OVERVIEW

Prior to the [**REDACTED**], we entered into certain transactions with parties who will, upon the [**REDACTED**], become connected persons of the Company.

CONNECTED PERSONS

We have entered into certain transactions with the following parties who will, upon the [**REDACTED**], become connected persons of the Company:

Connected Person	Connected Relationship
Future Industry Investment Fund II	CS Capital Co., Ltd. (國投招商投資管理有限公司) ("**CS Capital**") is a substantial shareholder of the Company. Future Industry Investment Fund II is fund managed by CS Capital as its general partner. Accordingly, Future Industry Investment Fund II is an associate of CS Capital and therefore a connected person of the Company.
Anhui Sinomags Technologies Co., Ltd. (安徽希磁科技股份有限公司) ("**Sinomags**") .	To the best knowledge of our Directors, Future Industry Investment Fund II holds more than 30% interest in Anhui Guosheng Electronics Co., Ltd (安徽國盛電子有限公司), of which Sinomags is a shareholder. Accordingly, Sinomags is a joint venture partner of Future Industry Investment Fund II with respect to Anhui Guosheng Electronics Co., Ltd (安徽國盛電子有限公司), and thus an associate of Future Industry Investment Fund II pursuant to Rule 14A.15 of the Listing Rules. Therefore, Sinomags is a connected person of the Company.
Innovation Center.	Innovation Center is a non-wholly owned subsidiary of the Company where Future Industry Investment Fund II holds not less than 10% equity interest. Accordingly, Innovation Center is a connected subsidiary of the Company.

EXISTING ONE-OFF CONNECTED TRANSACTION

The following transaction was entered into by our Company with Future Industry Investment Fund II prior to, but is expected to be completed after the [**REDACTED**].

Promotors' Agreement of Innovation Center

On August 8, 2022, the Company, Future Industry Investment Fund II, Ningbo Industrial Investment Group Co., Ltd. (寧波工業投資集團有限公司), Ningbo Beilun District Industrial Investment Group Co., Ltd. (寧波市北侖區工業投資集團有限公司), Ningbo Zhaobao Magnet Co., Ltd. (寧波招寶磁業股份有限公司) Ningbo Zhongxuan Industrial Internet Co., Ltd (寧波中選工業互聯網有限公司) (collectively, the "**Promotors**") entered into a promotors' agreement (the "**Promotors' Agreement of Innovation Center**"), pursuant to which the Promotors agreed to establish Innovation Center. According to the terms of the Promoters' Agreement of Innovation Center, the Company, Future Industry Investment Fund II, and the four other Promotors in aggregate, shall make a capital contribution to Innovation Center in the amount of RMB55.5 million, RMB20 million, and RMB35 million, respectively.

According to the Promotors' Agreement of Innovation Center, each of the Promotors shall make such capital contribution in two instalments, with the first instalment being 40% of their respective total investment amount (the "**First Instalment**"), and the second instalment being the remaining 60% of their respective total investment amount (the "**Second Instalment**"). As of the Latest Practicable Date, each of the Promotors has made the First Instalment. It is anticipated that the Second Instalment will be made by the Promotors after the [**REDACTED**].

CONTINUING CONNECTED TRANSACTIONS

Details of the continuing connected transactions of the Company upon the [**REDACTED**] are set out below.

Summary of Continuing Connected Transactions

No.	Connected Transaction	Relevant Listing Rules	Connected Person	Waiver Sought
Fully exempt continuing connected transaction				
1 . . .	Property Lease Agreement	14A.76(1)	Innovation Center	Not Applicable
2 . . .	Software Licensing Agreement	14A.76(1)	Innovation Center	Not Applicable
Partially exempt continuing connected transactions				
3 . . .	Sinomags Procurement Framework Agreement	14A.76(2), 14A.105	Sinomags	Waiver from strict compliance with announcement requirements
4 . . .	Framework Agreement with Innovation Center	14A.76(2), 14A.105	Innovation Center	Waiver from strict compliance with announcement requirements

FULLY EXEMPT CONTINUING CONNECTED TRANSACTIONS

1. Property Lease Agreement

On December 5, 2025, the Company, as lessor, entered into certain property lease agreement (the "**Beilun Property Lease Agreement**") with Innovation Center, as lessee for a term from January 1, 2026 to December 31, 2026, pursuant to which, the Company agreed to lease certain properties located at Beilun District, Ningbo (the "**Beilun Properties**") to Innovation Center. The Beilun Properties are mainly office spaces used by Innovation Center for its daily operations and business.

