CONNECTED TRANSACTIONS

Upon **[REDACTED]**, certain transactions between us and our connected persons will constitute continuing connected transactions under Chapter 14A of the Listing Rules.

OUR CONNECTED PERSONS

We have entered into certain transactions in the ordinary and normal course of our business with the following connected persons, which will constitute continuing connected transactions upon the **[REDACTED]**:

Names of our connected persons	Connected relationship
Wuxi Grace Electron Technology Co., Ltd. (無錫宏仁電子材料科技有限公司) ("**Wuxi Grace**") and Zhuhai Grace Electron Technology Co., Ltd. (珠海宏仁電子材料科技有限公司) ("**Zhuhai Grace**")	Mr. Wong and Ms. Wong indirectly hold in aggregate 53.12% of Wuxi Grace, and Zhuhai Grace is a wholly-owned subsidiary of Wuxi Grace. As Mr. Wong and Ms. Wong are members of the Controlling Shareholders Group of the Company, each of Wuxi Grace and Zhuhai Grace constitutes a connected person of our Company under the Listing Rules.

NON-EXEMPT CONTINUING CONNECTED TRANSACTION

1. Electronic Fabric Framework Agreement

Description of the Transaction

On [•], we entered into an electronic fabric framework agreement (the "**Electronic Fabric Framework Agreement**") with Wuxi Grace (for itself and on behalf of its subsidiaries including Zhuhai Grace), pursuant to which our Group will sell electronic fabric products to Wuxi Grace or any of its subsidiaries. The initial term of the Electronic Fabric Framework Agreement shall commence on the **[REDACTED]** until [December 31, 2026], which may be renewed as the parties may mutually agree, subject to compliance with the requirements under the Listing Rules and all other applicable laws and regulations. Our Company and Wuxi Grace may enter into separate underlying agreements and/or orders which set out the specific terms and conditions according to the principles provided in the Electronic Fabric Framework Agreement.

Reasons for the Transaction

Wuxi Grace and Zhuhai Grace are engaged in the production of CCLs, for which electronic fabric is one of the principal raw materials. Our product quality and stable supply has attracted Wuxi Grace and Zhuhai Grace to select us as their supplier for electronic fabric. The Directors consider that the Sale of Electronic Fabric Agreement enables the Group to secure a stable sales channel for its electronic fabric products to an established manufacturer with consistent procurement requirements. The Directors (including the independent non-executive Directors) are of the view that the terms of the Sale of Electronic Fabric Agreement are fair and reasonable, are conducted on normal commercial terms, and are in the interests of our Company and our Shareholders as a whole.

Consideration and Pricing Policies

The fees to be charged by our Group pursuant to the Electronic Fabric Framework 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, transaction volume and the prices for the supply of products of similar nature, type and quantity by our Group to other Independent Third Parties in the market.

During the Track Record Period, the pricing was typically determined by making references to (i) the prevailing market prices of products of similar nature, type, specification and quantity supplied by our Group to Independent Third Parties in the ordinary course of business in the same or nearby geographical region during the relevant period and (ii) the cost of our production.

Historical Amounts

For the years ended December 31, 2023, 2024 and 2025, the historical transaction amounts with respect to the supply of electronic fabric products by our Group to Wuxi Grace and Zhuhai Grace (in aggregate) were RMB14.5 million, RMB11.9 million and RMB15.3 million (exclusive of value-added taxes), respectively.

Annual Cap

The proposed annual cap for the annual transaction amounts to be paid to us by Wuxi Grace and its subsidiaries (including Zhuhai Grace) under the Electronic Fabric Framework Agreement for the year ending December 31, 2026 is RMB80 million.

The proposed annual cap is determined based on:

(i) the historical amounts of the transactions between our Group and Wuxi Grace and Zhuhai Grace in respect of our supply of the electronic fabric products which were RMB14.5 million, RMB11.9 million and RMB15.3 million (exclusive of value-added taxes) for the years ended December 31, 2023, 2024 and 2025, respectively;

(ii) the projected level of supply of the electronic fabric products by our Group to Wuxi Grace and its subsidiaries (including Zhuhai Grace) to meet the needs of their future business;

(iii) the expected increase in our production capacity and unit price; and

(iv) other factors including but not limited to the expected unit prices of our electronic fabric products, the costs and expenses relating to raw materials, labour costs, as well as market trends.

