchase power as the purchased Tokens, which represent an advance payment from customers. Tokens are interchangeable and not tied directly to any specific revenue transaction because the Tokens are fungible. As such, the Group values the Tokens based on an average pricing method to determine the transaction price for the specific information services provided to the service provider. The Tokens are not transferable or refundable and are generally consumed in three months after purchased or given for free. The value of expired Tokens has been immaterial. In the case of signing up off-line arrangements, the service providers are required to make cash advance payment for each individual contract. Contract consideration is determined and fixed in cash at the inception of contract.

SO-YOUNG INTERNATIONAL INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)
(Amounts in thousands, except for share and per share data, unless otherwise noted)

2. Summary of Significant Accounting Policies (Continued)

(v) Revenue recognition (Continued)

i) Information services (continued)

Revenue for the information services above is recognized in the period when information service is delivered as evidenced in a manner satisfying the types of engagements selected by the service providers, such as display of content, clicks on content and/or post of articles on the Group's platform. Arrangements involving multiple performance obligations primarily consist of combinations of the above information services. For arrangements that include a combination of these services, the Company develops an estimate of the standalone selling price for these services in order to allocate any potential discount to all performance obligations in the arrangement. The Company believes the use of its estimation approach and allocation of the transaction price on a relative standalone selling price basis to each performance obligation results in revenue recognition in a manner consistent with the underlying economics of the transaction and the allocation principle included in ASC 606.

The Group also provides other services, which are also presented under information service, primarily comprising medical aesthetic service displayed on So-Young Prime, etc. Revenue is recognized when these services are rendered. For the years ended December 31, 2022, 2023 and 2024, the revenue derived from other services was not significant.

Barter transactions

The Company entered agreements with service providers whereby the Company provided information service as the consideration for sharing advertising space purchased by the service providers from other third-party providers. In general, the service provider would share certain percentage of the purchased advertising space with the Company. In exchange, the Company would provide the information services with the same value of the shared advertising space to the service provider based on the service provider's purchase price with the third party and the shared percentage of the advertising space. Revenue from the barter transactions is recognized when information service is provided as discussed above and the expense related to the shared advertising space is recognized over the duration of display. The Group uses the fair value of the goods or services received when measuring the non-cash consideration for information service revenue earned. The Group will only measure the non-cash consideration indirectly by reference to the standalone selling price of the goods or services surrendered if the fair value of the goods or services received is not reasonably estimable. The Group recognized revenue from barter transactions amounted to RMB551, nil and RMB3,137 for the years ended December 31, 2022, 2023 and 2024, respectively. The expenses recognized from barter transactions for the years ended December 31, 2022, 2023 and 2024 were RMB1,269, nil and RMB3,325, respectively.

ii) Reservation services

The Group earns reservation service fees A primarily from medical aesthetic service providers when a medical or beauty treatment is performed for the platform users through reservation from the Group's platform. Such fees are generally determined as an agreed percentage of the value of service actually provided by service providers. As per the Group's agreements with service providers, it collects reservation service fees B for all services provided to a user during the lifetime as long as the user was brought to the particular service provider through the Group's platform. This includes the situations where the user visits the service provider directly without online ordering, chooses treatment services at site that is different from the online reservation, adds more services during the time of visit, and visits the service provider for other treatments in the future. The service providers are obligated to report the completed transactions in above situations with the platform users to the Group. In the event that the service providers fail to report such transaction to the Group on time, the Group would charge the service providers a penalty in addition to the commission. Starting from September 2021, the Group does not charge reservation service fees B from the portion of the medical aesthetic service providers.

SO-YOUNG INTERNATIONAL INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)
(Amounts in thousands, except for share and per share data, unless otherwise noted)

2. Summary of Significant Accounting Policies (Continued)

(v) Revenue recognition (Continued)

ii) Reservation services (continued)

In order to list available services and related prices on the Group's online marketplace, service providers are required to sign an agreement with the Group and pay a non-refundable upfront fee to the Group. However, the agreement does not have binding effect as the service provider can cancel the agreement without any penalty. Although the upfront fee is not a material amount, it provides the service provider a renewal right to make optional purchase of the Group's reservation service. The agreement is in substance a day-to-day contract with performance obligation of facilitating each successful sales of service provided by service providers to the platform users. That is, each facilitation is a distinct performance obligation.

Commissions for the reservation service are in the form of a fixed fee per transaction or an agreed percentage of the value of service actually provided by the service providers. The consideration for each sales facilitation service is determined when the contract is placed. Following ASC 606-10-32-40, the Company recognizes revenue for each completed transaction based on the value of service actually provided by the service providers as reservation service fee relates specifically to the facilitation for that transaction.

The Group does not control the underlying service provided by the service providers before they are provided to users, as the Group is not responsible for fulfilling the promise to provide the service to users and has no inventory risk before the service is provided. In addition, the Group has no discretion in establishing prices of the service provided by service providers. Commission revenues are recognized on a net basis at the point of a successful transaction, which is when the user accepts the service.

The Group may from time to time provide incentives in various forms to attract or retain consumers. Under the circumstances where consumers are not considered as customers under ASC 606, the Company evaluates the features of different incentives provided to consumers to determine whether they represent implicit or explicit obligations to consumers on behalf of merchants, which are considered as payments to customers and are recorded as reduction of revenues. Incentives that are not considered as payments to customers are recorded as sales and marketing expenses.

iii) Aesthetic treatment services

The Group generates its aesthetic treatment services revenues from provision of non-surgical aesthetic medical services, comprising injection aesthetic treatments, energy-based treatments and other aesthetic medical services. Revenue from aesthetic treatment services is recognized at a point in time when the services have been rendered to customers. All these services are usually provided within a day. Payments are typically in advance of the services, and for payments not yet rendered are recorded as other liabilities in the consolidated balance sheets as they can be fully refunded to customers upon their request. Customers can purchase multiple services at once when placing an order, for example, purchasing an injection aesthetic treatment and an energy-based treatment at the same time, and these two services are usually delivered at different time. Revenue arrangements with multiple deliverables are divided into separate units of accounting based on the standalone selling price of each separate unit and are recognized as revenue when, or as, the performance obligation is satisfied.

iv) Sales of medical products and maintenance services

The Group's sales of medical products mainly include sales of cosmetic injectables produced by third parties and sales of equipment produced by third parties or the Group itself.

For the Group's sales of cosmetic injectables produced by third parties, the Group obtains control of the products before they are transferred to the customers and revenues are recognized at the gross amount of consideration to which it expects to be entitled in exchange for the products transferred. The revenues of cosmetic injectables sales are recognized at a point in time when the control of the products is transferred to the customer.

SO-YOUNG INTERNATIONAL INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)
(Amounts in thousands, except for share and per share data, unless otherwise noted)

2. Summary of Significant Accounting Policies (Continued)

(v) Revenue recognition (Continued)

iv) Sales of medical products and maintenance services (Continued)

The Group's sales of equipment and maintenance services revenue generated from Wuhan Miracle, which was acquired by the Group in July 2021. Wuhan Miracle sells its equipment, including self-produced products and third-party produced products, to offline medical service providers and hospitals (the "customers").

For the third-party produced medical products, the Group obtains control of the products before they are transferred to the customers. The Group is primarily responsible for fulfilling the promise to provide quality products to the customers and undertakes warranty responsibility directly. Therefore, the Group is considered the principle according to ASC 606 and concludes it is appropriate to record revenue as the gross amount of product sales net of value-added taxes.

The Group recognizes revenue on equipment sales to customers when delivery and acceptance occurs, which is defined as receipt by the Company of an executed form that the installation process is complete.

The maintenance service is recognized on a straight-line basis over the term, because the Group is providing continuous service and the customer simultaneously receives and consumes the benefits provided by the Group's performance as the services are performed.

v) Warranty

The Group offers a standard one-year warranty with its equipment sales. The warranty period is starting from the date when products are sold to the customer. The customers cannot separately purchase the standard warranty and the standard warranty doesn't provide the customer with additional service other than assurance that the product will function as expected. Therefore, these warranties are accounted for in accordance with ASC 460 Guarantees. At the time revenue is recognized, the Group accrues a warranty reserve, which includes the Group's best estimate of warranty costs. The reserves established are regularly monitored based upon historical experience and any actual claims charged against the reserve. The warranty reserve is expected to be incurred within the next 12 months and recorded as "Accrued expenses and other current liabilities" on the Group's consolidated balance sheets. Warranty expenses are recorded as a component of cost of revenues. Refer to "Note 16 - Accrued Expenses and Other Current Liabilities" for detail.

The Group also offers extended warranty for an additional fee, which is accounted for as a separate performance obligation under ASC 606. Revenue related to extended warranty is recognized on a straight-line basis over the term as maintenance service because the Group is providing continuous service and the customer simultaneously receives and consumes the benefits provided by the Group's performance as the services are performed.

(w) Cost of revenues

Cost of information, reservation services and others consists primarily of payroll costs, share-based compensation expenses, servers and bandwidth costs, depreciation expenses, payment processing fee paid to third party online platform, tax related surcharges, rental expenses and other direct costs related to the operation of business.

Cost of aesthetic treatment services consists primarily of payroll costs, rental expenses, depreciation expenses, medical consumables costs and other direct costs related to the aesthetic treatment services.

Cost of medical products sold and maintenance services consists primarily of cost of inventories, payroll costs and consumables used in maintenance services.

These costs are charged to the consolidated statements of comprehensive income/(loss) as incurred.

SO-YOUNG INTERNATIONAL INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)
(Amounts in thousands, except for share and per share data, unless otherwise noted)

2. Summary of Significant Accounting Policies (Continued)

(x) Sales and marketing expenses

Sales and marketing expenses consist primarily of marketing expenses, user acquisition activities expenses, payroll costs, share-based compensation expenses, and rental expenses related to the Group's sales and marketing departments. For the years ended December 31, 2022, 2023 and 2024, advertising expenses were RMB254,893, RMB270,304 and RMB188,225, respectively.

(y) General and administrative expenses

General and administrative expenses consist of payroll costs, share-based compensation expenses and related expenses for employees involved in general corporate functions, including accounting, finance, tax, legal and human resources; and costs associated with use by these functions of facilities and equipment, such as depreciation expenses, rental, professional service fees and other general corporate related expenses.

(z) Research and development expenses

Research and development expenses mainly consist of payroll costs, share-based compensation expenses, rental expenses incurred associated with research and development departments.

For those platforms of applications, the Group expenses all costs incurred for the preliminary project stage and post implementation-operation stage of development, and costs associated with repair or maintenance of the existing platform. Costs incurred in the application development stage are capitalized and amortized over the estimated useful life. Since the amount of the Group's research and development expenses qualifying for capitalization has been immaterial, as a result, all website and software development costs have been expensed in "Research and development expenses" as incurred.

Payments made to third parties who perform research and development services on the Company's behalf are expensed as services are rendered.

(aa) Share-based compensation

Share-based compensation expenses arise from share-based awards, including restricted share units ("RSUs") and share options for the purchase of ordinary shares. The Group applies ASC 718, "Compensation—Stock Compensation", or ASC 718, to account for the RSUs and share options granted to certain directors, executives and employees. For RSUs and share options for the purchase of ordinary shares granted to employees determined to be equity classified awards, the related share-based compensation expenses are recognized in the consolidated financial statements based on their grant date fair values. The Group estimates the fair value of the Company's share options using the binomial valuation model, which requires inputs such as the fair value of the Company's ordinary shares, risk-free interest rate, expected dividend yield, expected life and expected volatility. The fair values of the Company's RSUs are determined based on the fair value of the Company's ordinary shares on the grant date. The market price of the Company's publicly traded ADSs is used as an indicator of fair value for the Company's ordinary shares. The Group estimates the fair value of subsidiary's share options using the binomial valuation model, which requires inputs such as the fair value of the subsidiary's ordinary shares based on the net asset per share, risk-free interest rate, expected dividend yield, expected life and expected volatility.

Employees' share-based compensation awards are measured at the grant date fair value of the awards and recognized as expenses (a) immediately at the grant date if no vesting conditions are required; or (b) for share-based awards granted with only service conditions, using the straight-line vesting method, net of actual forfeitures, over the vesting period; or (c) for share-based awards granted with service conditions and performance condition, the share-based compensation expenses are recorded when the performance condition is considered probable using the graded vesting method.

2. Summary of Significant Accounting Policies (Continued)

(ab) Employee benefits

PRC Contribution Plan

Full time employees of the Group in the PRC participate in a government mandated defined contribution plan, pursuant to which certain pension benefits, medical care, employee housing fund and other welfare benefits are provided to the employees. Chinese labor regulations require that the PRC subsidiaries and the VIE of the Group make contributions to the government for these benefits based on certain percentages of the employees' salaries, up to a maximum amount specified by the local government. The Group has no legal obligation for the benefits beyond the contributions made. The total amounts of such employee benefit expenses, which were expensed as incurred, were approximately RMB108,057, RMB96,961 and RMB90,472 for the years ended December 31, 2022, 2023 and 2024, respectively.

(ac) Taxation

Income taxes

Current income taxes are provided on the basis of income/(loss) 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 provided using the 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 purposes. The effect on deferred taxes of a change in tax rates is recognized in the consolidated statements of comprehensive income/(loss) 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

In order to assess uncertain tax positions, the Group applies a more-likely-than not threshold and a two-step approach for the tax position measurement and financial statement recognition. Under the two-step approach, the first step is to evaluate the tax position for recognition by determining if the weight of available evidence indicates that it is more likely than not that the position will be sustained, including resolution of related appeals or litigation processes, if any. The second step is to measure the tax benefit as the largest amount that is more than 50% likely of being realized upon settlement. The Group recognizes interest and penalties, if any, under accrued expenses and other current liabilities on its consolidated balance sheets and under other expenses in its consolidated statements of comprehensive income/(loss). The Group did not have any significant unrecognized uncertain tax positions as of December 31, 2023 and 2024 nor did the Group recognize any related interest and penalties.

(ad) Government grants

Government grants, which mainly represent amounts received from local governments in connection with the Group's investments in local business districts and contributions to technology development, are recognized as income in other income, net. Such amounts are recognized in the consolidated income statements upon receipt and when all conditions attached to the grants are fulfilled. For the years ended December 31, 2022, 2023 and 2024, government grants recorded as others, net were RMB5,066, RMB20,900 and RMB12,319, respectively.

In April 2022, the Group adopted ASU 2021 - 10, "Government Assistance (Topic 832): Disclosures by Business Entities about Government Assistance", which provides guidance on the disclosure of transactions with a government that are accounted for by applying a grant or contribution accounting model by analogy. The adoption of this guidance did not have a material impact on the financial position, results of operations and cash flows.

