OVERVIEW

We have entered into certain transactions with below party who is our connected person and the transactions will continue following the [**REDACTED**], thereby constituting continuing connected transaction of our Group under Chapter 14A of the Hong Kong Listing Rules:

Connected Person	Our Relationship with Such Connected Person
Hunan More Than Moore Advanced Semiconductor Co., Ltd. (湖南越摩先進半導體有限公司, "**MTM**")	Mr. Chen Xiaofei, our non-executive Director, was interested in a total of 51.83% voting rights of MTM[1]. As such, MTM is an associate of Mr. Chen Xiaofei and therefore our connected person under Rule 14A.12(1)(c) of the Hong Kong Listing Rules.

PARTIALLY EXEMPT CONTINUING CONNECTED TRANSACTION

MTM Chip Packaging and Testing Procurement Framework Agreement

On [●], our Company entered into a chip packaging and testing procurement framework agreement with MTM (the "**MTM Chip Packaging and Testing Procurement Framework Agreement**"), with a term commencing from the [**REDACTED**] to December 31, 2028 which may be renewed for a further term not exceeding three years from time to time, as the parties may mutually agree, subject to compliance with the requirements under Chapter 14A of the Listing Rules and all other applicable laws and regulations.

Principal Terms

The Group agrees to engage MTM to provide the chip packaging and testing services according to our specific product requirements, in the ordinary and usual course of business and on prices and terms no less favorable than those available from the Independent Third Parties.

Both parties will enter into specific procurement agreements, setting out the detailed terms and conditions based on the principles provided in the MTM Chip Packaging and Testing Procurement Framework Agreement.

Pricing Basis

Pursuant to the MTM Chip Packaging and Testing Procurement Framework Agreement, the prices for the chip packaging and testing services shall be determined after arm's length negotiations with reference to the historical and market transaction price, taking into account various factors including but not limited to the type of services (including the specification, model and quality of the chip packaging and testing services), transaction volume and the prices for the procurement of services of similar nature, type and quantity by our Group from Independent Third Parties in the market, as well as the actual cost incurred in the provision of the services. The terms are to be no less favorable to our Group compared to those transactions between our Group and Independent Third Parties, which are in the best interests of our Company and our Shareholders as a whole.

Note:

1. As of the Latest Practicable Date, MTM was held as to (i) 40.94% by Zhuzhou More Than Moore Venture Capital Partnership (Limited Partnership) (株洲超越摩爾創業投資合夥企業(有限合夥)), the general partner of which was Jinggangshan Xingcheng Investment Partnership (Limited Partnership) (井岡山興橙投資合夥企業(有限合夥)), with Mr. Chen Xiaofei serving as its executive partner; and (ii) 10.89% by Zhuzhou Ningcheng Venture Capital Partnership (Limited Partnership) (株洲甯橙創業投資合夥企業(有限合夥)), the general partner of which was Gongqingcheng Xingcheng Investment Partnership (Limited Partnership) (共青城興橙投資合夥企業(有限合夥)), with Mr. Chen Xiaofei serving as its executive partner. As such, Mr. Chen Xiaofei was interested in a total of 51.83% voting rights of MTM.

Reasons and Benefits for the Transactions

MTM is a specialized manufacturer with service capabilities for the design and manufacturing of advanced packaging products, focusing on high-performance and high-density chip packaging products. We outsource chip packaging and testing activities for mass production to third-party business partners. We procured the chip packaging and testing services from MTM mainly taking into account their on-time delivery, reliable production capacity, and high-quality services. In our ordinary and usual business, our Group has been procuring the chip packaging and testing services from MTM from time to time, which enables them to be familiar with our business needs, quality standards and operational requirements. Our Group has a long-term and stable business cooperation with MTM. Our Directors believe that maintaining a stable and quality business relationship with MTM will facilitate our business growth.

