

CONNECTED TRANSACTIONS

OVERVIEW

We have, in our ordinary and usual course of business, entered into certain transactions with entities that will become our connected persons (as defined under Chapter 14A of the Listing Rules) upon [REDACTED]. Such transactions will continue after the [REDACTED] and will therefore constitute our continuing connected transactions under the Listing Rules.

CONNECTED PERSONS

The following entities will become our connected persons (as defined under Chapter 14A of the Listing Rules) upon [REDACTED] and have entered into certain transactions with us which will constitute continuing connected transactions under Chapter 14A of the Listing Rules:

Connected Persons	Connected Relationship
GYMCL and its associates (excluding our Group)	GYMCL is one of the Controlling Shareholders of our Company

SUMMARY OF OUR CONTINUING CONNECTED TRANSACTIONS

Nature of transactions	Counterparties	Applicable Listing Rules	Waiver Sought
Fully-exempt continuing connected transactions			
Procurement of brand management and shared services	GYMCL	14A.76(1)(a)	N/A
Provision of production related services	GYMCL	14A.76(1)(a)	N/A
Procurement of catering and hotel services	GYMCL Connected Persons	14A.97	N/A
Procurement of utility services	GYMCL Connected Persons	14A.97	N/A
Non-exempt continuing connected transactions			
Procurement of equipment, intangible assets and related services	GYMCL Connected Persons	14A.34, 14A.35, 14A.49, 14A.51 to 14A.59 and 14A.71	Announcement requirement
Lease of equipment to connected persons	GYMCL Connected Persons	14A.34, 14A.35, 14A.49, 14A.51 to 14A.59 and 14A.71	Announcement requirement
Lease of properties from connected persons	GYMCL Connected Persons	14A.34, 14A.35, 14A.49, 14A.51 to 14A.59 and 14A.71	Announcement requirement
Procurement of products and related services	GYMCL Connected Persons	14A.34 to 14A.36, 14A.46, 14A.49, 14A.51 to 14A.59 and 14A.71	Announcement and independent Shareholders' approval requirements
Sale of products and services	GYMCL Connected Persons	14A.34 to 14A.36, 14A.46, 14A.49, 14A.51 to 14A.59 and 14A.71	Announcement and independent Shareholders' approval requirements

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FULLY-EXEMPT CONTINUING CONNECTED TRANSACTIONS

We have entered into the following transactions with our connected persons on normal commercial terms, which will continue after the [REDACTED]:

- (1) We entered into a brand management and shared services agreement with GYMCL on [●], 2026, for the period commencing January 1, 2026 until December 31, 2028, subject to renewal by mutual consent (“**Brand Management and Shared Services Agreement**”). Pursuant to the Brand Management and Shared Services Agreement, GYMCL will provide us with services encompassing trademark guidance, brand strategy formulation, brand planning, digital marketing, brand protection support, and certain shared services such as human resources services, tax and finance consulting services, centralized office supplies procurement services, training services and technology services at an annual service fee of RMB2.4 million. For FY2023, FY2024, FY2025 and 1H2026, the historical transaction amounts for the abovementioned transactions amounted to RMB3.5 million, RMB3.6 million, RMB5.8 million and RMB1.2 million. The transaction amount increased from RMB3.6 million in FY2024 to RMB5.8 million in FY2025, primarily due to the increase in amount of service procured from GYMCL. Based on the annual service fee agreed between the parties under the Brand Management and Shared Services Agreement, our Directors believe that the highest applicable percentage ratio calculated for the purpose of Chapter 14A of the Listing Rules will be less than 5% and the total consideration will be less than HK\$3.0 million on an annual basis, such transaction will constitute a de minimis continuing connected transaction of our Company pursuant to Rule 14A.76(1) of the Listing Rules that will be fully exempt from reporting, annual review, announcement, circular and independent Shareholders’ approval requirements under Chapter 14A of the Listing Rules. The decrease in annual caps is primarily due to the expected reduction in the amount of the brand management and shared services procured from GYMCL to further enhance the delineation of administrative operations in anticipation of the [REDACTED].
- (2) We entered into a provision of services framework agreement with GYMCL (for itself and in respect of transactions with other members of GYMCL Connected Persons) on [●], 2026 with a term commencing from January 1, 2026 until December 31, 2028, subject to renewal by mutual consent, pursuant to which our Group may from time to time provide such GYMCL Connected Persons services that primarily include (i) engine components processing and machining services and (ii) engine testing services. For FY2023, FY2024, FY2025 and 1H2026, the historical transaction amounts for the above-mentioned transactions amounted to RMB1.3 million, RMB2.5 million, RMB2.3 million and RMB0.4 million. The transaction amount increased from RMB1.3 million in FY2023 to RMB2.5 million in FY2024, primarily due to an increase in GYMCL’s demand for engine testing services. Taking into account estimates of transactions as at the Latest Practicable Date, our Directors believe that each of the applicable percentage ratios (other than the profit ratio) calculated for the purpose of Chapter 14A of the Listing Rules is expected to be, on an annual basis, less than 0.1%, such transaction will constitute a de minimis continuing connected transaction of our Company pursuant to Rule 14A.76(1) of the Listing Rules that will be fully exempt from reporting, annual review, announcement, circular and independent Shareholders’ approval requirements under Chapter 14A of the Listing Rules.
- (3) We entered into a catering and hotel services framework agreement with GYMCL (for itself and in respect of transactions with other members of GYMCL Connected Persons) on [●], 2026, for the period commencing January 1, 2026 until December 31, 2028, subject to renewal by mutual consent. Pursuant to the catering and hotel services framework agreement, GYMCL Connected Persons, through the hotels and restaurants operated by GYMCL Connected Persons, may provide catering and hotel services, being consumer services, to our Group, in their ordinary and usual course of business. The catering services primarily comprise food and drink we purchased for the benefit of our Company’s employees such as

