
RELATIONSHIP WITH JINTAN GROUP

THE JINTAN GROUP

As of the Latest Practicable Date, Jinsha Investment, Huake Engineering, Huake Investment and Jintan International directly held in aggregate approximately 30.04% of our total Shares in issue.

Jinsha Investment is wholly owned by Jintan Holding. Each of Huake Engineering and Huake Investment is wholly owned by Jintan Hualuogeng, which is in turn owned as to 90% by Jintan Holding, which is a state-owned enterprise and directly wholly owned by the Government of Jintan District. The investment by Jintan International in our Company was made in accordance with the instructions of Jintan Holding and Jintan International exercises its voting rights in our Company in accordance with the instructions of Jintan Holding.

Immediately following the completion of the [REDACTED] and assuming no exercise of the [REDACTED], Jinsha Investment, Huake Engineering, Huake Investment and Jintan International will directly hold in aggregate approximately [REDACTED] of our total Shares in issue. Accordingly, Jintan Group will constitute a group of our largest Shareholders immediately upon [REDACTED]. As Jintan Group controls less than 30% of our total Shares in issue immediately upon [REDACTED], it will no longer be our controlling shareholders (as defined under the Listing Rules) upon [REDACTED].

BUSINESS DELINEATION AND COMPETITION

Overview

As of the commencement of Track Record Period, Luoyang Company was our initial controlling Shareholder, which held 30% equity interests in our Company. On April 22, 2019, Luoyang Company and Chengfei Integration entered into the conditional equity transfer agreement, pursuant to which, Luoyang Company agreed to transfer its 30% equity interest in our Company to Chengfei Integration. Upon completion of the aforesaid equity transfer, Luoyang Company ceased to be our Shareholder. In July 2019, Luoyang Company became a non-wholly owned subsidiary of our Company, in which we held 73.36% equity interests.

Luoyang Company and its subsidiaries are principally engaged in the design, R&D, production and sales of EV batteries and ESS products. In October 2021 and March 2022, our Company entered into a series of transactions, upon completion of which, our Company ceased to have any equity interest in Luoyang Company. For further details on the corporate development of Luoyang Company and the reasons of our disposal of Luoyang Company, please see “History, Development and Corporate Structure – Acquisition and Disposal of Luoyang Company” in this document. As of the Latest Practicable Date, Luoyang Company is owned as to 51% by Jincheng Technology and 49% by Jinhang Holding. Our PRC Legal Advisor confirmed that Luoyang Company did not involve in any material non-compliance during the Track Record Period.

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In connection with the disposal, Luoyang Company agreed to use its best endeavour to procure its clients to enter into business contracts with our Group after its existing business contracts have been duly performed. As of the Latest Practicable Date, the aggregate unperformed amounts of Luoyang Company’s contracts of EV batteries for civil use and ESS products were approximately RMB52.52 million and RMB50.23 million, respectively. Save for the entrusted processing services of EV battery products for civil use and ESS products, Luoyang Company no longer retains any business related to EV battery products for civil use and ESS products upon [REDACTED]. Please see the section headed “Connected transactions” in this document for further details in relation to the entrusted processing services arrangement. The retained businesses of Luoyang Company upon and subsequent to the [REDACTED] (the “**Retained Businesses**”) include:

- R&D, manufacturing and sales of EV batteries for military industrial use;
- provision of entrusted processing services of EV battery products for civil use and ESS products to our Group; and
- with our expressed consent, R&D, manufacturing and sales of EV battery products for civil use and ESS products.

Please see “Financial Information” of this document for details of the financial results of Luoyang Company during the Track Record Period.

With regard to the Retained Businesses, Luoyang Company undertakes to our Company (for ourself and as trustee for the benefit of each member of our Group) the following:

- in respect of the entrusted processing business of EV battery and ESS products of Luoyang Company, Luoyang Company shall not engage in production, R&D and sales of EV battery products for civil use and ESS products, unless our demands have been satisfied and our expressed consent has been obtained;
- it shall comply with the obligations under the entrusted processing framework agreement entered into by it with our Company dated December 31, 2021; and
- it shall only use the patents jointly owned by it and our Company and our subsidiaries in the Retained Businesses, and unless prior written consent having been obtained from our Company, it shall not authorize or permit any third party to use such patents.