Listing Rules Implications

As the applicable percentage ratio (other than the profits ratio) under the Listing Rules in respect of the annual cap for the transactions contemplated under the Electronic Fabric Framework Agreement is higher than 5%, such transactions will, upon the **[REDACTED]**, constitute continuing connected transactions of our Company subject to the annual reporting requirement under Rules 14A.49 and 14A.71 of the Listing Rules, the announcement requirement under Rule 14A.35 of the Listing Rules and the independent Shareholders' approval requirements under Rule 14A.36 of the Listing Rules.

INTERNAL CONTROL PROCEDURES ADOPTED BY THE COMPANY IN RESPECT OF THE IMPLEMENTATION OF ELECTRONIC FABRIC FRAMEWORK AGREEMENT

Our Group adopts the following internal control measures to ensure that the transactions will be carried out in accordance with the terms of the Electronic Fabric Framework Agreement, including the pricing policies, and in compliance with all the applicable requirements under the Listing Rules:

- we have adopted a connected transactions management policy for the purpose of ensuring that connected transactions will be conducted in a fair manner, on normal commercial terms and in the interests of our Company and our Shareholders as a whole;
- prior to the execution of the underlying agreements and/or orders for the supply of electronic fabric products to Wuxi Grace and its subsidiaries (including Zhuhai Grace), the operation department of the relevant business sector of our Group will compare the terms of the proposed transactions (including pricing and other contractual terms) with those similar transactions entered with Independent Third Parties or the terms offered to Independent Third Parties (as the case may be) to ensure that the supply of electronic fabric products to Wuxi Grace and its subsidiaries (including Zhuhai Grace), shall be on terms no less favourable to those offered by our Group to Independent Third Parties;
- the internal control team of our Group shall periodically review the pricing of transactions under the Electronic Fabric Framework Agreement to ensure that the relevant transactions are carried out in accordance with the pricing terms therein;
- the internal control team of our Group shall periodically compare the pricing of such transactions with the prices agreed between the Group and Independent Third Parties for similar products, to ensure that the terms of the product under the Electronic Fabric Framework Agreement are no less favourable than those between the Group and Independent Third Parties;
- the finance team of our Group will periodically review detailed sales transaction records and compare the transaction prices between the Group and Wuxi Grace and its subsidiaries (including Zhuhai Grace) pursuant to the Electronic Fabric Framework Agreement with the transaction prices between the Group and Independent Third Parties for similar products, to identify whether there are circumstances where the prices of connected transactions are significantly lower than third-party prices;
- the board office, finance team and business internal control team of our Group shall periodically monitor, on a transaction-by-transaction basis, the transaction amounts under the Electronic Fabric Framework Agreement. If it is expected that the transaction amounts may exceed the annual cap, they will report in a timely manner in accordance with the Group's connected transaction management policy, to ensure that the Company complies with all applicable requirements under the Listing Rules, including adjusting the relevant annual caps where appropriate;

- where any material changes to the principal terms of the transactions are proposed, the legal team of our Group will ensure that the Company complies with all applicable requirements under the Listing Rules, including but not limited to the publication of announcements; and
- our independent non-executive Directors, the board office and the external auditors will conduct an annual review of the continuing connected transactions under the Electronic Fabric Framework Agreement and provide annual confirmations in accordance with Rules 14A.55 and 14A.56 of the Listing Rules.

WAIVER

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

DIRECTORS' CONFIRMATION

Our Directors (including independent non-executive Directors) are of the view that: (i) the transactions under the Electronic Fabric Framework Agreement have been and will be entered into in our ordinary and usual course of business on normal commercial terms or better, on terms that are fair and reasonable, and in the interests of our Company and our Shareholders as a whole, and (ii) the proposed annual cap pursuant to the Electronic Fabric Framework Agreement are fair and reasonable and in the interests of our Company and the Shareholders as a whole.

SOLE SPONSOR'S CONFIRMATION

The Sole Sponsor has (i) reviewed the relevant documents and information provided by our Company in relation to the above non-exempt continuing connected transaction; (ii) obtained necessary representations and confirmations from our Company and the Directors, and (iii) participated in the due diligence and discussions with the management of our Group.

Based on the above, the Sole Sponsor is of the view that the aforesaid non-exempt continuing connected transaction, for which a waiver has been sought, has been entered into in the ordinary and usual course of our business on normal commercial terms or better terms, is fair and reasonable and in the interests of our Company and our Shareholders as a whole, and that the proposed annual cap in respect of the non-exempt continuing connected transaction is fair and reasonable and in the interests of our Company and our Shareholders as a whole.