
RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

OUR CONTROLLING SHAREHOLDERS

As at the Latest Practicable Date, Tianqu Bioengineering, Mr. XING, Mr. WANG Shangyi (王尚義), and Mr. DU Xiaolan (杜肖嵐) collectively held approximately 30.46%, 14.67%, 5.13% and 4.35% of our total issued Shares, respectively; and collectively held approximately 54.61% of our total issued Shares.

Concert party agreements with Mr. XING at the Tianqu Bioengineering level

On 25 December 2020, each of Ms. DI Guiying (邸桂英), Mr. DU Xiaolan, Mr. YAO Haitao (姚海濤), Mr. LI Guangsheng (李光勝), Mr. GUO Wei (郭威), Mr. YU Xiaohui (于曉輝), Mr. ZHENG Congwu (鄭從武), Mr. CHEN Xiaoxing (陳曉星), Mr. WANG Shangyi and Ms. HUA Yue (華玥) entered into a concert party agreement with Mr. XING (the “**Concert Party Agreements at the Tianqu Bioengineering Level**”), pursuant to which each of them agreed (i) to act in concert and reach consensus with Mr. XING at general meetings of Tianqu Bioengineering, and that the opinion of Mr. XING shall prevail if a consensus cannot be reached; (ii) not to transfer or pledge his/her equity interests in Tianqu Bioengineering without the consent of Mr. XING; and (iii) any proposed transfer of equity interests in Tianqu Bioengineering shall be subject to the right of first refusal of Mr. XING, and no transfer shall be effected if the transferee refuses to be subject to the same concert party arrangement as the transferor. Each of the Concert Party Agreements at the Tianqu Bioengineering Level will be valid for an indefinite period unless (i) either party is no longer a shareholder of Tianqu Bioengineering, or (ii) terminated by mutual consent.

As at the Latest Practicable Date, each of Mr. XING, Ms. DI Guiying, Mr. DU Xiaolan, Mr. YAO Haitao, Mr. LI Guangsheng, Mr. GUO Wei, Mr. YU Xiaohui, Mr. ZHENG Congwu, Mr. CHEN Xiaoxing, Mr. WANG Shangyi and Ms. HUA Yue held approximately 6.77%, 14.97%, 13.48%, 7.33%, 5.52%, 5.52%, 3.87%, 3.33%, 2.76%, 2.67% and 2.61% of the total equity interest of Tianqu Bioengineering, respectively.

Concert Party Agreement with Mr. XING at the Yuhangren High-Tech Level

On 25 December 2020, Tianqu Bioengineering, Mr. XING and Mr. WANG Shangyi entered into a concert party agreement (the “**Concert Party Agreement at the Yuhangren High-Tech Level**”), pursuant to which all of them agreed (i) to act in concert and reach consensus at general meetings of Yuhangren High-Tech, and that the opinion of Mr. XING shall prevail if a consensus cannot be reached; (ii) any proposed transfer of equity interest in Yuhangren High-Tech shall be subject to the right of first refusal of Mr. XING, and no transfer shall be effected if the transferee refuses to be subject to the same concert party arrangement as the transferor. The Concert Party Agreement at the Yuhangren High-Tech Level will be valid for an indefinite period unless (i) each party ceases to be a shareholder of Yuhangren High-Tech, or (ii) terminated by mutual consent. In addition, by virtue of the concert party arrangements as contemplated under the Concert Party Agreements at the Tianqu Bioengineering Level, Mr. DU Xiaolan is deemed to be acting in concert with Mr. XING, Mr. WANG Shangyi and Tianqu Bioengineering in connection with his exercising of voting rights as a shareholder of Yuhangren High-Tech.

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Concert Party Agreement with Mr. XING at the Company Level

On 14 May 2024, Tianqu Bioengineering, Mr. XING and Mr. WANG Shangyi entered into a concert party agreement (the “**Concert Party Agreement at the Company Level**”), pursuant to which all of them agreed (i) to act in concert and reach consensus at general meetings of our Company, and that the opinion of Mr. XING shall prevail if a consensus cannot be reached; (ii) any proposed transfer of Shares shall be subject to the right of first refusal of Mr. XING, and (iii) no transfer shall be effected if the transferee refuses to be subject to the same concert party arrangement as the transferor. The Concert Party Agreement at the Company Level will be valid for an indefinite period unless (i) each party ceases to be a Shareholder, or (ii) terminated by mutual consent. In addition, by virtue of the concert party arrangements as contemplated under the Concert Party Agreements at the Tianqu Bioengineering Level, Mr. DU Xiaolan is deemed to be acting in concert with Mr. XING, Mr. WANG Shangyi and Tianqu Bioengineering in connection with his exercise of voting rights as our Shareholder.

In light of the concert party arrangements as contemplated under the Concert Party Agreements at the Tianqu Bioengineering Level, the Concert Party Agreement at the Yuhangren High-Tech Level and the Concert Party Agreement at the Company Level, Tianqu Bioengineering, Mr. XING, Ms. DI Guiying, Mr. DU Xiaolan, Mr. YAO Haitao, Mr. LI Guangsheng, Mr. GUO Wei, Mr. YU Xiaohui, Mr. ZHENG Congwu, Mr. CHEN Xiaoxing, Mr. WANG Shangyi and Ms. HUA Yue are parties acting in concert, and will collectively hold approximately [REDACTED]% of our total issued Shares immediately upon completion of the [REDACTED] (assuming the [REDACTED] is not exercised). Accordingly, the aforesaid parties are regarded as a group of Controlling Shareholders under the Listing Rules.

