

CONNECTED TRANSACTIONS

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

SUMMARY OF OUR CONNECTED PERSONS

The table below sets forth parties who will become our connected persons and have entered into transactions with us which will constitute connected transaction or continuing connected transactions of our Company upon [REDACTED] and the nature of their relationship with our Group.

<u>Name</u>	<u>Connected Relationship</u>
Zhejiang Huayuan Pigment Sales Co., Ltd. (浙江華源顏料銷售有限公司) (“ Zhejiang Huayuan ”) . . .	Zhejiang Huayuan is wholly owned by Zhejiang Huayuan Applied New Materials Co., Ltd. (浙江華源應用新材料股份有限公司), which is controlled as to 56.48% by Shenghua Holdings. Shenghua Holdings is controlled as to 69.54% by Huisheng Investment and in turn controlled as to 51% by Mr. Xia, our Controlling Shareholder. Therefore, Zhejiang Huayuan is an associate of Mr. Xia and thus a connected person of our Company under Rule 14A.07 of the Listing Rules.
Deqing Aohua Energy Co., Ltd. (德清奧華能源有限公司) (“ Deqing Aohua Energy ”)	Deqing Aohua Energy is wholly owned by Shenghua Group Deqing Aohua Advertising Co., Ltd. (升華集團德清奧華廣告有限公司) (“ Deqing Aohua Advertising ”), which is wholly owned by Shenghua Holdings. Therefore, Deqing Aohua Energy is an associate of Mr. Xia and thus a connected person of our Company under Rule 14A.07 of the Listing Rules.
Deqing Jinda Energy Co., Ltd. (德清金達能源有限公司) (“ Deqing Jinda ”)	Deqing Jinda is wholly owned by Deqing Aohua Advertising. Therefore, Deqing Jinda is an associate of Mr. Xia and thus a connected person of our Company under Rule 14A.07 of the Listing Rules.
Deqing Xiazhu Lake Hotel Co., Ltd. (德清下渚湖酒店有限公司) (formerly known as Deqing Xiazhu Lake Resort Co., Ltd. (德清下渚湖度假村有限公司)) (“ Deqing Xiazhu ”)	Deqing Xiazhu is wholly owned by Shenghua Group, which is controlled as to 95.60% by Ms. Xia, our Controlling Shareholder. Therefore, Deqing Xiazhu is an associate of Ms. Xia and thus a connected person of our Company under Rule 14A.07 of the Listing Rules.

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Name	Connected Relationship
Deqing Aohua Advertising . .	Deqing Aohua Advertising is wholly owned by Shenghua Holdings. Therefore, Deqing Aohua Advertising is an associate of Mr. Xia and thus a connected person of our Company under Rule 14A.07 of the Listing Rules.
Shenghua Property Group Co., Ltd. (升華地產集團有限公司) (“ Shenghua Property ”)	Shenghua Property is wholly owned by Shenghua Holdings. Therefore, Shenghua Property is an associate of Mr. Xia and thus a connected person of our Company under Rule 14A.07 of the Listing Rules.
Zhejiang Shenghua Puli Commercial Operation and Management Co., Ltd. (浙江升華普利商業經營管理有限責任公司) (“ Shenghua Puli ”)	Shenghua Puli is wholly owned by Shenghua Holdings. Therefore, Shenghua Puli is an associate of Mr. Xia and thus a connected person of our Company under Rule 14A.07 of the Listing Rules.

SUMMARY OF OUR CONNECTED TRANSACTIONS

No.	Nature of Transactions	Connected Party(ies)	Listing Rules	Waiver Sought
One-Off Connected Transaction				
1. . .	Property Leasing Agreements	Shenghua Property; Shenghua Puli	14A.34	N/A
Fully-Exempt Continuing Connected Transactions				
2. . .	Raw Materials Procurement Agreement	Zhejiang Huayuan; Deqing Jinda	14A.76(1)	N/A
3. . .	Services Procurement Agreement	Deqing Xiazuhuh	14A.76(1)	N/A
Partially-Exempt Continuing Connected Transactions				
4. . .	Comprehensive Procurement Agreement	Deqing Aohua Energy; Deqing Aohua Advertising	14A.76(2), 14A.105	Announcement

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One-Off Connected Transaction

1. *Property Leasing Agreement*

The Company, for itself and on behalf of its subsidiaries, has entered into property leasing agreements with Shenghua Property and Shenghua Puli on [●], pursuant to which Shenghua Property agreed to lease certain office areas to the Group for office use and for a company-operated store (the “**Property Leasing Agreements**”). The Property Leasing Agreements were entered into on arm’s length basis and on normal commercial terms with reference to the prevailing market rates for similar properties in surrounding areas and the leased acreage for the property leased.

