OVERVIEW

Prior to the **[REDACTED]**, our Group has entered into certain transactions with our connected person in the ordinary and usual course of business. Upon the **[REDACTED]**, the transaction as presented in this section will constitute a partially exempt continuing connected transaction of our Group under Chapter 14A of the Listing Rules.

OUR CONNECTED PERSON

As of the Latest Practicable Date, Shenzhen Xingkuo Biotechnology Co., Ltd (深圳星闊生物科技有限公司) ("**Shenzhen Xingkuo**") was a non-wholly-owned subsidiary of the Company, in which the Company held 51.00% of the equity interest, and 44.00% of the equity interest was directly held by Mr. Yin, our executive Director and one of our Controlling Shareholders. As such, Shenzhen Xingkuo is a connected subsidiary of the Company and therefore our connected person under Rule 14A of the Listing Rules. Shenzhen Xingkuo is primarily engaged in the operation and management of household and personal care brands.

SUMMARY OF OUR CONTINUING CONNECTED TRANSACTION

Transaction	Applicable Listing Rules	Waiver Sought	Proposed annual cap for the year ending December 31, 2026	2027	2028
			(RMB in thousands)		
Partially Exempt Continuing Connected Transaction					
Subject to the reporting, annual review, announcement but exempt from the circular and independent Shareholders' approval requirements					
Loan Agreement	14A.35, 14A.49, 14A.71, 14A.76(2) and14A.105	Announcement requirement	30,000(1) 900(2)	30,000(1) 900(2)	30,000(1) 900(2)

Notes:

(1) Refers to the proposed annual caps of the maximum outstanding balance of loans to Shenzhen Xingkuo at any time.

(2) Refers to the proposed annual caps of the interest income we may derive from the loans to Shenzhen Xingkuo.

PARTIALLY EXEMPT CONTINUING CONNECTED TRANSACTION

Loan Agreement

Principal Terms

On [●], the Company entered into a maximum amount loan agreement with Shenzhen Xingkuo (the "**Loan Agreement**"). Pursuant to the Loan Agreement, the Company agrees to provide Shenzhen Xingkuo with loans of an aggregate maximum principal amount of RMB30.0 million. The term of the Loan Agreement will [commence on the **[REDACTED]** until December 31, 2028] and may be renewed subject to the relevant requirements under the relevant laws, regulations and the Listing Rules. Under the Loan Agreement, the Company and Shenzhen Xingkuo may separately enter into agreements to set out specific terms and conditions from time to time. The loan term for each drawdown by Shenzhen Xingkuo shall not exceed two years, commencing from the date on which the loan is actually released by the Company.

Reasons for the Transaction

Shenzhen Xingkuo is a subsidiary managed and controlled by the Group. The provision of financial assistance by the Company under the Loan Agreement is determined based on the needs of stable working capital for the operation and development of Shenzhen Xingkuo. The loans are expected to be used in its business operations, such as personnel costs, facility maintenance and ongoing R&D activities. We consider that the provision of loans to Shenzhen Xingkuo is in the best interests of the Company and its Shareholders as a whole, given that the Group will benefit from the business development of Shenzhen Xingkuo.

Pricing Policy

The annual interest rate for the loans under the Loan Agreement is 3%, which is determined with reference to the interest rate published by the PBOC for a similar type of loan.

Historical Amounts

For the years ended December 31, 2023, 2024 and 2025, the maximum daily outstanding amount of the loans that the Company provided to Shenzhen Xingkuo was nil, nil and RMB9.0 million, respectively, and the interest income generated under the Loan Agreement was nil, nil and RMB53,178, respectively.

For the years ending December 31, 2026, 2027 and 2028, the maximum outstanding balances of the loans that the Company may provide to Shenzhen Xingkuo under the Loan Agreement at any time are expected to be RMB30.0 million, RMB30.0 million and RMB30.0 million, respectively, and the corresponding maximum amounts of the interest income that the Company expects to derive from the loans to Shenzhen Xingkuo are RMB0.9 million, RMB0.9 million and RMB0.9 million, respectively. In determining the annual cap, our Directors have taken into account, among other things: (i) the historical loan amounts between the Company and Shenzhen Xingkuo; and (ii) the anticipated funding needs for Shenzhen Xingkuo's daily business operations, such as personnel costs, facility maintenance and ongoing R&D activities.

