

CONNECTED TRANSACTION

OVERVIEW

Upon [REDACTED], certain transaction between our Group and our connected person will constitute continuing connected transaction of our Company under Chapter 14A of the Listing Rules.

OUR CONNECTED PERSON

Our Company [has entered into] agreement with the following connected person, and the transaction contemplated under such agreement will constitute our continuing connected transaction upon [REDACTED].

<u>Name of our connected persons</u>	<u>Connected relationship</u>
Yangzhou Boheng New Energy and Materials Technology Co., Ltd. (揚州博恒新能源材料科技有限公司) (“ Yangzhou Boheng ”) (together with its associates, “ Yangzhou Boheng Group ”)	Yangzhou Boheng is a subsidiary of Shenda Group Co., Ltd. (申達集團有限公司), which is controlled by Mr. Zhang’s father. Therefore, Yangzhou Boheng is a connected person of our Company.

SUMMARY OF OUR CONTINUING CONNECTED TRANSACTION

We entered into the following transaction with the above-mentioned connected person that will constitute a continuing connected transaction under Rule 14A.31 of the Listing Rules upon [REDACTED]:

<u>Nature of transaction</u>	<u>Counterparty</u>	<u>Applicable Listing Rules</u>	<u>Waiver Sought</u>
Non-exempt continuing connected transaction (subject to annual reporting, announcement, annual review, circular and independent Shareholders’ approval requirements)			
Procurement Framework Agreement	Yangzhou Boheng	14A.35, 14A.36 14A.49, 14A.71, 14A.105	Requirement as to announcement, circular and independent Shareholders’ approval

NON-EXEMPT CONTINUING CONNECTED TRANSACTION

In our ordinary and usual course of business, we have entered into the following transaction which, 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.36 of the Listing Rules, the transaction will be subject to the reporting, annual review, announcement, circular and independent Shareholders’ approval under Chapter 14A of the Listing Rules.

Procurement Framework Agreement

Principal terms

We [have entered] into a procurement framework agreement with Yangzhou Boheng (the “**Procurement Framework Agreement**”), pursuant to which we would procure from Yangzhou Boheng Group the raw materials as we may require from time to time.

The initial term of the Procurement Framework Agreement shall commence on the [REDACTED] until December 31, 2028, subject to renewal by mutual consent by the parties and compliance with the Listing Rules.

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The parties will separately enter into specific agreements which will set out the specific terms and conditions, including store management, fee arrangement and payment methods based on the principles under the Procurement Framework Agreement.

Reasons for the transaction

With our business continuing to expand, our demand for such raw materials will continue to increase. Taking into account that Yangzhou Boheng Group can provide stable long-term and high-quality raw materials, and is well-versed in our specific requirements for the raw materials at a competitive price, we believe that procuring such raw materials from Yangzhou Boheng aligns with the best interest of our Company and the Shareholders as a whole.

Pricing policies

The prices of transaction contemplated under the Procurement Framework Agreement shall be determined based on arm’s length negotiations between our Company and Yangzhou Boheng with reference to (i) the historical and prevailing market price, (ii) the type of raw materials to be procured, (iii) the terms, price and conditions offered by other independent third-party suppliers, and (iv) the transaction volume of the raw materials to be procured.

Historical amounts

Set out below are the historical transaction amounts for the above-mentioned transaction during the Track Record Period:

	For the year ended December 31,		
	2023	2024	2025
	<i>(RMB)</i>		
Procurement of raw materials from Yangzhou Boheng Group	N/A	N/A	26,000

Annual caps and basis of annual caps

The maximum aggregate annual transaction amounts under the Procurement Framework Agreement for the three years ending December 31, 2028 shall not exceed the caps set out below:

	For the year ending December 31,		
	2026	2027	2028
	<i>(RMB million)</i>		
Procurement of raw materials from Yangzhou Boheng Group	0.54	3.00	12.11

The above proposed annual caps are determined with reference to:

- (a) the historical transaction amounts for the above-mentioned transaction during the Track Record Period. The transaction amount in 2025 was quite small because we commenced procuring the raw materials from Yangzhou Boheng in February 2025 and the parties were still at the preliminary stage of cooperation; and
- (b) the expected increase in the raw materials procurement amount due to our business expansion plan in such segment for the three years ending December 31, 2028.

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WAIVER APPLICATION FOR NON-EXEMPT CONTINUING CONNECTED TRANSACTION

As the non-exempt continuing connected transaction is expected to continue on a recurring and continuing basis and have been fully disclosed in this document, our Directors consider that compliance with the announcement and the independent Shareholders’ approval requirements would be impractical, and such requirements would lead to unnecessary administrative costs and would be unduly burdensome to us.

Accordingly, we have applied to the Hong Kong Stock Exchange for, and the Hong Kong Stock Exchange [has granted], waivers exempting us from strict compliance with the announcement and the independent Shareholders’ approval requirements under Chapter 14A of the Listing Rules in respect of the continuing connected transaction as disclosed in “— Non-exempt continuing connected transaction” in this section, subject to the condition that the aggregate amount 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).

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 carried out in our ordinary and usual course of business and on normal commercial terms or better, and is fair and reasonable and in the interest of our Company and Shareholders as a whole, and the proposed annual caps for the transaction are fair and reasonable and in the interest of our Company and Shareholders as a whole.

CONFIRMATION FROM THE SOLE SPONSOR

Based on the documentation, information and data provided by the Company and participation in the due diligence and discussion with the Company, the Sole Sponsor is of the view that: (i) the Procurement Framework Agreement for which waiver has been sought has been entered into in the ordinary and usual course of business of the Company on normal commercial terms or better, are fair and reasonable, and are in the interests of the Company and its Shareholders as a whole, and (ii) the proposed annual caps of the Procurement Framework Agreement are fair and reasonable and in the interests of the Company and its Shareholders as a whole.

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INTERNAL CONTROL MEASURES TO SAFEGUARD SHAREHOLDERS' INTERESTS

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:

- (a) 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
- (b) 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.