SO-YOUNG INTERNATIONAL INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)
(Amounts in thousands, except for share and per share data, unless otherwise noted)

2. Summary of Significant Accounting Policies (Continued)

(ae) 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 common significant influence. Related parties may be individual or corporation entities.

(af) Net earnings/(loss) per share

Net earnings/(loss) per ordinary share is computed in accordance with ASC 260, "Earnings per Share". The two-class method is used for computing earnings per ordinary share in the event the Group has net income available for distribution. Under the two-class method, net income is allocated between ordinary shares and other participating securities based on their participating rights. Class A ordinary share and Class B ordinary share have the same rights in dividend. Therefore, basic and diluted loss per share is the same for both classes of ordinary shares. Net losses are not allocated to other participating securities as they are not obligated to share the losses based on their contractual terms.

Basic net earnings/(loss) per ordinary share is computed by dividing net income/(loss) attributable to So-Young International Inc. by the weighted average number of ordinary shares outstanding during the year. Diluted net earnings/(loss) per ordinary share is calculated by dividing net income/(loss) attributable to So-Young International Inc., as adjusted for the effect of dilutive ordinary equivalent shares, if any, by the weighted average number of ordinary and dilutive ordinary equivalent shares outstanding during the years. Ordinary equivalent shares consist of ordinary shares issuable upon the exercise of share options and vesting of RSUs using the treasury stock method. Ordinary equivalent shares are not included in the denominator of the diluted net earnings/(loss) per share calculation when inclusion of such share would be anti-dilutive.

(ag) Treasury stock

The Group accounts for treasury stock using the cost method. Under this method, the cost incurred to purchase the shares is recorded in the treasury stock account on the consolidated balance sheets. At retirement or cancellation of the treasury stock, the ordinary shares account is charged only for the aggregate par value of the shares. The excess of the acquisition cost of treasury stock over the aggregate par value is allocated between additional paid-in capital and retained earnings.

On November 18, 2022, the board of directors of the Company authorized a share repurchase program under which the Company is authorized to repurchase up to an aggregate value of US$15 million of its shares (including in the form of ADS) during the 12-month period beginning from November 18, 2022 ("the 2022 Share Repurchase Program"). On January 3, 2023, the board of directors of the Company has authorized an adjustment to the Company's previously adopted 2022 Share Repurchase Program, increasing the aggregate value of shares (including in the form of ADS) that the Company is authorized to repurchase under the program from US$15 million to US$25 million. As of December 31, 2023, the Company has repurchased approximately 9,908,490 ADSs (equivalent to 7,621,916 ordinary shares) for approximately US$20.4 million (RMB140.7 million) under this program.

On March 18, 2024, the board of directors of the Company authorized a share repurchase program under which the Company is authorized to repurchase up to an aggregate value of US$25 million of its shares (including in the form of ADS) during the 12 - month period beginning from March 22, 2024. As of December 31, 2024, the Company has repurchased approximately 2,564,707 ADSs (equivalent to 1,972,851 ordinary shares) for approximately US$2.6 million (RMB18.2 million) under this program.

2. Summary of Significant Accounting Policies (Continued)

(ah) Statutory reserves

The Company's subsidiaries, the VIEs and subsidiaries of the VIEs established in the PRC are required to make appropriations to certain non-distributable reserve funds. In accordance with China's Company Laws, the Company's VIEs and its subsidiaries registered as Chinese domestic company make appropriations from their after-tax profit (as determined under the accounting principles generally acceptable in the People's Republic of China ("PRC GAAP")) to non-distributable reserve funds including (i) statutory surplus fund and (ii) discretionary surplus fund. The appropriation to the statutory surplus fund must be 10% of the annual after-tax profits calculated in accordance with PRC GAAP. Appropriation is not required if the statutory surplus fund has reached 50% of the registered capital of the respective company. Appropriation to the discretionary surplus fund is made at the discretion of the respective company.

Pursuant to the laws applicable to China's Foreign Investment Enterprises, the Company's subsidiaries registered as wholly owned foreign investment enterprise in China make appropriations from their annual after-tax profit (as determined under PRC GAAP) to reserve funds including (i) general reserve fund, (ii) enterprise expansion fund and (iii) staff bonus and welfare fund. The appropriation to the general reserve fund must be at least 10% of the after-tax profits calculated in accordance with PRC GAAP. Appropriation is not required if the general reserve fund has reached 50% of the registered capital of the respective company. Appropriations to the other two reserve funds are at the respective companies' discretion.

The Group have made RMB8,696, RMB4,828 and RMB6,697 appropriations to its statutory reserve fund for the years ended December 31, 2022, 2023 and 2024.

(ai) Comprehensive income/(loss)

Comprehensive income/(loss) consists of two components, net income/(loss) and other comprehensive income/(loss). Other comprehensive income/(loss) refers to gains and losses that are recorded as an element of shareholders' equity but are excluded from net income. The Group's other comprehensive income/(loss) consists of foreign currency translation adjustment from its subsidiaries not using the RMB as their functional currency.

(aj) Segment reporting

Operating segments are defined as components of an enterprise engaging in business activities for which separate financial information is available that is regularly evaluated by the Group's chief operating decision makers ("CODM"). Based on the criteria established by ASC 280 "Segment Reporting", the Group's CODM has been identified as the Chief Executive Officer.

The operating segments are based on this organizational structure and information reviewed by the Group's CODM to evaluate the operating segment results. In July 2021, the Group acquired Wuhan Miracle, which is mainly engaged in the research and development, production, sales and agency of laser and other optoelectronic medical equipment, and it became a consolidated subsidiary of the Group. As a result of this acquisition, the Group has separated into the So-Young segment and Wuhan Miracle segment in 2022, 2023 and 2024 as set out in Note 24.

The Group's long-lived assets are substantially all located in the PRC and substantially all the Group's revenues are derived from within the PRC, therefore, no geographical segments are presented.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)
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2. Summary of Significant Accounting Policies (Continued)

(ak) Recently issued accounting pronouncements

In December 2023, the FASB issued ASU No. 2023 - 09, Income Taxes (Topic 740) - Improvements to Income Tax Disclosures. ASU No. 2023 - 09 requires disaggregated information about a reporting entity's effective tax rate reconciliation as well as additional information on income taxes paid. The guidance is effective for annual periods beginning after December 15, 2024 on a prospective basis. Early adoption is permitted. The Group does not expect to adopt ASU No. 2023 - 09 early and is currently evaluating the impact of adopting this standard on its consolidated financial statements.

In March 2024, the FASB issued ASU No. 2024-02, Codification Improvements-Amendments to Remove References to the Concepts Statements ("ASU 2024-02"). The amendments in this Update affect a variety of Topics in the Codification. The amendments apply to all reporting entities within the scope of the affected accounting guidance. This update contains amendments to the Codification that remove references to various Concepts Statements. In most instances, the references are extraneous and not required to understand or apply the guidance. In other instances, the references were used in prior statements to provide guidance in certain topical areas. ASU 2024-02 is effective for public business entities for fiscal years beginning after December 15, 2024. For all other entities, the amendments are effective for fiscal years beginning after December 15, 2025. Early adoption is permitted for both interim and annual financial statements that have not yet been issued or made available for issuance. The Group is currently evaluating the potential impact of the adoption of ASU 2024-02 on its consolidated financial statements.

In November 2024, the FASB issued ASU 2024-03, Income Statement - Reporting Comprehensive Income - Expense Disaggregation Disclosures (Subtopic 220-40): Disaggregation of Income Statement Expenses. This update requires that at each interim and annual reporting period public entities disclose (1) the amounts of purchases of inventory, employee compensation, depreciation, amortization, and depletion) in commonly presented expense captions; (2) certain amounts that are already required to be disclosed under current GAAP in the same disclosure as the other disaggregation requirements; (3) a qualitative description of the amounts remaining in relevant expense captions that are not separately disaggregated quantitatively; and (4) the total amount of selling expenses and, in annual reporting periods, the definition of selling expenses. In January 2025, the FASB issued ASU 2024-03, Income Statement - Reporting Comprehensive Income - Expense Disaggregation Disclosures (Subtopic 220-40): Clarifying the Effective Date. This update clarifies that ASU 2024-03 is effective for annual reporting periods beginning after December 15, 2026, and interim periods within annual reporting periods beginning after December 15, 2027. Early adoption is permitted. The Group is currently evaluating the impact on its financial statements of adopting this guidance.

3. Concentration and Risks

(a) Foreign currency exchange rate risk

In July 2005, the PRC government changed its decades-old policy of pegging the value of RMB to USD and RMB appreciated more than 20% against the USD over the following three years. Between July 2008 and June 2010, this appreciation halted and the exchange rate between RMB and USD remained within a narrow band. Since June 2010, RMB has fluctuated against USD, at times significantly and unpredictably. The depreciation of the RMB against the US$ was approximately 9.2% between December 31, 2021 and 2022. The depreciation of the RMB against the US$ was approximately 1.7% between December 31, 2022 and 2023. The depreciation of the RMB against the US$ was approximately 1.5% between December 31, 2023 and 2024. It is difficult to predict how market force or the PRC or U.S. government policy may impact the exchange rate between the RMB and the USD in the future.

(b) Concentration of customers and suppliers

There were no customers or suppliers from whom revenues or purchases individually represent greater than 10% of the total revenues or the total purchases of the Group for the years ended December 31, 2022, 2023 and 2024.

3. Concentration and Risks (Continued)

(c) Concentration of credit risk

The Group's credit risk primarily arises from cash and cash equivalents, restricted cash and term deposits, trade receivables, loan receivables, receivables from online payment platforms, and term deposits and short-term investments. The carrying amounts of these financial instruments represent the maximum amount of loss due to credit risk.

The Group places its cash and cash equivalents, restricted cash and term deposits, and term deposits and short-term investments in the reputable financial institutions with high credit quality. The risk is mitigated by credit evaluations the Group performs on the selected online payment platforms that are highly reputable and market leaders. There has been no default of payments from these online payment platforms.

As a further means of managing its credit risk, the Group holds its cash and cash equivalents and restricted cash and term deposits in a number of different financial institutions. As of December 31, 2023 and 2024, the Group held its cash and cash equivalents and restricted cash and term deposits in different financial institutions, and held approximately 27% and 41%, respectively, of its total cash and cash equivalents and restricted cash and term deposits in a single financial institution.

Under PRC law, it is generally required that a commercial bank in the Chinese mainland that holds third party cash deposits protects the depositors' rights over and interests in their deposited money; banks in the Chinese mainland are subject to a series of risk control regulatory standards; and bank regulatory authorities in the Chinese mainland are empowered to take over the operation and management of any Chinese mainland bank that faces a material credit crisis.

Trade receivables are typically unsecured and are derived from revenue earned directly from customers. No single customer represented 10% or more of the Group's revenues for the years ended December 31, 2022, 2023 and 2024. The Group has not experienced any significant recoverability issue with respect to its trade receivables.

Loan receivables are the micro loans to medical aesthetic consumers. The Group started to provide this service in 2021. There were no single consumer represented 10% or more of the Group's such revenue for the years ended December 31, 2022, 2023 and 2024. The risk with respect to loan receivables is mitigated by credit evaluations the Group performs on its customers and its ongoing monitoring processes of outstanding balances.

4. Prepayment and Other Current Assets

The following is a summary of prepayment and other current assets:

	As of December 31,	
	2023	2024
	RMB	RMB
Loan receivables, net	79,729	72,351
Prepayments for services	30,214	33,742
Interest receivable	20,938	16,463
Prepaid rental and other deposits	18,013	7,007
Deductible VAT	10,524	13,192
Prepayments to inventory suppliers	6,329	42,510
Others	6,027	9,937
Total	**171,774**	**195,202**

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)
(Amounts in thousands, except for share and per share data, unless otherwise noted)

5. Inventories

Inventories consist of the following:

	As of December 31,	
	2023	2024
	RMB	RMB
Finished products	58,103	94,482
Raw materials and semi-finished products	60,821	57,272
Inventories	**118,924**	**151,754**

6. Business Combination

(a) ***Deconsolidation of Leya***

In March 2023, the Group disposed its equity interests of 63.37% in Shanghai Leya Health Technology Co., Ltd ("Leya") with a total cash consideration of RMB5,700 to one existing shareholder of Leya. As a result, Leya was deconsolidated and a gain of RMB5,497 was recognized in investment income, net in the consolidated statements of comprehensive income/(loss) for the year ended December 31, 2023.

7. Goodwill

Changes in the carrying amount of goodwill by segment for the years ended December 31, 2023 and 2024 were as follows:

	So-Young	Wuhan Miracle	Total
	RMB	RMB	RMB
Balance as of December 31, 2022	**684**	**540,009**	**540,693**
Increase in goodwill related to acquisition	—	—	—
Impairment of goodwill	—	—	—
Balance as of December 31, 2023	**684**	**540,009**	**540,693**
Increase in goodwill related to acquisition	—	—	—
Impairment of goodwill	—	(540,009)	(540,009)
Balance as of December 31, 2024	**684**	**—**	**684**

Gross goodwill balances were RMB540,693 and RMB540,693 as of December 31, 2023 and 2024, respectively. Accumulated impairment losses were nil and RMB540,009 as of December 31, 2023 and 2024, respectively.

No impairment loss of goodwill was recorded for the years ended December 31, 2022 and 2023, respectively. For the year ended December 31, 2024, considering (i) Wuhan Miracle withdrew its IPO plan on December 23, 2024, and (ii) Wuhan Miracle did not achieve the anticipated growth and financial performance, the Company assessed that it is more likely than not that the fair value of Wuhan Miracle reporting unit is less than its carrying amount and impairment tests were conducted by quantitatively comparing the fair values of the reporting unit to its carrying amount, including goodwill. The Wuhan Miracle reporting unit estimated the fair value using a discounted cash flow model. Management's cash flow projections for the Wuhan Miracle reporting unit included significant judgments and assumptions relating to the projected revenue, projected operating result, and the discount rate. Based on the goodwill impairment test, management determined that the carrying value of the Wuhan Miracle reporting unit exceeded its estimated fair value and, therefore, recorded a goodwill impairment charge of RMB540,009. The fair value determined using the discounted cash flow model is compared with comparable market data and reconciled, as necessary.

SO-YOUNG INTERNATIONAL INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)
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8. Investments

(a) Short-term Investments

As of December 31, 2023 and 2024, the Company's short-term investments are comprised of investments in wealth management products issued by financial institutions, which contain a variable interest rate. To estimate the fair value of short-term investments, the Company refers to the quoted rate of return provided by financial institutions at the end of each year using discounted cash flow method. The Company classifies the valuation techniques that use these inputs as level 2 of fair value measurement.