Each of Jincheng Technology, Jinhang Holding and Jintan Holding also undertakes to our Company (for ourself and as trustee for the benefit of each member of our Group) that, during the period Jintan Holding remains a controlling shareholder of Luoyang Company, it shall use its best endeavour to procure Luoyang Company (i) to honour its undertakings above and (ii) grant our Company the right of first refusal if Luoyang Company plans to dispose of any of its assets in relation to EV battery business for civil use and ESS business.

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Delineation of business and competition

Our core business is design, R&D, production and sales of EV battery products for civil use and ESS products (the “**Core Businesses**”).

Our Directors consider that, upon and subsequent to the [REDACTED], other than the processing services of EV battery products for civil use and ESS products provided to our Group, the Retained Businesses of Luoyang Company are not likely to compete, directly or indirectly, with our Core Businesses. Together with the non-compete undertakings given by Luoyang Company and Jincheng Technology in our favor, as well as the relevant provisions set out in the Non-Competition Agreement entered into between our Company and Jintan Group, our Directors are of the view that Luoyang Company’s Retained Businesses do not pose any material competition or potential competition with our Core Businesses. Upon [REDACTED], we will continue to conduct certain continuing connected transactions with Luoyang Company and therefore, our Company has also entered into the entrusted processing framework agreement with Luoyang Company to govern the conduct of such continuing connected transactions after [REDACTED]. For details of such agreements and arrangement, please see “Connected transactions” in this document.

We have adopted and will further, where necessary, adopt appropriate enhanced measures to manage the conflict of interests between Jintan Group, our Directors, our Group and Shareholders as a whole. Please see “Corporate governance measures” in this section for details.

Jintan Group and our Directors confirm that as of the Latest Practicable Date, save as disclosed above, neither of them nor their respective close associates have any interest in any business, apart from the Core Businesses operated by members of our Group, that competes or is likely to compete, directly or indirectly, with the business of our Group and would require disclosure pursuant to Rule 8.10 of the Listing Rules.

INDEPENDENCE FROM JINTAN GROUP

Having considered the following factors, our Directors believe that our Group is capable of carrying on our business independently from Jintan Group and their respective close associates after [REDACTED].

Management Independence

Our business is managed and conducted by our Board and senior management. Upon the completion of [REDACTED], our Board will consist of eight Directors, including two executive Directors, three non-executive Directors and three independent non-executive Directors. Please see “Directors, Supervisors and senior management” in this document for details.

RELATIONSHIP WITH JINTAN GROUP

Save for the following members of our Board and senior management, there is no overlap of Directors and members of senior management between our Group and Jintan Group and their respective close associates:

Member of our Board or senior management	Role(s) in our Group	Role(s) in Jintan Group and their respective close associates
Mr. Zhou Sheng	Non-executive Director	<ul style="list-style-type: none">• Executive director and legal representative of Jinsha Investment• Chairman of the board of directors and legal representative of Jintan Hualuogeng• Executive director and legal representative of Huake Investment• Executive director and legal representative of Changzhou Huakeyi Technology Investment Co., Ltd.* (常州華科易科技投資有限公司)• General manager, executive director and legal representative of Changzhou Huakerui Technology Investment Co., Ltd.* (常州華科瑞科技投資有限公司)• Executive director at Changzhou Huake Venture Capital Co., Ltd.* (常州華科創業投資有限公司)• Supervisor at Changzhou ECTEK Automotive Electronic Systems Co., Ltd.* (常州易控汽車電子股份有限公司), a company listed on National Equities Exchange and Quotations (全國中小企業股份轉讓系統) (stock code: 870930.OC)• Executive director and legal representative of Huake Engineering• Executive director and legal representative of Changzhou Jinsha Capital Management Co., Ltd.* (常州金沙資金管理有限公司)

