

CONNECTED TRANSACTIONS

Upon [REDACTED], certain transactions between us and our connected persons, which are entered into in our ordinary course of business, will constitute continuing connected transactions of our Company under Chapter 14A of the Listing Rules.

OUR CONNECTED PERSONS

We have entered into certain transactions with the following connected persons, which will constitute our continuing connected transactions upon [REDACTED]:

<u>Name of our connected persons</u>	<u>Connected relationship</u>
Dahua Technology	Dahua Technology is held as to 34.19% by Mr. Fu, 5.36% by Mr. Zhu and 2.38% by Ms. Chen as of the Latest Practicable Date, therefore a connected person of our Company.
Zhejiang Dahua Vision Technology Co., Ltd. (浙江大華科技有限公司) ("Dahua Vision")	Dahua Vision is a wholly-owned subsidiary of Dahua Technology as of the Latest Practicable Date and therefore a connected person of our Company.
Zhejiang Dahua Zhilian Co., Ltd. (浙江大華智聯有限公司) ("Dahua Zhilian")	Dahua Zhilian is held as to 90.09% by Dahua Technology as of the Latest Practicable Date and therefore a connected person of our Company.
Huaruijie Technology	Huaruijie Technology is held as to 51% by Dahua Technology as of the Latest Practicable Date and therefore a connected person of our Company.
Hangzhou Xintu	Hangzhou Xintu is held as to 70% by Mr. Zhu and 30% by Ms. Liu as of the Latest Practicable Date and therefore a connected person of our Company.

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<u>Nature of transaction</u>	<u>Counterparty</u>	<u>Applicable Listing Rules</u>	<u>Waiver sought</u>
One-off connected transaction			
1 Property leasing	(i) Dahua Zhilian; (ii) Hangzhou Xintu; and (iii) Dahua Technology	N/A	N/A
Non-exempt continuing connected transactions			
2 Provision of procurement assembly services	Dahua Vision	14A.35, 14A.76(2), 14A.105	Announcement requirement
3 Provision of components and systems	Huaruijie Technology	14A.35, 14A.36, 14A.46, 14A.105	Announcement, circular and independent Shareholders' approval requirements

ONE-OFF CONNECTED TRANSACTION

1. Property Leasing

During the Track Record Period, the Company entered into (i) a tenancy agreement with Dahua Zhilian on January 1, 2021, pursuant to which the Company leased certain property from Dahua Zhilian for a fixed period from January 1, 2021 to December 31, 2022 to be used as testing sites of the Group ("**Dahua Zhilian Tenancy Agreement**"); (ii) tenancy agreements with Hangzhou Xintu during the course of 2021, pursuant to which our Group leased certain properties from Hangzhou Xintu for a maximum fixed term of three years from the date of such tenancy agreement as office and storage spaces to cater our expanding demand, including our current head office (the "**Hangzhou Xintu Tenancy**"); and (iii) a tenancy agreement with Dahua Technology on February 10, 2022 pursuant to which the Company leased certain property from Dahua Technology for a fixed period from January 1, 2022 to December 31, 2022 as laboratory of the Group ("**Dahua Technology Tenancy Agreement**"). The Dahua Zhilian Tenancy Agreement, the Hangzhou Xintu Tenancy Agreement and the Dahua Technology Tenancy Agreement are collectively referred as the "**Property Lease Agreements**" and may be renewed on terms as the parties may mutually agree, subject to compliance with the requirements under Chapter 14A of the Listing Rules and other applicable laws and regulations.

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The rent for each of the Property Lease Agreements was determined by the parties at arm's length negotiations with reference to prevailing market rate and the location, quality and size of the properties.

The Property Lease Agreements were entered into in our ordinary and usual course of business and after arm's length negotiation, and were on normal commercial terms or better.

The value of the right of use assets from leasing which includes the present value of the lease payments recognized by our Company with respect to the Dahua Zhilian Tenancy Agreement according to IFRS 16 as at December 31, 2021 and March 31, 2022 amounted to approximately RMB971,000 and RMB94,000, respectively.