For the years ended December 31, 2022, 2023 and 2024, the Group recognized investment income related to short-term investments of RMB4,264, RMB7,209 and RMB3,229 in the consolidated statements of comprehensive income/(loss), respectively.

(b) Long-term Investments

The Group's equity investments are reported in long-term investments in the consolidated balance sheets.

The Group's long-term investments consisted of the follows:

	Equity investments without readily determinable fair values	Equity investments with readily determinable fair values	Equity method investments	Total
	RMB	RMB	RMB	RMB
Balance as of January 1, 2023	**224,813**	**—**	**3,146**	**227,959**
Addition	10,540	7,104	33,735	51,379
Disposal	—	—	(381)	(381)
Reduction of capital	—	—	(1,230)	(1,230)
Share of losses of equity method investees	—	—	(12,723)	(12,723)
Fair value change	—	(3,534)	—	(3,534)
Impairment	—	—	(444)	(444)
Foreign exchange adjustment	—	(10)	—	(10)
Balance as of December 31, 2023	**235,353**	**3,560**	**22,103**	**261,016**
Addition	11,500	—	26,658	38,158
Disposal	(3,400)	—	—	(3,400)
Share of losses of equity method investees	—	—	(15,015)	(15,015)
Fair value change	7,791	(1,264)	—	6,527
Impairment	—	—	(7,350)	(7,350)
Foreign exchange adjustment	—	50	295	345
Balance as of December 31, 2024	**251,244**	**2,346**	**26,691**	**280,281**

8. Investments (Continued)

(b) Long-term Investments (Continued)

Equity investments using the measurement alternative

In October 2016, the Group completed its investment in Shanghai Xingying Medical Technology Co., Ltd ("Xingying"), and obtained its 10% equity interest with certain substantial preferential rights. Total consideration for the investment in Xingying was RMB4,000 with a combination of RMB1,000 in cash and RMB3,000 in the form of information services. The investment was accounted for under the measurement alternative defined as cost less impairments, adjusted by observable price changes in accordance with ASU 2016-01 as the shares invested by the Company are not considered as in-substance common stock and the shares do not have readily determinable fair values.

In October 2017, the Group invested in First BCC Plastic Surgery Hospital ("First BCC") by purchasing 1% of its equity interest, with a total cash consideration of RMB1,663. The investment was accounted for under the measurement alternative defined as cost less impairments, adjusted by observable price changes in accordance with ASU 2016-01 as the Company had no significant influence over the investee and the shares do not have readily determinable fair values.

In October 2018, the Group invested in Chengdu Zhisu Medical Management Company Limited ("Chengdu Zhisu") by purchasing 16% of its equity interest with certain substantial preferential rights. The total cash consideration for the investment was RMB4,000. In September 2019, the Group additionally acquired Chengdu Zhisu's newly issued ordinary shares by paying the cash consideration of RMB4,250. After the subsequent investment in 2019, the Group held approximately 16% of its issued and outstanding shares. The investment was accounted for under the measurement alternative defined as cost less impairments, adjusted by observable price changes in accordance with ASU 2016-01 as the shares invested by the Company are not considered as in-substance common stock and the shares do not have readily determinable fair values.

In November 2018, the Group invested in Beijing Mevos Management Consulting Company Limited ("Beijing Mevos") by purchasing 11.11% of its equity interest with certain substantial preferential rights. The total cash consideration for the investment was RMB5,150. The investment was accounted for under the measurement alternative defined as cost less impairments, adjusted by observable price changes in accordance with ASU 2016-01 as the shares invested by the Company are not considered as in-substance common stock and the shares do not have readily determinable fair values.

In April 2019, the Group completed the investment in Beijing Yicai Health Management Consulting Co., Ltd. ("Yicai") by purchasing 35% of its equity interest with certain substantial preferential rights. The total cash consideration for the investment was RMB17,500. In September 2021, the Group additionally acquired Yicai's newly issued ordinary shares by paying the cash consideration of RMB350. After the subsequent investment in 2021, the Group held 35% of its issued and outstanding shares. The investment was accounted for under the measurement alternative defined as cost less impairments, adjusted by observable price changes in accordance with ASU 2016-01 as the shares invested by the Company are not considered as in-substance common stock and the shares do not have readily determinable fair values.

In December 2020, the Group completed the investment in Shanghai Linkedcare ("Linkedcare") Information Technology Co., Ltd. by purchasing 15.1% of its equity interest with certain substantial preferential rights. The total cash consideration for the investment was RMB125,000. In July 2021, the Group additionally acquired Linkedcare newly issued preferred shares by paying the cash consideration of RMB40,000. After the subsequent investment in 2021, the Group held approximately 13.33% of its issued and outstanding shares. The investment was accounted for under the measurement alternative defined as cost less impairments, adjusted by observable price changes in accordance with ASU 2016-01 as the shares invested by the Company are not considered as in-substance common stock and the shares do not have readily determinable fair values.

8. Investments (Continued)

(b) Long-term Investments (Continued)

Equity investments using the measurement alternative (continued)

In June 2021, the Group invested in Beauty Care Clinics Investment Co., Ltd ("BCC Investment") by purchasing 1.74% of its equity interest with certain substantial preferential rights. The total cash consideration for the investment was RMB50,000. The investment was accounted for under the measurement alternative defined as cost less impairments, adjusted by observable price changes in accordance with ASU 2016-01 as the Company had no significant influence over the investee and the shares do not have readily determinable fair values.

In July 2021, the Group acquired Wuhan Miracle. Wuhan Miracle owned 7.5% of the equity interest of Kairuite Medical Technology (Suzhou) Co., Ltd. (Previous known as Kerui Medical Technology (Ningbo) Co., Ltd.) with a total cash consideration of RMB3,000. The investment was accounted for under the measurement alternative defined as cost less impairments, adjusted by observable price changes in accordance with ASU 2016-01 as the Company had no significant influence over the investee and the shares do not have readily determinable fair values. In October 2024, the Group disposed 2.0% of its equity interest with the cash consideration of RMB3,400.

In April 2023, the Group completed the investment in Hangzhou Huanyouji Culture Media Co., Ltd. by purchasing 30% of its equity interest with certain substantial preferential rights. The total cash consideration for the investment was RMB10,540. The investment was accounted for under the measurement alternative defined as cost less impairments, adjusted by observable price changes in accordance with ASU 2016-01 as the shares invested by the Company are not considered as in-substance common stock and the shares do not have readily determinable fair values.

In August 2024, the Group invested in JHM Biopharm (Hangzhou) Co., Ltd. ("JHM") by purchasing 0.7307% of its equity interest with the total cash consideration of RMB10,000. The investment was accounted for under the measurement alternative defined as cost less impairments, adjusted by observable price changes in accordance with ASU 2016 - 01 as the shares invested by the Company are not considered as in - substance common stock and the shares do not have readily determinable fair values.

In September 2024, the Group invested in Shanghai Miaoyu Internet Technology Limited by purchasing 15% of its equity interest with the total cash consideration of RMB1,500. The investment was accounted for under the measurement alternative defined as cost less impairments, adjusted by observable price changes in accordance with ASU 2016-01 as the shares invested by the Company are not considered as in-substance common stock and the shares do not have readily determinable fair values.

The Group assesses the existence of indicators for other-than-temporary impairment of the investments by considering factors including, but not limited to, current economic and market conditions, the operating performance of the entities including current earnings trends and other entity-specific information. Based on the Group's assessment, an impairment loss of RMB7,945, nil and nil was recognized in the consolidated statements of comprehensive income/(loss) for the years ended December 31, 2022, 2023 and 2024, respectively, against the carrying value of the investment due to significant deterioration in earnings or unexpected changes in business prospects of the investees as compared to the original investment.

Equity investments with readily determinable fair values

In June 2023, the Group paid HKD7,818 (equivalent to RMB7,104 at the transaction date) to acquire 357,800 common shares of a Hong Kong listed company, which is engaged in developing comprehensive solutions that are tailored to meet the diverse and evolving needs of patients and consumers in the broader dermatology treatment and care market.

The common shares have readily determinable fair values and the Group does not have the ability to exercise significant influence over the company. Accordingly, the Group accounted for the investment at fair value based on the quoted prices in active markets.

8. Investments (Continued)

(b) Long-term Investments (Continued)

Equity method investments

In October 2019, the Group invested in Beijing Sharing New Medical Technology Co., Ltd. ("Sharing New Medical") by purchasing 49% of its equity interest. The total cash consideration for the investment was RMB13,475. In February 2021, the registered capital of Sharing New Medical increased and the Group additionally invested RMB7,596 to Sharing New Medical in proportion to its shareholdings. In February 2023, upon the receipt of the loan repayment by Sharing New Medical in the amount of RMB18,620, the Group invested an additional RMB19,609 in Sharing New Medical in proportion to its shareholdings. In addition, in December 2023, the Group invested an additional RMB14,126 in Sharing New Medical in proportion to its shareholdings by converting its loan receivable from Sharing New Medical. Upon the completion of these transactions, the Group still held approximately 49% of its equity interest. The investment was accounted for using equity method as the Group can exercise significant influence on the investee.

In September 2021, the Group invested in Beijing Souyang Management Consulting Co., Ltd ("Beijing Souyang") by purchasing 77% of its equity interest. The total cash consideration for the investment was RMB5,000. The Company determined that Beijing Souyang was not a variable interest entity under ASC Topic 810, "Consolidation" ("ASC 810") and evaluated for consolidation under the voting interest model. Because of substantive participating rights of the 23% equity investor, including the approval of material operating decisions such as appointment of key management and determination of key management's compensation, the Group does not have unilateral control over this investment. Therefore, the Group does not consolidate Beijing Souyang but accounts for it using equity method in accordance with ASC 323, Investments—Equity Method and Joint Ventures. In February 2023, the Group disposed 11% of its equity interest with the cash consideration of RMB700. In May 2023, the Group made a capital reduction of 46% of its equity interest with the cash consideration of RMB3,753, and has received RMB1,000. As of December 31, 2023, the Group held 20% of its equity interest.

In April 2024, the Group invested in Zhejiang Xinyang Medical Instrument Co., Ltd. ("Zhejiang Xinyang") by purchasing 60% of its equity interest. The total cash consideration for the investment was US$3,750. The Group determined that Zhejiang Xinyang was not a variable interest entity under ASC 810 and evaluated for consolidation under the voting interest model. Because the 40% equity investor has the substantive participating rights over major decisions that impact the economics and operations, the Group does not have unilateral control over this investment, the Group does not consolidate Zhejiang Xinyang but accounts for it using equity method in accordance with ASC 323, Investments - Equity Method and Joint Ventures.

The Group assesses the existence of indicators for other-than-temporary impairment of the investments by considering factors including, but not limited to, current economic and market conditions, the operating performance of the entities including current earnings trends and other entity-specific information. Based on the Group's assessment, an impairment loss of nil and RMB444 was recognized in the consolidated statements of comprehensive income/(loss) for the years ended December 31, 2022 and 2023, respectively, against the carrying value of the investment due to significant deterioration in earnings or unexpected changes in business prospects of the investees as compared to the original investment. And an impairment loss of RMB7,350 was recognized for the investment in Sharing New Medical for the year ended December 31, 2024 due to the significant deterioration in the financial condition.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)
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9. Property and Equipment, Net

Property and equipment, net as of December 31, 2023 and 2024 are as follows:

	As of December 31,	
	2023	2024
	RMB	RMB
Building	99,166	99,166
Leasehold improvements	32,804	74,276
Medical equipment	35,062	51,713
Office equipment, furniture and others	10,955	10,846
Production machinery	5,213	6,059
Computers and electrical equipment	5,900	6,777
Total	**189,100**	**248,837**
Accumulated depreciation	(69,435)	(90,602)
Impairment of property and equipment	(2,883)	(2,883)
Net book value	**116,782**	**155,352**

Depreciation expenses recognized for the years ended December 31, 2022, 2023 and 2024 were RMB21,648, RMB20,741 and RMB22,719, respectively.

10. Intangible Assets

Intangible assets and its related accumulated amortization as of December 31, 2023 and 2024 are as follows:

	As of December 31, 2023		
	Gross carrying value	Accumulated amortization	Net carrying amount
	RMB	RMB	RMB
License (i)	94,612	(28,201)	66,411
Developed technology (ii)	70,000	(17,200)	52,800
In-process research and development intangible assets (ii)	27,000	(6,574)	20,426
Supplier relationship (ii)	17,000	(13,798)	3,202
Software	3,693	(2,102)	1,591
Trade names	829	(422)	407
Others	589	(173)	416
Total	**213,723**	**(68,470)**	**145,253**

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)
(Amounts in thousands, except for share and per share data, unless otherwise noted)

10. Intangible Assets (Continued)

	As of December 31, 2024		
	Gross carrying value	Accumulated amortization	Net carrying amount
	RMB	RMB	RMB
License (i)	98,419	(37,785)	60,634
Developed technology (ii)	70,000	(24,222)	45,778
In-process research and development intangible assets (ii)	27,000	(9,258)	17,742
Supplier relationship (ii)	17,000	(17,000)	—
Software	4,216	(2,656)	1,560
Trade names	897	(506)	391
Others	752	(242)	510
Total	**218,284**	**(91,669)**	**126,615**

(i) Licenses mainly include the insurance broker license and micro-finance license. Insurance broker license was derived from the acquisition of Jinbaoxin. In January 2020, the Company completed the acquisition of Jinbaoxin. The transaction was accounted for as an asset acquisition as the acquiree company did not meet the criteria of a business and substantially all the fair value of the assets acquired were concentrated in a single asset.

Micro-finance license was derived from the acquisition of Tonghua Micro Finance. In October 2021, the Company completed the acquisition of Tonghua Micro Finance. The transaction was accounted for as an asset acquisition as the acquiree company did not meet the criteria of a business and substantially all the fair value of the assets acquired were concentrated in a single asset.

(ii) Supplier relationship, in-process research and development intangible assets and developed technology were derived from the acquisition of Wuhan Miracle in 2021.

The impairment loss of intangible assets was nil for the years ended December 31, 2022, 2023 and 2024.

Amortization expense was RMB25,438, RMB25,349 and RMB23,199 for the years ended December 31, 2022, 2023 and 2024, respectively.

The Company will record estimated amortization expenses of RMB19,580, RMB19,518, RMB19,303, RMB19,267 and RMB48,947 for the years ending December 31, 2025, 2026, 2027, 2028, 2029 and thereafter, respectively.