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Member of our Board or senior management	Role(s) in our Group	Role(s) in Jintan Group and their respective close associates
		<ul style="list-style-type: none"> • Director of Jiangsu Chengdong Construction Projects Co., Ltd.* (江蘇城東建設工程有限公司) • Executive Director and legal representative of Jiangsu Jiangnan Clean Energy Research Institute Co., Ltd.* (江蘇江南清潔能源研究院有限公司) • Executive Director and legal representative of Changzhou Huake Zhuolin Industrial Investment Co., Ltd.* (常州華科卓林實業投資有限公司) • General manager, executive director and legal representative of Changzhou Huakewo Industrial Investment Co., Ltd.* (常州華科沃實業投資有限公司)
Mr. Zhang Guoqing	Non-executive Director	<ul style="list-style-type: none"> • Executive director and legal representative of Changzhou Changjin Technology Investment Co., Ltd.* (常州常金科技投資有限公司) • Executive director and legal representative of Changzhou Zhongcheng Industrial Co., Ltd.* (常州眾成實業發展有限公司) • Executive Director and legal representative of Jiangsu Jintan Financial Guarantee Co., Ltd.* (江蘇金壇融資擔保有限公司) • Director of Jintan Hualuogeng

Our non-executive Directors, Mr. Zhou Sheng and Mr. Zhang Guoqing (the “**Overlapping Directors**”) serve as the members of the Board and participate in decision making of significant matters such as formulation of our general overall development strategies and corporate operation strategies but do not take part in the daily management of our Company. For further information about the technical knowledge, expertise and experience of the Overlapping Directors, please see “Directors, Supervisors and senior management” for their respective biographical details.

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Save as disclosed above, none of our Directors and members of senior management of our Company holds any directorship and senior management positions in Jintan Group and their respective close associates. As our management team is different from that of Jintan Group, there are sufficient non-overlapping Directors who are independent from Jintan Group and possess relevant experience to ensure that the Board is able to perform its functions properly.

For the business of Luoyang Company after its disposal, Luoyang Company will provide entrusted processing services of EV battery products for civil use and ESS products for our Group, and unless satisfying our business demand and obtaining our expressed consent, Luoyang Company shall not engage in the business of R&D, manufacturing and sales of EV battery products for civil use and ESS products.

In light of the above arrangements, our Directors expect that there will not be any material conflict of interest involving Jintan Group. In the event of any conflict of interest arising, we believe we have sufficient and effective control measures to enable our Directors and senior management of our Company to discharge their duties independently and protect the interests of our Shareholders as a whole on the following grounds:

- Jintan Group has entered into the Non-Competition Agreement, pursuant to which each member of Jintan Group agrees not to compete, either directly or indirectly, with us and will notify us of any new business opportunities. The independent non-executive Directors will decide whether to take up or bid for the new business opportunities according to the relevant provisions of the Non-Competition Agreement.
- The decision-making mechanism of our Board set out in the Articles of Association already includes relevant provisions to avoid conflict of interest, including but not limited to, for example, in the event that conflict of interest arises and resolutions have been proposed for consideration and discussion in relation to a transaction with Jintan Group, our Directors connected to Jintan Group shall abstain from voting and shall not be counted in the quorum. Those resolutions are subject to the approval of more than half of our Directors who are independent in respect of the matter they are voting for.
- The two Directors who hold positions in Jintan Group or their respective associates are non-executive Directors, who, as the members of our Board, are responsible for making important decisions in respect of our general overall development strategies and corporate operation strategies but do not take part in the daily management of our Company. Our executive Directors and a team of experienced senior management members with a long employment history with our Group, all of whom are independent of Jintan Group or their respective associates and are our full-time employees, are responsible for the daily management of our Company.

