CONNECTED TRANSACTION

OVERVIEW

Upon [REDACTED], certain transactions between us and our connected person, which are entered into in our ordinary course of business, will constitute continuing connected transaction of our Company under Chapter 14A of the Listing Rules.

OUR CONNECTED PERSON

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

Name of our connected person	Connected relationship
Shenzhen Diltai Technology Co., Ltd. (深圳市迪爾泰科技有限公司) ("**Diltai**")	Diltai is held as to 80% by Mr. Wu Chunping (吳春平), the brother of Mr. Wu. Accordingly, Diltai is an associate of Mr. Wu, and therefore a connected person of our Company under the Listing Rules.

OUR CONTINUING CONNECTED TRANSACTION

Nature of transaction	Counterparty	Applicable Listing Rules	Waiver sought
Non-exempt continuing connected transaction (subject to reporting, annual review, announcement, circular and independent Shareholders' approval requirements)			
Procurement of machined parts	Diltai	14A.35, 14A.36, 14A.105	Announcement, circular and independent Shareholders' approval requirements

NON-EXEMPT CONTINUING CONNECTED TRANSACTION

1. Procurement of machined parts from Diltai

Parties

Diltai and our Company

Principal terms

On [•], our Company (for itself and on behalf of its subsidiaries) has entered into a framework agreement with Diltai (the "**Diltai Procurement Framework Agreement**"), pursuant to which our Group agreed to procure certain machined parts from Diltai for a term commencing on the [REDACTED] and ending on December 31, 2028.

Subject to the terms of the Diltai Procurement Framework Agreement, the Group will enter into specific agreements or place purchase orders with Diltai to set out specific terms and conditions including types of machined parts, quantity and quality required, fees, quality assurance, packaging, and acceptance standards for the products provided by Diltai. The consideration payable by the Group under the Diltai Procurement Framework Agreement will be paid according to the time and method to be agreed in specific agreements or purchase orders.

The terms shall be no less favorable to our Group than those for transactions between our Group and Independent Third Parties under the same conditions.

Reasons and benefits for the transactions

Diltai has maintained a long-standing and stable business relationship with our Company and is familiar with our product specifications, technical requirements and quality standards. Diltai is able to provide the relevant machined parts at fair and reasonable prices comparable to those offered by independent third-party suppliers, respond promptly to our purchase orders and deliver products of consistent quality. In addition, engaging in transactions with Diltai is conducive to maintaining the high confidentiality of our product information and related technologies in the procurement process, having regard to the long-standing cooperative relationship between our Group and Diltai.

Pricing basis

The prices of transactions contemplated under the Diltai Procurement Framework Agreement shall be determined on an arm's length basis with reference to a number of factors applicable to all suppliers, including but not limited to the market price of the products, quantity and method of procurement, specifications of the products, the fees charged for historical transactions of similar nature and the prevailing market price of such machined parts of the same quality, but in any event shall not be higher than the prices offered by Independent Third Parties.

The Directors consider that the above can ensure that the transactions under the Diltai Procurement Framework Agreement will be conducted on normal commercial terms and not prejudicial to the interests of the Company and its Shareholders.

Historical figures, annual caps and basis of caps

The historical connected transaction amounts for the procurement of machined parts from Diltai were approximately RMB9.1 million, RMB12.7 million and RMB20.1 million for the years ended December 31, 2023, 2024 and 2025.

Our proposed annual caps of the transactions contemplated under the Diltai Procurement Framework Agreement for the years ending December 31, 2026, 2027 and 2028 are RMB30 million, RMB35 million and RMB43 million, respectively.

In arriving at the above annual caps, the Directors have considered, among other things, the following factors:

i. the historical transaction amounts during the Track Record Period for the procurement of machined parts from Diltai by the Group;

ii. the expected increase in our demand due to the potential growth of sales of our PCB products; and

iii. the unit price of and potential price fluctuation of the machined parts provided by Diltai.

WAIVER APPLICATION FOR NON-EXEMPT CONTINUING CONNECTED TRANSACTION

In respect of the transaction under the Diltai Procurement Framework Agreement, as our Directors currently expect, the highest applicable percentage ratio calculated for the purpose of Chapter 14A of the Listing Rules will be more than 5% on an annual basis. Under Rule 14A.76(2) of the Listing Rules, the above transactions under the Diltai Procurement Framework Agreement will constitute our continuing connected transaction subject to reporting, annual review, announcement, circular and independent Shareholders' approval requirements under Chapter 14A of the Listing Rules upon the [REDACTED].

As such non-exempt continuing connected transaction is expected to continue on a recurring and continuing basis and has been fully disclosed in this document, our Directors consider that the announcement, circular and independent Shareholders' approval requirements thereof immediately after the [REDACTED] would be impractical and unduly burdensome, and would lead to unnecessary administrative costs to us.

Accordingly, we have applied to the Stock Exchange for, and the Stock Exchange [has granted], waivers exempting us from strict compliance with the announcement, circular and independent Shareholders' approval requirements under Chapter 14A of the Listing Rules in respect of the continuing connected transaction under the Diltai Procurement Framework Agreement, subject to the condition that the aggregate amounts of the continuing connected transaction for each financial year shall not exceed the relevant amounts set forth in the respective annual caps (as stated above).

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 transactions referred to in this document, we will take immediate steps to ensure compliance with such new requirements within reasonable time.

CONFIRMATION FROM OUR DIRECTORS

Our Directors (including our independent non-executive Directors) are of the view that the non-exempt continuing connected transaction as set out above has been and will be entered into on normal commercial terms or better and in the Group's ordinary and usual course of business and is fair and reasonable and in the interests of our Company and Shareholders as a whole, and the proposed annual caps for the non-exempt continuing connected transaction are fair and reasonable and in the interest of our Shareholders as a whole.

CONFIRMATION FROM THE JOINT SPONSORS

The Joint Sponsors are of the view that the non-exempt continuing connected transaction as set out above has been and will be entered into on normal commercial terms or better and in the Group's ordinary and usual course of business and is fair and reasonable and in the interests of the Company and its Shareholders as a whole; and the proposed annual caps are fair and reasonable and in the interests of the Company and its Shareholders as a whole.

INTERNAL CONTROL MEASURES TO SAFEGUARD SHAREHOLDERS' INTERESTS

In order to further safeguard the interests of the Shareholders as a whole (including the minority Shareholders), our Group has implemented the following internal control measures in relation to the continuing connected transactions:

- Our Group has approved internal guidelines which provide that if the value of any proposed connected transaction is expected to exceed certain thresholds, the relevant staff must report the proposed transactions to the head of the relevant business unit in order for our Company to commence the necessary additional assessment and approval procedures and ensure that we will comply with the applicable requirements under Chapter 14A of the Listing Rules; and

- Our Company will provide information and supporting documents to the independent non-executive Directors and the auditors in order for them to conduct an annual review of the continuing connected transactions entered into by our Company. In accordance with the requirements under the Listing Rules, the independent non-executive Directors will provide an annual confirmation to the Board as to whether the continuing connected transactions have been entered into in the ordinary and usual course of business of our Group, are on normal commercial terms and are in accordance with the agreement governing them on terms that are fair and reasonable and in the interests of the Shareholders as a whole, and the auditors will provide an annual confirmation to the Board as to whether anything has come to their attention that causes them to believe that the continuing connected transactions have not been approved by the Board, are not in accordance with the pricing policies of our Group in all material respects, are not entered into in accordance with the relevant agreements governing the transactions in all material respects or have exceeded the cap.