BUSINESSES HELD BY OUR CONTROLLING SHAREHOLDERS

Our Group’s business

Our Group is principally engaged in the development, production, supply and marketing of sea-buckthorn products focusing on health and nutritional food products including beverages, puree and health supplements (the “**Core Business**”).

Excluded businesses

After completion of the Reorganisation as detailed in “History, reorganisation and corporate structure – corporate reorganisation” in this document, apart from our Group, our Controlling Shareholders also maintain controlling interests in Yuhangren High-Tech and its subsidiaries including Yuhangren Cosmetics and Yuhangren Pharmaceuticals (collectively, the “**Remaining Yuhangren Group**”), and the businesses engaged by the Remaining Yuhangren Group principally include (i) the production and sale of sea-buckthorn cosmetic and pharmaceutical products; (ii) the direct selling of products including sea-buckthorn health supplements produced by us under the Entrusted Production Arrangement (as defined below); and (iii) the direct selling of other sea-buckthorn products produced by us, such as beverages and sacheted puree, as our distributor (collectively, the “**Excluded Businesses**”).

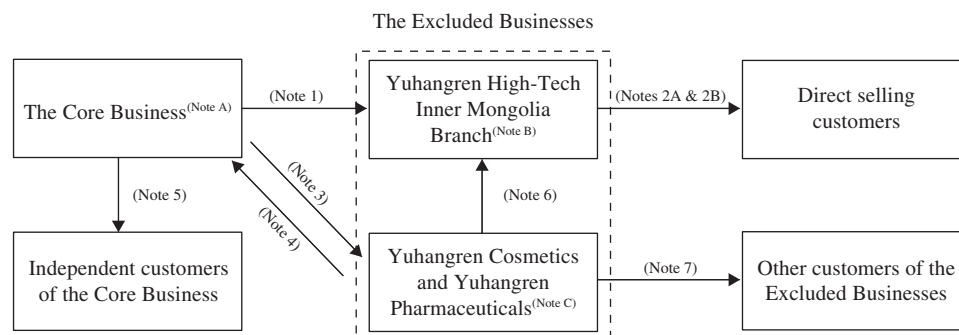
RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

As at the Latest Practicable Date, our Controlling Shareholders collectively held approximately 54.61% of the total equity interest of Yuhangren High-Tech.

Relationship between the Core Business and the Excluded Businesses

The Core Business had both sales and purchase transactions with the Excluded Businesses during the Track Record Period. For FY2021, FY2022 and FY2023, (i) our sales to the Remaining Yuhangren Group amounted to approximately RMB3.5 million, RMB7.5 million and RMB12.7 million, respectively, accounting for approximately 2.4%, 4.0% and 5.8% of our total revenue, respectively; and (ii) our purchases from the Remaining Yuhangren Group amounted to approximately RMB1.7 million, RMB0.4 million and RMB1.0 million, respectively, accounting for approximately 2.6%, 0.2% and 1.1% of our total purchases, respectively. Whilst the Core Business continues to have transactions with the Excluded Businesses after completion of the Reorganisation, there has been some changes as to how the Core Business operates and interacts with the Excluded Businesses as a result of the Reorganisation as discussed below.

The following diagram summarises how the Core Business operated and interacted with the Excluded Businesses during the Track Record Period and prior to the Reorganisation:



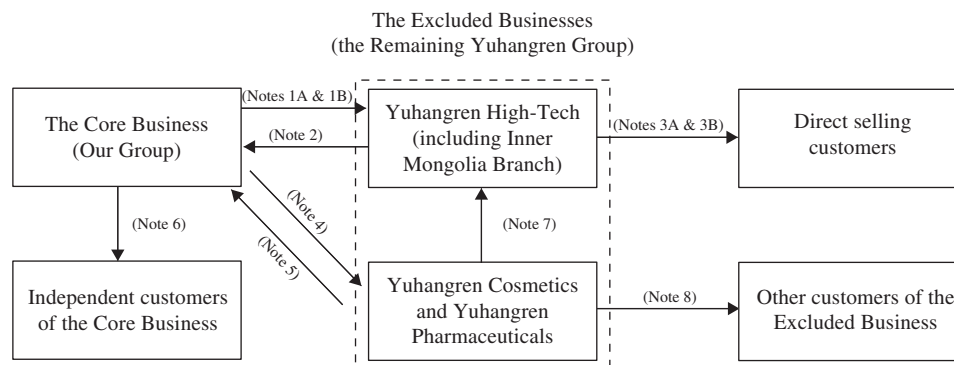
Notes:

- A. Prior to the Reorganisation, the Core Business was undertaken by Yuhangren High-Tech and Yuhangren Bioengineering, a then subsidiary of Yuhangren High-Tech.
 - B. Yuhangren High-Tech Inner Mongolia Branch is the branch office of Yuhangren High-Tech.
 - C. Both Yuhangren Cosmetics and Yuhangren Pharmaceuticals are subsidiaries of Yuhangren High-Tech.
1. Sales of our branded sea-buckthorn products, including health supplements, beverages and sacheted puree.
 - 2A. Direct selling of our branded sea-buckthorn products by Yuhangren High-Tech Inner Mongolia Branch as our distributor.
 - 2B. Direct selling of products of the Excluded Businesses.
 3. Sales of our sea-buckthorn products such as sea-buckthorn oil and sea-buckthorn extract, as ingredients or raw materials for further processing into cosmetic and pharmaceutical products of Yuhangren Cosmetics and Yuhangren Pharmaceuticals.