Historical Figures, Annual Caps and Basis

	Historical Amount			Annual Caps		
	For the year ended December 31,			For the year ending December 31,		
	2023	2024	2025	2026	2027	2028
	(in RMB thousand)					
Transaction Amount	1,436	18,191	6,643	20,000	20,000	20,000

In arriving at the above annual caps, the Directors have considered, among other things, the following factors: (i) historical transaction amounts between the Group and MTM during the Track Record Period in respect of our procurement of chip packaging and testing services; (ii) the expected amount of procurement of the chip packaging and testing services by our Group from MTM to meet the needs of our future business development; and (iii) the progress of the manufacturing plan of the clients of our Group.

Listing Rule Implications

As at the Latest Practicable Date, Mr. Chen Xiaofei, our non-executive Director, was interested in a total of 51.83% voting rights of MTM. As such, MTM is an associate of Mr. Chen Xiaofei and therefore our connected person under Rule 14A.12(1)(c) of the Hong Kong Listing Rules. As the highest applicable percentage ratios in respect of the proposed annual caps of the transactions contemplated under the MTM Chip Packaging and Testing Procurement Framework Agreement are expected to exceed 0.1% but will be lower than 5%, the MTM Chip Packaging and Testing Procurement Framework Agreement and transactions contemplated thereunder will be exempt from the independent shareholders' approval requirement pursuant to Rule 14A.76(2)(a) of the Listing Rules, but will be subject to reporting, annual review and announcement requirements under Chapter 14A of the Listing Rules.

MEASURES TO SAFEGUARD THE INTERESTS OF OUR SHAREHOLDERS

To safeguard the interests of the Company and Shareholders as a whole, including the minority Shareholders, the Company has put in place certain internal approval and monitoring procedures relating to the proposed connected transactions contemplated under the agreements mentioned above, which include the following:

- we have formulated internal guidelines including the Administrative Measures for Related Transactions in accordance with the applicable listing rules and regulations, which provide approval procedures for connected transactions based on their nature and transaction amounts;
- the Company shall conduct market analysis on specific animation production services and making pricing proposal to our senior management after considering

a number of factors as they consider necessary, including but not limited to service cost, profit margin and market pricing;

- the independent non-executive Directors and auditors will conduct annual review of the partially exempt continuing connected transactions mentioned above and provide annual confirmations in accordance with the Listing Rules that the partially exempt continuing connected transactions are conducted in accordance with terms of the relevant agreements, on normal commercial terms or better and in accordance with the pricing policy and do not exceed the proposed applicable annual caps;
- in respect of the connected transactions not governed by the existing framework agreements (if any), the relevant operating entities shall communicate with the headquarters in advance and provide necessary documents to facilitate related decision-making and disclosure process; and
- additional approvals are required for transactions exceeding the proposed annual caps (if applicable).

WAIVER APPLICATION FOR PARTIALLY EXEMPT CONTINUING CONNECTED TRANSACTION

As the continuing connected transaction is expected to continue on a recurring and continuing basis and has been fully disclosed in the document and will be disclosed in the annual reports of the Company on an on-going basis, the Company considers that strict compliance with the announcement requirement would be impractical, unduly burdensome and would impose unnecessary administrative cost upon the Company.

Accordingly, we have applied to the Stock Exchange for, and the Stock Exchange [has granted], a waiver to us under Rule 14A.105 of the Listing Rules from compliance with the announcement and/or independent shareholders' approval requirements in respect of the above continuing connected transaction.

CONFIRMATION FROM THE DIRECTORS

The Directors (including the independent non-executive Directors) are of the view that (i) the 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 Company and its Shareholders as a whole; and (ii) the proposed annual caps for the transaction are fair and reasonable and in the interests of the Company and its Shareholders as a whole.

CONFIRMATION FROM THE JOINT SPONSORS

Based on the documentation and data provided by the Company, the confirmations from the Company and the Directors and participation in the due diligence and discussion with the Company, the Joint Sponsors are of the view that the continuing connected transaction as set out above has been or will be entered into in the ordinary and usual course of business of the Company on normal commercial terms or better which are fair and reasonable, and in the interests of the Company and the Shareholders as a whole, and the proposed annual caps for the continuing connected transaction are fair and reasonable and in the interests of the Company and the Shareholders as a whole.