According to the Beilun Property Lease Agreement, Innovation Center shall pay to the Company a rental fee being determined on a cost basis taking into account the depreciation cost and the property management fees to be incurred by the Company in relation to the Beilun Properties.

Listing Rules Implications

As all of the applicable percentage ratios (as defined under the Listing Rules) of the proposed annual cap for the transactions contemplated under the Property Lease Agreement on an aggregated basis during the term are less than 0.1%, the transactions contemplated under the Property Lease Agreement are fully exempt from the reporting, annual review, announcement, circular and independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

2. Software Licensing Agreement

On March 25, 2026, our Company and Innovation Center entered into an software licensing agreement (the "**Software Licensing Agreement**"), pursuant to which the Company, as licensor, agreed to license to Innovation Center, as licensee the right to use certain software (the "**Software**") for a term January 1, 2026 to December 31, 2026, according to the terms and conditions of the Software Licensing Agreement. Such Software is used by Innovation Center during its daily operations and business. According to the Software Licensing Agreement, Innovation Center shall pay to the Company an annual license fee which was determined on a cost basis and calculated with reference to Innovation Center's consumption volume and the Company's costs incurred in procuring and maintaining such Software taking into account the amortization expenses for such Software.

The historical payments received by the Company from Innovation Center for the Information Technology Services were nil, nil and RMB6,848 respectively for the years ended December 31, 2023, 2024 and 2025. The proposed annual cap for the transactions contemplated under the Software Licensing Agreement is RMB9,162 for the year ending December 31, 2026, equivalent to the annual license fee to be received by the Company from the Innovation Center in 2025 according to the terms of the Software Licensing Agreement.

Listing Rules Implications

As all of the applicable percentage ratios (as defined under the Listing Rules) of the proposed annual cap during the term of Software Licensing Agreement (being the period from January 1, 2026 to December 31, 2026) are less than 0.1%, the transactions contemplated under the Software Licensing Agreement are fully exempt from the reporting, annual review, announcement, circular and independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

PARTIALLY EXEMPT CONTINUING CONNECTED TRANSACTIONS

3. Sinomag Procurement Framework Agreement

We have historically procured current sensors or other components (the "**Products**") from Sinomags. On [●], our Company and Sinomags entered into a procurement framework agreement (the "**Sinomags Procurement Framework Agreement**"), pursuant to which Sinomags, as the seller, shall supply the Products to the Group, as the purchaser, in accordance with the terms of the Sinomags Procurement Framework Agreement for a term of three years commencing from its siging date.

Pricing Basis

The consideration of the Products will be negotiated on an arm's lengths basis between the Company and Sinomags on normal commercial terms with reference to prevailing market prices of similar products, taking into account: (1) the prices of similar products in comparable transactions conducted by the Group with Independent Third Parties during the same period (if any), to ensure that the price to be paid by the Group to Sinomags for the Products will not be higher than the price paid by the Group to the Independent Third Parties; and (2) the recent market prices of comparable transactions, by making enquiries on market prices of similar products with industry players and conducting researches on industry websites, and then comparing the references with the prices quoted by Sinomags to ensure that the prices to be paid by the Group to Sinomags for the Products will not be higher than the prices offered by independent third party suppliers to the Group. To implement this policy, the management of the Company would solicit at least two other contemporaneous transactions with Independent Third Parties for the products in similar quantities for comparison.

Reasons for and Benefits of Entering into the Sinomags Procurement Framework Agreement

Sinomags is an integrated device manufacturer company in the magnetic sensors industry. During the Track Record Period, the Group has procured the Products from Sinomags from time to time in the ordinary and usual course of our business, which enables Sinomags to be familiar with our business needs, quality standards and operational requirements in respect of our production and manufacturing lines. Based on our experience in cooperations with Sinomags, we consider that Sinomags is capable of effectively satisfying our demands in the Products.

Furthermore, we believe the continuous procurement of the Products from Sinomags can reduce the Group's costs associated with prolonged negotiations with new suppliers, thus providing a cost-effective source of the Products to the Group. Therefore, we believe it is in the interest of our Group and the Shareholders as a whole to enter into the Sinomags Procurement Framework Agreement and to continue the transactions contemplated thereunder.

