OUR CONNECTED PERSON(S)

We engage in certain transactions with the following connected person(s) from time to time in our ordinary and usual course of business, which will constitute continuing connected transactions under Chapter 14A of the Listing Rules upon the [REDACTED]:

Connected person(s)	Connected relationships
Yunsheng Holding and its subsidiaries (together, "**Yunsheng Holding Group**")	Yunsheng Holding is a Controlling Shareholder hence a connected person of our Company upon the [REDACTED]. Each subsidiary of Yunsheng Holding is an associate of Yunsheng Holding hence a connected person of our Company upon the [REDACTED].

OUR PARTIALLY-EXEMPT CONTINUING CONNECTED TRANSACTIONS

The following table sets out a summary of our partially-exempt continuing connected transactions:

	Nature of the transaction	Counterparty	Applicable Listing Rules	Waiver sought	Annual cap for the year ending December 31, 2026	2027	2028
						(RMB'000)	
(1a)	Purchase of equipment	Yunsheng Holding Group	14A.76(2)(a)	Announcement requirement	20,000	22,000	24,000
(1b)	Procurement of services and products	Yunsheng Holding Group	14A.76(2)(a)	Announcement requirement	30,000	31,000	32,000
(2)	Sale of products and services	Yunsheng Holding Group	14A.76(2)(a)	Announcement requirement	20,000	21,000	22,000
(3)	Property lease (our Group as lessor)	Yunsheng Holding Group	14A.76(2)(a)	Announcement requirement	35,000	41,300	47,700
(4)	Property lease (our Group as lessee)	Yunsheng Holding Group	14A.76(2)(a)	Announcement requirement	1,000	1,000	1,000

(1) Yunsheng Holding Equipment Purchase Framework Agreement and Yunsheng Holding Services and Products Procurement Framework Agreement

(a) Yunsheng Holding Equipment Purchase Framework Agreement

On [•] 2026, we entered into the equipment framework agreement with Yunsheng Holding (the "**Yunsheng Holding Equipment Purchase Framework Agreement**"), pursuant to which our Group may, from time to time, purchase from Yunsheng Holding and/or its subsidiaries certain automation equipment including but not limited to non-standard automation equipment (the "**Automation Equipment**"). The Yunsheng Holding Equipment Purchase Framework Agreement has an initial term commencing on the [REDACTED] and ending on [•], and may be renewed as the parties may mutually agree, subject to the compliance with the requirements under Chapter 14A of the Listing Rules and all other applicable laws and regulations.

Reasons for the Transaction

Yunsheng Holding and its subsidiaries are engaged in the R&D, manufacturing and sales of servo motors and mechanical equipment. Our Group has a long-term and stable business relationship with Yunsheng Holding and its subsidiaries. During the Track Record Period, our Group had been purchasing the Automation Equipment from Yungsheng Holdings' subsidiaries. We expect that we will continue these transactions.

These equipments are custom-designed, user-specific, and non-market-circulated machinery tailored to unique manufacturing processes and needs. Yunsheng Holding is familiar with our Group's specific requirements on the quality standard of our Automation Equipment and is able to well meet our requirements. Thus, a sustainable supply of Automation Equipment with high-quality meeting our manufacturing requirement can be guaranteed from Yunsheng Holding, and thus it is efficient, confidential and to the best interests of our Company and its Shareholders as a whole. We uphold and will continue to uphold the principle of voluntariness, equality and mutual benefit to collaborate with Yunsheng Holding, and we will only conduct these transactions with Yungsheng Holdings if we consider it is in the interests of our Company and Shareholders as a whole.

Pricing Policies

The fees to be paid by our Group to Yunsheng Holding for the Automation Equipment shall be determined through commercial negotiation between the parties on an arm's length basis, taking into consideration the volume of equipment required, expected cost to be incurred by Yunsheng Holding, and prevailing market price of comparable equipment. Our Group will obtain fee quotes from Independent Third Parties for comparable products at least on an annual basis and/or before entering into any definitive agreements to ensure the terms offered by Yunsheng Holding are similar to or better than the terms offered by Independent Third Parties under the similar circumstances.