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employee lunch and beverages for factory workers during periods of high temperature. The hotel services primarily comprise conference services and accommodation services for our customers, suppliers and other business visitors. We pay catering and hotel fees with reference to prevailing market rates. For FY2023, FY2024, FY2025 and 1H2026, the historical transaction amounts for the abovementioned transactions amounted to RMB3.5 million, RMB3.9 million, RMB5.1 million and RMB2.8 million. The transaction amount increased from RMB3.9 million in FY2024 to RMB5.1 million in FY2025, primarily due to the increase in the number of employees and the catering service fee. The services are provided on normal commercial terms that are comparable to, or no less favorable to us than those available from Independent Third Parties. Therefore, the transactions contemplated under the catering and hotel services framework agreement will constitute fully exempt continuing connected transactions and are exempt from the reporting, annual review, announcement and independent Shareholders’ approval requirements pursuant to Rule 14A.97 of the Listing Rules.

- (4) We entered into a utility services agreement with GYMCL (for itself and in respect of transactions with other members of GYMCL Connected Persons) on [●], 2026 with a term commencing from January 1, 2026 until December 31, 2028, subject to renewal by mutual consent, for the procurement of utilities (including water and electricity) in respect of the Leased Properties (as defined below) for our operations. The utility fees are payable by us on a cost basis at the government-prescribed rates charged on the Leased Properties. For FY2023, FY2024, FY2025 and 1H2026, the historical transaction amounts for the procurement of utility services amounted to RMB22.7 million, RMB20.4 million, RMB22.9 million and RMB10.6 million. The utility services are consumer services and are provided to us on normal commercial terms that are comparable to, or no less favorable to us than those available from Independent Third Parties. Therefore, the transactions contemplated under the utility services agreement will constitute fully exempt continuing connected transactions and are exempt from the reporting, annual review, announcement and independent Shareholders’ approval requirements pursuant to Rule 14A.97 of the Listing Rules.

NON-EXEMPT CONTINUING CONNECTED TRANSACTIONS SUBJECT TO REPORTING, ANNUAL REVIEW AND ANNOUNCEMENT REQUIREMENTS

We have entered into the following transactions where our Directors believe that, taking into account estimates of each of the category of transactions as at the Latest Practicable Date, the highest applicable percentage ratio calculated for the purpose of Chapter 14A of the Listing Rules will be more than 0.1% but less than 5% on an annual basis. Under Rule 14A.76(2) of the Listing Rules, these transactions will be subject to the reporting, annual review and announcement requirements under Chapter 14A of the Listing Rules but will be exempted from the independent Shareholders’ approval requirement under Chapter 14A of the Listing Rules.

1. Procurement of equipment, intangible assets and related services

Parties

GYMCL (for itself and in respect of transactions with other members of GYMCL Connected Persons)

Our Company (for itself and in respect of transactions with our Group)

Principal terms

On [●], [●], we entered into a framework agreement with GYMCL for the procurement of equipment, intangible assets and related services (the “**Equipment and Intangible Assets Procurement Framework Agreement**”), pursuant to which our Group may from time to time

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procure from GYMCL Connected Persons certain IT and production equipment, intangible assets (such as operational software system which, as at the Latest Practicable Date, primarily relate to research and development platform system and ERP system) for use in our operations, and certain related services that primarily include system maintenance services for the intangible assets we procured, software services (being right-of-use or access to software or systems) and construction services. The initial term of the Equipment and Intangible Assets Procurement Framework Agreement shall commence from January 1, 2026 and continue until December 31, 2028, subject to renewal by mutual consent.