Corporate Governance Measures

In order to ensure that the aforesaid pricing basis for the Sinomags Procurement Framework Agreement is adhered to, the Company will monitor the relevant payments to ensure that the purchase price of the Products are determined properly. The Company and Sinomags will negotiate the terms of such transactions to ensure that the prices are fair and reasonable. In implementing the above pricing policies and principles, the internal audit department of the Company will also assess the terms of the proposed connected transactions, in particular the pricing, with reference to the above pricing policies and principles. The final price will be determined after confirmation of the internal audit department with reference to the above pricing polices and principles and after the approval of the general manager or deputy general manager or other authorized management personnel of the Company. The Audit Committee will also be responsible for reviewing the internal control systems to ensure its effectiveness.

In addition, the Company has implemented a procurement policy for our procurement activities during the ordinary and usual course of our business. In respect of selecting new suppliers for the Products, the procurement team normally requires the potential suppliers to provide, among others, its industrial background and credentials and the quotations with detailed breakdowns of the products involved. Further, the procurement team routinely monitors market prices for procurement of the relevant Products necessary for our operations for the purpose of benchmarking and cost control. The procurement department leads the commercial negotiations with the potential suppliers and independently evaluates the terms with reference to all the relevant factors the Company regards as necessary. When deciding on the engagement of such supplier, the Company will refer to pure commercial considerations and will only engage such supplier if the Company considers it is in the best interest of the Company and the Shareholders as a whole to enter into the procurement arrangement.

Historical Transaction Amount

The transaction amounts of the procurement of the Products from Sinomags were RMB4,000, RMB37,000 and RMB44,000, respectively, for the years ended December 31, 2023, 2024 and 2025.

Annual Caps and Basis

The proposed annual caps for the transactions contemplated under the Sinomags Procurement Framework Agreement are RMB6,000,000, RMB8,000,000 and RMB8,400,000, respectively, for the years ended December 31, 2026, 2027 and 2028.

In determining the proposed annual caps for the transactions contemplated under the Sinomags Procurement Framework Agreement, we have taken into account the following factors:

(1) the fee rates of the Products to be purchased from Sinomags during the term of the Sinomags Procurement Framework Agreement;

(2) historical transaction amount in respect of the Company's procurement of the Products from Sinomags;

(3) the expected demand from the Company for the Products to be purchased from Sinomags during the term of the Sinomags Procurement Framework Agreement. It is expected that such demand will increase significantly primarily because the Products supplied by Sinomags were historically and currently used in certain projects of the Company that are still in the prototype manufacturing stage and have not yet started mass production, and the Company anticipates that mass production of such projects will begin in 2026. It is expected that the volume of the Products to be purchased from Sinomags for the year ending December 31, 2026 will be more than ten times greater as compared to the year ended December 31, 2025, and will progressively increase in each year for the two years ending December 31, 2028; and

(4) the relevant capacity of Sinomags in manufacturing and providing the Products.

Listing Rules Implications

As all of the applicable percentage ratios (as defined under the Listing Rules) of the highest annual caps (on an aggregation basis) during the term of the Sinomags Procurement Framework Agreement is no less than 0.1% but will not exceed 5%, the Sinomags Procurement Framework Agreement and the transactions contemplated thereunder are exempt from the circular (including independent financial advice) and shareholders' approval requirements but are subject to the relevant annual reporting and announcement requirements set out in Chapter 14A of the Listing Rules.

4. Framework Agreement with Innovation Center

Historically, certain subsidiaries (other than Innovation Center) of the Company (the Company and its subsidiaries other than Innovation Center, collectively, the "**Remaining Group**") provided to Innovation Center services of processing silicon steel sheet into parts or components to be used in certain R&D projects of Innovation Center (the "**Processing Services**"). The Remaining Group also sold to Innovation Center (1) certain materials to be used in the R&D activities of Innovation Center R&D process (the "**R&D Materials**") and (2) electric motors (the "**Motors**") manufactured by the Remaining Group.

On the other hand, the Remaining Group also procured certain R&D services (the "**R&D Services**") from Innovation Center for developing new products or components of products of the Company. In addition, the Remaining Group also purchased from Innovation Center components or semi-finished products (the "**Manufacturing Materials**") developed by Innovation Center. Such Manufacturing Materials were used in the manufacturing process of the Remaining Group.