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4. Procurement of products including cosmetic products which are given to our existing and potential customers and business partners as gifts or souvenirs.
5. Sales of our sea-buckthorn products to customers that are not part of the Excluded Businesses (“**Independent Customers**”).
6. Sales of products to Yuhangren High-Tech Inner Mongolia Branch for direct selling.
7. Sales of products to customers other than through direct selling.

After completion of the Reorganisation, (i) our Company has been established and demerged from Yuhangren High-Tech, and Yuhangren Bioengineering has become a subsidiary of our Company, and (ii) the Core Business and the Excluded Businesses are separately undertaken by our Group and the Remaining Yuhangren Group, respectively. The following diagram summarises how the Core Business operates and interacts with the Excluded Businesses after completion of the Reorganisation:



Notes:

- 1A. We are entrusted by Yuhangren High-Tech on an exclusive basis to produce branded sea-buckthorn oil-based health supplement products (the “**Entrusted Health Supplements**”), and are responsible for the procurement of raw materials and bear all production costs. In return, we receive processing fee from Yuhangren High-Tech, and Yuhangren High-Tech has title to the Entrusted Health Supplements so produced. Such arrangement is referred to as the “**Entrusted Production Arrangement**”.
- 1B. Sales of our branded sea-buckthorn products (other than the Entrusted Health Supplements).
2. We procure the Entrusted Health Supplements produced under the Entrusted Production Arrangement from Yuhangren High-Tech for sales to other customers. To mitigate the risk of competition between the Core Business and the Excluded Businesses, Yuhangren High-Tech has undertaken to only sell the Entrusted Health Supplements produced under the Entrusted Production Arrangement to (i) our Group, and (ii) customers under direct selling (the “**Exclusive Sales Arrangement**”).
- 3A. Direct selling of (i) the Entrusted Health Supplements produced under the Entrusted Production Arrangement, and (ii) products of the Excluded Businesses.
- 3B. Direct selling of our branded sea-buckthorn products (other than the Entrusted Health Supplements) by Yuhangren High-Tech as our distributor.

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4. Sales of our sea-buckthorn products such as sea-buckthorn oil and sea-buckthorn extract, as ingredients or raw materials for further processing into cosmetic and pharmaceutical products of Yuhangren Cosmetics and Yuhangren Pharmaceuticals.
5. Procurement of products including cosmetic products which are given to our existing and potential customers and business partners as gifts or souvenirs.
6. Sales of our sea-buckthorn products, including the Entrusted Health Supplements produced by us under the Entrusted Production Arrangement and subsequently procured from Yuhangren High-Tech under the Exclusive Sales Arrangement, to Independent Customers.
7. Sales of products to Yuhangren High-Tech for direct selling.
8. Sales of products to customers other than through direct selling.

The Entrusted Production Arrangement and Exclusive Sales Arrangement

According to the relevant laws and regulations in relation to health supplements in the PRC, health supplements shall be registered with relevant government authority. Upon completion of registration, a licence will be issued in respect of a health supplement, and only the licence holder is permitted to arrange production of such health supplement. Prior to completion of the Reorganisation, the production and sale of the Entrusted Health Supplements had been part of the Core Business and the licences for the Entrusted Health Supplements (the “**Health Supplement Licences**”) were held by Yuhangren High-Tech. After completion of the Reorganisation, our Company has been established and demerged from Yuhangren High-Tech, and our Group has assumed the assets and liabilities relating to the Core Business, including the production facilities, equipment and machineries required for the production of the Entrusted Health Supplements. Nevertheless, the Health Supplement Licences remain to be held by Yuhangren High-Tech after the demerger due to the impracticalities in obtaining approvals from the relevant government authority on transferring the Health Supplement Licences to our Group. In particular, the Entrusted Health Supplements were registered pursuant to administrative regulations and guidelines issued over 20 years ago, which have been superseded under the current regulatory regime. Please refer to “Business – Licences, permits and registrations” in this document for further details of the Health Supplement Licences.

In light of the aforesaid, we have entered into the Entrusted Production Arrangement and Exclusive Sales Arrangement with Yuhangren High-Tech after completion of the Reorganisation, with an intention that the Core Business, and in particular the production and sale of the Entrusted Health Supplements, could continue to be carried out in substantially the same manner as before and without material disruptions.

Under the Entrusted Production Arrangement, we are entrusted by Yuhangren High-Tech (as the holder of the Health Supplement Licences) on an exclusive basis to produce the Entrusted Health Supplements. We are responsible for the whole production process from procurement of raw materials, to production and packaging of finished goods, and bear all production costs, and the production volume is determined with reference to, among others, our business needs and market demand including orders from Independent Customers. The processing fee we charge Yuhangren High-Tech is determined with reference to the unit selling price of the Entrusted Health Supplements we charge Independent Customers. Yuhangren High-Tech retains the title to the Entrusted Health Supplements produced by us under the Entrusted Production Arrangement.