Pricing terms

The pricing for the procurement of the relevant products and services shall be determined according to the following mechanism: the procurement department of our Company conducts price reviews for the products/services required, in which a number of factors, including (i) the type, quantity, specification and cost of the products or services required, (ii) the market price of the products or services (or the same type of products or services on the market), (iii) prices approved by the local pricing authorities, if and where applicable, and (iv) quotes from at least two independent third-party suppliers (if such products or services can be procured from Independent Third Parties), are comprehensively considered in order to formulate its pricing proposal which will be put before the head of procurement department of our Company for approval. Following such review, the same are further submitted to senior management for approval, and the final prices are determined through arm's length negotiations conducted among the parties provided that the prices and terms shall not be less favorable to us than those for transactions between our Group and Independent Third Parties under the same conditions. Such price reviews are normally conducted on at least an annual basis.

Reasons for the transactions

We procure from GYMCL Connected Persons production equipment that aligns with our Group's technical specifications and business needs and engage GYMCL for certain related construction work such as construction and assembly of production lines. GYMCL Connected Persons possess deep industry knowledge and technical expertise, enabling them to design and tailor production equipment to our Group's operational requirements. In addition, from time to time, GYMCL Connected Persons may have previously developed, tested, and deployed comparable systems and production equipment for other companies within the GYMCL group. Our Group is therefore able to leverage such prior investment and technical development, adopting proven systems at a lower cost than would be incurred if such equipment were to be independently developed or sourced from Independent Third Parties. The relevant transactions have been entered into in the ordinary and usual course of business of our Company and on normal commercial terms. The procurement of IT equipment, intangible assets and software services from GYMCL Connected Persons is driven by our Group's operational needs in day-to-day business and requirements for automated software systems to support and enhance its production and management processes. GYMCL Connected Persons have historically supplied us with various systems and software used in our marketing, office, research and development and cost management activities, including our SKY Marketing Management Platform and office automation system. GYMCL Connected Persons have deep understanding of our business operations and, where needed, are able to tailor the relevant systems to our needs. Given our past business dealings with GYMCL Connected Persons, we consider it more appropriate to procure the relevant system and software maintenance services from the same provider.

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Historical amounts

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

	For the year ended December 31,			For the six months ended
	2023	2024	2025	June 30,
	RMB'000	RMB'000	RMB'000	2026
Historical transaction amounts	3,368	9,601	7,558	4,615

The transaction amount increased from RMB3.4 million in FY2023 to RMB9.6 million in FY2024, primarily due to the purchase of large-scale production line equipment used in the casting process. The transaction amount decreased from RMB9.6 million in FY2024 to RMB7.6 million in FY2025, primarily due to a reduction in the purchase of production equipment partially offset by the increase in intangible asset purchases.

Annual caps and basis

The maximum aggregate annual transaction amounts under the Equipment and Intangible Assets Procurement Framework Agreement 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	RMB'000	RMB'000
Annual caps	48,092	45,180	51,544

The above proposed annual cap for the annual transaction amounts under the Equipment and Intangible Assets Procurement Framework Agreement is determined taking into account:

- (a) the historical transaction amounts during the Track Record Period, and
- (b) the estimated transaction amounts based on the existing contracts or arrangements between our Group and GYMCL Connected Persons as well as our business growth, in particular, we expect to see increase in procurement primarily for (i) production equipment and test bench construction to expand our production and R&D capacity, and (ii) AI services used in R&D, production and operation management, including AI-aided 3D modeling for engine component, simulation analysis and component design generation, AI assisted defect diagnosis in engine testing process and automated contract review.

2. Lease of equipment to GYMCL Connected Persons

Parties

GYMCL (for itself and in respect of transactions with other members of GYMCL Connected Persons) (as lessee)

Our Company (for itself and in respect of transactions with our Group) (as lessor)

Principal terms

On [●], [●], we entered into a lease framework agreement with GYMCL Connected Persons (the “**Equipment Leasing Framework Agreement**”), pursuant to which our Group may lease certain casting equipment used in casting production such as lathe, mobile lifting platform, transfer

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cart, bidirectional powered roller conveyor and manual roller conveyor to GYMCL Connected Persons. The initial term of the Equipment Leasing Framework Agreement shall commence from January 1, 2026 and continue until December 31, 2028, subject to renewal by mutual consent.

Pricing terms

The rent during the leasing term under the Equipment Leasing Framework Agreement shall be determined on normal commercial terms after arm’s length negotiations between the relevant parties and with reference to (i) the type, quantity, conditions and specification of the required equipment and (ii) the estimated depreciation expenses of the leased equipment for the relevant financial year, and shall not be less favorable to us than those for transactions between our Group and Independent Third Parties under the same conditions.