Historical Transaction Amount

Set out below are the historical transaction amounts for the abovementioned transactions during the Track Record Period:

	For the year ended December 31,		
	2023	**2024**	**2025**
		(RMB'000)	
Transaction amount for the purchase of the Automation Equipment by our Group from Yunsheng Holding and its subsidiaries	1,941	13,001	4,326

(b) Yunsheng Holding Services and Products Procurement Framework Agreement

On [•] 2026, we entered into the procurement framework agreement with Yunsheng Holding (the "**Yunsheng Holding Services and Products Procurement Framework Agreement**"), pursuant to which our Group may, from time to time, procure from Yunsheng Holding and/or its subsidiaries (i) services including but not limited to property management, property maintenance services and repair (the "**Property Management Services**") and technical research and development services; and (ii) services-related products (together, the "**Services and Products Procurement**"). The Yunsheng Holding Services and Products Procurement Framework Agreement has an initial term commencing on the [REDACTED] and ending on [•], and may be renewed as the parties may mutually agree, subject to the compliance with the requirements under Chapter 14A of the Listing Rules and all other applicable laws and regulations.

Reasons for the Transaction

Yunsheng Holding and its subsidiaries (excluding our Group) are also engaged in the provision of technical research and development services and property management services. During the Track Record Period, our Group had been procuring such Services and Products Procurement from Yunsheng Holding and its subsidiaries. We expect that we will continue these transactions. Our Group and Yungsheng Holdings have established a long-term and stable business relationship, and Yunsheng Holding has acquired a comprehensive understanding of our services and products needs. Considering that Yunsheng Holding has provided such Property Management services and products to us during the Track Record Period, we believe it is in the best interest of our Group and our Shareholders as a whole to continue to procure such service from Yunsheng Holding who is capable of fulfilling our demands with a stable and high quality service.

Pricing Policies

The fees to be paid by our Group to Yunsheng Holding for the Services and Products Procurement shall be determined through commercial negotiation between the parties on an arm's length basis, primarily based on prices of products services of similar natures that our Group procured from other Independent Third Parties in the market, and taking into account various factors including but not limited to existing purchase orders placed by us; and (ii) the average historical market price and the anticipated future market price for the relevant products and services. Our Group will conduct annual review to ensure the pricing terms under the Yunsheng Holding Services and Products Procurement Framework Agreement shall be in the best interests of our Company and our Shareholders as a whole.

Historical Transaction Amounts

Set out below are the historical transaction amounts for the abovementioned transactions during the Track Record Period:

	For the year ended Decemebr 31,		
	2023	**2024**	**2025**
		(RMB'000)	
Transaction amount for procurement of services and products by our Group from Yunsheng Holding and its subsidiaries	11,724	10,039	22,451

Further, since the continuing connected transactions contemplated under the Yunsheng Holding Equipment Purchase Framework Agreement and the Yunsheng Holding Services and Products Procurement Framework Agreement are similar in nature, such transactions should be aggregated pursuant to Rule 14A.81 of the Listing Rules.

Annual Caps

The maximum aggregate annual transaction amounts under the Yunsheng Holding Equipment Purchase Framework Agreement and Yunsheng Holding Services and Products 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**
		(RMB'000)	
Yunsheng Holding Equipment Purchase Framework Agreement	20,000	22,000	24,000
Yunsheng Holding Services and Products Procurement Framework Agreement	30,000	31,000	32,000
Aggregated annual caps	50,000	53,000	56,000

Basis of Annual Caps

The above annual caps have been determined on normal commercial terms or better with reference to, among others:

In relation to the Yunsheng Holding Equipment Purchase Framework Agreement:

1) the historical transaction amounts contemplated under the purchase by our Group from Yunsheng Holding during the Track Record Period;

2) the existing transactions entered into between our Company and Yunsheng Holding and the expected demand of our Group for the Automation Equipment due to our plan for business expansion and increasing market opportunities; and

3) the prevailing market trends and the projected price fluctuations of key components, taking into account the technological upgrades in the automation equipment required to support our operation needs.