The value of the right of use assets from leasing which includes the present value of the lease payments recognized by our Company with respect to the Hangzhou Xintu Tenancy Agreements according to IFRS 16 as at December 31, 2021 and March 31, 2022 amounted to approximately RMB9,684,000 and RMB4,220,000, respectively.

In accordance with IFRS 16 "Leases", our Group recognized a right-of-use asset on its balance sheet in connection with the lease of the properties from (i) Dahua Zhilian; (ii) Hangzhou Xintu; and (iii) Dahua Technology. Therefore, the lease of the premises from Dahua Zhilian, Hangzhou Xintu and Dahua Technology under the Property Lease Agreements were regarded as acquisitions of a capital asset and an one-off connected transaction of the Company for the purposes of the Listing Rules. The Property Lease Agreements have been duly executed and in force, and the Group has recognized a right-of-use asset under the Property Lease Agreements on its balance sheet. Accordingly, the reporting, announcement, annual review and independent shareholders' approval requirements in Chapter 14A of the Listing Rules will not be applicable.

NON-EXEMPT CONTINUING CONNECTED TRANSACTION (SUBJECT TO REPORTING, ANNUAL REVIEW AND ANNOUNCEMENT REQUIREMENTS)

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 0.1% but less than 5% on an annual basis. Under Rule 14A.76(2) of the Listing Rules, this transaction 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.

2. Provision of assembly services procurement

Parties: Dahua Vision, Dahua Zhilian and our Company

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Principal terms

We have entered into the procurement of assembly services framework agreement with (i) Dahua Vision, a subsidiary of Dahua Technology and (ii) Dahua Zhilian, a subsidiary of the Dahua Technology, on September 14, 2022 (the "**Services Procurement Framework Agreement**"), pursuant to which our Group may, from time to time, outsource to Dahua Vision and Dahua Zhilian the assembly process of various items used in the EVs manufactured by the Group, including the printed circuit boards ("**PCB**"). As part of the assembly services, the Group will source the components and raw materials, and Dahua Vision and Dahua Zhilian will coordinate the components and assemble the components using automated and manual soldering processes.

The initial term of the Services Procurement Framework Agreement shall commence on the [REDACTED] until December 31, 2024, subject to renewal by mutual consent.

The terms are to be no less favorable to our Group than those for transactions between our Group and Independent Third Parties under the same conditions.

Reason for the transactions

The Company considers that the costs of maintaining an assembly line for certain raw materials (such as PCB) are significant and it would be more efficient to outsource such assembly line to a manufacturer who has the capability, economies of scale and experience to assemble such materials tailored to the needs of the Group. Dahua Vision and Dahua Zhilian have the relevant assembly line and relevant plants with the economies of scale to provide such assembly services at a lower cost. In addition, the plants of Dahua Vision and Dahua Zhilian are located near Hangzhou, Zhejiang province, the PRC, such proximity with the Company's own production line of EVs provide significant advantage in reducing shipping costs and avoiding any delay caused by logistics issues.

Pricing basis

The pricing of the procurement of the assembly services from Dahua Vision and Dahua Zhilian shall be (i) in form of a fixed unit price, (ii) determined on an arm's length basis by the parties, (iii) subject to the Group's standard vendor selection process by comparing the quotations from various suppliers, and (iv) with reference to the order size and specification of the assembly services required by the Group. The Group will set out its requirements for the assembly services together with its assessment basis in the vendor selection invitation. The Group will then conduct an overall assessment of the technical capability and the terms (including the prices and the sizes of such orders) offered by the potential suppliers and the purchasing order will be given to the supplier with the highest overall ranking. Based on the quotations provided by various suppliers in the vendor selection process and taking into account other factors such as unit price, scope of services and delivery arrangement, we will be able to ensure that the price paid to Dahua Vision and Dahua Zhilian by our Group represents the prevailing market price and on normal commercial terms.

