
CONNECTED TRANSACTIONS

Following the [REDACTED], the transactions between our Company and our connected persons will constitute continuing connected transactions of our Company under Chapter 14A of the Listing Rules.

CONNECTED PERSONS

The table below sets forth certain parties who will become our connected persons upon [REDACTED] and the nature of their relationships with our Company:

Connected person	Connected relationship
Jinyuan Investment	a Substantial Shareholder and therefore a connected person of our Company
Luoyang Company	a company owned as to 49% by Jinhang Holding and 51% by Jincheng Technology. Jincheng Technology is wholly owned by Jintan Holding, being a Substantial Shareholder, and hence an associate of Jintan Holding and a connected person of our Company
CALB USA INC (“CALB USA”)	a company owned as to 40% by Luoyang Company and hence an associate of Jintan Holding and therefore a connected person of our Company
Jiangsu Chengdong Construction Projects Co., Ltd.* (江蘇城東建設工程有限公司) (“ Jiangsu Chengdong Construction ”)	a company owned as to approximately 54.18% by Changzhou Zhongcheng Industrial Co., Ltd.* (常州眾成實業發展有限公司), which is wholly owned by Jinsha Investment, being a Substantial Shareholder, and therefore an associate of Jinsha Investment and a connected person of our Company
Changzhou City Jintan District Dongli New Energy Technology Development Co., Ltd.* (常州市金壇區東鋰新能源科技發展有限公司) (“ Dongli New Energy Technology ”)	a wholly-owned subsidiary of Jiangsu Chengdong Construction, therefore an associate of Jinsha Investment and a connected person of our Company

CONNECTED TRANSACTIONS

SUMMARY OF OUR CONNECTED TRANSACTIONS

The following table sets forth a summary of the one-off connected transactions and continuing connected transactions of our Company:

Nature of transactions	Applicable Listing Rules	Waiver sought
<i>One-off Connected Transaction</i>		
1. Lease and Purchase Agreement	N/A	N/A
<i>Fully-exempt Continuing Connected Transaction</i>		
2. Guarantee provided by Jinyuan Investment to Xiamen Company	14A.90	N/A
<i>Partially-exempt Continuing Connected Transaction (subject to reporting and announcement requirements)</i>		
3. Sales Framework Agreement	14A.35 14A.53 14A.76(2) 14A.105	Announcement
<i>Non-exempt Continuing Connected Transactions (subject to reporting, annual review, announcement and independent Shareholders’ approval requirements)</i>		
4. Entrusted Processing Framework Agreement	14A.35 14A.36 14A.46 14A.49 14A.52 to 14A.59 14A.71 14A.105	Announcement, circular, independent Shareholders’ approval
5. General Contracting Agreements for Construction Projects	14A.35 14A.36 14A.46 14A.49 14A.52 to 14A.59 14A.71 14A.105	Announcement, circular, independent Shareholders’ approval

CONNECTED TRANSACTIONS

ONE-OFF CONNECTED TRANSACTION

1. Lease and Purchase Agreement and Letter of Undertaking

On March 31, 2020, Jiangsu Chengdong Construction and Jiangsu Research Institute, a wholly owned subsidiary of our Company, entered into a lease and purchase agreement (the “**Lease and Purchase Agreement**”), and on April 1, 2020, Jiangsu Chengdong Construction and Dongli New Energy Technology executed a letter of undertaking to Jiangsu Research Institute in respect of the Lease and Purchase Agreement (the “**Letter of Undertaking**”). The principal terms of the Lease and Purchase Agreement and the Letter of Undertaking are summarized as follows:

- Parties : (1) Jiangsu Chengdong Construction and Jiangsu Research Institute, as the parties to the Lease and Purchase Agreement; and
- (2) Jiangsu Chengdong Construction and Dongli New Energy Technology, as the parties who executed the Letter of Undertaking.
- Nature of the transaction : Jiangsu Chengdong Construction shall be responsible for the construction of our Company’s pilot base phase II project, and Jiangsu Research Institute shall lease such land, plant and ancillary facilities from Jiangsu Chengdong Construction and purchase the same upon completion of the construction. The project has a construction area of approximately 30,800 square meters and a total of four storeys (the “**Relevant Project**”).
- Project company : The parties agreed Jiangsu Chengdong Construction to establish a wholly-owned company, namely Dongli New Energy Technology, as the project company, and Dongli New Energy Technology will perform the right and obligation of Jiangsu Chengdong Construction under the Lease and Purchase Agreement. Jiangsu Chengdong Construction shall be jointly liable for the performance of Dongli New Energy Technology under the Lease and Purchase Agreement.
- Project construction : Dongli New Energy Technology is responsible for the construction of civil engineering works such as plant and ancillary facilities involved in the Relevant Project according to the requirements of the Relevant Project.