In relation to the Yunsheng Holding Services and Products Procurement Framework Agreement:

1) the historical transaction amounts contemplated under the Services and Products Procurement by our Group from Yunsheng Holding during the Track Record Period;

2) the existing transactions entered into between our Company and Yunsheng Holding and the expected demand of our Group for the Services and Products Procurement; and

3) the anticipated expansion of our business operation and interaction with our clients, which is expected to lead to a corresponding increase in our need for high-quality Property Management Services and products provided by Yunsheng Holding.

(2) Yunsheng Holding Sales Framework Agreement

On [•] 2026, we entered into the sale framework agreement with Yunsheng Holding (the "**Yunsheng Holding Sales Framework Agreement**"), pursuant to which our Group may, from time to time, sell to Yunsheng Holding and/or its subsidiaries certain products and services. Such sale of products and services includes but not limited to sale of NdFeB-related products, provision of utility such as water and electricity and leasing of equipments (the "**Sale**"). The Yunsheng Holding Sales Framework Agreement has an initial term commencing on the [REDACTED] and ending on [•], and may be renewed as the parties may mutually agree, subject to the compliance with the requirements under Chapter 14A of the Listing Rules and all other applicable laws and regulations.

Reasons for the Transaction

Yunsheng Holding and its subsidiaries is engaged in the R&D, manufacturing and sales of servo motors and mechanical equipment and our NdFeB-related products are essential to their business. Such Sale is in the ordinary and usual course of business of our Group.

Pricing Policies

The fee charged by us is determined with reference to the sales pricing policy adopted by us which applies to all of our sales. Our sales pricing policy takes into consideration, among others, our cost and expense, our reasonable profit margin and customers' procurement volume. The pricing offered by us to Yunsheng Holding and its subsidiaries is generally in line with that offered to other customers of our Group with similar procurement scale. Our Group will conduct annual review to ensure the pricing terms under the Yunsheng Holding Sales Framework Agreement shall be at least in line with the comparable market rates and in the best interests of our Company and our Shareholders as a whole.

Historical Transaction Amounts

Set out below are the historical transaction amounts for the abovementioned transactions during the Track Record Period:

	For the year ended December 31,		
	2023	**2024**	**2025**
		(RMB'000)	
Transaction amount for the Sale from our Group to Yunsheng Holding and its subsidiaries	25,620	14,446	8,470

Annual Cap and Basis of Annual Caps

The maximum aggregate annual transaction amounts for the Sale 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**
		(RMB'000)	
Maximum transaction amount for the Sale from our Group to Yunsheng Holding and its subsidiaries	20,000	21,000	22,000

The proposed annual caps are determined based on:

(i) the historical transaction amounts contemplated under the Sale, including the unit costs and the expected market condition and general cost inflation for the relevant period;

(ii) the expected demands of the Sale, taking into account, among others, microeconomic conditions and market demand;

(iii) As a leading player in the industry who offers high-quality NdFeB-related products, our NdFeB-related products are well recognized by Yunsheng Holding and its customers. In addition, our Group and Yungsheng Holdings have established a long-term and stable business relationship, such that we have acquired a comprehensive understanding of Yunsheng's operational requirements. Hence, Yunsheng Holding's procurement of the relevant products from us is expected to increase.

(3) Property lease between our Company (as lessor) and Yunsheng Holding (as lessee)

On [•] 2026, we entered into the lease framework agreement with Yunsheng Holding (the "**Lease Framework Agreement**"), pursuant to which our Group may, from time to time, lease properties owned by our Group (the "**Properties**") to Yunsheng Holding and/or its subsidiaries for factory, dormitory and office use (the "**Lease**"). The Lease Framework Agreement has an initial term commencing on the [REDACTED] and ending on [•], and may be renewed as the parties may mutually agree, subject to the compliance with the requirements under Chapter 14A of the Listing Rules and all other applicable laws and regulations.