Reasons for the transactions

Before March 2024, we produced in-house cylinder block rough castings for our self-produced large engines and heavy-duty engines. In March 2024, as part of our Group’s strategic initiative to optimize resource allocation by focusing on higher value-added segments of the engine manufacturing process (such as precision machining, assembly and testing), we transitioned from in-house production of such rough castings to sourcing them from suppliers, primarily GYMCL Connected Persons. Following which, our Company (as lessor) reached an agreement with GYMCL Connected Persons (as lessee) to lease the relevant casting equipment owned by us to GYMCL Connected Persons for their use in their casting production. The equipment lease reflects our Company’s business considerations in utilizing existing assets that would otherwise be idle.

Historical amounts

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

	For the year ended December 31,			For the six months ended
	2023	2024	2025	June 30,
	RMB’000	RMB’000	RMB’000	2026
Historical transaction amounts	—	9,359	12,159	5,492

The transaction amount increased from approximately RMB9.4 million in FY2024 to RMB12.2 million in FY2025, primarily due to increases in the quantity of equipment leased to GYMCL Connected Persons.

Annual caps and basis

The maximum aggregate annual transaction amounts under the Equipment Leasing Framework Agreement 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	RMB’000	RMB’000
Annual caps	13,400	14,600	16,400

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The above proposed annual cap for the annual transaction amounts under the Equipment Leasing Framework Agreement is determined taking into account:

- (a) the historical transaction amounts during the Track Record Period, and
- (b) the estimated transaction amounts based on the existing contracts or arrangements between our Group and GYMCL Connected Persons, and the expected increase in the quantity of equipment leased to GYMCL Connected Persons.

3. Lease of properties from GYMCL Connected Persons

Parties

GYMCL (for itself and in respect of transactions with other members of GYMCL Connected Persons) (as lessor)

Our Company (for itself and in respect of transactions with our Group) (as lessee)

Principal terms

On [●], [●], we entered into a property leasing framework agreement with GYMCL Connected Persons (the “**Property Leasing Framework Agreement**”), pursuant to which we may lease from GYMCL Connected Persons certain properties which primarily consist of (i) production facilities used for engine production, including the machining of engine components (the “**Production Lease**”), (ii) research space primarily used for large engine R&D activities (the “**R&D Lease**”); (iii) shared office spaces for our sales teams outside Yulin City (the “**Office Lease**”) and (iv) warehouses for storage of finished engines (the “**Warehouse Lease**”) (together the “**Leased Properties**”). The initial term of the Property Leasing Framework Agreement shall commence from January 1, 2026 and continue until December 31, 2028, subject to renewal by mutual consent. As at the Latest Practicable Date, the Property Leasing Framework Agreement is expected to govern the connected transactions with GYMCL Connected Persons from the [REDACTED] in respect of the properties leased from GYMCL Connected Persons with an aggregate gross floor area of 103,504.2 sq.m. under four lease agreements.

In respect of the Production Lease, GYMCL Connected Persons also provide wastewater treatment services through the built-in sewage system of such facilities as an ancillary service at nil cost.

Pricing terms

The rents during the leasing term shall be determined according to the following mechanism: the relevant department of our Company that has land use needs will conduct price reviews of the relevant property (for example, office space is reviewed by the management department and production space is reviewed by the production department), in which a number of factors, including: (i) the prevailing market rents of similar properties in the same or nearby area or similar locations in Guangxi, (ii) the conditions of the property, including but not limited to its location and the facilities associated with the property and (iii) quotes from at least two independent third-party lessors, are comprehensively considered in order to formulate its pricing proposal which will be put before the relevant department head for approval. Following such review, the same are further submitted to senior management for approval, and the final prices are determined through arm’s length negotiations conducted among the parties provided that the rents shall be in line with and no more than the market rates of properties of comparable size and quality situated in the same locality available or charged by Independent Third Parties.

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Reasons for the transactions

Historically and throughout the Track Record Period and up to the Latest Practicable Date, we utilized and will continue to utilize the Leased Properties for various operational use. Commercially, our Group considers this more appropriate than investing in our own real estate. The relevant leases have been entered into in the ordinary and usual course of business of our Company and on normal commercial terms.