As right-of-use assets will be recorded on our consolidated statements of financial position in accordance with HKFRS 16 “Leases” in connection with the Property Leasing Agreement, the transactions under the Property Leasing Agreements are regarded as one-off acquisitions of capital asset under the Listing Rules. As the Property Leasing Agreements were entered into prior to the [REDACTED] and are one-off in nature, the payment of the rental contemplated thereunder will not be classified as a connected transaction or continuing connected transaction under Chapter 14A of the Listing Rules. Accordingly, the transactions (in relation to the rental) under the Property Leasing Agreements will not be subject to any of the reporting, announcement, annual review and independent shareholders’ approval requirements under Chapter 14A of the Listing Rules. In the event that there are any material changes to the terms and conditions the Property Leasing Agreements, the Group shall comply with Chapter 14A of the Listing Rules in respect of such agreements as and when appropriate, including, where required, seeking independent shareholders’ approval prior to effectuating such changes.

Fully-Exempt Continuing Connected Transactions

2. *Raw Materials Procurement Agreement*

The Company, for itself and on behalf of its subsidiaries, has entered into a raw materials procurement framework agreement with Zhejiang Huayuan and Deqing Jinda on [●] (the “**Raw Materials Procurement Agreement**”), pursuant to which the Group agreed to procure raw materials including iron oxide pigment and chemical raw materials from Zhejiang Huayuan and Deqing Jinda as the Group may require from time to time. The initial term of the Raw Materials Procurement Agreement commenced on [●] and will end on December 31, 2028 (both days inclusive), subject to renewal upon the mutual consent of both parties and compliance with the requirements of the Listing Rules and applicable laws and regulations.

As all of the applicable percentage ratios calculated for the purpose of Chapter 14A of the Listing Rules in respect of the aforementioned transactions, which are conducted on normal commercial terms or better, will be less than 0.1% on an annual basis, it will fall within the de minimis threshold under Rule 14A.76(1) of the Listing Rules and will be exempt from the reporting, annual review, announcement and independent Shareholders’ approval requirements under Chapter 14A of the Listing Rules.

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3. *Services Procurement Agreement*

The Company, for itself and on behalf of its subsidiaries, has entered into a services procurement framework agreement with Deqing Xiazhuhu on [●] (the “**Services Procurement Agreement**”), pursuant to which the Group agreed to procure accommodation, catering, and conference services from Deqing Xiazhuhu as the Group may require from time to time. The initial term of the Services Procurement Agreement commenced on [●] and will end on December 31, 2028 (both days inclusive), subject to renewal upon the mutual consent of both parties and compliance with the requirements of the Listing Rules and applicable laws and regulations.

As all of the applicable percentage ratios calculated for the purpose of Chapter 14A of the Listing Rules in respect of the aforementioned transactions, which is conducted on normal commercial terms or better, will be less than 0.1% on an annual basis, it will fall within the de minimis threshold under Rule 14A.76(1) of the Listing Rules and will be exempt from the reporting, annual review, announcement and independent Shareholders’ approval requirements under Chapter 14A of the Listing Rules.

Partially-Exempt Continuing Connected Transactions

4. *Comprehensive Procurement Agreement*

The Company, for itself and on behalf of its subsidiaries, has entered into a comprehensive procurement framework agreement with Deqing Aohua Energy and Deqing Aohua Advertising (together, “**Deqing Aohua**”) on [●] (the “**Comprehensive Procurement Agreement**”), pursuant to which the Group agreed to procure labor protection supplies, packaging materials, marketing and promotional materials, as well as advertising design and production services, marketing services, and other products and services from Deqing Aohua (the “**Products and Services**”) as the Group may require from time to time.

The initial term of the Comprehensive Procurement Agreement commenced on [●] and will end on December 31, 2028 (both days inclusive), subject to renewal upon the mutual consent of both parties and compliance with the requirements of the Listing Rules and applicable laws and regulations.

Reasons for the transaction

Deqing Aohua are familiar with the Group’s business needs, quality standards and operational requirements in respect of the Products and Services. Considering Deqing Aohua’s advantages in advertising, its geographical proximity and good reputation, and our good coordination, the Directors believe that it will facilitate the Group’s business operations to procure the Products and Services.

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Consideration and pricing policies

The prices to be paid by the Group for the procurement of the Products and Services pursuant to the Comprehensive Procurement Agreement shall be determined by commercial negotiation between the parties according to the principles of fairness and reasonableness, taking into account various factors including but not limited to the type of products and services, the costs of the products and services, transaction volume, public tendering and bidding, directed inquiry and price comparison, as well as the prices for the products and services of similar nature, type and quality provided by other Independent Third Parties in the market at relevant time and/or the quotations provided at the time of tendering or price inquiries.