On [●], the Company and Innovation Center entered into a framework agreement for a term of three years commencing from the [**REDACTED**] (the "**Framework Agreement with Innovation Center**"), pursuant to which the Remaining Group agreed to (1) procure from Innovation Center the R&D Services and the Manufacturing Materials, and (2) provide to Innovation Center the R&D Materials, the Motors and the Processing Services according to the terms and conditions of the Framework Agreement with Innovation Center.

Pricing Basis:

The prices of the purchase of the Manufacturing Materials and/or the procurement of the R&D Services by the Remaining Group from Innovation Center will be determined with reference to:

(1) the cost of provisions of such materials or services (such as the labor cost and the cost of consumables used);

(2) the prices of similar manufacturing materials or the service fees of similar R&D services in comparable transactions conducted by the Group with Independent Third Parties during the same period (if any), to ensure that price or the service fees to be paid by the Remaining Group for the purchase of the Manufacturing Materials and/or the procurement of the R&D Services to Innovation Center will not be higher than the price paid by the Remaining Group to Independent Third Parties in comparable transactions; and

(3) the recent market prices of comparable transactions, by making enquiries on market prices of similar materials or services with industry players and conducting researches on industry websites, and then comparing the references with the prices or service fees quoted by Innovation Center to ensure that the prices to be paid by the Remaining Group for the purchase of the Manufacturing Materials and/or the procurement of the R&D Services to Innovation Center will not be higher than the prices or service fees offered by independent third party suppliers to the Remaining Group. To implement this policy, the management of the Company would solicit at least two other contemporaneous transactions with Independent Third Parties for the materials or equipment in similar quantities for comparison.

The prices of the sale of the R&D Materials by the Remaining Group to Innovation Center will be determined with reference to the cost of provision of such materials to Innovation Center taking into account of the procurement expenses for such R&D Materials.

The prices of the sale of the Motors by the Remaining Group to Innovation Center will be determined with reference to:

(1) the prices of similar electric motors in comparable transactions conducted by the Remaining Group with Independent Third Parties during the same period (if any), to ensure that the price to be received by the Remaining Group for the Motors from Innovation Center will not be lower than the price received by the Remaining Group from Independent Third Parties in comparable transactions; and

(2) the recent market prices of comparable transactions, by making enquiries on market prices of similar electric motors with industry players and conducting researches on industry websites, to ensure that the price to be received by the Remaining Group for the Motors from Innovation Center will not be lower than the price offered by independent third party customers to the Remaining Group (if any). To implement this policy, the management of the Company would solicit at least two other contemporaneous transactions with Independent Third Parties for the electric motors in similar quantities for comparison.

In accordance with the customary practice within the industry, the consideration of the provision of the Processing Services by the Remaining Group to Innovation Center will be settled by the remaining waste of silicon steel sheet (supplied by Innovation Center to the Remaining Group for processing) after processing. As a customary practice within the industry, after processing the silicon steel sheet, the Remaining Group will then sell the remaining waste of silicon steel sheet to Independent Third Parties, and for accounting treatment purpose, the service fees of the Processing Services will be equal to the sale proceeds to be received by the Remaining Group from selling such remaining waste.

Reasons for and Benefits of Entering into the Framework Agreement with Innovation Center

Innovation Center is one of our research institutes established in 2022 in Zhejiang Province. This integrated innovation platform facilitates cross-pollination of core technologies, transfer of product concepts, and industrial synergies across a range of applications, simultaneously empowering us to gain deeper customer insights and identify emerging market opportunities and to expand into emerging application fields such as the embodied robotics, low-altitude economy and various application scenarios where specialized precision electric drive systems are required. To fully utilize the technical R&D strengths of Innovation Center and considering that since the establishment of Innovation Center, the R&D Services and the Manufacturing Materials (which were the results of the R&D efforts of Innovation Center) has continued to meet the R&D and manufacturing needs and requirements of the Remaining Group, the Remaining Group anticipates that it will continue to procure from Innovation Center the R&D Services and the Manufacturing Materials that could be utilized by the Remaining Group as semi-finished products in its manufacturing process. Such purchases made by the Remaining Group would enable the Remaining Group to steadily build on its existing R&D capabilities and improve its day-to-day operational efficiency. Taken as a whole, the enhancement of Innovation Center's R&D function capabilities through the R&D Services will ultimately support the continued advancement of the Group's business development and achievement of its expansion goals.