Reasons for the Transaction

Our Group owns manufacturing factories, dormitory facilities and offices, and may have surplus space from time to time. Our Company considers it in the best interest to utilize these surplus spaces for generating additional income for our Group at the prevailing market rates.

Pricing Policies

The rental fee to be received by our Group for the Lease shall be determined through commercial negotiation between the parties on an arm's length basis after taking into consideration (a) the rental fees under the existing lease agreements in respect of the lease of the same Properties; and (b) the prevailing market rates for comparable properties in the proximity of the Properties (taking into account the location and conditions).

Historical Transaction Amounts

Set out below are the historical transaction amounts for the abovementioned transactions during the Track Record Period:

	For the year ended December 31,		
	2023	**2024**	**2025**
		(RMB'000)	
Transaction amount for the Lease by our Group to Yunsheng Holding and its subsidiaries	19,120	22,555	28,679

Annual Cap and Basis of Annual Caps

The maximum aggregate annual transaction amounts under the Lease 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**
		(RMB'000)	
Maximum transaction amount for the Lease by our Group to Yunsheng Holding and its subsidiaries	35,000	41,300	47,700

The proposed annual caps are determined based on:

(i) the historical transaction amounts between our Group and Yunsheng Holding and its subsidiaries for the Lease;

(ii) the expected rentals under the relevant individual tenancy agreements with reference to the prevailing market rates of comparable properties in Ningbo, the PRC;

(iii) various conditions of the Properties, including but not limited to the location as well as the facilities associated with the Properties; and

(iv) the estimated increases in expenses in maintaining the Properties.

(4) Property lease between our Company (as lessee) and Yunsheng Holding (as lessor)

On [•] 2026, we entered into the lease framework agreement with Yunsheng Holding (the "**Lease Framework Agreement**"), pursuant to which our Group may, from time to time, rent dormitory facilities and car parking space owned by Yunsheng Holding and/or its subsidiaries (the "**Properties**") from Yunsheng Holding and/or its subsidiaries for use (the "**Lease**"). The Lease Framework Agreement has an initial term commencing on the [REDACTED] and ending on [•], and may be renewed as the parties may mutually agree, subject to the compliance with the requirements under Chapter 14A of the Listing Rules and all other applicable laws and regulations.

Reasons for the Transaction

Yunsheng Holding and/or its subsidiaries own dormitory facilities and car parking space, and may have surplus space from time to time. As we have a long-term and stable business cooperation with Yunsheng Holding, who typically has a deeper understanding of our Group's operational needs and management standards, our Group considers it in the best interest to rent these surplus spaces for our Group at the prevailing market rates.

Pricing Policies

The fees to be charged under the Lease Framework Agreement shall be determined through commercial negotiation between the parties on an arm's length basis after taking into consideration (a) the rental fees under the existing lease agreements in respect of the lease of the same Properties; and (b) the prevailing market rates for comparable properties in the proximity of the Properties (taking into account the location and conditions).

Historical Transaction Amounts

Set out below are the historical transaction amounts for the abovementioned transactions during the Track Record Period:

	For the year ended December 31,		
	2023	**2024**	**2025**
		(RMB'000)	
Transaction amount for the Lease by Yunsheng Holding and its subsidiaries to our Group	—	—	468

Annual Cap and Basis of Annual Caps

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

	For the year ended December 31,		
	2026	**2027**	**2028**
		(RMB'000)	
Maximum transaction amount for the Lease by Yunsheng Holding and its subsidiaries to our Group	1,000	1,000	1,000

The proposed annual caps are determined based on:

(i) the historical transaction amounts between our Group and Yunsheng Holding and its subsidiaries for the Lease;

(ii) the expected rentals under the relevant individual tenancy agreements with reference to the prevailing market rates of comparable properties in Ningbo, the PRC;

(iii) various conditions of the Properties, including but not limited to the location as well as the facilities associated with the Properties; and

(iv) the estimated increases in expenses in maintaining the Properties.