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- Neither our Directors or members of the senior management of our Company have any equity interests in Jintan Group or their respective associates, nor, save as the Overlapping Directors, have any of them received any remuneration, benefit and bonus from Jintan Group.
- Each of our Directors is aware of his/her fiduciary duties, which require, among others, that he/she acts for the benefit and in the best interests of our Company and does not allow conflict between his/her duties as a Director and his personal interests.
- We have three independent non-executive Directors who have extensive experience in different professions. They have been appointed pursuant to the requirements under the Listing Rules to ensure that the decisions of the Board are made only after due consideration of independent and impartial opinions. Our Directors believe that the presence of our independent non-executive Directors from different backgrounds provides a balance of views and opinions.
- We have adopted a series of corporate governance measures to manage conflicts of interest, if any, between our Group and Jintan Group which would support our independent management. Please see “Corporate governance measures” in this section for further details.

In light of the above, our Directors are satisfied with that our Board together with our senior management team as a whole is able to manage our business independently from Jintan Group and their respective close associates.

Operational Independence

We have established our own organizational structure comprising individual departments, each with specific areas of responsibilities. We have also established various internal control procedures to facilitate the effective operation of our business. Our Group is not operationally dependent on Jintan Group. Our Group holds or enjoys the benefit of all relevant licenses and owns all relevant intellectual property and R&D facilities necessary to carry on our business. We have sufficient capital, facilities, equipment and employees to operate our business independently from Jintan Group. We also have independent access to our customers and suppliers.

Apart from the transactions set out in the “Connected Transactions” in this document, our Directors do not expect that there will be any other significant transactions between our Group and Jintan Group upon or shortly after the [REDACTED]. Based on the above, our Directors believe that we are capable of carrying on our business independently from Jintan Group and their respective close associates.

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Financial Independence

Our Group has an independent financial system and makes financial decisions according to our Group’s own business needs. Our Group’s accounting and finance functions are independent of Jintan Group. During the Track Record Period, we primarily financed our business operation through cash generated from our business activities. As of the Latest Practicable Date, we did not have any outstanding borrowing or guarantee from Jintan Group or any of their respective close associates.

Having considered the above, we believe we are able to obtain external financing, when and if necessary, without guarantee or security provided by Jintan Group. Our Directors confirm that we will not rely on Jintan Group for financing after the [REDACTED] as we expect that our working capital will be funded from the [REDACTED] and cash flow from operations. Therefore, we are not financially dependent on Jintan Group and their respective close associates.

NON-COMPETITION AGREEMENT

Each of the member of Jintan Group (collectively, the “**Covenantors**” and each, a “**Covenantor**”) has entered into the Non-Competition Agreement with our Company on [●] 2022, pursuant to which each of the Covenantors has, among other things, irrevocably and unconditionally undertaken, jointly and severally, with our Company (for ourselves and as the trustee for the benefit of each member of our Group) that during the Relevant Period (as defined below), the Covenantors shall not, and shall procure that their respective close associates (whether as a shareholder, director, officer, partner, agent, lender, employee, consultant or otherwise, or whether it is engaged for profits, remuneration or for other purposes) shall not in the PRC and Hong Kong directly or indirectly carry on, engage in, invest in, participate in, attempt to participate in, render any services to, provide any financial support to or otherwise be involved in the R&D, production and sales of EV batteries and ESS products for non-military industry and any business or investment activities which are the same as, similar to or in competition or likely to be in competition with any business carried on or expect to be carried on by any member of our Group from time to time (the “**Restricted Business**”) or be interested in the Restricted Business whether in the form of economy or otherwise, or whether alone or jointly with another person and whether directly or indirectly or on behalf of or to assist or act in concert with any other person, except for the following:

- (i) carrying on any Retained Business through Luoyang Company;
- (ii) holding any securities of any listed companies which conducts or is engaged in any Restricted Business through their interests in our Group;
- (iii) undertaking project(s) or otherwise be involved in any of the New Business Opportunities (as defined below) provided that the project or New Business Opportunities have been first offered to our Group but our Group has not taken it up; and