11. Other Non-current Assets

Other non-current assets as of December 31, 2023 and 2024 are as follows:

	As of December 31,	
	2023	2024
	RMB	RMB
Long-term deposits	112,219	62,688
Loan receivables, net	58,035	71,355
Long-term prepayments	42,446	45,744
Prepaid rental deposits	7,812	15,903
Others	11,943	4,462
Other non-current assets	**232,455**	**200,152**

12. Short-term Borrowings

Short-term borrowings as of December 31, 2023 and 2024 are as follows:

	As of December 31,	
	2023	2024
	RMB	RMB
Short-term borrowings	**29,825**	**69,771**

The weighted average interest rate for the short-term borrowings is 1.4% for the years ended December 31, 2023 and 2024, respectively.

13. Taxation

(a) Value-added tax ("VAT")

The Group's subsidiaries, consolidated VIEs and VIEs' subsidiaries incorporated in China are subject to statutory VAT rate of 6% for services rendered and 13% for products sales.

The Group is also subject to urban construction tax at the rate of 7% or 5% or 1%, education surcharges at the rate of 3%, local education surcharges at the rate of 2% and other surcharges on VAT payments to the tax authorities according to PRC tax law, which are recorded in the cost of revenues in the consolidated statements of comprehensive income/(loss).

(b) Income tax

Composition of income tax

The following table presents the composition of income tax benefits for the years ended December 31, 2022, 2023 and 2024:

	For the Year Ended December 31,		
	2022	2023	2024
	RMB	RMB	RMB
Current income tax expense	3,838	15,440	15,261
Deferred tax benefits	(24,803)	(33,515)	(16,166)
Income tax benefits	**(20,965)**	**(18,075)**	**(905)**

Cayman Islands

Under the current laws of the Cayman Islands, the Company is not subject to tax on income or capital gain. Additionally, upon payments of dividends by the Company in the Cayman Islands to their shareholders, no Cayman Islands withholding tax will be imposed.

Hong Kong

Subsidiaries in Hong Kong are subject to 16.5% income tax rate for 2017. Under the current Hong Kong Inland Revenue Ordinance, the subsidiaries in Hong Kong are subject to profits tax at the rate of 8.25% on assessable profits up to HK$2,000, and 16.5% on any part of assessable profits over HK$2,000. The payments of dividends by these companies to their shareholders are not subject to any Hong Kong withholding tax.

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13. Taxation (Continued)

(b) Income tax (continued)

China

Under the PRC Enterprise Income Tax Law, or EIT Law, the standard enterprise income tax rate ("EIT rate") is 25%. Entities qualifying as High and New Technology Enterprises ("HNTEs") enjoy a preferential tax rate of 15% subject to a requirement that they re-apply for HNTE status every three years.

So-Young Wanwei was entitled as HNTE in 2018 and eligible for a preferential EIT rate of 15%, for the three-year period from 2018 to 2020 and extended to additional three-year period from 2021 to 2023, so long as it meets the HNTE criteria, however, as So-Young Wanwei qualified as "Software Company", hence to enjoy income tax rate of 0% for the two-year period from 2019 to 2020, and enjoys income tax rate of 12.5% for the three-year period from 2021 to 2023. So - Young Wanwei extended to additional three - year period from 2024 to 2026 for HNTE, therefore, eligible for a preferential income tax rate of 15% for the three - year period from 2024 to 2026.

Wuhan Miracle were entitled as HNTE in 2023 and eligible for a preferential EIT rate of 15%, for the three-year period from 2023 to 2025.

The preferential effective tax rates may be as low as 5% for small and micro enterprises that meet certain conditions for the years ended December 31, 2022, 2023 and 2024.

All other PRC incorporated entities of the Group were subject to a 25% income tax rate for all the years presented.

In general, all of the tax returns of the Company's PRC entities in China remain subject to examination by the tax authorities for up to five years from the date of filing. The Company may also be subject to the examination of the tax filings in other jurisdictions, which are not material to the consolidated financial statements.

In 2022, 2023 and 2024, the Company did not record any dividend withholding tax on the retained earnings of its FIE in the Chinese mainland, as the Company intended to reinvest all earnings in the Chinese /mainland to further expand its business in the Chinese mainland, and its FIEs did not intend to declare dividends on the retained earnings to their immediate foreign holding companies. As of December 31, 2024, the retained earnings of PRC subsidiaries including VIEs amounted to approximately RMB323.9 million.

The following table presents a reconciliation of the differences between the statutory income tax rate and the Group's income tax benefits for the years ended December 31, 2022, 2023 and 2024:

	For the Year Ended December 31,		
	2022	2023	2024
	RMB	RMB	RMB
Income tax (expenses)/benefits at PRC statutory income tax rate-25%	(21,767)	1,967	(147,021)
Permanent differences [1]	(3,899)	(31,403)	117,584
Tax rate difference from tax holiday and statutory rate in other jurisdictions, tax refund and others	3,413	7,059	5,139
Change in valuation allowance	1,288	4,302	23,393
Income tax benefits	**(20,965)**	**(18,075)**	**(905)**

(1) The permanent differences mainly consisted of additional deduction for research and development expenditures, non-deductible expenses, gains on disposal of Leya and impairment of goodwill.

SO-YOUNG INTERNATIONAL INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)
(Amounts in thousands, except for share and per share data, unless otherwise noted)

13. Taxation (Continued)

(b) Income tax (continued)

The per share effect of the tax holidays are as follows:

	For the Year Ended December 31,		
	2022	2023	2024
	RMB	RMB	RMB
Net loss per ordinary share effect-basic	(0.21)	(0.03)	(0.04)
Net loss per ordinary share effect-diluted	(0.21)	(0.03)	(0.04)

(c) Deferred tax assets and liabilities

The following table presents the tax impact of significant temporary differences that give rise to the deferred tax assets as of December 31, 2023 and 2024:

	As of December 31,	
	2023	2024
	RMB	RMB
Deferred tax assets		
Advertising and promotion expenses in excess of deduction limit	17,643	1,575
Payroll and expense accrued	2,342	1,835
Net operating tax loss carry forwards	86,460	116,449
Loss on equity investment	8,937	12,676
Impairment of long-term investments	5,574	7,411
Provision of allowance for expected credit loss	9,795	21,152
Impairment of long-lived assets	1,219	1,219
Operating lease liabilities	22,168	21,191
Others	1,581	1,543
Valuation allowance	(55,517)	(78,910)
Total deferred tax assets, net	**100,202**	**106,141**
Deferred tax liabilities		
Assets arisen from business combination and assets acquisition	25,082	19,758
Operating lease right-of-use assets	22,493	19,889
Total deferred tax liabilities	**47,575**	**39,647**
Presentation in the consolidated balance sheets after net off:		
Deferred tax assets	78,034	84,950
Deferred tax liabilities	25,082	19,758

All deferred tax assets and liabilities within a single tax jurisdiction are offset and presented as a single amount in accordance with ASC 740-10-45-6 “Income Taxes - Overall - Other Presentation Matters.” The Group has classified all deferred tax assets and liabilities as non-current items on its consolidated balance sheet as of December 31, 2023 and 2024.

SO-YOUNG INTERNATIONAL INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)
(Amounts in thousands, except for share and per share data, unless otherwise noted)

13. Taxation (Continued)

(c) Deferred tax assets and liabilities (Continued)

The following table sets forth the movement of the valuation allowances for deferred tax assets for the periods presented:

	For the year ended December 31,		
	2022	2023	2024
	RMB	RMB	RMB
Balance as of January 1,	(49,927)	(51,215)	(55,517)
Change of valuation allowance	(1,288)	(4,302)	(23,393)
Balance as of December 31,	**(51,215)**	**(55,517)**	**(78,910)**

The increase of valuation allowance in 2022 was mainly related to deferred tax assets recognized from the losses of long-term investment, the Group did not believe that sufficient positive evidence exists to conclude that the recoverability off deferred tax assets is more likely than not to be realized.

The increase of valuation allowance in 2023 was mainly related to deferred tax assets recognized from net operating tax loss carry forwards of Beijing So-Young Souyang Investment and Management Co., Ltd., as the Group did not believe that sufficient positive evidence exists to conclude that the recoverability of deferred tax assets is more likely than not to be realized.

The increase of valuation allowance in 2024 was mainly related to deferred tax assets recognized from impairment losses of long-term investment and net operating tax loss carry forwards, as the Group did not believe that sufficient positive evidence exists to conclude that the recoverability of deferred tax assets is more likely than not to be realized.

The tax losses of the Group expire over different time intervals depending on local jurisdiction. Certain entity's expiration period for tax losses has been extended from five years to ten years due to new tax legislation released in 2019. As of December 31, 2024, certain entities of the Group had net operating tax loss carry forwards, if not utilized, would expire as follows:

	RMB
Loss expiring in 2025	9,549
Loss expiring in 2026	12,255
Loss expiring in 2027	28,749
Loss expiring in 2028	127,139
Loss expiring in 2029 and thereafter	488,891
Total	**666,583**

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)
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13. Taxation (Continued)

(d) Withholding income tax

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. Such withholding income tax was exempted under the Previous EIT Law. The Cayman Islands, where the Company incorporated, does not have such tax treaty with China. According to the arrangement between Mainland China and Hong Kong Special Administrative Region on the Avoidance of Double Taxation and Prevention of Fiscal Evasion 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 that may be lowered to 5% (if the foreign investor owns directly at least 25% of the shares of the FIE). The State Administration of Taxation ("SAT") further promulgated Circular 601 on October 27, 2009, which provides that tax treaty benefits will be denied to "conduit" or shell companies without business substance and that a beneficial ownership analysis will be used based on a "substance-over-form" principle to determine whether or not to grant the tax treaty benefits.

The Company did not record any dividend withholding tax, as the Group's FIE, the WFOE, has no retained earnings in any of the periods presented.

14. Taxes Payable

The following is a summary of taxes payable as of December 31, 2023 and 2024:

	As of December 31,	
	2023	2024
	RMB	RMB
VAT payable	31,038	34,523
Withholding individual income taxes for employees	7,670	8,037
Enterprise income taxes payable	17,177	17,996
Others	1,009	1,306
Total	**56,894**	**61,862**

15. Contract Balances

The following table provides information about trade receivables, contract assets, and contracts liabilities with customers:

	As of December 31,		
	2022	2023	2024
	RMB	RMB	RMB
Trade receivables	36,006	57,219	98,774
Contract liabilities	110,159	103,374	76,579

Contract assets related to the receipt of the consideration which is conditional on the fulfilment of the warranty service for sales of equipment. As of December 31, 2023 and 2024, the contract assets were nil. Trade receivables are recorded when the right to consideration becomes unconditional.

15. Contract Balances (Continued)

Contract liabilities mainly relate to the payments received for information service and sales of equipment and maintenance services in advance of performance under the contract. As of December 31, 2023 and 2024, contract liabilities were RMB103,374 and RMB76,579, respectively. The Group's information service and sales of equipment are provided in a relatively short period, as such the contract liabilities are generally recognized as revenue within three months. The Group's maintenance services are generally provided over twelve months and the contract liabilities relate to the payments received for maintenance services are generally recognized as revenue within 12 months accordingly.

Revenue recognized that was included in the contract liability balance at the beginning of the years ended December 31, 2022, 2023 and 2024 is RMB118,960, RMB102,877 and RMB95,918, respectively.

As of December 31, 2023 and 2024, the Group does not have material unsatisfied performance obligations with the related contract of duration over one year.

16. Accrued Expenses and Other Current Liabilities

The following is a summary of accrued expenses and other current liabilities as of December 31, 2023 and 2024:

	As of December 31,	
	2023	2024
	RMB	RMB
Deposits payable to service providers and others	52,546	44,959
Accrued service expenses	45,270	44,162
Advance payment from platform users and customers	91,839	113,787
Payables to service providers	17,528	19,519
Payables to suppliers of inventories	10,566	20,308
Product warranty	3,339	3,870
Accrued litigation liabilities (see Note 21)	2,157	256
Others	10,668	18,355
Total	**233,913**	**265,216**

Standard product warranty activities were as follows:

	Warranty
	RMB
Balance as of December 31, 2022	**2,704**
Provided during the period	3,687
Utilized during the period	(3,052)
Balance as of December 31, 2023	**3,339**
Provided during the period	4,663
Utilized during the period	(4,132)
Balance as of December 31, 2024	**3,870**

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)
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17. Lease

The Group's leasing activities primarily consist of operating leases for administrative offices and branded aesthetic centers. ASC 842 requires lessees to recognize ROU assets and lease liabilities on the balance sheet. The Group has elected an accounting policy to not recognize short-term leases (one year or less) on the balance sheet.

The Group recorded ROU assets and lease liabilities as a lessee. As of December 31, 2023 and 2024, ROU assets were RMB118,408 and RMB162,764, respectively. As of December 31, 2023 and 2024, lease liabilities were RMB115,949 and RMB170,105, respectively. Supplemental cash flow information related to operating leases was as follows:

	For the year ended December 31,	
	2023	2024
	RMB	RMB
Cash payments for operating leases	60,323	44,170
ROU assets obtained in exchange for operating lease liabilities	101,875	94,078

Future lease payments under operating leases as of December 31, 2024 were as follows:

	Operating leases
	RMB
Year ending December 31,	
2025	50,924
2026	47,757
2027	41,707
2028	37,572
2029 and thereafter	6,084
Total future lease payments	**184,044**
Less: Imputed interest	(13,939)
Total lease liability balance	**170,105**

The weighted-average remaining lease term was 4.30 and 4.02 years as of December 31, 2023 and 2024, respectively.

The weighted-average discount rate used to determine the operating lease liability as of December 31, 2023 and 2024 was 4.51% and 4.03%, respectively.

Operating lease expenses for the years ended December 31, 2022, 2023 and 2024 were RMB44,252, RMB49,505 and RMB54,129, respectively, which excluded expenses of short-term contracts. Short-term lease expenses for the years ended December 31, 2022, 2023 and 2024 were RMB5,146, RMB3,498 and RMB6,851, respectively.

The ROU assets in relation to the early terminated leases for the year ended December 31, 2023 and 2024 were RMB666 and RMB1,780, respectively. The leasing liabilities in relation to the early terminated leases for the year ended December 31, 2023 and 2024 were RMB666 and RMB1,939, respectively.

As of December 31, 2023 and 2024, no additional operating leases have not yet commenced.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)
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18. Ordinary Shares

In May 2019, the Company completed its IPO on the Nasdaq Global Market and the underwriters subsequently exercised their over-allotment option in May 2019. In the offering, 14,950,000 ADSs representing 11,500,000 Class A Ordinary shares, were issued and sold to the public at a price of US$13.80 per ADS. The net proceeds to the Company from the IPO, after deducting commission and offering expenses, were approximately US$187.5 million (RMB1,267 million).

