OVERVIEW

Upon [**REDACTED**], transactions between members of our Group and our connected persons will constitute continuing connected transactions of our Company under Chapter 14A of the Listing Rules.

CONNECTED PERSONS

We have entered into certain transactions with the following connected persons, which will constitute our continuing connected transactions upon [**REDACTED**]:

Name of Connected Persons	Connected Relationship
Shanghai JAK Technology Co., Ltd. (上海伽科高科技有限公司) ("**Shanghai JAK Technology**")	Shanghai JAK Technology is a subsidiary of Shanghai Jiaxin, a company owned as to approximately 33.73%, 21.98%, 22.14%, 22.14% and by Mr. Zheng Chunying, Mr. Zheng Chunbin, Mr. Zheng Chunwei and Ms. Zheng Xiaodan, our Controlling Shareholders
Shanghai Chengfeng Enterprise Development Co., Ltd. (上海誠峰企業發展有限公司) ("**Shanghai Chengfeng**")	Shanghai Chengfeng is owned as to 51% by Mr. Zheng Shuai (鄭帥), son of Mr. Zheng Chunbin, one of the executive Directors and Controlling Shareholders

CONNECTED TRANSACTIONS

Nature of transactions	Applicable Listing Rules	Waiver sought	Historical Amount	Proposed annual caps for the year ending December 31
			(RMB in millions)	*(RMB in millions)*
Non-exempt Continuing Connected Transactions				
Services Procurement Framework Agreement	14A.34, 14A.35, 14A.49, 14A.71 and 14A.105	Announcement requirement	For the year ended December 31, 2023: 18.9 2024: 16.0 2025: 19.0	2026: 24.0 2027: 28.0 2028: 32.0
Materials and Services Procurement Framework Agreement	14A.34, 14A.35, 14A.49, 14A.71 and 14A.105	Announcement requirement	For the year ended December 31, 2023: 34.9 2024: 47.2 2025: 66.3	2026: 80.0 2027: 100.0 2028: 120.0

NON-EXEMPT CONTINUING CONNECTED TRANSACTIONS

1. Services Procurement Framework Agreement

Parties

(1) Shanghai JAK Technology; and

(2) Our Group

Principal terms

On [●], we entered into a framework agreement with Shanghai JAK Technology (the "**Services Procurement Framework Agreement**"), pursuant to which we agreed to purchase supporting service including product testing service and raw material testing service (the "**Service**") from Shanghai JAK Technology. The initial term of the Services Procurement Framework Agreement shall commence on the [**REDACTED**] until December 31, 2028. Relevant subsidiaries of our Group and Shanghai JAK Technology will enter into separate underlying agreements which will set out the specific terms and conditions according to the principals provided in the Services Procurement Framework Agreement.

Reasons for the transaction

Shanghai JAK Technology primarily engaged in providing testing service to companies in the cosmetics industry. Our Group has been purchasing such Service from Shanghai JAK Technology during the Track Record Period to satisfy our business needs in the ordinary and usual course of business and has established a long-term and stable business relationship with Shanghai JAK Technology. Shanghai JAK Technology has also acquired a comprehensive understanding of our business and operational requirements. Taking into consideration the reliable quality of Service Shanghai JAK Technology provided, we believe it is in the best interest of the Group and our shareholders to procure such Service from Shanghai JAK Technology.

Pricing Policies

The fees for the Service shall be determined through arm's length negotiations based on comparable market rates. The Group will obtain fee quotes from Independent Third Parties for services of similar quality at least on an annual basis. The pricing terms under the Services Procurement Framework Agreement will be no less favorable to the Company than terms offered by Independent Third Parties and the Service fees are in line with or lower than market rates and in the best interests of our Company and our Shareholders as a whole.

Historical amounts

The total procurement amounts for the Services purchased by us from Shanghai JAK Technology for each of the years ended December 31, 2023, 2024 and 2025, were approximately RMB18.9 million, RMB16.0 million and RMB19.0 million, respectively.

Annual caps

The total procurement amounts payable to Shanghai JAK Technology for the three years ending December 31, 2028 shall not exceed the proposed annual caps as set out in the table below:

	Proposed annual caps for the year ending December 31		
		(RMB in millions)	
	2026	**2027**	**2028**
Procurement amount to be paid by our Group to Shanghai JAK Technology	24.0	28.0	32.0

Basis of caps

The above proposed annual caps are determined with reference to the following factors:

(i) the historical transaction amounts;

(ii) the transaction amount in respect of our procurement of Services from JAK Technology for the year ended December 31, 2025 amounted to RMB19.0 million; and

(iii) the estimated demand for such Services for the three years ending December 31, 2028 to support the expected growth in our operational scale and continual development of our business.

2. Materials and Services Procurement Framework Agreement

Parties

(1) Shanghai Chengfeng; and

(2) Our Group

Principal terms

On [●], we entered into a framework agreement with Shanghai Chengfeng (the "**Materials and Services Procurement Framework Agreement**"), pursuant to which we agreed to purchase packaging and ancillary materials as well as printing materials and services (the "**Materials and Services**") from Shanghai Chengfeng. The initial term of the Materials and Services Procurement Framework Agreement shall commence on the [**REDACTED**] until December 31, 2028. Relevant subsidiaries of our Group and Shanghai Chengfeng will enter into separate underlying agreements which will set out the specific terms and conditions according to the principals provided in the Materials and Services Procurement Framework Agreement.