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We then procure the Entrusted Health Supplements from Yuhangren High-Tech under the Exclusive Sales Arrangement and sell the same to Independent Customers. The unit procurement price we pay to Yuhangren High-Tech would be determined with reference to and without any material difference from the unit processing fee we charge Yuhangren High-Tech under the Entrusted Production Arrangement. Accordingly, the overall gross profit that we earn from our sales of the Entrusted Health Supplements under the Entrusted Production Arrangement and the Exclusive Sales Arrangement would be substantially the same as if we produce and sell such Entrusted Health Supplements in the same one-stop manner prior to the Reorganisation.

As regards Entrusted Health Supplements not procured by us, Yuhangren High-Tech would be entitled to sell the same to its customers under direct selling. In such connection, Yuhangren High-Tech has undertaken to prioritise our demand for the Entrusted Health Supplements. Yuhangren High-Tech has also undertaken to only sell the Entrusted Health Supplements produced under the Entrusted Production Arrangement to (i) our Group, or (ii) customers under direct selling, in order to mitigate the risk of competition with our Group as we do not engage in any direct selling. Please also see “Delineation of business and competition” in this section below.

For illustrative purpose, the following table sets forth the estimated impact on our revenue and cost of sales in respect of the Entrusted Health Supplements during the Track Record Period had the Entrusted Production Arrangement and Exclusive Sales Arrangement been implemented since the commencement of the Track Record Period:

	<u>Actual arrangements during Track Record Period</u>	<u>Had the Entrusted Production Arrangement and Exclusive Sales Arrangement been in force during the Track Record Period</u>	<u>Remarks</u>
Revenue in respect of the Entrusted Health Supplements	Sales to Independent Customers (Quantity A) ^(A)	Sales to Independent Customers (Quantity A) ^(A)	No difference
	N/A	Processing fee income from the Excluded Businesses (Quantity A) ^(A)	Notes 1 & 2
	Sales to the Excluded Businesses for direct selling (Quantity B) ^(B)	Processing fee income from the Excluded Businesses (Quantity B) ^(B)	Notes 2 & 3
Cost of sales in respect of the Entrusted Health Supplements	All costs of raw material, production and packaging (Quantity A + B) ^(C)	All costs of raw material, production and packaging (Quantity A + B) ^(C)	No difference
	N/A	Purchases of Entrusted Health Supplements from the Excluded Businesses (Quantity A) ^(A)	Note 1

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Notes:

- A. Quantity A represents the quantity of Entrusted Health Supplements we sold to Independent Customers during Track Record Period.
 - B. Quantity B represents the quantity of Entrusted Health Supplements we sold to the Excluded Businesses for direct selling to consumer during the Track Record Period.
 - C. Quantity A + B represents the total quantity of Entrusted Health Supplements we sold during the Track Record Period.
1. Since the unit procurement price we pay to Yuhangren High-Tech would be determined with reference to and without any material difference from the unit processing fee we charge Yuhangren High-Tech under the Entrusted Production Arrangement, the relevant processing fee income would be substantially offset by the cost of purchases and thus there would be no material impact on overall gross profit.
 2. The total processing fee income we receive under the Entrusted Production Arrangement would be based on the total quantity of Entrusted Health Supplements we sold (i.e. Quantity A + B), on the assumption that all Entrusted Health Supplements produced had been sold.
 3. There was no material difference between the actual selling price we charged Independent Customers and that we charged the Excluded Businesses during the Track Record Period and prior to the Reorganisation. During the Track Record Period, our sales of health supplements to the Excluded Businesses amounted to approximately RMB1.6 million, RMB3.1 million and RMB5.3 million, respectively. Since the unit processing fee we charge the Excluded Businesses shall be determined with reference to the unit selling price we charge Independent Customers, there would be no material difference between our processing fee income attributable to Quantity B and our revenue derived from the sales to the Excluded Businesses (i.e. Quantity B) prior to the Reorganisation.

Our Directors are of the view that the implementation of the Entrusted Production Arrangement and Exclusive Sales Arrangement is necessary for the continuation of the Core Business, and would not lead to a change in principal business of our Group considering the following factors:

- we procure all the required raw materials, bear all production costs of the Entrusted Health Supplements and are responsible for the entire production process in the same manner as we did prior to the Reorganisation. All relevant production facilities, equipment and machineries are owned by our Group. There is no change in substance of our business operations and we are not undertaking any new business activities;
- in respect of the Entrusted Health Supplements produced by us and then procured from Yuhangren High-Tech for our subsequent sales to Independent Customers, the procurement price of the Entrusted Health Supplements that we pay to Yuhangren High-Tech is substantially offset by the processing fee we receive from Yuhangren High-Tech for such goods, such that the overall gross profit we derive from our sales of the Entrusted Health Supplements would remain substantially the same comparing to that prior to the Reorganisation;
- in respect of the Entrusted Health Supplements produced by us and retained by the Excluded Businesses for direct selling, since the unit processing fee we charge the Excluded Businesses shall be determined with reference to the unit selling price we

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charge our Independent Customers, there will be no material difference between the relevant processing fee income and the revenue from the sales of the same quantity of Entrusted Health Supplements to Independent Customers, considering that there was no material difference between the actual selling price we charged Independent Customers and that we charged the Excluded Businesses for the Entrusted Health Supplements during the Track Record Period and prior to the Reorganisation; and

- we retain control over the production and sales of the Entrusted Health Supplements, as reflected by (i) the production volume of the Entrusted Health Supplements is determined with reference to our business needs and market demand, (ii) Yuhangren High-Tech's undertaking to prioritise our demand for the Entrusted Health Supplements, and (iii) Yuhangren High-Tech's undertaking not to sell the Entrusted Health Supplements to third parties except through direct selling, which mirrors the arrangement prior to the Reorganisation.