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- (iv) through acquiring or holding any investment or interest in units or shares of any company, investment trust, joint venture, partnership or other entity in whatever form which conducts or engages in any Restricted Business where such investment or interest does not exceed 10% of the issued shares of such entity provided that (1) such investment or interest does not grant the Covenantors or their respective close associates any right to control the composition of the board of directors or managers of such entity, (2) none of the Covenantors or their respective close associates control the board of directors or managers of such entity and (3) such investment or interest does not grant the Covenantors or their respective close associates any right to participate directly or indirectly in such entity.

New Business Opportunities

In addition, each of Covenantors has further severally and jointly, irrevocably and unconditionally undertaken to our Company (on behalf of itself and as trustee for the benefit of each member of our Group) that it shall refer to and procure its close associates to refer to investment or business opportunity related to Restricted Business (“**New Business Opportunities**” and each, a “**New Business Opportunity**”) to our Company in the following manner:

- As soon as it becomes aware of any New Business Opportunity, gives written notice (the “**Offer Notice**”) to us identifying the target company (if relevant) and the nature of the New Business Opportunity, detailing all information available to it for our Company to consider whether to pursue such New Business Opportunity (including details of any investment or acquisition costs and the contact details of the third parties offering, proposing or presenting the New Business Opportunity).
- Our Company shall, as soon as practicable and in any case within 30 business days from the receipt of the Offer Notice (the “**Offer Notice Period**”) notify the relevant Covenantor in writing of any decision taken to pursue or decline the New Business Opportunity. During the Offer Notice Period, our Company may negotiate with the third party and the relevant Covenantor shall use its best endeavors to assist us in obtaining such New Business Opportunity on the same or more favorable terms.
- As confirmed by the respective Covenantors, our Company is required to seek approval from our Directors who do not have a material interest in the New Business Opportunities and the resolution need to be passed by more than half of the voting rights held by such Directors as to whether to pursue or decline the New Business Opportunity, the Directors who have a material interest in the New Business Opportunity shall abstain from voting. In accordance with the requirements under the Listing Rules, if the appointment of an independent financial advisor is required, our Company shall appoint an independent financial advisor to advise on the terms of the transaction in the subject matter of such New Business Opportunity.

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- The relevant Covenantor may, at its absolute discretion, consider extending the Offer Notice Period as appropriate.
- The relevant Covenantor is entitled but not obliged to carry on, engage, invest, participate or be interested (economically or otherwise) in the New Business Opportunity (whether individually or jointly with another person and whether directly or indirectly or on behalf of or to assist any other person) on the same, or less favorable, terms and conditions in all material respects as set out in the Offer Notice if:
 - (i) it has received a written notice from us declining the New Business Opportunity; or
 - (ii) it has not received any written notice from us of our decision to pursue or decline the New Business Opportunity within 30 business days from our receipt of the Offer Notice, or any extended Offer Notice Period, in which case our Company shall be deemed to have declined the New Business Opportunity.
- If there is a change in the nature or proposal of the New Business Opportunity pursued by the relevant Covenantor, it/he/she shall refer the New Business Opportunity as revised and shall provide to us details of all available information for us to consider whether to pursue the New Business Opportunity as revised.

Under the Non-Competition Agreement, each of the Covenantors has further irrevocably and unconditionally undertaken jointly and severally, with us the following:

- (i) the Covenantors shall provide, and shall procure their close associates to provide, during the Relevant Period (as defined below), where necessary and at least on an annual basis, all information necessary for the review by our independent non-executive Directors, subject to any relevant laws, rules and regulations or any contractual obligations, to enable them to review the Covenantors' and their close associates' (other than members of our Group) compliance with the Non-Competition Agreement, and to enable the independent non-executive Directors to enforce the Non-Competition Agreement;
- (ii) the Covenantors shall provide to us with an annual declaration for inclusion in our annual report, in respect of their compliance with the terms of the Non-Competition Agreement;
- (iii) the Covenantors have agreed and authorized us to disclose decisions on matters reviewed by the independent non-executive Directors relating to the compliance and enforcement of the Non-Competition Agreement, either through our annual reports or by way of public announcements; and

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- (iv) each of the Covenantors undertakes to abstain from voting or it will not be counted in quorum in any of the Shareholders’ meeting of our Company when voting on the matters that are contemplated under the Non-Competition Agreement and any matter that may be in conflict or cause actual or potential conflicts.