Historical amounts

Set out below are the historical lease payments for the abovementioned transactions during the Track Record Period:

	For the year ended December 31,			For the six months ended June 30,
	2023	2024	2025	2026
	RMB'000	RMB'000	RMB'000	RMB'000
Historical right-of-use assets	—	—	62,075	—
Historical payments recognized as expense	—	—	—	2,217

Pursuant to HKFRS 16, the right-of-use assets are recognized at the commencement of the relevant lease and amortized over the lease term. The relevant leases during the Track Record Period were for a term of three years and expired on December 31, 2024. The historical right-of-use assets in FY2023 and FY2024 are nil because no new leases were entered into in the relevant years. The increase in right-of-use assets to RMB62.1 million in FY2025 was attributable to the commencement of new leases in FY2025.

Annual caps and basis

The annual caps under the Property Leasing Framework Agreement for the three years ending December 31, 2028 are set out below:

	For the year ended December 31,		
	2026	2027	2028
	RMB'000	RMB'000	RMB'000
Annual caps for right-of-use assets	22,420	10,755	128,546
Annual caps for payments recognized as expenses	4,000	4,500	5,000

Pursuant to HKFRS 16, the R&D Lease and Production Lease shall be recognized as right-of-use assets and the Office Lease and Warehouse Lease shall be recognized as expenses. Accordingly, the annual caps reflect the respective maximum amount of (i) the expected total value of the right-of-use assets for leases to be entered into by the Group in each year under the Property Leasing Framework Agreement, and (ii) the total amount of lease payments to be paid by and recognized by the Group as expenses in each year under the Property Leasing Framework Agreement. Under the Property Leasing Framework Agreement, further premises may be leased but we will comply with all relevant Listing Rules (including shareholders' approval) prior to the relevant percentage ratios pursuant to Chapter 14 of the Listing Rules being 5% or more.

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The above proposed annual caps under the Property Leasing Framework Agreement are determined taking into account:

- (a) the historical lease payments during the Track Record Period;
- (b) the estimated lease payments taking into account the existing leasing agreements and future lease arrangements that may be entered into between our Group and GYMCL Connected Persons. We expect to enter into further leases with GYMCL Connected Persons which, as at the Latest Practicable Date, primarily relate to properties to be used as office space. We expect to enter into such lease arrangements because the relevant properties are in close proximity to our business premises, offering greater operational convenience than comparable properties available from Independent Third Parties at similar rental levels; and
- (c) the geographical locations of the Leased Properties and the prevailing rental rates in similar locations for properties of comparable size and quality.

NON-EXEMPT CONTINUING CONNECTED TRANSACTIONS SUBJECT TO REPORTING, ANNUAL REVIEW, ANNOUNCEMENT AND INDEPENDENT SHAREHOLDERS’ APPROVAL REQUIREMENTS

In our ordinary and usual course of business, we have entered into the following transactions where our Directors believe that, taking into account estimates of each of the category of transactions as at the Latest Practicable Date, 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, these transactions will be subject to the reporting, annual review, announcement and independent Shareholders’ approval requirements under Chapter 14A of the Listing Rules.

4. Procurement of products and related services

Parties

GYMCL (for itself and in respect of transactions with other members of GYMCL Connected Persons)

Our Company (for itself and in respect of transactions with our Group)

Principal terms

On [●], [●], we entered into a framework agreement with GYMCL (the “**Products and Services Procurement Framework Agreement**”), pursuant to which our Group may from time to time procure from GYMCL Connected Persons: (a) certain products which primarily include (i) components for engines such as cylinder head rough castings, cylinder block rough castings, crankshafts, exhaust pipes, fuel injection pumps and pump components, and (ii) finished engines; and (b) related services which primarily include engine testing services for certain medium- to light-duty engines, machining services, mold development services, equipment maintenance and repair services, storage and logistic services, quality inspection services for engine components and certain miscellaneous services. The initial term of the Products and Services Procurement Framework Agreement shall commence from January 1, 2026 and continue until December 31, 2028, subject to renewal by mutual consent.

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Pricing terms

The pricing for the procurement of the relevant products and services shall be determined according to the following mechanism: the procurement department of our Company conducts price reviews for the products or services required, in which a number of factors, including (i) the type, quantity, specification and cost of the products or services required, (ii) prices approved by the local pricing authorities, if and where applicable, (iii) market price of the products or services (or the same type of products or services on the market) based on market research, and (iv) quotes from at least two independent third-party suppliers (if such products or services can be procured from Independent Third Parties) are comprehensively considered in order to formulate its pricing proposal which will be put before the head of procurement department of our Company for approval. Following such review, the same are further submitted to senior management for approval, and the final prices are determined through arm’s length negotiations conducted among the parties provided that the prices and terms shall not be less favorable than those for transactions between our Group and Independent Third Parties under the same conditions. Such price reviews are normally conducted on at least an annual basis, during which our procurement department will consider the market data of the finished engines as collected by our sales department.