Listing Rules Implications

As one or more of the applicable percentage ratios in respect of the transaction under the Loan Agreement are expected to be more than 0.1% but all of them are less than 5% on an annual basis, such transaction will, upon the **[REDACTED]**, be subject to the reporting, annual review and announcement but exempt from the circular and the independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

INTERNAL CONTROL MEASURES FOR CONTINUING CONNECTED TRANSACTIONS

We have established the following internal control measures to closely monitor connected transactions and ensure that our existing and future connected transactions are on normal commercial terms that are no less favorable to our Group than terms available to or offered by independent third parties:

(i) We have adopted and implemented a management system for connected transactions. Under such system, the Audit Committee is responsible for overseeing compliance with relevant laws, regulations, our Group's internal policies, and the Listing Rules in respect of the connected transactions. In addition, the Audit Committee, the Board, and the internal departments of our Group (including but not limited to the internal audit department and procurement department) are jointly responsible for evaluating the terms under the framework agreements for continuing connected transactions;

(ii) With respect to the fairness of the pricing policies and annual caps under the framework agreements with connected persons, our management team will regularly review them through the following procedures: (i) if a comparable market price is available, we will compare the proposed product price or service fee with the market price to ensure that the proposed product price or service fee will be no less favorable to us than the market price; and (ii) if no comparable market price is available, our procurement or sales department will conduct arm's length negotiation with the relevant connected persons to determine the terms in line with the relevant pricing policies based on a number of factors including prices offered by independent third parties, competition landscape, production costs and expenses, transaction volumes and etc.;

(iii) After arm's length negotiation with the relevant connected person and several rounds of internal assessment conducted on individual transactions based on the above factors by our Company's internal departments such as business department and treasury department, a final report will be made to our senior management who will approve individual transactions;

(iv) Our internal audit department will regularly collect and monitor the transaction amount of continuing connected transactions to ensure timely assessment of whether the annual caps are exceeded or about to be exceeded; and

(v) Our independent non-executive Directors will also conduct an annual review on the continuing connected transactions to ensure that such transactions have been entered into on normal commercial terms, are fair and reasonable, and are conducted according to the terms of the relevant framework agreements. The auditor of our Company will also conduct an annual review on the pricing and annual caps of the continuing connected transactions.

CONFIRMATION OF OUR DIRECTORS

The Directors (including the independent non-executive Directors) are of the view that (i) the partially exempt continuing connected transaction as set out above has been entered into in the ordinary and usual course of business of the Group and on normal commercial terms or better, and is fair and reasonable and in the interests of the Group and its Shareholders as a whole; and (ii) the proposed annual cap for the transaction is fair and reasonable and in the interests of the Group and its Shareholders as a whole.

CONFIRMATION OF THE SOLE SPONSOR

The Sole Sponsor is of the view that (i) the partially exempt continuing connected transaction as set out above has been entered into in the ordinary and usual course of business of the Group, on normal commercial terms or better, is fair and reasonable and in the interests of the Group and its Shareholders as a whole; and (ii) the proposed annual cap for the partially exempt continuing connected transaction is fair and reasonable, and in the interests of the Group and its Shareholders as a whole.

WAIVER FROM STRICT COMPLIANCE WITH THE LISTING RULES

The transaction described under the paragraph headed "Partially Exempt Continuing Connected Transaction" in this section will constitute our continuing connected transaction under the Listing Rules upon the **[REDACTED]**, which will be subject to the reporting, annual review, announcement and independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

Pursuant to Rule 14A.105 of the Listing Rules, we have applied for, and the Stock Exchange [has granted], waiver from strict compliance with the announcement and independent Shareholders' approval requirements under Chapter 14A of the Listing Rules in respect of the continuing connected transaction described under the paragraph headed "Partially Exempt Continuing Connected Transaction" in this section, subject to the conditions that (i) the continuing connected transaction will be carried out in compliance with the requirements of the Listing Rules and that the Company shall comply with the relevant requirements for continuing connected transaction in accordance with Chapter 14A of the Listing Rules; and (ii) the amounts of the continuing connected transaction for the corresponding financial year will not exceed the relevant amounts set forth in the annual cap as stated above.

If any terms of the transaction contemplated under the agreement mentioned above are altered or if our Group enters into any new agreements with any connected person in the future, we will fully comply with the relevant requirements under Chapter 14A of the Listing Rules unless we apply for and obtain a separate waiver from the Stock Exchange.

In the event of any future amendments to the Listing Rules imposing more stringent requirements than those applicable as of the Latest Practicable Date on the continuing connected transaction referred to in this section, we will take immediate actions to ensure compliance with such new requirements within a reasonable time.