LISTING RULES IMPLICATIONS

In respect of each of the continuing connected transactions as disclosed in "— Our Partially-Exempt Continuing Connected Transactions" above, the highest applicable percentage ratio calculated for the purpose of Chapter 14A of the Listing Rules is expected to be above 0.1% but will not exceed 5% on an annual basis. Accordingly, each of the partially-exempt continuing connected transactions as described above are exempt from the independent shareholders' approval requirement under Chapter 14A of the Listing Rules but will be subject to the annual reporting, annual review and announcement requirements under Chapter 14A of the Listing Rules.

WAIVERS FROM STRICT COMPLIANCE WITH THE LISTING RULES

By virtue of Rule 14A.76(2) of the Listing Rules, each of the transactions disclosed in "— Our Partially Exempt Continuing Connected Transactions" will constitute connected transactions which are subject to reporting, annual review and announcement 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 requirement 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], subject to the condition that the value of the annual transactions shall not exceed their respective estimated annual caps as stated above, a waiver to us under Rule 14A.105 of the Listing Rules from strict compliance with the announcement requirement in respect of the above partially exempt continuing connected transactions.

In addition, we confirm that we will comply with the applicable requirements under the Listing Rules in relation to these partially exempt continuing connected transactions and will immediately inform the Stock Exchange if any of the proposed annual caps set out above is exceeded, or when there is a material change in terms of these 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 Group will take immediate steps to ensure compliance with such new requirements within a reasonable time.

CONFIRMATION FROM OUR DIRECTORS

Our Directors (including our independent non-executive Directors) are of the view that each of the partially-exempt continuing connected transactions set out above have been and will continue to be carried out in our ordinary and usual course of business of our Group, on normal commercial terms or better, the terms and proposed annual caps of which are fair and reasonable and in the interests of our Group and its Shareholders as a whole.

CONFIRMATION FROM THE SOLE SPONSOR

The Sole Sponsor is of the view that the above partially-exempt continuing connected transactions have been and will be carried out in the ordinary and usual course of business of our Group, on normal commercial terms or better, the terms and proposed annual cap of which are fair and reasonable and in the interests of our Group and its Shareholders as a whole.

INTERNAL CONTROL MEASURES TO SAFEGUARD SHAREHOLDERS' INTERESTS

To ensure that our continuing connected transactions are conducted in compliance with applicable rules, regulations and on normal commercial terms, and to safeguard the interests of all our Shareholders, including minority Shareholders, our Group has adopted a comprehensive framework of internal control policies and procedures. These measures are designed to ensure that such transactions are fair, reasonable, and in the ordinary and usual course of business of our Group. Key internal control measures include the following:

1) our Group has formulated internal guideline for connected transactions based on the applicable requirements under the Listing Rules, which (a) clearly defines what constitutes a connected transaction and the applicable thresholds for reporting, announcement, and independent Shareholders' approval; (b) clarifies the roles and responsibilities of each functional department in identifying, reviewing, and approving connected transactions; and (c) requires ongoing monitoring and documentation of continuing connected transactions to ensure they remain within approved annual caps;

2) to ensure that the pricing and terms offered by/to our connected persons are fair, reasonable and comparable with those offered to/by Independent Third Parties, our Group will implement the following measures: (a) before engaging in any connected transactions, the relevant business units will conduct regular benchmarking exercises against prevailing market prices and commercial terms; (b) the terms offered to/by our connected persons will be reviewed in comparison with those quotations offered to/by Independent Third Parties to ensure that such terms are comparable and consistent with normal commercial terms;

3) the Audit Committee is expected to play a vital role in overseeing the connected transactions. For example, it will conduct periodic review of the connected transactions, including the actual transaction amounts, terms, and compliance with the estimated annual caps that have been previously disclosed;

4) in accordance with the Listing Rules, our external auditors will conduct an annual review of the continuing connected transactions, in particular, they will verify that the actual transaction amounts fall within the estimated annual caps that have been previously disclosed; and

5) we will regularly organize training sessions for relevant personnel to enhance their awareness and understanding of the rules and internal policies governing connected transactions and internal control procedures. This will ensure that decision-makers remain vigilant and fully informed of their compliance responsibilities.