Reasons for the transactions

GYMCL Connected Persons have deep expertise in the design and manufacture of a wide range of light-, medium- and heavy-duty engines for trucks, buses, pickups, construction and agricultural equipment and engine components. During the Track Record Period, we procured from GYMCL Connected Persons various engine components which primarily include the rough castings for cylinder heads and cylinder blocks. We procure these components from GYMCL Connected Persons because they are familiar with our business needs and quality specifications, and are capable of delivering a high-quality and reliable supply of engine component products. In addition, GYMCL Connected Persons operate specialized and dedicated casting production facilities that can produce the rough castings we require with economies of scale and enhanced production efficiency thereby supporting greater cost effectiveness. We procure from GYMCL Connected Persons a number of specific models of finished engines that are technically suitable and can be adopted for deployment in power generation and marine applications for the purposes of (i) maintaining a comprehensive product portfolio and meeting customer needs and (ii) for use in our testing and research and development. During the Track Record Period, the finished engines we procured from GYMCL Connected Persons were certain medium- to light-duty engines and marine engines with lower rated power (between 150 kW and 490 kW). Such engines generally carry lower gross profit margins. For FY2025, the gross profit margins of our Group’s sales of medium- to light-duty engines and marine engines were 6.5% and 22.5%, respectively, which is lower than the profit margin of our large engines. We do not produce such engines ourselves as we do not have the specific production equipment, while GYMCL Connected Persons have stronger specialties and have established capabilities in the design and manufacture of such medium- to light-duty and marine engines. To ensure that competition will not develop between the GYMCL Connected Persons (on the one hand) and our Group (on the other hand) in the future, GYMCL will provide certain undertaking to our Company. See “Relationship with Our Controlling Shareholders — Delineation of Businesses — Deed of Non-Competition” in this document for further details.

Historically and throughout the Track Record Period and up to the Latest Practicable Date, we procured from GYMCL Connected Persons testing services for certain medium- to light-duty engines and quality inspection services for engine components because GYMCL Connected Persons maintain the relevant engine testing equipment and component testing laboratories which we do not possess in-house. We consider it more appropriate and economical for us to procure these services rather than investing in the dedicated equipment and laboratories. From time to time, we also procure from GYMCL Connected Persons machining services for engine components and mold development services primarily for the development of new engine component molds. As a

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strategic initiative to consolidate resources, GYMCL group has (i) built a dedicated equipment technician team and (ii) invested in a joint venture company providing storage and logistics services. We procure from GYMCL Connected Persons (i) regular equipment maintenance and repair services for production equipment beyond the warranty period, which allows us to access a pool of highly skilled technicians who are locally stationed and able to provide a fast response as needed; and (ii) storage and logistics services for storage and delivery services between our warehouses and production lines for enhanced performance and operational efficiency, given, among other factors, our former service provider’s lack of capital to meet our expanding business needs.

Historical amounts

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

	For the year ended December 31,			For the six months ended
	2023	2024	2025	June 30,
	RMB’000	RMB’000	RMB’000	2026
Historical transaction amounts with GYMCL Connected Persons excluding Nanyue Fuel Injection	216,452	426,892	537,894	330,860
Historical transaction amounts with Nanyue Fuel Injection⁽¹⁾	52,115	80,462	153,705	102,105

The transaction amount with GYMCL Connected Persons (excluding Nanyue Fuel Injection) increased from approximately RMB216.5 million in FY2023 to RMB426.9 million in FY2024 primarily due to our transition in March 2024 from in-house production of cylinder block rough castings to sourcing them externally and an increase in our sales. The transaction amount further increased from RMB426.9 million in FY2024 to RMB537.9 million in FY2025, primarily due to the increase in our sales volumes.

Note:

- (1) On December 26, 2025, GYMCL entered into sale and purchase agreements with two Independent Third Parties respectively, and an acting in concert agreement with a third Independent Third Party to acquire the control of approximately 66% of the voting rights attached to the equity holding in Nanyue Fuel Injection. Upon the completion of the business registration procedures with the relevant authorities on December 30, 2025, Nanyue Fuel Injection became an associate of GYMCL, and therefore, our connected person.

Annual caps and basis

The maximum aggregate annual transaction amounts under the Products and Services Procurement Framework Agreement 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	RMB’000	RMB’000
Annual caps	975,050	1,157,629	1,296,927

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The above proposed annual caps of procurements under Products and Services Procurement Framework Agreement are determined with reference to:

- (a) the historical transaction amounts during the Track Record Period;
- (b) the estimated demands for the products and services supplied by GYMCL Connected Persons taking into account the transaction amounts based on the existing contracts or arrangements between our Group and GYMCL Connected Persons;
- (c) the expected increase in procurement of complete engines, engine components, and the related services due to the anticipated business growth of our Group based on our business plan and management’s estimation; and
- (d) the estimated product price to be charged by GYMCL Connected Persons, with reference to the price level during the Track Record Period and the potential fluctuation in the price.