The R&D Materials to be sold by the Remaining Group to Innovation Center are to be used by Innovation Center in its R&D activities. For materials to be used by the Group (including Innovation Center as a subsidiary of the Company) in its R&D activities, the Company or a designated subsidiary of the Company will first procure on a large-scale basis and then sell to other subsidiaries of the Company as and when needed. The Company believes such approach would help increase the bargaining power and improve cost efficiency of the Group as a whole.

Regarding the Motors to be sold by the Remaining Group to Innovation Center, Innovation Center will from time to time through its own customer network obtain purchase orders of Motors placed by Independent Third Parties. As Innovation Center currently does not have manufacturing or production capability for Motors, it will turn to the Remaining Group who will manufacture such electric motors and sell to Innovation Center for its further sale. The Company believes such sale model will leverage the customer base of Innovation Center and help increase the revenue of the Group as a whole. The Processing Services to be provided by the Remaining Group to Innovation Center would enhance the processing and manufacturing capacity and improve the manufacturing utilization of the Remaining Group.

Furthermore, we believe continuous procurement/provision of the services or materials from/to Innovation Center can reduce the Remaining Group's costs associated with prolonged negotiations with new service providers and customers, provide a reliable and cost-effective source of such services and materials for both parties, giving the Remaining Group flexibility to purchase or sell such materials and/or procure or provide such services as and when the need arises, and thereby enabling the Remaining Group and Innovation Center to fine-tune and optimize its allocation of R&D and manufacturing resources.

Corporate Governance Measures

In order to ensure that the aforesaid pricing basis for the Framework Agreement with Innovation Center is adhered to, the Group will monitor the relevant costs/payments to ensure that the selling/purchase price of such services are determined properly. The Remaining Group and Innovation Center will negotiate the terms of such transactions to ensure that prices are fair and reasonable, and properly reflect the level of costs incurred by both parties in such transactions. In implementing the above pricing policies and principles, the internal audit department of the Company will also assess the terms of the proposed connected transactions, in particular the pricing, with reference to the above pricing policies and principles. The final price will be determined after confirmation of the internal audit department with reference to the above pricing policies and principles and after the approval of the general manager or the deputy general manager or other authorized management personnel of the Company or the relevant subsidiaries. The Audit Committee will also be responsible for reviewing the internal control systems to ensure its effectiveness.

Furthermore, to ensure the transactions with Innovation Center are conducted on normal commercial terms or on terms no less favorable to us than those available to or from Independent Third parties and the fees under the individual agreements are consistent with the pricing policy as stipulated in the Framework Agreement, the Company will collect the information on market fees or fees (as the case may be) to assess the applicable fees for each individual agreement:

(1) in respect of procurement of R&D Services by the Remaining Group from the Innovation Center: the Company will make enquiries on market prices of similar services with industry players and conduct researches on industry websites, and then compare the references with the service fees quoted by Innovation Center to ensure that the prices to be paid by the Remaining Group for the procurement of the R&D Services to Innovation Center will not be higher than the prices or service fees offered by independent third party suppliers to the Remaining Group. To implement this policy, the management of the Company would solicit at least two other contemporaneous transactions with Independent Third Parties for the similar services for comparison.

(2) in respect of provision of Processing Services by the Remaining Group from the Innovation Center: to ensure that the price to be received by the Remaining Group for the Processing Services from Innovation Center will not be lower than the price offered by independent third party customers to the Remaining Group, the Company will make enquiries on market prices of the Processing Services with industry players and conduct researches on industry websites to ensure that it remains a customary practice within the industry that the consideration of the provision of the Processing Services are to be settled by the remaining waste of silicon steel sheet after processing. The management of the Company would also solicit at least three Independent Third Parties for the sale price of the remaining waste to ensure that the proceeds to be received by the Remaining Group for the remaining waste would be fair and reasonable and reflect the market prices.

(3) in respect of procurement of Manufacturing Materials by the Remaining Group from the Innovation Center: the Company will make enquiries on market prices of similar materials with industry players and conduct researches on industry websites, and then compare the references with the fees quoted by Innovation Center to ensure that the prices to be paid by the Remaining Group for the procurement of the Manufacturing Materials to Innovation Center will not be higher than the prices or service fees offered by independent third party suppliers to the Remaining Group. To implement this policy, the management of the Company would solicit at least two other contemporaneous transactions with Independent Third Parties for components or products in similar quantities for comparison.