The Entrusted Production Arrangement and Exclusive Sales Arrangement will constitute continuing connected transactions of our Group upon the [REDACTED]. For further details, please refer to "Connected transactions" in this document.

DELINEATION OF BUSINESS AND COMPETITION

It is our Group's strategy to focus on the Core Business, and the Excluded Businesses are separate and distinct from our Core Business as analysed below. Our Directors are of the view that there is a clear business delineation between the Core Business and the Excluded Businesses, and the Excluded Businesses neither form part of our Core Business nor are they in line with our business strategy, such that the Excluded Businesses were not injected into our Group.

A summary of the differences between the Core Business and the Excluded Businesses is set out below:

(i) Production and sales of cosmetic products by the Excluded Businesses

- *Different product nature and usage:* cosmetic products, and the products of the Core Business, which primarily pertain to health and nutritional food products, are fundamentally different in terms of nature and usage. Cosmetic products focus on improvement of skin conditions, and are non-edible in nature, whereas health and nutritional food products, which are for in-take consumption, focus on nourishment and betterment of health;
- *Different market:* due to their differences in nature and usage, cosmetic products on one hand and health and nutritional food products on the other hand pertain to two different markets with different sales channels. Cosmetic products are primarily sold through specialty stores and counters, and e-commerce platforms, and their sales and marketing strategies emphasise on trendiness and creation of user superiority and stickiness. On the contrary, food and nutritional food products are typically sold through channels like supermarket, convenience stores and retailers, and their sales and marketing strategies focus on nutritional value, palatability and pricing;

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- *Different production process and raw materials mix:* the production process of health and nutritional food products emphasises on food safety and adopts stringent quality tests that conform to prevailing food safety standards. On the other hand, the production of cosmetic products does not have comparable concerns. In addition, sea-buckthorn is only one of the many ingredients used in the production of the cosmetic products of the Excluded Businesses. On the contrary it is the major raw material used in the production of health and nutritional food products of the Core Business; and
- *Different regulatory regime:* cosmetic products and health and nutritional food products are subject to different sets of laws and regulations with their own specific registration and/or licensing regime. In particular, given their nature, health and nutritional food products are subject to more stringent laws and regulations relating to food safety and production hygiene.

(ii) Production and sales of pharmaceutical products by the Excluded Businesses

- *Different product nature and usage:* pharmaceutical products are used for the prevention and/or curing of specific disease or illness, and consumers primarily purchase pharmaceutical products to address their medical needs. On the contrary, while health and nutritional food products can serve as dietary nourishment to enhance one's health, they do not have any curing effect and cannot substitute pharmaceutical products. Customers are generally driven by their pursuit of a healthy lifestyle to purchase health and nutritional food products, rather than by specific medical need;
- *Different market:* pharmaceutical products are usually sold through specialised channels such as drug stores and medical institutions, and their market development typically requires participation in the public healthcare system through different means such as medical insurance coverage and tendering. In terms of marketing, pharmaceutical products are often promoted through specialised channels such as medical conferences and academic meetings primarily targeting medical practitioners and professionals. On the other hand, health and nutritional food products are sold through ordinary channels such as supermarket, convenience stores and retailers, and their marketing is more open to the public;
- *Different raw materials mix:* sea-buckthorn is only one of the many ingredients used in the production of the pharmaceutical products of the Excluded Businesses. On the contrary, it is the major raw material used in the production of health and nutritional food products of the Core Business; and
- *Different regulatory regime:* the production and sales of pharmaceutical products are generally subject to significantly more stringent legal and regulatory requirements. In particular, a pharmaceutical product needs to undergo rounds of testing including clinical trials and multiple registration and licensing procedures before it can be marketed. On the contrary, while the production and sales of health and nutritional food products are also subject to laws and regulations relating to food safety and production hygiene, they are generally less stringent and complex.

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(iii) Direct selling of products

- *Different business model:* the Core Business pertains to the development, production, supply and marketing of sea-buckthorn products, with focus on health and nutritional food products. The processing and transformation of sea-buckthorn into finished products are central to the Core Business, and the profit earned by the Core Business, which is essentially the difference between the selling price or processing fee (in the case of the Production Entrustment Arrangement) and production cost, reflects the value-add brought by the Core Business operations. The Core Business can further optimise its cost structure leveraging on its advantages and/or expertise in production technology and know-how. On the other hand, the direct selling business of the Excluded Businesses primarily derives profit from trading activities rather than from production or processing activities, and it primarily capitalises on the price difference between procurement cost and selling price. Hence, the results of operations of direct selling would be more susceptible to changes in market conditions;
- *Different capital requirements and cost structure:* the Core Business is capital-intensive in nature due to the machinery, equipment and facilities required for its production activities. The major operating costs of the Core Business are production costs including raw material costs, operational expenses and salaries. In contrast, as the direct selling business primarily pertains to trading activities, it requires significantly less capital investment as compared to the Core Business. At the same time, as direct selling relies on one-on-one sales by sales personnel, it is more labour-intensive. Accordingly, the direct selling business also has a different cost structure, with its major operating costs being product procurement costs and staff salaries;
- *Different sales channels:* the products of the Core Business are primarily sold to consumer goods brand owners, distributors, retailers, and through e-commerce platforms, such that consumers are able to purchase the products of the Core Business through a variety of channels including supermarkets, convenience stores and other retailers. As regards direct selling, it relies on one-on-one sales by sales personnel, which makes direct selling more susceptible to performance of individual sales personnel, consumer sentiment and other human factors, making it more challenging to achieve standardised and industrialised vertical management, as compared to the Core Business. More importantly, the Core Business does not engage in any direct selling, and the role of the Excluded Businesses as one of our distributors that specialises in direct selling, complements, rather than competes with, the Core Business; and
- *Licensing requirement:* direct selling in the PRC is a highly regulated activity that requires specific licence. While Yuhangren High-Tech holds such licence, our Group does not possess the same and therefore we cannot engage in any direct selling activities.