For the purposes of the above, the “Relevant Period” means the period commencing from the [REDACTED] and shall expire on the earlier of (i) the date when the Covenantors and any of their respective close associates (as the case may be), whether directly or indirectly held, or otherwise are interested in aggregate, which make them cease to be the single largest Shareholder of our Company or (ii) the date on which our Shares cease to be listed on the Stock Exchange (except for temporary suspension of trading of our Shares).

Compensation Arrangement

The parties to the Non-Competition Agreement further agreed that the following major principles shall be applied in respect of the difference between the valuation of Luoyang Company as of December 31, 2020 (the “**2020 Valuation**”) and as of December 31, 2021 (the “**2021 Valuation**”):

- (i) with respect to the consideration of 51% equity interests of Luoyang Company disposed by our Company to Jincheng Technology in November 2021 (being RMB1,530 million and determined with reference to the 2020 Valuation, our Company shall compensate Jincheng Technology in the amount of RMB397.80 million (being the difference between the 2020 Valuation and the 2021 Valuation multiple by 51%); and
- (ii) our Company and Jincheng Technology shall enter into a supplemental agreement in respect of the compensation arrangement mentioned in paragraph (i) above.

Please see “History, Development and Corporate Structure – Acquisition and Disposal of Luoyang Company” of this document for the reasons for implementing the compensation arrangement and details the supplemental agreement entered into between our Company and Luoyang Company in respect of the compensation arrangement.

CORPORATE GOVERNANCE MEASURES

Our Directors recognize the importance of good corporate governance in protecting our Shareholders’ interests. We have put in place sufficient corporate governance measures to manage the conflict of interest and potential competition from Jintan Group and safeguard the interest of the Shareholders, including:

- (1) our independent non-executive Directors will review, at least on an annual basis, whether there is any conflict of interest between our Group and Jintan Group and provide impartial and professional advice to protect the interests of our minority Shareholders;
- (2) our independent non-executive Directors will review the compliance with the undertakings under the Non-Competition Agreement on an annual basis;

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- (3) our Company will disclose decisions on matters (if any) reviewed by our independent non-executive Directors (including our independent non-executive Directors' views and decisions (with basis) for accepting or declining any New Business Opportunities) and will confirm whether the undertakings in the Non-Competition Agreement have been fulfilled in the annual reports of our Company or in the announcement under the Listing Rules;
- (4) where a Shareholders' meeting is to be held for considering proposed transactions in which Jintan Group or any of his close associates has a material interest, Jintan Group will not vote on the resolutions and shall not be counted in the quorum in the voting;
- (5) our Company has established internal control mechanism to identify connected transactions. After the [REDACTED], our Company will comply with the requirements in connection with connected transactions under the Listing Rules;
- (6) where our Directors reasonably request the advice of independent professionals, such as independent financial advisors, the appointment of such independent professional will be made at our Company's expense;
- (7) we have appointed Maxa Capital Limited as our compliance advisor to provide advice and guidance to us in respect of compliance with the applicable laws and regulations, as well as the Listing Rules, including various requirements relating to corporate governance; and
- (8) we will establish the audit committee, remuneration committee and nomination committee prior to the [REDACTED] with written terms of reference in compliance with the Listing Rules and the Corporate Governance Code.

Our Directors consider that the above corporate governance measures are sufficient to manage any potential conflict of interests between Jintan Group and their respective close associates and our Group and to protect the interests of our Shareholders, in particular, the minority Shareholders.