CONNECTED TRANSACTIONS

Project lease : Lease scope: plant and ancillary facilities regarding the Relevant Project

As agreed under the Lease and Purchase Agreement, the rent shall be (1) the 8% of the actual investment amount of Jiangsu Chengdong Construction as annual rent; (2) before the actual investment amount of Jiangsu Chengdong Construction investment is determined, the annual rent is temporarily based on the estimated investment amount of Jiangsu Chengdong Construction of RMB80 million, and the temporary rent is RMB6.4 million/year (tax included). Within six months after the completion of the construction drawings, Jiangsu Chengdong Construction and Jiangsu Research Institute shall jointly determine the construction and installation engineering cost, and then calculate the annual rent payable at 8% of the adjusted investment amount, and the balance shall be made up by Jiangsu Research Institute by simultaneous payment with the rent of the following year, and the overpayment will be deducted from the rent of the following year; (3) when the lease period is less than one year, the rent shall be calculated by days, the formula is the actual investment amount x 8%/365 days x actual leased days.

Lease period: three years, calculated from the following day of three months after the roof-sealing of the main plant or the first process equipment of Jiangsu Research Institute is set into the site (whichever is earlier).

Rent payment and payment term: the annual rent shall be paid within ten working days after the start date of the annual lease.

Purchase of the Relevant Project : Jiangsu Chengdong Construction and Jiangsu Research Institute shall complete the construction and installation engineering fee audit within six months after the completion and acceptance of the Relevant Project, and confirm the purchase price of the Relevant Project one month before the expiration of the lease term. Jiangsu Research Institute shall purchase all the property rights in the Relevant Project from Jiangsu Chengdong Construction in one lump sum at the purchase price and by way of property rights transfer within 45 days after the expiration of the lease term.

CONNECTED TRANSACTIONS

The determination of the purchase price will take into account of the following factors: (1) consideration and taxes paid by Jiangsu Chengdong Construction for assignment of state-owned land; (2) Jiangsu Chengdong Construction’s payment of various costs for relevant permits and other legal procedures; (3) various supporting fees for construction projects paid by Jiangsu Chengdong Construction; (4) construction and installation engineering fees; (5) geological exploration costs; (6) design fees; (7) requisite expenditures for construction projects which are not specified (payment subject to written consent from Jiangsu Research Institute); (8) EPC management fee (1.5% of the sum of items (1) to (7) above); (9) construction unit management fee (2% of the sum of items (1) to (8) above); and (10) the estimated rent we paid to Dongli New Energy Technology up to the date of the purchase. In light of the above, our Company expects that the purchase price should not exceed RMB105 million.

The main plant in the Relevant Project has been leased to Jiangsu Research Institute for a lease term of three years from November 21, 2020 and ending on November 20, 2023.

The lease under the Lease and Purchase Agreement is recognized as a right-of-use asset in our consolidated statement of financial position in accordance with IFRS 16 “Leases”, which was effective from January 1, 2019. Accordingly, entering into the Lease and Purchase Agreement will be treated as an acquisition of capital assets and a one-off connected transaction rather than a continuing connected transaction. Therefore, the reporting, announcement, annual review and independent Shareholders’ approval requirements under Chapter 14A of the Listing Rules will not be applicable.

As of the Latest Practicable Date, our Company has paid the rent in the amount of RMB6.4 million to Dongli New Energy Technology under the Lease and Purchase Agreement in respect of the lease of the Relevant Project.