Upon the completion of IPO, 66,613,419 Class A ordinary shares with one vote per share and 12,000,000 Class B ordinary shares with thirty votes per share were issued upon re-designation of ordinary shares and the conversion of all redeemable convertible preferred shares. In addition, the authorized share capital of the Company was US$425 divided into 850,000,000 shares, comprising (i) 750,000,000 Class A ordinary shares of a par value of US$0.0005 each, (ii) 20,000,000 Class B ordinary shares of a par value of US$0.0005 each and (iii) 80,000,000 shares of a par value of US$0.0005 each of such class or classes (however designated) as the board of directors may determine in accordance with the amended and restated memorandum and articles of association.

As of December 31, 2024, 750,000,000 Class A ordinary shares were authorized, 77,897,969 and 65,659,510 shares issued and outstanding, respectively; 20,000,000 Class B ordinary shares were authorized, 12,000,000 Class B ordinary shares were issued and outstanding, respectively; and 80,000,000 shares as the board of directors may determine in accordance with the amended and restated memorandum and articles of association were authorized.

19. Share-based Compensation

(a) Description of share incentive plan

In April 2014, the Company established a share incentive plan (“2014 Incentive Plan”). The maximum number of shares that may be issued under 2014 Incentive Plan shall be 3,200,000. In January 2015, the maximum number of shares that may be issued under 2014 Incentive Plan were amended to be 5,117,613. The options are generally scheduled to be vested over four years and expire in four years.

On April 1, 2018, the board of directors of the Company approved 2018 share incentive plan (the “2018 Plan”) to replace the 2014 Incentive Plan, under which, the Company has agreed to authorize up to 7,111,447 ordinary shares for the issuance of employee share options to the eligible directors, employees and consultants of the Company.

Upon the approval of the 2018 Plan, the Group modified the expiration term of the options granted under the 2014 Incentive Plan from 4 years to 10 years. In accordance with ASC 718, “Compensation—Stock Compensation,” the modification is a probable-to-probable (Type I) modification. The Group recognized the portion of incremental value for those vested share options as expenses immediately; the portion of the incremental value for unvested share options will be recognized as expenses over the remaining vesting periods. The total incremental value for the modification is not significant.

On January 10, 2019, the board of directors of the Company approved the Amended and Restated 2018 Share Plan (the “Amended 2018 Plan”) to replace the 2018 Plan. Those employees who have been granted shares under 2018 Plan were required to re-sign the shares agreement under the Amended 2018 Plan. Upon adoption of the Amended 2018 Plan, terms are modified that the vested options cannot be exercised until the completion of the Company’s IPO (“modified condition”). In accordance with ASC 718, “Compensation—Stock Compensation,” the modification is a probable-to-improbable (Type II) modification as IPO is a performance condition that the Company anticipates will not be satisfied until occurrence. For Type II modifications, no incremental fair value would be recognized unless and until vesting of the award under the modified conditions becomes probable. If the original service condition is satisfied, the award’s original grant-date fair value is recognized as an expense, over the requisite service period, regardless of whether the modified conditions are satisfied. Since the modified awards with both a service condition and a performance condition, the graded vesting method should be used, the cumulative amount of difference between the straight-line method and graded vesting method should be caught up when the vesting of the award under the modified conditions becomes probable, i.e., upon IPO.

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19. Share-based Compensation (Continued)

(a) Description of share incentive plan (Continued)

On March 27, 2019, the Company has adopted the Second Amended and Restated 2018 Share Plan (the "Second Amended 2018 Plan") which supersedes all of the Company's previously adopted share incentive plans, for the purpose of granting share-based compensation awards to employees and directors to incentivize their performance and align their interests with the Company. Under the Second Amended 2018 Plan, the maximum aggregate number of shares that may be issued pursuant to all awards is 7,700,000 ordinary shares plus an annual increase of 2% of the total outstanding share capital of the Company as of December 31 of the immediately preceding calendar year on the first day of each fiscal year, beginning in 2020, or such lesser number of Class A ordinary shares as determined by the board of directors of the Company, providing that the aggregate number of shares initially reserved and subsequently increased during the term of the Second Amended 2018 Plan shall not be more than 10% of the total outstanding ordinary shares of the Company on December 31 immediately preceding the most recent increase.

In April 2021, the Company adopted the 2021 Share Incentive Plan ("2021 Plan"), to attract and retain the best available personnel, provide additional incentives to employees, directors and consultants, and promote the success of the business. Unless terminated earlier or extended pursuant to its terms, the 2021 Plan has a term of two years. The maximum number of shares that may be issued under the 2021 Plan shall initially be 1,734,760 ordinary shares, plus commencing with the fiscal year beginning January 1, 2022, an annual increase on the first day of each fiscal year during the term of the 2021 Plan, by an amount equal to 2% of the total number of shares issued and outstanding on an as-converted fully diluted basis on the last day of the immediately preceding fiscal year; or such lesser number of shares as determined by the board of directors of the Group. The awards granted under the 2021 Plan have a contractual term of ten years from the stated grant date. The share options granted under the 2021 Plan are generally scheduled to be vested in two to four years subject to a service condition or both a service condition and a performance condition as below:

(i) 50% of options granted under the 2021 Plan will vest in equal tranche quarterly.

(ii) 50% of options granted under the 2021 Plan will vest in semi-annually based on the grantee's performance rating for a corresponding six-month performance review period, which may commence on or earlier than the stated grant date. The performance rating will affect the number of options the employee can obtain. Certain subjective measurement metrics used to determine the performance rating was provided on the stated grant date, which results that it is difficult for the employee to estimate their performance. Therefore, the stated grant date does not meet the definition of the accounting grant date as there was no mutual understanding of the key terms and conditions. For each tranche, the accounting grant date is considered to be the date the grantee's performance review finally concluded, which is the date used to measure the share-based compensation expense. The service inception date specifically for each tranche is the option agreement signing date, and since the award contains service condition and performance vesting condition and employee must continue to provide service until the last condition is achieved, the requisite service period should last to the longer date of service condition achieved date or performance condition achieved date. As the awards contain a performance condition that if not satisfied preceding the accounting grant date results in forfeiture of the award, the awards have a service inception date preceding the grant date pursuant to ASC 718-10-55-108; the Group should accrue compensation cost using graded vesting method, beginning on the service inception date when it is the probable that performance condition can be achieved. The Group should estimate the award's fair value on each subsequent reporting date (i.e., remeasure each period at fair value) until the grant date. On the grant date, the estimate of an equity-classified award's fair value is fixed; therefore, the cumulative amount of previously recognized compensation cost should be adjusted to the grant date fair value, and the Group would no longer remeasure the award. The Group estimated the probability based on the historical performance results of the employees as there are sufficient data for estimation.

Some of employees who have been granted shares under Second Amended 2018 Plan re-signed the shares agreement under the 2021 Plan. Upon the adoption of the 2021 Plan, 50% of the unvested options are modified to change the vesting schedule to vest quarterly ("Modification A") and the remaining 50% of unvested options are modified to add performance condition as described in the preceding paragraph ("Modification B"). In accordance with ASC 718, "Compensation-Stock Compensation," the Modification A and Modification B are considered probable-to-probable (Type I) modifications as the Company expected that it is the probable that the employee can at least obtain the original number of options under the 2021 plan. Any incremental fair value together with remaining unrecognized share-based compensation expense will be recognized over the remaining requisite service period.

19. Share-based Compensation (Continued)

(a) Description of share incentive plan (Continued)

In February 2023, the Company adopted the 2023 Share Incentive Plan ("2023 Plan"), to attract and retain the best available personnel, provide additional incentives to employees, directors and consultants, and promote the success of the business. The maximum number of shares that may be issued under the 2023 Plan shall be 3,000,000 ordinary shares. The share options granted under the 2023 Plan have a contractual term of ten years from the stated grant date and are generally scheduled to be vested in (i) one year subject to a service condition or (ii) three years subject to both a service condition and a performance condition with 50% of options granted under the 2023 Share Plan will vest in equal tranche quarterly and 50% of options granted under the 2023 Plan will vest in semi-annually based on the grantee's performance rating for a corresponding six-month performance review period, which may commence on or earlier than the stated grant date.

In March 2023, in order to incentivize the exploration of new business initiatives, the Company granted RSUs with a service condition and a performance condition to the executive officer of the Company under the 2021 Plan. The RSUs are to be vested in 1.1 years. In November 2023, the performance condition of such RSUs was modified. The Company accounted for the adjustment as an improbable-to-probable modification under ASC 718, the RSUs were valued on the modification date and the incremental compensation cost of RMB31,681 was recognized over the remaining requisite service period accordingly. In January 2024, the performance condition of such RSUs was modified, and the requisite service period was shortened from 1.1 years to 0.8 year. The Company accounted for the adjustment as an probable-to-probable modification under ASC 718 with no incremental compensation cost recognized, and the remaining unrecognized compensation cost of RMB22,823 would be recognized immediately as the awards became fully vested.

In May 2023, the Company amended the exercise price of all of the granted and outstanding options as of the date thereof under the Second Amended 2018 Plan and the 2021 Plan by adjusting downward the exercise price from US$0.1 per share to US$0.01 per share. The exercise price of US$0.01 will also be applied to the share-based awards granted in the future. In accordance with ASC 718, "Compensation—Stock Compensation," the modification is a probable-to-probable (Type I) modification. The Company recognized the portion of incremental value of RMB485 for those vested share options as expenses immediately; the portion of the incremental value of RMB521 for unvested share options will be recognized as expenses over the remaining requisite service periods.

In 2022, the Company has granted 1,147,101 share options with an exercise price of US$0.1 per share under the Second Amended 2018 Plan and the 2021 Plan.

In 2023, the Company has granted 1,482,452 share options with an exercise price of US$0.01 per share under the Second Amended 2018 Plan, the 2021 Plan and the 2023 Plan, and 2,923,077 RSUs under the 2021 Plan.

In 2024, the Company has granted 868,278 share options with an exercise price of US$0.01 per share under the Second Amended 2018 Plan and the 2023 Plan.

As of December 31, 2024, the number of shares available for future grant under the Company's Second Amended 2018 Plan and 2023 Plan was 37,626 and 1,459,602, respectively.

SO-YOUNG INTERNATIONAL INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)
(Amounts in thousands, except for share and per share data, unless otherwise noted)

19. Share-based Compensation (Continued)

(b) Valuation

The Group uses binomial option pricing model to determine fair value of the share options. The fair value of each option granted for the years ended December 31, 2022, 2023 and 2024 is estimated on the date of grant using the binomial option-pricing model with the following assumptions:

	For the year ended December 31,		
	2022	2023	2024
Expected volatility	47.30%-50.09%	48.50%-56.29%	54.11%-55.32%
Expected dividends yield	0%	0%	0%
Expected multiples	2.2-2.8	2.2-2.8	2.2-2.8
Risk-free interest rate	1.75%-4.07%	3.48%-5.06%	3.75%-4.67%
Expected term (in years)	10	10	10
Fair value of underlying ordinary share (USD)	0.68-3.64	1.34-3.21	1.08-1.63

The expected volatility at the grant date and each option valuation date was estimated based on the annualized standard deviation of the daily return embedded in historical share prices of comparable peer companies with a time horizon close to the expected expiry of the term of the options. As of December 31, 2024, the Company does not anticipate any dividend payments regularly in the foreseeable future based on the Company's best estimation. Expected term is the contract life of the options. The Group estimated the risk-free interest rate based on the yield to maturity of U.S. treasury bonds denominated in USD at the option valuation date.

(c) Share options activities

The following table presents a summary of the Company's options activities for the years ended December 31, 2022, 2023 and 2024:

	Number of options (in thousands)	Weighted average exercise price US$	Weighted average remaining contractual life Years	Aggregate intrinsic value US$ (in thousands)
Outstanding as of December 31, 2021	**2,512**	**0.10**	**8.47**	**10,167**
Granted	1,147	0.10		
Exercised	(1,580)	0.10		2,193
Forfeited	(340)	0.10		
Outstanding as of December 31, 2022	**1,739**	**0.10**	**8.26**	**2,742**
Granted	1,482	0.01		
Exercised	(622)	0.03		1,357
Forfeited	(311)	0.04		
Outstanding as of December 31, 2023	**2,288**	**0.01**	**8.45**	**3,814**
Granted	868	0.01		
Exercised	(1,287)	0.01		1,662
Forfeited	(224)	0.01		
Outstanding as of December 31, 2024	**1,645**	**0.01**	**8.13**	**1,759**
Vested and exercisable as of December 31, 2022	846	0.10	7.56	1,334
Vested and exercisable as of December 31, 2023	1,140	0.01	7.66	1,900
Vested and exercisable as of December 31, 2024	966	0.01	7.52	1,033

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)
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19. Share-based Compensation (Continued)

(c) Share options activities (Continued)

The weighted average grant date fair value of options granted for the years ended December 31, 2022, 2023 and 2024 was US$4.42, US$3.00 and US$1.27 per option, respectively. The total grant date fair value of options vested for the years ended December 31, 2022, 2023 and 2024 was RMB74,266, RMB27,065 and RMB16,009, respectively.

It is the Company's policy to issue new shares upon exercise of share options.

As of December 31, 2022, 2023 and 2024, the total unrecognized compensation expenses related to the options were RMB26,733, RMB14,778 and RMB6,399, respectively. These amounts are expected to be recognized over a weighted average period of 1.47 years, 1.52 years and 1.59 years, respectively.

(d) Restricted share units activities

The following table presents a summary of the Company's restricted share units activities for the years ended December 31, 2023 and 2024:

	Number of RSUs (in thousands)
Unvested as of December 31, 2022	—
Granted	2,923
Vested	—
Forfeited	—
Unvested as of December 31, 2023	**2,923**
Granted	—
Vested	(2,923)
Forfeited	—
Unvested as of December 31, 2024	—

The weighted average grant date fair value of RSUs granted for the year ended December 31, 2023 was US$1.51 per RSU. For the year ended December 31, 2023, no RSUs were vested. For the year ended December 31, 2024, no RSUs were granted and there were 2,923,077 RSUs that has been vested.

It is the Company's policy to issue new shares upon vested of RSUs.

As of December 31, 2023, the total unrecognized compensation expenses related to the RSUs were RMB22,823, and these amounts are expected to be recognized over a weighted average period of 0.32 year. As of December 31, 2024, the total unrecognized compensation expenses related to the RSUs were nil.