Historical amounts

For the years ended December 31, 2023, 2024 and the nine months ended September 30, 2025, the historical transaction amounts of the Group with respect to the purchase of goods and receiving other services were nil, nil and RMB20.6 million, respectively.

Annual caps

The following table sets forth the proposed annual caps for the transaction amounts to be paid by the Group to Deqing Aohua under the Comprehensive Procurement Agreement:

	For the years ended December 31,		
	2026	2027	2028
	<i>(RMB in million)</i>		
Total prices to be paid by the Group to Deqing Aohua	14.6	14.6	14.6

The proposed annual caps are determined based on:

- (i) the historical amounts of the transactions between the Group and Deqing Aohua during the Track Record Period in respect of the procurement of the Products and Services;
- (ii) the existing contract value and the projected level of procurement of the Products and Services to meet the Group’s needs of future business development; and
- (iii) other factors including but not limited to the expected market price of similar products and services on normal commercial terms and its future fluctuations, taking into account the costs and expenses relating to labor and market trends.

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Listing Rules implications

As the highest applicable percentage ratio of the transactions under the Comprehensive Procurement Agreement for each of the three years ending December 31, 2028 calculated for the purpose of Chapter 14A of the Listing Rules is higher than 0.1% but below 5%, such transactions will, upon the [REDACTED], constitute continuing connected transactions of the Company subject to the annual reporting requirement under Rules 14A.49 and 14A.71 of the Listing Rules and the announcement requirement under Rule 14A.35 of the Listing Rules but exempt from the independent Shareholders' approval requirements under Rule 14A.36 of the Listing Rules.

MEASURES TO SAFEGUARD THE INTERESTS OF THE SHAREHOLDERS

The Group adopts the following internal control measures to ensure that the connected transactions will be carried out in accordance with the terms of the relevant agreements, including the pricing policies, and in compliance with all the applicable requirements under the Listing Rules:

- (i) we have adopted and implemented a management system on connected transactions. Under such system, the Audit Committee under the Board is responsible for the annual review on compliance with relevant laws, regulations, the Company's policies and the Listing Rules in respect of the continuing connected transactions, in particular, the fairness of the pricing policies and annual caps under each transaction. In addition, the Audit Committee under the Board, the Board and various internal departments of the Company are jointly responsible for evaluating the terms under framework agreements for the continuing connected transactions;
- (ii) the Audit Committee under the Board, the Board and various internal departments of the Company also regularly monitor the fulfillment status and the transaction updates under the framework agreements. In addition, the management of the Company also regularly reviews the pricing policies of the framework agreements;
- (iii) the independent non-executive Directors will conduct annual review of the continuing connected transactions conducted by the Group and provide annual confirmation in accordance with Rule 14A.55 of the Listing Rules;
- (iv) the auditors will conduct annual review of the continuing connected transactions conducted by the Group and provide annual confirmation in accordance with Rule 14A.56 of the Listing Rules; and
- (v) when considering the prices paid by us to the connected persons, the Company will continue to regularly research in prevailing market conditions and practices and make reference to the pricing and terms between the Company and Independent Third Parties for similar transactions, to ensure that the pricing and terms offered by

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the connected persons, either from bidding procedures or mutual commercial negotiations (as the case may be), are fair, reasonable and are no less favorable than those offered to Independent Third Parties.

WAIVER

In respect of the transactions as contemplated under the Comprehensive Procurement Agreement as described above, we have applied for, and the Stock Exchange [has granted] us, a waiver from strict compliance with the announcement requirements under the Listing Rules pursuant to Rule 14A.105 of the Listing Rules.

CONFIRMATION FROM THE DIRECTORS

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

CONFIRMATION FROM THE SOLE SPONSOR

The Sole Sponsor has (i) reviewed the relevant documents and information provided by the Company in relation to the above continuing connected transactions; (ii) obtained necessary representations and confirmations from the Company and the Directors, and (iii) made reasonable enquiries in relation to the above partially-exempt continuing connected transactions. Based on the above, the Sole Sponsor is of the view that the above partially-exempt continuing connected transactions of the Group, have been entered into in the ordinary and usual course of the business on normal commercial terms or better and are fair and reasonable and in the interests of the Company and the Shareholders as a whole, and that the proposed annual caps in respect of such partially-exempt continuing connected transactions are fair and reasonable and in the interests of the Company and Shareholders as a whole.