(4) in respect of provision of R&D Materials and Motors by the Remaining Group from the Innovation Center:

    (a) in respect of R&D Materials: The Company will make enquiries on market prices of similar materials with industry players and conduct researches on industry websites, and then compare the references with the prices to be received by the Remaining Group from Innovation Center for the R&D Materials will not be lower than the price offered by Independent Third Parties (if any). To implement this policy, the management of the Company would solicit at least two other contemporaneous transactions with Independent Materials for the materials in similar quantities for comparison. In the event that market price information is not available, given that the such R&D Materials were firstly procured by the Company or a designated subsidiary of the Company on a large-scale basis and then sell to Innovation Center (as a subsidiary of the Company), the Company will ensure that the prices to be received from the Company from Innovation Center for the sale of the R&D Materials will be no less than the costs incurred by the Company for procurement of such R&D Materials.

(b) in respect of Motors: the Company will make enquiries on market prices of similar electric motors with industry players and conduct researches on industry websites, to ensure that the price to be received by the Remaining Group for the Motors from Innovation Center will not be lower than the price offered by independent third party customers to the Remaining Group (if any). To implement this policy, the management of the Company would solicit at least two other contemporaneous transactions with Independent Third Parties for the electric motors in similar quantities for comparison.

In addition, our Company has implemented a procurement policy for our procurement activities during our ordinary and usual course of business. For selecting new providers for the R&D Services or the Manufacturing Materials, our procurement team normally requests the potential supplier to provide, among others, its industrial background and credentials and the quotations with breakdown of detailed components of the materials involved. Furthermore, our procurement team routinely monitors market prices for procurement of the relevant R&D Services or the Manufacturing Materials necessary for our operations, for benchmarking and cost control purposes. The commercial negotiations with potential suppliers are led by our procurement department, which independently evaluates the terms taking into account all relevant factors as we consider necessary. A decision on whether to engage such supplier will be made purely based on commercial considerations and only if we consider it is in the best interest of our Company and the Shareholders to enter into such procurement arrangement.

Historical transaction amount

The historical transaction amounts of the provision/procurement of the R&D or manufacturing related services or materials by the Remaining Group to/from Innovation Center are as follows:

	For the year ended December 31,		
	2023	**2024**	**2025**
		(RMB in thousand)	
Provision of R&D Services by Innovation Center to the Remaining Group	136	715	213
Provision of Processing Services by the Remaining Group to Innovation Center	630	657	Nil
Sales of Manufacturing Materials by Innovation Center to the Remaining Group	5,152	6,502	Nil
Sales of R&D Materials and Motors by the Remaining Group to Innovation Center	30	464	100

Annual Caps and Basis

The proposed annual caps for the transactions contemplated under the Framework Agreement with Innovation Center are as follows.

	For the year ending December 31,		
	2026	2027	2028
		(RMB in thousand)	
Provision of R&D Services by Innovation Center to the Remaining Group	3,000	3,000	3,000
Provision of Processing Services by the Remaining Group to Innovation Center	1,000	1,200	1,500
Sales of Manufacturing Materials by Innovation Center to the Remaining Group	8,500	9,500	11,000
Sales of R&D Materials and Motors by the Remaining Group to Innovation Center	3,520	4,920	7,020
Total	**16,020**	**18,620**	**22,520**

The proposed annual caps are determined based on the following factors:

(1) in respect of procurement of R&D Services by the Remaining Group from the Innovation Center:

(a) the fee rates of the R&D Services and the potential fluctuation in such fee rates;

(b) the historical transaction amount of the procurement of R&D Services by the Remaining Group from the Innovation Center;

(c) the relevant R&D capacity of Innovation Center in providing the R&D Services. It is expected that there will an increase in the capacity of Innovation Center in providing the R&D Services to the Remaining Group. Established in September 2022, Innovation Center has been enhancing its R&D team and committed to frontier researches in electric drive area throughout these years and has achieved the scale and capacity as a top-tier innovation hub and cross-industry collaboration platform; and

(d) the Remaining Group's anticipated demand for R&D Services during the term of the Framework Agreement with Innovation Center. In light of the increasing capacity of Innovation Center in providing the R&D Services, the Group intends to leverage the R&D capability of Innovation Center in maintaining its technology leadership. As such, it is expected that the Remaining Group's demands of R&D Services from Innovation Center will increase in the near future.