19. Share-based Compensation (Continued)

(e) Share - based compensation of subsidiaries

In January 2024, the subsidiary of the Company, So-Young Medical adopted its own share incentive plan ("So-Young Medical Plan"). The maximum aggregate number of shares available for granting under the So-Young Medical Plan shall be 81,818,182 ordinary shares of So-Young Medical. Certain employees of the Company were granted 56,000,005 share options of So-Young Medical, with an exercise price of US$0.01 per share for the year ended December 31, 2024. The estimated fair value of each share option granted is estimated on the date of grant using the binomial option-pricing model. The weighted average grant date fair value of options granted for the year ended December 31, 2024 was US$0.001per option. The options granted under the So-Young Medical Plan are scheduled to be vested in four years subject to a service condition with 25% of the options vesting on each anniversary date. The total grant date fair value of options vested for the year ended December 31, 2024 was RMB86. Total share-based compensation expenses for the options granted for the year ended December 31, 2024 were RMB65. As of December 31, 2024, the total unrecognized compensation expenses related to the options were RMB288. The expenses are expected to be recognized over a weighted-average period of 3.00 years. As of December 31, 2024, the number of shares available for future grant under the Company's So-Young Medical Plan was 25,818,177.

20. Net (Loss)/Earnings per Share

Basic and diluted (loss)/earnings per share have been calculated in accordance with ASC260 for the years ended December 31, 2022, 2023 and 2024:

	For the Year ended December 31,		
	2022	2023	2024
	RMB	RMB	RMB
Numerator:			
Net (loss)/income	(66,107)	25,944	(587,182)
Net loss/(income) attributable to non-controlling interests	553	(4,664)	(2,345)
Net (loss)/income attributable to So-Young International Inc.	**(65,554)**	**21,280**	**(589,527)**
Denominator:			
Weighted average number of ordinary shares outstanding, basic	82,665,269	77,646,899	79,384,454
Weighted average number of ordinary shares outstanding, diluted	82,665,269	78,054,950	79,384,454
Net (loss)/earnings per share, basic	(0.79)	0.27	(7.43)
Net (loss)/earnings per share, diluted	(0.79)	0.27	(7.43)
Net (loss)/earnings per ADS, basic	(0.61)	0.21	(5.72)
Net (loss)/earnings per ADS, diluted	(0.61)	0.21	(5.72)

Basic and diluted (loss)/earnings per ordinary share are computed using the weighted average number of ordinary shares outstanding during the year. Both Class A and Class B ordinary shares are included in the calculation of the weighted average number of ordinary shares outstanding, basic and diluted.

The Group did not include certain share options in the computation of diluted net loss per share for the years ended December 31, 2022 and 2024, because those share options were anti-dilutive.

SO-YOUNG INTERNATIONAL INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)
(Amounts in thousands, except for share and per share data, unless otherwise noted)

21. Commitments and Contingencies

(a) Commitments

Property management fee obligation

The Group leases office space and branded aesthetic centers under non-cancelable operating lease agreements, which expire at various dates through February 2030. Future minimum payments under non-cancelable agreements for property management fees consist of the following as of December 31, 2024:

	Year ending December 31, RMB
2025	14,868
2026	14,167
2027	12,956
2028	12,401
2029 and thereafter	3,715
Total	**58,107**

(b) Litigation

From time to time, the Group is involved in claims and legal proceedings that arise in the ordinary course of business. Based on currently available information, management does not believe that the ultimate outcome of any unresolved matters, individually and in the aggregate, is reasonably possible to have a material adverse effect on the Group's financial position, results of operations or cash flows. However, litigation is subject to inherent uncertainties and the Group's view of these matters may change in the future. The Group records a liability when it is both probable that a liability has been incurred and the amount of the loss can be reasonably estimated. The Group reviews the need for any such liability on a regular basis. The Group's accrued expense for litigation liabilities was RMB2,157 and RMB256 as of December 31, 2023 and 2024, respectively, and the Group recognized RMB5,918, RMB1,084 and RMB59 litigation expense for the years ended December 31, 2022, 2023 and 2024, respectively. The litigations are mainly in connection with infringement of intellectual property right, including rights of reputation and image rights.

22. Fair Value Measurement

(a) Assets and liabilities measured at fair value on a recurring basis

The following table summarizes, for assets and liabilities measured at fair value on a recurring basis, the respective fair value and the classification by level of input within the fair value hierarchy as of December 31, 2023 and 2024:

Financial instruments	Fair value hierarchy	As of December 31, 2023 RMB	As of December 31, 2024 RMB
Short-term investments (Note 8)	Level 2	100,311	41,221
Equity investments with readily determinable fair values (Note 8)	Level 1	3,560	2,346

Short-term investments

The short-term investments are comprised of investments in wealth management products issued by financial institutions. The Group estimates the fair value of investments in short-term investments using alternative pricing sources and models utilizing market observable inputs, and accordingly the Group classifies the valuation techniques that use these inputs as Level 2. The short-term investments usually have short original maturities of less than 1 year, the carrying value approximates to fair value.

As of December 31, 2023 and 2024, gross unrealized gains of RMB311 and gross unrealized loss of RMB29 were recorded on short-term investments, respectively.

Equity investments with readily determinable fair values

The Group values its listed equity securities using quoted prices for the underlying securities in active markets, and accordingly, the Group classifies the valuation techniques that use these inputs as Level 1.

Other financial instruments

As of December 31, 2023 and 2024, the carrying values of the following financial instruments are approximated to the fair values. They are not measured at fair value in the consolidated balance sheets, but for which the fair value is estimated for disclosure purposes.

Cash and cash equivalents, restricted cash, term deposits, trade receivables, other receivables recorded in prepayment and other current assets, amounts due from/to related parties and receivables from online payment platforms are the financial instruments with carrying amounts that are approximated to the fair values due to their short-term nature. Loan receivables and long-term deposits are measured at amortized cost. Borrowings and accrued interest payables are carried at amortized cost. The carrying amount of the loan receivables, long-term deposits, borrowings and accrued interest payables are approximated to their respective fair values as the interest rates applied reflect the current quoted market yield for comparable financial instruments.

(b) Assets and liabilities measured at fair value on a nonrecurring basis

Investments under the measurement alternative method and equity method are reviewed periodically for impairment using fair value measurement. As of December 31, 2022, 2023 and 2024, certain investments were measured using significant unobservable inputs (Level 3) and written down from their respective carrying values to fair values, considering the stage of development, the business plan, the financial condition, the sufficiency of funding and the operating performance of the investee companies, with impairment losses incurred and recorded in earnings for the years then ended. The Group recognized impairment losses of RMB7,945, RMB444 and RMB7,350 for those investments for the years ended December 31, 2022, 2023 and 2024, respectively.

SO-YOUNG INTERNATIONAL INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)
(Amounts in thousands, except for share and per share data, unless otherwise noted)

22. Fair Value Measurement (Continued)

(b) Assets and liabilities measured at fair value on a nonrecurring basis (Continued)

The Group's non-financial assets, such as intangible asset, goodwill, property and equipment and operating lease assets, are measured at fair value only if they are determined to be impaired. The inputs used to measure the estimated fair value of such assets are classified as Level 3 in the fair value hierarchy due to the significance of unobservable inputs used. For the years ended December 31, 2022, 2023 and 2024, the Group recognized nil, nil and RMB540,009 of impairment loss for the goodwill, and RMB1,350, RMB844 and nil of impairment loss for the property and equipment based on management's assessment.

23. Related Party Transactions

During the years ended December 31, 2022, 2023 and 2024, other than disclosed elsewhere, the Company mainly had the following related party transactions:

Name of entity or individual	Relationships with the Group
Beijing Mevos	Equity investment
Chengdu Zhisu	Equity investment
First BCC	Equity investment
Xingying	Equity investment
Sharing New Medical	Equity investment
Beijing Souyang	Equity investment
Zhejiang Xinyang	Equity investment
Wuhan Future Light Property Service Co., Ltd. ("Future Light")	Immediate family of subsidiary's shareholder
Wuhan Yinchuxing Technology Development Co., Ltd. ("Yinchuxing")	Immediate family of subsidiary's shareholder
Chutian Laser Group ("Chutian")	Immediate family of subsidiary's shareholder

(a) The Group entered into the following transactions with related parties

(i) Provision of service

	For the Year Ended December 31,		
	2022	2023	2024
	RMB	RMB	RMB
Chengdu Zhisu	1,225	1,176	—
Xingying	836	1,157	681
First BCC	—	—	2,012
Others	—	124	213

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)
(Amounts in thousands, except for share and per share data, unless otherwise noted)

23. Related Party Transactions (Continued)

(a) The Group entered into the following transactions with related parties (Continued)

(ii) Loan advanced to the related parties

	For the Year Ended December 31,		
	2022	2023	2024
	RMB	RMB	RMB
Sharing New Medical	18,130	8,330	4,954
Zhejiang Xinyang	—	—	500

(iii) Repayment of the loan advanced to the related parties

	For the Year Ended December 31,		
	2022	2023	2024
	RMB	RMB	RMB
Sharing New Medical	—	18,620	13,230

(iv) Interest income from related parties

	For the Year Ended December 31,		
	2022	2023	2024
	RMB	RMB	RMB
Sharing New Medical	1,148	868	377

(v) Impairment of amount due from related parties

	For the Year Ended December 31,		
	2022	2023	2024
	RMB	RMB	RMB
Sharing New Medical	—	—	13,843

(vi) Cost of revenues and expense occurred to the related parties

	For the Year Ended December 31,		
	2022	2023	2024
	RMB	RMB	RMB
Beijing Mevos	1,637	716	274
Future Light	1,348	1,696	1,149
Beijing Souyang	582	318	—
Yinchuxing	407	412	412
Chutian	113	134	134
Others	—	189	168

SO-YOUNG INTERNATIONAL INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)
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23. Related Party Transactions (Continued)

(b) Amount due from/ to related parties

(i) Amount due from related parties

	As of December 31,	
	2023	2024
	RMB	RMB
Sharing New Medical (1)	8,489	—
Beijing Souyang	638	638
Zhejiang Xinyang	—	500
Others	85	80

(ii) Amount due to related parties

	As of December 31,	
	2023	2024
	RMB	RMB
First BCC	—	412
Xingying	66	—
Beijing Mevos	65	65
Beijing Souyang	236	—
Others	21	—

(1) The balance as of December 31, 2023 and 2024 represents a loan provided to Sharing New Medical with a term of one year and an annual interest rate of 4.35%, and full allowance for credit losses was recognized in the year ended December 31, 2024.

24. Segment Information

The Group's organizational structure is based on a number of factors that the CODM uses to evaluate, view and run its business operations which include, but are not limited to, customer base, homogeneity of products and technology. The Group's operating segments are based on this organizational structure and information reviewed by the Group's CODM to evaluate the operating segment results.

In 2021, the Group acquired controlling interests in Wuhan Miracle, which is mainly engaged in the research and development, production, sales and agency of laser and other optoelectronic medical equipment, and it became a consolidated subsidiary of the Group. As a result of this acquisition, the Group changed its internal organizational structure and separated its businesses into the So-Young segment and Wuhan Miracle segment. This change in segment reporting aligns with the manner in which the Group's CODM currently receives and uses financial information to allocate resources and evaluate the performance of reporting segments. This change in segment presentation does not affect consolidated balance sheets, consolidated statements of comprehensive income/(loss) or consolidated statements of cash flows.

SO-YOUNG INTERNATIONAL INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)
(Amounts in thousands, except for share and per share data, unless otherwise noted)

24. Segment Information (Continued)

The CODM uses gross profit to assess the Company's overall performance, compare actual results to budgets, and guide decisions on capital investments and other resource allocations. The table below summarizes gross profit related segment information used by the CODM to evaluate the Company's performance. The Group does not allocate any assets to its business segments as the Group's CODM does not use this information to measure the performance of the operating segments:

	For the Year Ended December 31,		
	2022	2023	2024
	RMB	RMB	RMB
Revenues:			
So-Young	1,017,170	1,230,583	1,198,573
Wuhan Miracle	242,339	268,756	269,551
Total	**1,259,509**	**1,499,339**	**1,468,124**
Elimination	(1,635)	(1,310)	(1,426)
Consolidated total revenues	**1,257,874**	**1,498,029**	**1,466,698**
Cost of revenues:			
So-Young	(259,940)	(404,375)	(423,988)
Wuhan Miracle	(134,369)	(140,635)	(144,722)
Total	**(394,309)**	**(545,010)**	**(568,710)**
Elimination	1,017	674	1,125
Consolidated total cost of revenues	**(393,292)**	**(544,336)**	**(567,585)**
Gross profit:			
So-Young	757,230	826,208	774,585
Wuhan Miracle	107,970	128,121	124,829
Total	**865,200**	**954,329**	**899,414**
Elimination	(618)	(636)	(301)
Consolidated gross profit	**864,582**	**953,693**	**899,113**

The following table set forth the breakdown of net revenues by type of good or service for the years ended December 31, 2022, 2023 and 2024:

	For the Year Ended December 31,		
	2022	2023	2024
	RMB	RMB	RMB
So-Young:			
Information, reservation services and others	998,834	1,151,532	929,455
Aesthetic treatment services	—	12,959	169,263
Sales of medical products and maintenance services	18,336	66,092	99,855
Wuhan Miracle:			
Sales of medical products and maintenance services	242,339	268,756	269,551
Elimination	(1,635)	(1,310)	(1,426)
Total revenues	**1,257,874**	**1,498,029**	**1,466,698**

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)
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24. Segment Information (Continued)

The following table presents the depreciation expenses of property and equipment in cost of revenues by segment for the years ended December 31, 2022, 2023 and 2024:

	For the Year Ended December 31,		
	2022	2023	2024
	RMB	RMB	RMB
So-Young	3,676	5,955	8,519
Wuhan Miracle	1,855	1,220	1,101
Total depreciation expenses of property and equipment	**5,531**	**7,175**	**9,620**

The following table presents the amortization expenses of intangible assets in cost of revenues by segment for the years ended December 31, 2022, 2023 and 2024:

	For the Year Ended December 31,		
	2022	2023	2024
	RMB	RMB	RMB
So-Young	9,649	9,532	9,528
Wuhan Miracle	12,667	12,667	10,202
Total amortization expense of intangible assets	**22,316**	**22,199**	**19,730**

25. Restricted Net Assets

Relevant PRC laws and regulations permit payments 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 Company's entities in the PRC are required to annually appropriate 10% of their net after-tax income to the statutory general reserve fund prior to payment of any dividends, unless such reserve funds have reached 50% of their respective registered capital. Furthermore, 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 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. Due to restrictions on distribution of share capital and statutory reserves in the PRC, total restrictions placed on distribution of net assets of the Group's PRC subsidiaries, the VIEs and VIE's subsidiaries was RMB1,143,936 and RMB1,148,577 as of December 31, 2023 and 2024, respectively. Even though the Company currently does not require any 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.