5. Sale of products and services

Parties

GYMCL (for itself and in respect of transactions with other members of GYMCL Connected Persons)

Our Company (for itself and in respect of transactions with our Group)

Principal terms

On [●], [●], we entered into a framework agreement with GYMCL (the “**Products and Services Sales Framework Agreement**”), pursuant to which our Group may from time to time supply to GYMCL Connected Persons (i) various engine components; (ii) certain finished engines, (iii) certain power generator sets and (iv) scrap metal as a by-product arising from our production process. From time to time, we may also charge relevant GYMCL Connected Persons repair service fees for repairing, replacing or otherwise remediating defects in components originally procured from relevant GYMCL Connected Persons pursuant to the Products and Services Sales Framework Agreement. The initial term of the Products and Services Sales Framework Agreement shall commence from January 1, 2026 and continue until December 31, 2028, subject to renewal by mutual consent.

Pricing terms

The pricing for the relevant products we offer to GYMCL Connected Persons, including various engine components, certain finished engines and power generator sets, shall be determined based on arm’s length negotiations between the parties with reference to (i) the type, quantity, specification and cost of the product required, (ii) prices approved by the local pricing authorities, if and where applicable, and (iii) market prices of the products (or same type of products on the market), provided that the prices and terms shall not be less favorable to us than those for transactions between our Group and Independent Third Parties under the same conditions. We maintain guidance prices for our finished engine products, which are reviewed on an annual basis and are equally applicable to Independent Third Parties and Connected Persons. For prices not lower than the applicable threshold of the guidance price (which varies depending on the type of product), our sales team will submit the price proposal for review and approval by the director of our regional sales team, following which the same is further submitted to the head of the sales department for approval. In special circumstances where the price is lower than the applicable

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threshold (such as sales of sample finished engines), in addition to the aforementioned procedures, approval from the pricing committee of our Company is also required. For our components, which are primarily sold for after-sales use, we generally apply cost-plus pricing, with margins typically ranging from approximately 1% to 30% depending on the type of component. Components produced in-house typically carry higher margins, reflecting the additional value-added manufacturing processes, quality control and technical expertise contributed by our Company, whereas externally sourced components typically carry lower margins, as they have lower value-add and are intended to serve our customers’ after-sales needs. For components of a small number of gas engine series, the prices are determined with reference to comparative market prices due to the unique characteristics of such gas engines.

The repair service fees for the defective components are determined with reference to the original purchase price paid by our Group for the relevant components or finished engines, the costs and expenses incurred by us for the repairing services (if applicable) and a compensation amount as agreed between the parties.

Reasons for the transactions

Historically and throughout the Track Record Period and up to the Latest Practicable Date, we sold engine components to GYMCL Connected Persons whose member possesses an extensive nationwide warehouse network that can facilitate the efficient delivery of these engine components to our chain of authorized service stations. Such arrangement reflects our Company’s business considerations in optimizing the availability of after-sales support for engine components and allows our Company to utilize GYMCL Connected Persons’ established logistics infrastructure, avoiding substantial capital expenditure on a nationwide warehousing system. GYMCL Connected Persons may also purchase engine components from us for its production and testing of engines, primarily during inventory shortage and urgent delivery timeline and when certain accessory parts were not sold separately by other suppliers. In addition, we also provide GYMCL Connected Persons with (i) certain large and heavy-duty finished engines (primarily TD and VTD series engines) that GYMCL Connected Persons do not have the capability to produce themselves for their distribution to their customers in the vehicle manufacturing industry (ii) certain heavy-duty and medium- to light-duty finished engines for distribution in the overseas market through GYMCL Connected Persons, and (iii) a limited number of power generator sets for distribution in the energy industry.

Separately, to optimize the utilization of our resources, we also sell scrap metal, including machining offcuts and defective metal components arising from the production process, to GYMCL Connected Persons, who can recycle and reuse such scrap in their casting operations.

As part of our product quality control, we charge relevant GYMCL Connected Persons repair service fees for repairing, replacing or otherwise remediating defects in components or finished engines they sold to us.

We expect that we will continue these transactions with GYMCL Connected Persons, given their continued demand for our products and that the selling price of the products is no less favorable to us than those offered to Independent Third Parties.