(2) in respect of provision of Processing Services by the Remaining Group from the Innovation Center:

(a) the usage rate of silicon steel sheet for the Processing Services and the unit price of remaining waste of silicon steel sheet after processing;

(b) the historical transaction amount of the provision of Processing Services by the Remaining Group from the Innovation Center;

(c) Innovation Center's anticipated demand for the Processing Services during the term of the Framework Agreement with Innovation Center. It is expected that the weights of silicon steel sheet anticipated to be processed by the Remaining Group for Innovation Center in the year ending December 31, 2026 will increase as compared to the annual transaction amount during the Track Record Period, and further increase at a growth rate in between 20% to 30% for each of the year ending December 31, 2027 and 2028; and

(d) the relevant manufacturing capacity of our Group in providing the Processing Services;

(3) in respect of procurement of Manufacturing Materials by the Remaining Group from the Innovation Center:

(a) the unit price of the Manufacturing Materials and the potential fluctuation in such unit price;

(b) the historical transaction amount in respect of the procurement of the Manufacturing Materials by the Remaining Group from the Innovation Center; and

(c) the Remaining Group's anticipated demand for Manufacturing Materials during the term of the Framework Agreement with Innovation Center. It is expected that the quantities of the Manufacturing Materials in demand in the year ending December 31, 2026 will increase as compared to the annual transaction amount during the Track Record Period, and further increase steadily in the two years ending December 31, 2028.

(4) in respect of provision of R&D Materials and Motors by the Remaining Group from the Innovation Center:

(a) the unit price of the R&D Materials and Motors and potential fluctuation in such unit price;

(b) the historical transaction amount in respect of provision of R&D Materials and Motors by the Remaining Group from the Innovation Center; and

(c) Innovation Center's anticipated demand for the R&D Materials and the Motors during the term of the Framework Agreement with Innovation Center. It is expected that the quantities of the Motors and in demand in the year ending December 31, 2026 will increase significantly as compared to the demands in the year ending December 31, 2025 taking into account of the anticipated development of new types of motors and will increase progressively each year for the two years ending December 31, 2028.

The parties will make the purchases/sales according to their respective actual commercial needs at the relevant time.

Listing Rules Implications:

As all of the applicable percentage ratios (as defined under the Listing Rules) of the highest annual caps (on an aggregation basis) during the term of the Framework Agreement with Innovation Center is no less than 0.1% but will not exceed 5%, the Framework Agreement with Innovation Center and the transactions contemplated thereunder are exempt from the circular (including independent financial advice) and independent Shareholders' approval requirements but are subject to the reporting, annual review and announcement requirements set out in Chapter 14A of the Listing Rules.

WAIVER APPLICATION FOR PARTIALLY EXEMPT CONTINUING CONNECTED TRANSACTIONS

By virtue of Rule 14A.76(2) of the Listing Rules, the transactions under the sub-section "— Partially Exempt Continuing Connected Transactions" will constitute connected transactions which are subject to the reporting, annual review and announcement requirements but exempt from the circular and independent Shareholders' approval requirements under Chapter 14A of the Listing Rules. As the above partially exempt continuing connected transactions are expected to continue on a recurring and continuing basis, our Directors consider that compliance with the above announcement requirements would be impractical, would add unnecessary administrative costs to us and would be unduly burdensome to us.

Accordingly, we have applied to the Stock Exchange for, and the Stock Exchange [has granted], waivers to us under Rule 14A.105 of the Listing Rules from compliance with the reporting, annual review and announcement requirements in respect of the above partially exempt continuing connected transactions. Save for the reporting, annual review and announcement requirements for which waivers have been sought, our Group will comply with all other relevant requirements under Chapter 14A of the Listing Rules with respect to above partially exempt continuing connected transactions. 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, our Company will take immediate steps to ensure compliance with such new requirements within a reasonable time.

CONFIRMATION FROM OUR DIRECTORS

Our Directors (including independent non-executive Directors) are of the view that (i) the partially exempt continuing connected transactions set out above have been and will be entered into in the ordinary and usual course of our business on normal commercial terms or better which are fair and reasonable and in the interests of our Shareholders as a whole; (ii) the proposed annual caps in respect of the partially exempt continuing connected transactions are fair and reasonable and in the interests of our Shareholders as a whole.

CONFIRMATION FROM THE SOLE SPONSOR

Having considered the above, the Sole Sponsor is of the view that (i) the aforesaid partially exempt continuing connected transactions have been and 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 Shareholders as a whole; and (ii) the proposed annual caps in respect of the partially exempt continuing connected transaction are fair and reasonable and in the interests of the Shareholders as a whole.