During the Track Record Period, we entered into certain property lease agreements (the "**Property Lease Agreements**") with Xianyang Huahan Optoelectronic Sealing Products Co., Ltd. (咸陽華漢光電密封製品有限公司) ("**Xianyang Huahan**"), a company controlled by Mr. QIN Weixing (our non-executive Director) and Mr. QIN Yansheng (the brother of Mr. QIN Weixing), who are members of our Single Largest Group of Shareholders. Pursuant to the Property Lease Agreements, we leased three premises with an aggregate floor area of approximately 3,559.2 sq.m. located at the Northern Section of Xili Road, High-Tech Zone, Xianyang City, Shaanxi Province, the PRC, for R&D, manufacturing and office use. Such Property Lease Agreements have terms of up to approximately five years, expiring between January and July 2029. The Property Lease Agreements were entered into (i) on arm's length basis, and (ii) on normal commercial terms with the fees being determined with reference to the prevailing market rates for similar properties in surrounding areas and the leased acreage for the properties leased.

The balance of the lease liabilities, being the present value of the lease payments recognized by our Group in relation to the Property Lease Agreements according to IFRS16 as of December 31, 2025 amounted to RMB3.6 million. For the years ended December 31, 2023, 2024 and 2025, the right-of-use assets in connection with the Property Lease Agreements were approximately RMB1.9 million, RMB4.2 million and RMB3.4 million, respectively.

We have leased the relevant premises from Xianyang Huahan during the Track Record Period. Over time, we have made certain leasehold improvements and facility configurations at such premises to facilitate our daily operations. While comparable alternative properties are readily available in the market and the transaction amounts under the Property Lease Agreements are immaterial, continuing our existing leases allows us to optimize our historical investments. Furthermore, renewing the leases with Xianyang Huahan is a commercially prudent decision that avoids unnecessary relocation expenses, time costs, and administrative efforts associated with identifying new premises and negotiating new leases with Independent Third Parties. Although we are fully capable of relocating to alternative premises without material adverse impact on our business, maintaining the current arrangements ensures seamless operational continuity.

Having considered the above factors, our Directors (including our independent non-executive Directors) are of the view that the transactions contemplated under the Property Lease Agreements have been entered into in the ordinary and usual course of business of our Group, are on normal commercial terms or better, and are fair and reasonable and in the interests of our Company and our Shareholders as a whole.

In accordance with IFRS 16, we have recognized right-of-use assets in respect of the Property Lease Agreements on our consolidated statement of financial position. Accordingly, the transactions constitute one-off acquisitions of capital assets, rather than continuing connected transactions under Chapter 14A of the Listing Rules, and are therefore exempt from the reporting, announcement, annual review, and independent shareholders' approval requirements.