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None of our Controlling Shareholders and our Directors has any interest apart from our Group's business which materially competes or is likely to materially compete, directly or indirectly, with our Group's business and would require disclosure pursuant to Rule 8.10 of the Listing Rules. In addition, each of our Controlling Shareholders has given a non-competition undertaking in favour of our Company. For details, see "Deed of Non-Competition" in this section below.

DEED OF NON-COMPETITION

On [●], our Controlling Shareholders entered into a deed of non-competition with our Company (for itself and as trustee for its subsidiaries from time to time) (the "**Deed of Non-competition**"), pursuant to which each of our Controlling Shareholders has irrevocably undertaken to us on a joint and several basis that it/he/she shall procure that its/his/her close associates and/or companies controlled by it/him/her (other than our Group) shall:

- (i) not, directly or indirectly, be interested or involved or engaged in or carry out or concern with or acquire or hold any right or interest (in each case whether as a shareholder, partner, agent or otherwise and whether for profit, reward or otherwise) in any business which competes or is likely to compete directly or indirectly with the business currently and from time to time engaged by our Group in the PRC and any other country or jurisdiction in which our Group carries on such business and/or in which any member of our Group carries on business mentioned above currently and from time to time (the "**Restricted Activity**");
- (ii) not solicit any existing employee or then existing employee of our Group for employment by it/him/her or its/his/her close associates (excluding our Group);
- (iii) not, without the consent from our Company, make use of any information pertaining to the business of our Group which may have come to its/his/her knowledge in its/his/her capacity as our Controlling Shareholders for any purpose of engaging, investing or participating in any Restricted Activity;
- (iv) if there is any project or new business opportunity that relates to the Restricted Activity, refer such project or new business opportunity to our Group for consideration;
- (v) not invest or participate in or carry out any project or business opportunity of the Restricted Activity; and
- (vi) procure its/his/her close associates (excluding our Group) not to invest or participate in or carry out any project or business opportunity of the Restricted Activity, unless pursuant to the exceptions set out below.

The above undertakings are subject to the exceptions that:

- (i) any of the close associates of our Controlling Shareholders (excluding our Group) is entitled to invest, participate and be engaged in or carry out any Restricted Activity or any project or business opportunity, regardless of value, which has been made available

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to or may be undertaken by our Group, provided always that information about the principal terms thereof has been disclosed to our Company and our Directors, and our Company shall have, after review (taking into account whether the entering into of such project or business opportunity will be in the best interest of our Group and our subsidiaries) and approval by our Directors (including our independent non-executive Directors without the attendance by any Director with beneficial interest in such project or business opportunities at the meeting, in which resolutions have been duly passed by the majority of the independent non-executive Directors), confirmed in writing its rejection to being involved or engaged, or to participate or carry out, in the relevant Restricted Activity and provided also that the principal terms on which that relevant close associate of our Controlling Shareholders invests, participates or engages or carries on in the Restricted Activity are substantially the same as or not more favourable than those disclosed to our Company. Subject to the above, if the relevant close associate of our Controlling Shareholders decides to be involved, engaged, participate in or carry out the relevant Restricted Activity, whether directly or indirectly, the terms of such involvement, engagement, participation or carrying on must be disclosed to our Company and our Directors as soon as practicable; and

- (ii) each of our Controlling Shareholders may either by itself/himself/herself individually or through its/his/her close associate(s) hold and/or be interested in any shares or other securities in any listed company which engages or is involved in any business or activity which directly or indirectly competes with the Restricted Activity, provided that our Controlling Shareholders and their respective close associates will not participate in or be otherwise involved in the management of that listed company, and (a) the total shareholding held by our Controlling Shareholders and their respective close associates in such listed company, whether directly or indirectly, do not, in aggregate, exceed five per cent of the issued share capital of such listed company; or (b) the business or activity conducted or engaged in by such listed company which is in direct or indirect competition with the Restricted Activity accounts for less than 10% of that listed company's consolidated turnover for any financial year or consolidated assets as at any financial year end.

The Deed of Non-competition is conditional on (i) the [REDACTED] granting the [REDACTED] of, and permission to [REDACTED], all our H Shares in issue and to be issued under the [REDACTED] and our H Shares which may be issued pursuant to the exercise of the [REDACTED]; and (ii) the obligations of [REDACTED] under the [REDACTED] becoming unconditional (including, if relevant, as a result of the waiver of any condition(s) by [REDACTED]) and that the [REDACTED] not being terminated in accordance with their terms or otherwise.