SO-YOUNG INTERNATIONAL INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)
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26. Additional Information—Parent Company Only Condensed Financial Information

The Company performed a test on the restricted net assets of subsidiaries and VIEs in accordance with Securities and Exchange Commission Regulation S-X Rule 4-08 (e) (3), "General Notes to Financial Statements" and concluded that the condensed financial information of the Company is required to be presented. The Company did not have significant capital and other commitments or guarantees as of December 31, 2024.

(a) Condensed balance sheets of So-Young International Inc.

	As of December 31,		
	2023	2024	2024
	RMB	RMB	US$ Note 2(e)
Assets			
Current assets:			
Cash and cash equivalents	8,228	22,732	3,114
Amounts due from Group companies	1,647,534	1,894,656	259,567
Term deposits and short-term investments	283,308	—	—
Prepayment and other current assets	7,683	3,918	537
Total current assets	**1,946,753**	**1,921,306**	**263,218**
Non-current assets:			
Investment in subsidiaries and VIEs	565,304	—	—
Total non-current assets	**565,304**	—	—
Total assets	**2,512,057**	**1,921,306**	**263,218**
Liabilities			
Current liabilities:			
Amounts due to VIE companies	41,928	27,518	3,770
Amounts due to Group companies	24,856	25,866	3,544
Accrued expenses and other current liabilities	1,144	1,204	163
Total current liabilities	**67,928**	**54,588**	**7,477**
Non-current liabilities:			
Investment deficit of subsidiaries and VIEs	—	27,597	3,781
Total non-current liabilities	—	**27,597**	**3,781**
Total liabilities	**67,928**	**82,185**	**11,258**
Shareholders' deficit			
Treasury stock	(358,453)	(376,690)	(51,606)
Class A ordinary shares (US$0.0005 par value; 750,000,000 shares authorized as of December 31, 2023 and December 31, 2024; 73,688,044 and 63,422,436 shares issued and outstanding as of December 31, 2023; 77,897,969 and 65,659,510 shares issued and outstanding as of December 31, 2024, respectively)	238	253	35
Class B ordinary shares (US$0.0005 par value; 20,000,000 shares authorized as of December 31, 2023 and December 31, 2024; 12,000,000 shares issued and outstanding as of December 31, 2023 and December 31, 2024)	37	37	5
Additional paid-in capital	3,080,433	3,069,799	420,561
Statutory reserves	33,855	40,552	5,556
Accumulated deficit	(330,166)	(926,390)	(126,915)
Accumulated other comprehensive income	18,185	31,560	4,324
Total shareholders' equity	**2,444,129**	**1,839,121**	**251,960**
Total liabilities and shareholders' equity	**2,512,057**	**1,921,306**	**263,218**

SO-YOUNG INTERNATIONAL INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)
(Amounts in thousands, except for share and per share data, unless otherwise noted)

26. Additional Information—Parent Company Only Condensed Financial Information (Continued)

(b) Condensed statements of comprehensive (loss)/income of So-Young International Inc.

	For the Year Ended December 31,			
	2022 RMB	2023 RMB	2024 RMB	2024 US$ Note 2(e)
Operating expenses:				
General and administrative expenses	(9,659)	(8,786)	(5,649)	(774)
Loss from operations	**(9,659)**	**(8,786)**	**(5,649)**	**(774)**
Share of (loss)/income of subsidiaries and VIEs	(55,104)	17,230	(596,115)	(81,667)
Income/(loss) from non-operations	(791)	12,836	12,237	1,676
Net (loss)/income	**(65,554)**	**21,280**	**(589,527)**	**(80,765)**
Net (loss)/income	**(65,554)**	**21,280**	**(589,527)**	**(80,765)**
Other comprehensive (loss)/income:				
Foreign currency translation adjustment	87,998	14,078	13,375	1,832
Total comprehensive (loss)/income	**22,444**	**35,358**	**(576,152)**	**(78,933)**

(c) Condensed statements of cash flows of So-Young International Inc.

	For the Year Ended December 31,			
	2022 RMB	2023 RMB	2024 RMB	2024 US$ Note 2(e)
Cash flows from operating activities:				
Net cash used in operating activities	**(54,390)**	**(7,914)**	**(20,867)**	**(2,859)**
Cash flows from investing activities:				
Purchase of short-term investments and term deposits	(201,348)	(491,162)	—	—
Proceeds from maturities of short-term investments and term deposits	318,785	411,184	285,025	39,048
Loans to Group companies	(82,766)	(178,985)	(244,570)	(33,506)
Repayments from Group companies	41,383	237,747	31,499	4,315
Net cash provided by/(used in) investing activities	**76,054**	**(21,216)**	**71,954**	**9,857**
Cash flows from financing activities:				
Net cash used in financing activities	**(14,247)**	**(125,426)**	**(61,512)**	**(8,427)**
Effect of exchange rate changes on cash and cash equivalents	**79,877**	**19,684**	**24,929**	**3,416**
Net increase/(decrease) in cash and cash equivalents	**87,294**	**(134,872)**	**14,504**	**1,987**
Cash and cash equivalents at beginning of year	**55,806**	**143,100**	**8,228**	**1,127**
Cash and cash equivalents at end of year	**143,100**	**8,228**	**22,732**	**3,114**

SO-YOUNG INTERNATIONAL INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)
(Amounts in thousands, except for share and per share data, unless otherwise noted)

27. Subsequent Events

In March 2025, the board of directors of the Company authorized an extension of its existing share repurchase program, initially approved on March 18, 2024 (the "Share Repurchase Program"). Under the terms of the Share Repurchase Program, the Company is authorized to repurchase up to US$25,000 in ADSs or ordinary shares over a 12-month period between March 22, 2024 and March 21, 2025. In 2024, the Company repurchased an aggregate of approximately 2.6 million ADSs. The Share Repurchase Program has now been extended for an additional 12-month period through March 31, 2026, with all other terms and conditions remaining unchanged. As of the date of this annual report, the Company has repurchased approximately 3.9 million ADSs (equivalent to 3.0 million ordinary shares) for approximately US$3.8 million under this program.

In March 2025, the board of directors of the Company has declared a special cash dividend of US$0.03445 per ordinary share, or US$0.0265 per ADS, to holders of ordinary shares and holders of ADSs of record as of the close of business on April 8, 2025, U.S. Eastern Time, payable in U.S. dollars. The ex-dividend date will be April 8, 2025. The payment date is expected to be on or around April 25, 2025. Dividend to be paid to the Company's ADS holders through the depositary bank will be subject to the terms of the deposit agreement. The total amount of cash to be distributed for the dividend is expected to be approximately US$2.7 million, which will be funded by surplus cash on the Company's balance sheet.

Exhibit 8.1

Principal subsidiaries and consolidated affiliated entities of the Registrant

Subsidiaries	**Place of Incorporation**
So-Young Hong Kong Limited	Hong Kong
Beijing So-Young Wanwei Technology Consulting Co., Ltd.	Mainland China
Wuhan Miracle Laser Systems, Inc.	Mainland China
So-Young High Tech Korea Co., Ltd.	Korea
So-Young (China) Network Technology Co., Ltd.	Mainland China
Wuhan Zeqi Technology Co., Ltd.	Mainland China
Wuhan Haoweilai Technology Co., Ltd.	Mainland China
Shanghai Jiading Tonghua Micro Finance Co., Ltd.	Mainland China
Shanxi Tianfu Technology Co., Ltd.	Mainland China
Shenzhen Miracle Interconnection Technology Co., Ltd.	Mainland China
So-Young Medical HongKong Limited	Hong Kong

VIEs	**Place of Incorporation**
Beijing So-Young Technology Co., Ltd.	Mainland China
Beijing Chiyan Medical Beauty Consulting Co., Ltd.	Mainland China

VIEs' Subsidiaries	**Place of Incorporation**
Beijing So-Young Souyang Investment and Management Co., Ltd.	Mainland China
Beijing Shengshi Meiyan Culture Co., Ltd.	Mainland China
Beijing Meifenbao Technology Co., Ltd.	Mainland China
Beijing Qingyang Cosmetic Service Co., Ltd. (Previously known as Beijing So-Young Qingyang Medical Instrument Co., Ltd.)	Mainland China
Beijing Qingyang Medical Aesthetic Clinic Co., Ltd.	Mainland China
Chengdu So-Young Internet Hospital Co., Ltd.	Mainland China
Jinbaoxin Shenzhen Insurance Brokers Co., Ltd.	Mainland China
Chengdu Yiyang Enterprise Management Co., Ltd. (Previsous known as Chengdu Wuhou Yililanhu Medical Aesthetic Clinic Co., Ltd.)	Mainland China
Hainan Yixian Daka Technology Co., Ltd.	Mainland China
Hainan So-Young Medical Technology Co., Ltd	Mainland China
Shanghai Biyuhua Internet Technology Co., Ltd.	Mainland China
Beijing Qingyang Technology Co., Ltd.	Mainland China

SO-YOUNG INTERNATIONAL INC.

AMENDED AND RESTATED STATEMENT OF POLICIES GOVERNING MATERIAL NON-PUBLIC INFORMATION AND THE PREVENTION OF INSIDER TRADING

(AS ADOPTED BY THE BOARD OF DIRECTORS OF SO-YOUNG INTERNATIONAL INC. ON NOVEMBER 19, 2023)

This Amended and Restated Statement of Policies Governing Material NonPublic Information and the Prevention of Insider Trading (this "**Statement**") applies to all directors, officers, employees and consultants of So-Young International Inc. and its subsidiaries and affiliated entities (collectively, the "**Company**").

This Statement consists of three sections: Section I provides an overview; Section II sets forth the Company's policies prohibiting insider trading; and Section III explains insider trading.

I. SUMMARY

Preventing insider trading is necessary to comply with United States securities laws and to preserve the reputation and integrity of the Company, as well as that of all persons affiliated with it. "Insider trading" occurs when any person purchases or sells any securities while in possession of inside information relating to the securities. As explained in Section III below, "inside information" is information which is considered to be both "material" and "nonpublic."

The Company considers strict compliance with the policies set forth in this Statement (collectively, the "**Policy**") to be a matter of utmost importance. Violation of the Policy could cause extreme reputational damage and possible legal liability to you and the Company. Knowing or willful violations of the letter or spirit of the Policy will be grounds for immediate dismissal from the Company. Violation of the Policy might expose the violator to severe criminal penalties, as well as civil liability to any person harmed by the violation. The monetary damages flowing from a violation could be multiple times the profit realized by the violator, not to mention the attorney's fees of the persons harmed.

This Statement applies to all directors, officers, employees and consultants of the Company and extends to all of such persons' activities within and outside their duties at the Company. Every director, officer, employee and consultant of the Company must review this Statement, and when requested by the Company, must execute and return the Certificate of Compliance attached hereto to the Compliance Officer for the Company (the "**Compliance Officer**") within seven (7) days after receiving the request. Questions regarding this Statement should be directed to the Compliance Officer by e-mail at compliance@soyoung.com.

II.
POLICIES PROHIBITING INSIDER TRADING

For purposes of this Statement, the terms "purchase" and "sell" of securities exclude the acceptance of options or other share-based awards granted by the Company and the exercise of options or vesting of other share-based awards, if applicable, that does not involve the sale of securities. Among other things, the cashless exercise of options does involve the sale of securities and therefore is subject to the policies set forth below. The Policy does not apply to the exercise of a tax withholding right pursuant to which you elect to have the Company withhold ordinary shares or American Depositary Shares ("**ADSs**") subject to an option or other award to satisfy tax withholding requirements.

A. ***No Trading*** **– No director, officer, employee or consultant of the Company may purchase or sell any ADSs, ordinary shares or other securities of the Company or enter into a binding security trading plan in compliance with Rule 10b5-1 under the U.S. Securities Exchange Act of 1934, as amended (a "Trading Plan") while in possession of material non-public information relating to the Company or its ADSs, ordinary shares or other securities (the "Material Information")**.

In the event that the Material Information possessed by you relates to the ADSs or other securities of the Company, the above policy will require waiting for at least forty-eight (48) hours after public disclosure of the Material Information by the Company, which forty-eight (48) hours shall include in all events at least one full Trading Day on the stock exchange where the Company's ADSs representing its ordinary shares are listed and traded (the "**Stock Exchange**") following such public disclosure. The term "**Trading Day**" is defined as a day on which the Stock Exchange is open for trading. Except for public holidays in the United States, the Stock Exchange's regular trading hours are from 9:30 a.m. to 4:00 p.m., New York City time, Monday through Friday.

In addition, no director, officer, employee or consultant of the Company may purchase or sell any securities of the Company or enter into a Trading Plan, without the prior clearance by the Compliance Officer, during any period designated as a "limited trading period" by the Company, regardless of whether such director, officer, employee or consultant possesses any Material Information.

Furthermore, all transactions in the securities of the Company (including without limitation, acquisitions and dispositions of the ADSs, the sale of ordinary shares issued upon exercise of options or vesting of other share-based awards and the execution of a Trading Plan, but excluding the acceptance of options or other share-based awards granted by the Company and the exercise of options or vesting of other share-based awards that does not involve the sale of securities) by directors, officers and key employees designated by the Company from time to time must be pre-approved by the Compliance Officer.

Please see Section III below for an explanation of the Material Information.

B. ***Trading Window*** – **Assuming none of the "no trading" restrictions set forth in Section II-A above applies, no director, officer, employee or consultant of the Company may purchase or sell any securities of the Company or enter into a Trading Plan other than during a Trading Window.**

A "**Trading Window**" is the period in any fiscal quarter of the Company commencing at the close of business on the second Trading Day following the date of the Company's public disclosure of its financial results for the prior year or quarter, as applicable, and ending on December 31, March 31, June 30 or September 30, as the case may be.

In other words,

(1) beginning on January 1 of each year, no director, officer, employee or consultant of the Company may purchase or sell any securities of the Company or enter into a Trading Plan until the close of business on the second Trading Day following the date of the Company's public disclosure of its financial results for the fiscal year ended on December 31 of the prior year, and

(2) beginning on April 1, July 1 and October 1 of each year, respectively, no director, officer, employee or consultant of the Company may purchase or sell any securities of the Company or enter into a Trading Plan until the close of business on the second Trading Day following the date of the Company's public disclosure of its financial results for the fiscal quarter ended on March 31, June 30 and September 30 of that year, respectively.

If the Company's public disclosure of its financial results for the prior period occurs on a Trading Day more than four (4) hours before the Stock Exchange closes, then such date of disclosure shall be considered the first Trading Day following such public disclosure.

Please note that trading in any securities of the Company during the Trading Window is not a "safe harbor," and all directors, officers, employees and consultants of the Company should strictly comply with the Policy.

When in doubt, do not trade! Check with the Compliance Officer first.

Notwithstanding the foregoing, sale of securities of the Company pursuant to an existing Trading Plan which was entered into in accordance with the Policy and in compliance with applicable law is not subject to the restrictions on trading in Sections II-A and II-B above.