Reasons for the transaction

Shanghai Chengfeng primarily engaged in production of cosmetic packaging and high-end gift design and packaging. During the Track Record Period, we have been purchasing Materials and Services from Shanghai Chengfeng to satisfy our business needs in our ordinary and usual course of business. Owing to the supplier relationship, Shanghai Chengfeng has acquired a comprehensive understanding of our business and operational requirements and has established a foundation for mutual trust with us. Taking into account our previous procurement experience with Shanghai Chengfeng, we believe that Shanghai Chengfeng is capable of fulfilling our demands efficiently and reliably with a stable supply of the Materials and Services.

Pricing policies

The fees for the Materials and Services shall be determined through arm's length negotiations taking into consideration the prevailing market price of the Materials and Services of similar specification and quality. The Group will obtain fee quotes from Independent Third Parties for materials and services of similar type and quality at least on an annual basis. The pricing terms under the Materials and Services Procurement Framework Agreement will be no less favorable to the Company than terms offered by Independent Third Parties and the Materials and Services fees are in line with or lower than market rates and in the best interests of our Company and our Shareholders as a whole.

Historical amounts

The total procurement amount for the Materials and Services purchased by us from Shanghai Chengfeng for each of the years ended December 31, 2023, 2024 and 2025, were approximately RMB34.9 million, RMB47.2 million and RMB66.3 million, respectively.

Annual caps

The total procurement amounts payable to Shanghai Chengfeng for the three years ending December 31, 2028 shall not exceed the proposed annual caps as set out in the table below:

	Proposed annual caps for the year ending December 31		
		(RMB in millions)	
	2026	**2027**	**2028**
Procurement amount to be paid by our Group to Shanghai Chengfeng	80.0	100.0	120.0

Basis of caps

The above proposed annual caps are determined with reference to the following factors:

(i) the historical transaction amounts;

(ii) the transaction amount in respect of our procurement of Materials and Services from Shanghai Chengfeng for the year ended December 31, 2025 amounted to RMB66.3 million; and

(iii) the estimated demand for such Materials and Services for the three years ending December 31, 2028 to support the expected growth in our operational scale and continual development of our business.

LISTING RULES IMPLICATIONS

In respect of the Services Procurement Framework Agreement and Materials and Services Procurement Framework Agreement, as the highest applicable percentage ratio calculated for the purpose of Chapter 14A of the Listing Rules is expected to be more than 0.1% but less than 5% on an annual basis, the transactions contemplated thereunder will, upon [**REDACTED**], be subject to the reporting, announcement and annual review requirements but will be exempt from the independent Shareholders' approval requirement under Chapter 14A of the Listing Rules.

INTERNAL CONTROL MEASURES

Our Group has an independent internal control, accounting and financial management system as well as an independent finance department which makes financial decisions according to our Group's own business needs. See "Relationship with Controlling Shareholders" for further details of the independence of our Group.

In order to ensure that the terms under relevant framework agreements for the continuing connected transactions are fair and reasonable, or no less favorable than terms available to or from Independent Third Parties, and are carried out under normal commercial terms, our procurement team will be responsible for maintaining and reviewing our list of designated suppliers on an annual basis. Additionally, we will adopt the following internal control procedures:

- our various internal departments will be responsible for the control and daily management in respect of the continuing connected transactions;

- our various internal departments will be jointly responsible for evaluating the terms under the framework agreement for the continuing connected transactions, in particular, the fairness of the pricing policies and annual caps under each transaction;

- our various internal departments will regularly monitor the fulfilment status of the annual caps and the transaction updates under the framework agreements; and

- our independent non-executive Directors and auditors will conduct annual review of the continuing connected transactions under the framework agreements and provide annual confirmation to ensure that, in accordance with the Listing Rules, the transactions are conducted in accordance with the terms of the framework agreements, on normal commercial terms and in accordance with the relevant pricing policies.

CONFIRMATION BY DIRECTORS

The Directors (including independent non-executive Directors) are of the view that the above non-exempt continuing connected transactions have been and will be entered into in the ordinary and usual course of business of the Group and on normal commercial terms or better that are fair and reasonable and in the interests of the Company and our Shareholders as a whole; and the proposed annual caps for such non-exempt continuing connected transactions are fair and reasonable and in the interests of the Company and our Shareholders as a whole.

CONFIRMATION BY THE JOINT SPONSORS

The Joint Sponsors are of the view that the above non-exempt continuing connected transactions have been and will be entered into in the ordinary and usual course of business of the Group on normal commercial terms or better which are fair and reasonable and in the interests of the Company and its Shareholders as a whole; and the proposed annual caps in respect of such non-exempt continuing connected transactions are fair and reasonable and in the interests of the Company and its Shareholders as a whole.

WAIVERS [GRANTED] BY THE STOCK EXCHANGE

As the above non-exempt continuing connected transactions are expected to be carried out on a recurring basis, our Directors consider that strict compliance with the aforesaid announcement requirement will be impractical, and such requirement will lead to unnecessary administrative costs and create an onerous burden on the Group. Accordingly, we have applied to the Stock Exchange for, and the Stock Exchange [has] granted us, waivers pursuant to Rule 14A.105 of the Listing Rules from strict compliance with the announcement requirement under Rule 14A.35 of the Listing Rules in respect of the transactions under the Services Procurement Framework Agreement and Materials and Services Procurement Framework Agreement, provided that the total amount of transactions under the each of the Services Procurement Framework Agreement and Materials and Services Procurement Framework Agreement for the three years ending December 31, 2028 shall not exceed the proposed caps as set out in this section.

The independent non-executive Directors and auditors of our Company will review whether the actual transactions under the Services Procurement Framework Agreement and Materials and Services Procurement Framework Agreement have been entered into pursuant to the principal terms and pricing policies under the Services Procurement Framework Agreement and Materials and Services Procurement Framework Agreement. The confirmation from our independent non-executive Directors and our auditors will be disclosed annually according to the requirements of the Listing Rules.