The Deed of Non-competition shall cease to be effective on the earlier of the dates below: (i) the date on which our Controlling Shareholders and their close associates (individually or taken as a whole) cease to own 10% or more of the then issued share capital of our Company directly or indirectly or cease to be the controlling shareholders of our Company for the purpose of the Listing Rules; or (ii) the date on which our H Shares cease to be [REDACTED] on the Stock Exchange. Under the Deed of Non-competition, each of our Controlling Shareholders has unconditionally and irrevocably undertaken to our Group to allow our Directors, their respective

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representatives and the auditors of our Group to have sufficient access to the records of each of our Controlling Shareholders and their respective close associates to ensure compliance with the terms and conditions of the Deed of Non-competition. Each of our Controlling Shareholders has unconditionally and irrevocably undertaken under the Deed of Non-competition that he/she/it shall provide to our Company and our Directors (including our independent non-executive Directors) from time to time all information necessary for the annual review by our independent non-executive Directors with regard to compliance with the terms of the Deed of Non-competition by our Controlling Shareholders. Each of our Controlling Shareholders has also unconditionally and irrevocably undertaken to make an annual declaration as to full compliance with the terms of the Deed of Non-competition and a consent to disclose such letter in our annual report.

INDEPENDENCE FROM OUR CONTROLLING SHAREHOLDERS

Having considered the following factors, the Directors believe that our Group can conduct our business independently from our Controlling Shareholders and their close associates (other than our Group) after the [REDACTED].

Management Independence

Directors

Our Board consists of seven Directors, including three executive Directors, one non-executive Director, and three independent non-executive Directors. The following table sets forth the positions held by our Directors in the Controlling Shareholders and/or their close associates as at the Latest Practicable Date:

Name	Position with our Company	Positions within the Controlling Shareholders and/or their close associates
Mr. XING	Chairman of our Board and executive Director	(i) Sole director and manager of Tianqu Bioengineering (ii) A director of Yuhangren High-Tech
Mr. WANG Shangyi.	President and executive Director	None
Ms. WU Jianhong (武劍虹)	Executive Director and chief financial officer	None
Ms. LI Ruifeng (李瑞峰)	Non-executive Director	None
Mr. LI Changqing (李長青)	Independent non-executive Director	None

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Name	Position with our Company	Positions within the Controlling Shareholders and/or their close associates
Mr. ZHANG Xueshan (張學跚) (formerly known as ZHANG Xueshan (張學山)) . . .	Independent non-executive Director	None
Mr. LI Shu Pai (李書湃) (formerly known as LEE Shu Paai (李書湃))	Independent non-executive Director	None

Tianqu Bioengineering had no substantive business as at the Latest Practicable Date. As regards Yuhangren High-Tech, it had a total of seven directors as at the Latest Practicable Date, and Mr. XING's directorship has been non-executive in nature following the completion of the Reorganisation. Mr. XING is not involved in the daily business operations and management of both Yuhangren High-Tech and the Remaining Yuhangren Group. Therefore, notwithstanding his directorship in Yuhangren High-Tech, Mr. XING will be able to devote sufficient time and effort to the management of our Group as an executive Director and the chairman of the Board, and discharge his duties diligently for the betterment of our Group.

Senior Management

The following table sets forth the positions held by members of the senior management of our Company in the Controlling Shareholders and/or their close associates as at the Latest Practicable Date:

Name	Position with our Company	Positions within the Controlling Shareholder and/or its close associates
Mr. YAO Yujun (姚玉軍)	Vice president	None
Mr. ZHENG Congwu	Vice president	None
Mr. TANG Hongguang (唐洪光)	Vice president	None
Mr. SONG Xiaofeng (宋曉峰) . . .	Secretary to the Board Joint company secretary	None

The Directors believe that our management is capable of managing our Group's business and operation independently of the Controlling Shareholders after the [REDACTED] for the following reasons:

- each Director is aware of his/her fiduciary duties as a Director which require, among other things, that he/she acts for the benefit and in the best interest of our Company and avoid any conflict between his/her duties as a Director and his personal interests;

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

- the management personnel of our Company have clear reporting lines, and ultimately the management team reports to the Board. The Board supervises and monitors the performance of our Company's management team generally through the regular reports made to the Board, regular meetings of the Board and ad hoc meetings of the Board to consider, deliberate and approve material matters which exceed the delegated authorities of management team, as well as the regular updates of operational and financial data and information that are provided to our Directors;
- the Board comprises seven Directors, and three of them are independent non-executive Directors who represent more than one-third of the members of the Board, which is also in line with the requirement of the Listing Rules. The three independent non-executive Directors have extensive experience in different areas and their appointment ensures that the decisions of the Board are made only after due consideration of independent and impartial opinions, with a view to promote the interests of our Company and our Shareholders as a whole;
- in the event that any Director has a potential conflict of interest arising out of any transaction to be entered into by our Group, such Director shall declare the nature of his/her interest to the Board at the earliest convenience, and shall abstain from voting on the relevant resolution. In addition, such Director shall not be counted towards the quorum for the relevant Board meeting.
- the Board acts collectively by majority decisions in accordance with the Articles of Association and applicable laws, and no single Director will have any decision-making power unless authorised by the Board;
- in order to allow the non-conflicting members of the Board to function properly with the necessary professional advice, our Company will engage third party professional advisers to advise the Board when necessary, depending on the nature and significance of the proposed transactions;
- connected transactions between our Group and our Controlling Shareholders or their associates are subject to the requirements under the Listing Rules, including the requirements of reporting, announcement, circular and independent Shareholders' approval (where applicable); and
- as discussed above, Mr. XING's directorship in Yuhangren High-Tech is non-executive in nature and will not affect his ability to devote sufficient time and effort to the management of our Group.