C. ***No Tipping*** – No director, officer, employee or consultant of the Company may directly or indirectly disclose any Material Information to anyone who trades in securities (socalled "tipping"), regardless of whether the person or entity who receives the information, the "tippee," is related to you and regardless of whether you receive any monetary benefit from the tippee.

D. ***Confidentiality*** – No director, officer, employee or consultant of the Company may communicate any Material Information to anyone outside the Company under any circumstances unless approved by the Compliance Officer in advance, or to anyone within the Company other than on a need-to-know basis.

E. ***No Comment*** – No director, officer, employee or consultant of the Company may discuss any internal matters or developments of the Company with anyone outside the Company, except as required for the performance of regular corporate duties. Unless you are expressly authorized to the contrary, if you receive any inquiries about the Company or its securities by the financial press, research analysts or others, or any requests for comments or interviews, you are required to decline to comment and direct the inquiry or request to the Company's Chief Financial Officer, who is responsible for coordinating and overseeing the release of information of the Company to the investing public, analysts and others in compliance with applicable laws and regulations.

F. ***Corrective Action*** – If you become aware that any potential Material Information has been or may have been inadvertently disclosed, you must notify the Compliance Officer immediately so that the Company can determine whether or not corrective action, such as general disclosure to the public, is warranted.

G. ***Rule 10b5-1 Trading Plans*** – Rule 10b5-1 provides an affirmative defense against insider trading liability under U.S. securities laws. A person subject to this Policy can rely on this defense and trade in the Company's securities, regardless of their awareness of inside information, if the transaction occurs pursuant to a pre-arranged written Trading Plan that was entered into when the person was not in possession of material non-public information and that complies with the requirements of Rule 10b5-1.

Anyone subject to this Policy who wishes to enter into a Trading Plan must submit the Trading Plan to the Compliance Officer for approval at least five business days prior to the planned entry into the Trading Plan. Trading Plans may not be adopted by a person when he or she is in possession of material non-public information about the Company or its securities and must comply with the requirements of Rule 10b5-1 (including specified waiting periods and limitations on multiple overlapping plans and single trade plans).

Once a Trading Plan is adopted, you must not exercise any subsequent influence over the amount of securities to be traded, the price at which they are to be traded or the date(s) of the trade(s). You may amend or replace a Trading Plan only during periods when trading is permitted in accordance with this Policy, and you must submit any proposed amendment or replacement of a Trading Plan to the Compliance Officer for approval prior to adoption. You must provide notice to the Compliance Officer prior to terminating a Trading Plan. You should understand that a modification or termination of a Trading Plan may call into question your good faith in entering into and operating the plan (and therefore may jeopardize the availability of the affirmative defense against insider trading allegations).

III.
EXPLANATION OF INSIDER TRADING

As noted above, "**insider trading**" refers to the purchase or sale of a security while in possession of "material" "non-public" information relating to the security. "Securities" include not only stocks, bonds, notes and debentures, but also options, warrants and similar instruments. "Purchase" and "sale" are defined broadly under the U.S. federal securities laws. "Purchase" includes not only the actual purchase of a security, but any contract to purchase or otherwise acquire a security. "Sale" includes not only the actual sale of a security, but any contract to sell or otherwise dispose of a security. These definitions extend to a broad range of transactions, including conventional cash-for-stock transactions, the grant and exercise of stock options and acquisitions and exercises of warrants or puts, calls or other options related to a security. It is generally understood that "**insider trading**" includes the following:

- trading by insiders while in possession of material non-public information;

- trading by persons other than insiders while in possession of material non-public information where the information either was given in breach of an insider's fiduciary duty to keep it confidential or was misappropriated; and

- communicating or tipping material non-public information to others, including recommending the purchase or sale of a security while in possession of material non-public information.

As noted above, for purposes of this Statement, the terms "purchase" and "sell" of securities exclude the acceptance of options or other share-based awards granted by the Company and the exercise of options or vesting of other share-based awards that does not involve the sale of securities. Among other things, the cashless exercise of options does involve the sale of securities and therefore is subject to the Policy.

What Facts are Material?

The materiality of a fact depends upon the circumstances. A fact is considered "material" if there is a substantial likelihood that a reasonable investor would consider it important in making a decision to buy, sell or hold a security or where the fact is likely to have a significant effect on the market price of the securities. Information may be material even if it relates to future, speculative or contingent events and even if it is significant only when considered in combination with publicly available information. Material information can be positive or negative and can relate to virtually any aspect of a company's business or to any type of security, debt or equity.

Examples of material information include (but are not limited to) information concerning:

- dividends;

- corporate earnings or earnings forecasts, or changes to previously released earnings announcements or guidance;

- changes in financial condition or asset value;

- negotiations for the mergers or acquisitions or dispositions of significant subsidiaries or assets;

- significant new contracts or the loss of a significant contract;
- significant new products or services;
- significant marketing plans or changes in such plans;
- capital investment plans or changes in such plans;
- material litigation, administrative action or governmental investigations or inquiries about the Company, any of its affiliated companies, or any of its officers or directors;
- significant borrowings or financings;
- defaults on borrowings;
- new equity or debt offerings;
- adoption of repurchase plans or amendment of existing repurchase plans;
- significant personnel changes;
- a cybersecurity incident or risk that may adversely impact the Company's business, reputation or share value;
- changes in accounting methods and write-offs; and
- any substantial change in industry circumstances or competitive conditions which could significantly affect the Company's earnings or prospects for expansion.

A good general rule of thumb: **when in doubt, do not trade**.

What is Non-public?

Information is "**non-public**" if it is not available to the general public. In order for information to be considered public, it must be widely disseminated in a manner making it generally available to investors through such media as Dow Jones, Reuters Economic Services, The Wall Street Journal, Bloomberg, Associated Press, PR Newswire or United Press International. Circulation of rumors, even if accurate and reported in the media, does not constitute effective public dissemination.

In addition, even after a public announcement, a reasonable period of time must lapse in order for the market to react to the information. Generally, one should allow approximately forty-eight (48) hours following publication as a reasonable waiting period before such information is deemed to be public.

Who is an Insider?

"**Insiders**" include directors, officers, employees and consultants of a company and anyone else who has material non-public information about a company. Insiders have independent fiduciary duties to their company and its shareholders not to trade on material nonpublic information relating to the company's securities. All directors, officers, employees and consultants of the Company are considered insiders with respect to material non-public information about business, activities and securities of the Company. The directors, officers, employees and consultants of the Company may not trade the Company's securities while in possession of material non-public information relating to the Company or tip (or communicate except on a need-to-know basis) such information to others.

It should be noted that trading by household members of a director, officer, employee or consultant can be the responsibility of such director, officer, employee or consultant under certain circumstances and could give rise to legal and Company-imposed sanctions.

Trading by Persons Other than Insiders

Insiders may be liable for communicating or tipping material non-public information to a third party (a "**tippee**"), and insider trading violations are not limited to trading or tipping by insiders. Persons other than insiders also can be liable for insider trading, including tippees who trade on material non-public information tipped to them or individuals who trade on material non-public information which has been misappropriated.

Tippees inherit an insider's duties and are liable for trading on material non-public information tipped to them by an insider. Similarly, just as insiders are liable for the insider trading of their tippees, so are tippees who pass the material non-public information along to others who trade on such information. In other words, a tippee's liability for insider trading is no different from that of an insider. Tippees can obtain material non-public information by receiving overt tips from others or through, among other things, conversations at social, business, or other gatherings.

Penalties for Engaging in Insider Trading

Penalties for trading on or tipping material non-public information can extend significantly beyond any profits made or losses avoided, both for individuals engaging in the unlawful conduct and their employers. The United States Securities and Exchange Commission and the United States Department of Justice have made the civil and criminal prosecution of insider trading violations a top priority. Enforcement remedies available to the government or private plaintiffs under the U.S. federal securities laws include:

- administrative sanctions;
- sanctions by self-regulatory organizations in the securities industry;
- civil injunctions;
- damage awards to private plaintiffs;
- disgorgement of profits gained by the violator;
- civil fines for the violator of up to three times the amount of profit gained or loss avoided by the violator;
- civil fines for the employer or other controlling person of a violator (i.e., where the violator is an employee or other controlled person) of up to the greater of approximately US$2,500,000 or three times the amount of profit gained or loss avoided by the violator;

- criminal fines for individual violators of up to US$5,000,000 (US$25,000,000 for an entity); and
- jail sentences of up to 20 years.

In addition, insider trading could result in serious sanctions by the Company, including immediate dismissal. Insider trading violations are not limited to violations of the U.S. federal securities laws. Other U.S. federal and state civil or criminal laws, such as the laws prohibiting mail and wire fraud and the Racketeer Influenced and Corrupt Organizations Act (RICO), also may be violated upon the occurrence of insider trading.

Material Non-public Information Regarding Other Companies

This Policy and the guidelines described herein also apply to material non-public information relating to other companies, including the Company's clients, service providers, vendors, suppliers and other business partners ("**Business Partners**"), particularly when that information is obtained in the course of employment with, or other services performed by, or on behalf of, the Company. Civil and criminal penalties, and discipline, including termination of employment for cause, may result from trading on material non-public information regarding the Company's Business Partners. Each individual should treat material non-public information about the Company's Business Partners with the same care required with respect to information related directly to the Company.

Individual Responsibility

Each person subject to this Policy is individually responsible for complying with this Policy and ensuring the compliance of any family members, such as spouses, minor children, adult family members who share the same household, and any other person or entity whose securities trading decisions are influenced or controlled by the person whose transactions are subject to this Policy. Accordingly, you should make your family and household members aware of the need to confer with you before they trade in the Company's securities, and you should treat all such transactions for the purposes of this Policy and applicable securities laws concerning trading while in possession of material non-public information as if the transactions were for your own account.

CERTIFICATION OF COMPLIANCE

TO: Compliance Officer

RE: AMENDED AND RESTATED STATEMENT OF POLICIES OF SO-YOUNG INTERNATIONAL INC. GOVERNING MATERIAL NON-PUBLIC INFORMATION AND THE PREVENTION OF INSIDER TRADING

I have received, reviewed, and understand the policies set forth in the above-referenced Amended and Restated Statement of Policies (such policies, as amended from time to time, the "**Policy**") and hereby undertake, as a condition to my present and continued employment at or association with So-Young International Inc. or any of its subsidiaries or affiliated entities, to comply fully with the Policy.

I hereby certify that I have adhered to the Policy during the time period that I have been employed by or associated with So-Young International Inc. nor any of its subsidiaries or affiliated entities.

I hereby undertake to adhere to the Policy in the future.

Signature: _____
Name: _____
ID Card Number: _____
Title: _____
Date: _____

Exhibit 12.1

Certification by the Principal Executive Officer Pursuant to Exchange Act Rule 13a-14(a)/15d-14(a) as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002

I, Xing Jin, certify that:

1. I have reviewed this annual report on Form 20-F of So-Young International Inc. (the "Company");

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 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 this 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 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 18, 2025

By: /s/ Xing Jin
Name: Xing Jin
Title: Chief Executive Officer

Exhibit 12.2

Certification of the Principal Financial Officer Pursuant to Exchange Act Rule 13a-14(a)/15d-14(a) as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002

I, Hui Zhao, certify that:

1. I have reviewed this annual report on Form 20-F of So-Young International Inc. (the "Company");

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 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 this 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 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 18, 2025

By: /s/ Hui Zhao
Name: Hui Zhao
Title: Chief Financial Officer

Exhibit 13.1

Certification of the Principal Executive Officer Pursuant to 18 U.S.C.
Section 1350 as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

In connection with the annual report on Form 20-F for the year ended December 31, 2024 of So-Young International Inc. (the "Company") as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Xing Jin, Chief Executive Officer of the Company, hereby 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 18, 2025

By: /s/ Xing Jin
Name: Xing Jin
Title: Chief Executive Officer

Exhibit 13.2

Certification of the Principal Financial Officer Pursuant to 18 U.S.C.
Section 1350 as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

In connection with the annual report on Form 20-F for the year ended December 31, 2024 of So-Young International Inc. (the "Company") as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Hui Zhao, Chief Financial Officer of the Company, hereby 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 18, 2025

By: /s/ Hui Zhao
Name: Hui Zhao
Title: Chief Financial Officer

Exhibit 15.1

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We hereby consent to the incorporation by reference in the Registration Statements on Form S-8 (No. 333-232109, No. 333-259708 and No. 333-271101) of So-Young International Inc. of our report dated April 18, 2025 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

Beijing, the People's Republic of China

April 18, 2025

Exhibit 15.2

Date: April 18, 2025

So-Young International Inc.
2/F, East Tower, Poly Plaza
No. 66 Xiangbin Road
Chaoyang District, Beijing
People's Republic of China

Dear Sir/Madam:

We hereby consent to the reference to our firm and the summary of our opinion under the headings, "Item 3. Key Information—C. Risk Factors—Risks Related to Our Corporate Structure", "Item 4. Information on the Company—B. Business Overview—Regulations", "Item 4. Information on the Company—C. Organizational Structure" and "Item 10. Additional Information—E. Taxation—Taxation in Mainland China" in So-Young International Inc.'s Annual Report on Form 20-F for the year ended December 31, 2024 (the "**Annual Report**"), which will be filed with the Securities and Exchange Commission (the "**SEC**") in the month of April 2025, and further consent to the incorporation by reference of the summary of our opinion under these headings into the Registration Statement on Form S-8 (File No. 333-232109, No. 333-259708 and No. 333-271101). 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.

Yours Sincerely,

/s/ CM Law Firm

CM Law Firm

Exhibit 15.3

Our ref YCU/752169-000001/31638273v2

So-Young International Inc.
2/F, East Tower, Poly Plaza
No. 66 Xiangbin Road
Chaoyang District, Beijing
People's Republic of China

18 April 2025

Dear Sir

Re: So-Young International Inc.

We have acted as legal advisers as to the laws of the Cayman Islands to So-Young International Inc., an exempted company with limited liability incorporated in the Cayman Islands (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 2024 (the "**Annual Report**"), which will be filed with the SEC in the month of April 2025.

We consent to the reference to our firm under the heading "Item 10. Additional Information—E. Taxation—Cayman Islands Taxation" and "Item 16G. Corporate Governance" in the Annual Report, and further consent to the incorporation by reference into the Registration Statements on Form S-8 (File Nos. 333-232109, 333-259708 and 333-271101) filed on 14 June 2019, 22 September 2021 and 4 April 2023 respectively of the summary of our opinion under the heading "Item 10. Additional Information—E. Taxation—Cayman Islands Taxation" in the Annual Report. We also 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