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Historical amounts

	Historical amounts			
	For the Year Ended December 31,			For the Three Months Ended March 31,
	2019	2020	2021	2022
	<i>(RMB'000)</i>	<i>(RMB'000)</i>	<i>(RMB'000)</i>	<i>(RMB'000)</i>
Purchase amount by our Group	6,355	6,380	23,591	12,123

Annual caps and basis of caps

The maximum aggregate annual procurement amounts in respect of the Services Procurement Framework Agreement for the three years ending December 31, 2022, 2023 and 2024 shall not exceed the proposed annual caps set out below:

	Proposed annual caps for the year ending December 31,		
	2022	2023	2024
	<i>(RMB'000)</i>	<i>(RMB'000)</i>	<i>(RMB'000)</i>
Purchase amount by our Group	73,000	88,000	106,000

The above proposed annual caps are determined with reference to the following considerations:

- (a) the historical transaction amounts during the Track Record Period, with reference to the number of EVs sold and the relevant cost per EV;
- (b) the expected increase in our demand for the assembly services of based on (i) the historical growth trend of the Group's use of assembly services from Dahua Vision and Dahua Zhilian; (ii) the historical growth trend in the number of EVs sold during the Track Record Period as we expand our business; and (iii) the Group expects the sales of our C platform EVs will account for a significant portion in its annual sales for 2022 and in subsequent years as we continue to expand our product offering;

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- (c) the expected growth in the Group's sales and the expansion into different model types of vehicles such as sedans, SUVs and MPVs in the three years ending December 31, 2024 where different models may involve different levels of demand for such assembly services. For example, the costs of assembly services for our C platforms EVs are higher than the previous models as our C platforms EVs have more complicated design and more advanced technology, as such each C platform EV has more circuit boards and other components that require assembly services; and
- (d) the Company's strategy to (i) streamline its supplier base and (ii) onboard and engage other third party suppliers to ensure smooth and stable supply of goods and services in order to respond to emergency measures for COVID-19 pandemic containment and the expected growth of the Group's sales.

NON-EXEMPT CONTINUING CONNECTED TRANSACTION (SUBJECT TO REPORTING, ANNUAL REVIEW, ANNOUNCEMENT AND INDEPENDENT SHAREHOLDERS' APPROVAL REQUIREMENTS)

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.03 of the Listing Rules, this transaction will be subject to the reporting, annual review, announcement and independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

3. Provision of components and systems

Parties: Huaruijie Technology and our Company

Principal terms

We have entered into the procurement of automotive components and systems supply framework agreement with Huaruijie Technology on September 14, 2022 (the "**Components and Systems Supply Framework Agreement**"), pursuant to which our Group may, from time to time, procure from Huaruijie Technology certain types of sensors and systems used in electric vehicles, including radar sensors with different ranges, for example autonomous parking radars, collision mitigation radars, reversing radars, blind spot detection radars and sensors; and cameras for various functions, including blind spot cameras, front view cameras, rearview cameras, and the related systems for their uses.

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The initial term of the Components and Systems Supply Framework Agreement shall commence on the [REDACTED] until December 31, 2024, subject to renewal by mutual consent.

The terms are to be no less favorable to our Group than those for transactions between our Group and Independent Third Parties under the same conditions.

Reason for the transactions

Our EVs contain certain components and systems to enhance the safety features and marketability of our vehicles, including radars and cameras. Therefore, our Group regularly purchases such automotive components and systems in our ordinary course of business.

Our Group will continue to purchase such components and systems from suppliers that can offer the most favorable technical specification and prices based on our vendor selection process in order to control the quality and the costs of electric vehicles produced by the Group.

Huaruijie Technology is established in 2020 and specializes in the development and manufacturing of equipment and ancillary systems used in vehicles such as radars and cameras.

Given (i) Huaruijie Technology's ability to provide such sensors and systems per the specification required by the Group based on its R&D capability in such components and systems; (ii) Huaruijie Technology's dedicated R&D team which has better understanding of the Group's procurement demand; and (iii) the proximity of Huaruijie Technology's production line (leading to lower costs and risks as well as higher procurement certainty with respect to logistics), our Group has been purchasing such system components and its related parts from Huaruijie Technology.