Based on the above, our Directors believe that our management can operate our business independently from our Controlling Shareholder and/or its close associates.

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

Operational Independence

We have full rights to make business decisions and to carry out our business independently from our Controlling Shareholders and their respective close associates. On the basis of the following reasons, our Directors consider that our Company will continue to be operationally independent from our Controlling Shareholders and their respective close associates after the [REDACTED]:

- saved as disclosed in “Connected Transactions – Fully exempt continuing connected transaction – 1. Intellectual property licence agreement”, we hold all relevant intellectual properties material to the operation of our business and we do not rely on intellectual properties owned by our Controlling Shareholders and/or their close associates to operate our business independently;
- save for the Health Supplement Licences, we are the holder of all relevant licences material to the operation of our business and has sufficient capital, equipment and employees to operate our business independently;
- we do not share our operational resources, such as marketing, sale and general administration resources with our Controlling Shareholders and/or their close associates;
- we have independent access to our customers;
- we have our own administrative and corporate governance infrastructure, including our own administration and finance, and legal departments;
- other than the Remaining Yuhangren Group which was one of our five largest customers in FY2022 and FY2023, our five largest customers and five largest suppliers in each year during the Track Record Period are Independent Third Parties; and
- none of our Controlling Shareholders or their respective close associates have any interests in any business which materially competes or is likely to materially compete with the business of our Group.

While our Group will continue to operate independently from the Controlling Shareholders and their close associates, there will be certain transactions between our Group and the Controlling Shareholders which will continue following the [REDACTED] and will constitute continuing connected transactions of our Company. For details of our continuing connected transactions with the Remaining Yuhangren Group, see “Connected transactions” in this document. In particular, we [have entered] into a framework cooperation agreement with Yuhagnren High-Tech to formalise the Entrusted Production Arrangement and Exclusive Sales Arrangement (the “**Entrustment Framework Agreement**”).

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

While the implementation of the Entrusted Production Arrangement and Exclusive Sales Arrangement is considered to be necessary for the continuation of the Core Business, our Directors consider that the following provisions of the Entrustment Framework Agreement would mitigate our risk of reliance on the Remaining Yuhangren Group in relation to our production and sales of the Entrusted Health Supplements:

- *Maintenance of the Health Supplement Licences:* Yuhangren High-Tech undertakes to retain ownership and to take all necessary actions as may be required under the relevant PRC laws and regulations to maintain the Health Supplement Licences during the subsistence of the Entrust Framework Agreement. This would ensure the sustainability of the Entrusted Production Arrangement and the Exclusive Sales Arrangement;
- *Indefinite term of the Entrustment Framework Agreement:* the Entrustment Framework Agreement will remain valid for an indefinite period unless (i) the Health Supplement Licences are transferred to our Group or our Group obtains equivalent licences for the Entrusted Health Supplements; (ii) terminated by our Group; or (iii) terminated with mutual consent of the parties. For the avoidance of doubt, Yuhangren High-Tech has no right to unilaterally terminate the Entrustment Framework Agreement. Accordingly, our Group has secured long term interests in relation to the Entrusted Production Arrangement and Exclusive Sales Arrangement, which is beneficial to our sustained operations going forward;
- *Exclusivity:* we are entrusted by Yuhangren High-Tech on an exclusive basis to produce the Entrusted Health Supplements. Yuhangren High-Tech has also undertaken (i) to only sell the Entrusted Health Supplements only to our Group or customers under direct selling, and (ii) not to engage in the production or commission other parties to produce any health supplements without the consent of our Group; and
- *Priority of our Group:* the production volume of the Entrusted Health Supplements shall take into account our business needs and market demand, including orders from Independent Customers. In addition, Yuhangren High-Tech has undertaken to prioritise our demand for the Entrusted Health Supplements, and will only sell the Entrusted Health Supplements under direct selling after satisfaction of our needs.

Our Directors consider that the above arrangements, taken as a whole, ensure that we have sufficient control over the production and sales of Entrusted Health Supplements, thus mitigating the risk of reliance over the Remaining Yuhangren Group in such regard.

Financial Independence

As at 30 April 2024, our bank facility of approximately RMB80.0 million was secured by guarantees provided by Mr. XING and his spouse, Tianqu Bioengineering and Yuhangren High-Tech, of which approximately RMB52.0 million had been utilised. Our Directors confirmed that these guarantees will be released prior to the [REDACTED].

As at 30 April 2024, we had certain amounts due to and from related parties. Such balance will also be settled before the [REDACTED].

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

Our Group has established our own administration and finance department with a team of independent financial staff responsible for discharging treasury, accounting, reporting, group credit and internal control functions independent from the Controlling Shareholders and their close associates, as well as a sound and independent financial system, and makes independent financial decisions according to our own business needs. Our Group maintains bank accounts independently and does not share any bank account with the Controlling Shareholders and their close associates. Our Group makes tax registration and pays tax independently with our own funds. As such, our Group's financial functions, such as cash and accounting management, invoices and bills, operate independently of our Controlling Shareholders and their close associates. Our Directors also believe that we are able to obtain financing independently from our Controlling Shareholders and their close associates.