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Historical amounts

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

	For the year ended December 31,			For the six months ended
	2023	2024	2025	June 30,
	RMB'000	RMB'000	RMB'000	2026
Historical transaction amounts with GYMCL Connected Persons excluding Nanyue Fuel Injection	54,877	77,211	94,399	53,891
Historical transaction amounts with Nanyue Fuel Injection⁽¹⁾	663	919	790	414

The transaction amount with GYMCL Connected Persons (excluding Nanyue Fuel Injection) increased from approximately RMB54.9 million in FY2023 to RMB77.2 million in FY2024 and further increased to RMB95.2 million in FY2025, primarily due to (i) an increase in our sales volume leading to a corresponding rise in sales of engine components to GYMCL Connected Persons for after-sales services provided by authorized service stations; (ii) increased demand from GYMCL Connected Persons for engines sold to the vehicle manufacturing industry; and (iii) increased overseas sales for certain heavy-duty and medium- to light-duty finished engines.

Note:

- (1) On December 26, 2025, GYMCL entered into sale and purchase agreements with two Independent Third Parties respectively, and an acting in concert agreement with a third Independent Third Party to acquire the control of approximately 66% of the voting rights attached to the equity holding in Nanyue Fuel Injection. Upon the completion of the business registration procedures with the relevant authorities on December 30, 2025, Nanyue Fuel Injection became an associate of GYMCL, and therefore, our connected person.

Annual caps and basis

The maximum aggregate annual transaction amounts under the Products and Services Sales Framework Agreement 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	RMB'000	RMB'000
Annual caps	193,948	257,705	319,758

The above proposed annual caps of the sales under Products and Services Sales Framework Agreement are determined with reference to:

- the historical transaction amounts during the Track Record Period;
- the estimated transaction amounts based on the existing contracts or arrangements between our Group and GYMCL Connected Persons; and
- the expected increase in sales of engine components used in after-sales service due to the anticipated business growth of our Group based on our business plan and management's estimation.

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WAIVER APPLICATION FOR NON-EXEMPT CONTINUING CONNECTED TRANSACTIONS

Under Rule 14A.76(2) of the Listing Rules, the transactions under the subsection headed “— Non-exempt continuing connected transactions subject to the reporting, annual review and announcement requirements” and “— Non-exempt continuing connected transactions subject to reporting, annual review, announcement and independent Shareholders’ approval requirements” will constitute our continuing connected transactions subject to those requirements under Chapter 14A of the Listing Rules (as the case may be).

As those non-exempt continuing connected transactions are 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 (as the case may be) 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 (i) the announcement requirement under Chapter 14A of the Listing Rules in respect of the continuing connected transactions as disclosed in “— Non-exempt continuing connected transactions subject to the reporting, annual review and announcement requirements” in this section; and (ii) the announcement and independent Shareholders’ approval requirements under Chapter 14A of the Listing Rules in respect of the continuing connected transactions as disclosed in “— Non-exempt continuing connected transactions subject to reporting, annual review, announcement and independent Shareholders’ approval requirements” in this section, subject to the condition that the aggregate amounts of the continuing connected transactions for each financial year shall not exceed the relevant amounts set forth in the respective annual caps (as stated above).

Save for the announcement, circular and/or Shareholders’ approval requirements for which waivers have been applied, we will comply with the relevant requirements under Chapter 14A of the Listing Rules.

CONFIRMATION FROM OUR DIRECTORS

Our Directors [(including our independent non-executive Directors)] are of the view that the non-exempt continuing connected transactions as set out above have been and will be carried out in our ordinary and usual course of business and on normal commercial terms or better, and are fair and reasonable and in the interest of our Company and Shareholders as a whole, and that the proposed annual caps for those transactions are fair and reasonable and in the interest of our Company and Shareholders as a whole.

The increases in the annual caps for the purchases from and sales to GYMCL Connected Persons primarily reflect the business growth of our Company based on the business plan and management’s estimation. Our Company expects that the percentage of total revenue and total purchases from GYMCL Connected Persons will remain stable. As a result, our Directors are of the view that there is no trend suggesting an increasing level of reliance on the revenue and purchases from GYMCL Connected Persons.

CONFIRMATION FROM THE JOINT SPONSORS

Based on the review of the documentation, information and data provided by our Company, the representations and confirmations from our Company, and the participation in the due diligence and discussion with our Company, the Joint Sponsors are of the view that, as at the Latest Practicable Date, (i) the aforesaid non-exempt continuing connected transactions for which the waivers have been sought have been entered into in the ordinary and usual course of business of our Company, are on normal commercial terms or better, are fair and reasonable, and are in the interests of our Company and the

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Shareholders as a whole, and (ii) the proposed annual caps of the non-exempt continuing connected transactions are fair and reasonable and in the interests of our Company and the 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:

- 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.