Pricing basis

The consideration for the procurement of automotive components and systems from Huaruijie Technology under the Components and Systems Supply Framework Agreement shall be (i) in form of a fixed unit price, (ii) determined on an arm's length basis by the parties, (iii) subject to the Group's standard vendor selection process by comparing the quotations from various suppliers and (iv) with reference to the prevailing market price of similar supply of systems and components. The Group will set out its requirements for such systems and components including the specification requirements together with its assessment basis in the vendor selection invitation. The Group will then conduct an overall assessment of the technical capability and the terms (including the prices) offered by the potential suppliers and the purchasing order will be given to the supplier with the highest overall ranking. Based on the quotations provided by various suppliers in the vendor selection process and taking into account other factors such as unit price, types of products and delivery arrangement, we will be able to ensure

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that the price paid to Huaruijie Technology by our Group represents the prevailing market price and on normal commercial terms.

	Historical amounts			
	For the Year Ended December 31,			For the Three Months Ended March 31,
	2019	2020	2021	2022
	(RMB'000)	(RMB'000)	(RMB'000)	(RMB'000)
Purchase amount by our Group	N/A	5,746	64,895	52,251

Annual caps and basis of caps

The maximum aggregate annual purchase amounts in respect of the Components and Systems Supply Framework Agreement for the three years ending December 31, 2022, 2023 and 2024 shall not exceed the caps set out below:

	Proposed annual caps for the year ending December 31,		
	2022	2023	2024
	(RMB'000)	(RMB'000)	(RMB'000)
Purchase amount by our Group	450,000	540,000	648,000

The above proposed annual caps are determined with reference to the following considerations:

- (a) the historical transaction amounts during the Track Record Period, with reference to the number of EVs sold and the relevant cost per EV;
- (b) the expected growth of the Group's sales and increase in our demand for the relevant components as we expand our business based on the development and introduction of new models of smart EVs, such as the introduction of C11 in October 2021, the launch of C01 in May 2022 and the future expansion into different model types such as sedans, SUVs and MPVs, where different models may involve different levels of demand for such components and therefore such costs may also differ for different types of EVs. For example, the costs of components and systems for our C platforms EVs are higher than the previous models as our C platforms EVs have more complicated design and more advanced technology, as such each C platform EV requires more sensors and related systems;

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- (c) the expected increase in our demand for the components and systems based on (i) the historical growth trend of the Group's use of Huaruijie Technology's supply of such components; (ii) the growth in number of EVs sold during the Track Record Period, given all EVs produced by our Group contains related component and systems; and (iii) the Group expects the sales of our C platforms EVs will account for a significant portion in its annual sales for 2022 and in subsequent years as we continue to expand our product offering;
- (d) the expected increment in the average market price of the components in the three years ending December 31, 2024; and
- (e) the Company's strategy to (i) streamline its supplier base and (ii) onboard and engage other third party suppliers to ensure smooth and stable supply of goods and services in order to respond to emergency measures for COVID-19 pandemic containment and the expected growth of the Group's sales.

WAIVER APPLICATION FOR NON-EXEMPT CONTINUING CONNECTED TRANSACTIONS

Under Rule 14A.76(2) of the Listing Rules, the transaction under the subsection headed "— Non-exempt continuing connected transactions (subject to reporting, annual review and announcement requirements)" and the transaction under the subsection headed "— 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 upon the [REDACTED].

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.

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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 transaction as disclosed in “— Non-exempt Continuing Connected Transactions (subject to 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 transaction 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).

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, we will take immediate steps to ensure compliance with such new requirements within reasonable time.

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 are in our ordinary and usual course of business and on normal commercial terms, and are fair and reasonable and in the interest of our Company and Shareholders as a whole, and the proposed annual caps for those transactions are fair and reasonable and in the interest of our Company and Shareholders as a whole.

CONFIRMATION FROM THE JOINT SPONSORS

The Joint Sponsors are of the view that the non-exempt continuing connected transactions as set out above are in the ordinary and usual course of business of our Company and on normal commercial terms, and are fair and reasonable in the interests of our Company and Shareholders as a whole, and the proposed annual caps for those transactions are fair and reasonable and in the interest of our Company and 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:

- 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

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- 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.
- When considering any renewal or revisions to the agreements after [REDACTED], the interested Directors and Shareholders shall abstain from voting on the resolutions to approve such transactions at board meetings or shareholders' general meetings (as the case may be). If the independent Directors' or independent Shareholders' approvals cannot be obtained, we will not continue the transactions under the framework agreement(s) to the extent that they constitute non-exempt continuing connected transactions under rule 14A.35 of the Listing Rules.