CONNECTED TRANSACTIONS

FULLY-EXEMPT CONTINUING CONNECTED TRANSACTION

2. Guarantee provided by Jinyuan Investment to Xiamen Company

On March 5, 2021, Jinyuan Investment entered into a guarantee agreement in favour of a group of six banks (the “**Guarantee**”) to secure the due performance of a loan agreement for a principal amount of RMB2.5 billion entered into by Xiamen Company (a wholly-owned subsidiary of our Company) (the “**Xiamen Company Loan**”), the details of which are set forth below:

Maximum total principal amount of guarantee liability of Jinyuan Investment	:	RMB2 billion being 80% of the principal amount of the Xiamen Company Loan
Maximum total principal amount of guarantee liability of our Company	:	RMB500 million being 20% of the principal amount of the Xiamen Company Loan
Term of the Xiamen Company Loan	:	8 years
Annual interest rate of the Xiamen Company Loan	:	the loan prime rate for loans with a maturity of more than 5 years announced by the National Interbank Funding Center on the business day preceding the date on which interests are calculated minus 0.24%
Use of proceeds of the Xiamen Company Loan	:	It is utilised by Xiamen Company in our Xiamen production base
Guarantee period	:	For a period commencing from the date of entering into the guarantee agreement to three years after the expiration of repayment obligation by Xiamen Company under the loan agreement

Reasons for and benefits of entering into the Guarantee and continuing the same upon and subsequent to [REDACTED]

Xiamen Company Loan has provided us as a separate financing channel and we do not intend to discharge the aforementioned guarantee prior to its full redemption or repayment for the following reasons: (i) Xiamen Company Loan is a commercial arrangement beneficial to the Company; (ii) it would be unduly burdensome or commercially undesirable to amend the terms of Xiamen Company Loan agreement; (iii) we have sufficient funds to operate our business independently; and (iv) we are able to obtain other financing from third parties without relying on Jinyuan Investment or other connected person to provide guarantee or security.

The arrangement in respect of the respective guarantee obligation provided by Jinyuan Investment and our Company was set out in the cooperation agreement entered into between our Company and Jinyuan Investment in relation to the Xiamen production base, which is due to the commercial negotiation and arrangement between the two parties.

CONNECTED TRANSACTIONS

Listing Rules Implications

The Guarantee provided by Jinyuan Investment in favour of our Group constitutes financial assistance received by our Group from our connected person, which are on normal commercial terms or better to our Group, and no security over our assets has been granted to Jinyuan Investment in respect of the provision of the Guarantee. Therefore, pursuant to Rule 14A.90 of the Listing Rules, the Guarantee provided by Jinyuan Investment in favor of our Group will be fully exempt from the reporting, annual review, announcement, circular and independent shareholders’ approval requirements under Chapter 14A of the Listing Rules.

PARTIALLY-EXEMPT CONTINUING CONNECTED TRANSACTION

3. Sales Framework Agreement

On [●], our Company entered into the sales framework agreement (the “**Sales Framework Agreement**”) with CALB USA as our distributor in the USA, pursuant to which our Group will sell EV batteries to CALB USA for a term of one year commencing from the date of the Sales Framework Agreement. Our Group and CALB USA will enter into specific sales agreement in respect of each transaction. The principal terms of the Sales Framework Agreement and the specific sales agreement are summarized as follows:

Principal terms

Parties	:	(1) Our Company; and (2) CALB USA
Duration	:	One year commencing from the date of the Sales Framework Agreement
Nature of transaction	:	Our Company will sell EV batteries to CALB USA
Pricing policy	:	The sales prices for EV batteries are determined with reference to the sales price to our domestic clients and taking into account of the price premium of the U.S. market
Terms of payment	:	100% prepaid by telegraphic transfer
Condition of delivery	:	Cost, insurance and freight (“ CIF ”)

CONNECTED TRANSACTIONS

Historical amounts

For the years ended December 31, 2019, 2020 and 2021, the total amount we received from CALB USA in respect of the sales of EV batteries was approximately RMB28.9 million, RMB41.2 million and RMB56.7 million, respectively.

Annual cap and basis for annual cap

Our Directors estimate that the revenue to be received by our Company from CALB USA will not exceed RMB120 million for the year ending December 31, 2022.

In determining abovementioned proposed annual cap, our Directors have considered (i) the historical amount of the sales of EV batteries by our Group to CALB USA and their relative average historical selling prices; (ii) the historical growth of the sales of our EV batteries to CALB USA in the past; and (iii) expected growth of production capacity of our Company and the expected growth of our sales to CALB USA in the future.

Reasons for and benefits of entering into the Sales Framework Agreement

Our Directors are of the view that the transactions under the Sales Framework Agreement are to the benefit of our Company because (i) during the Track Record Period, CALB USA has been selling our EV batteries in the U.S., therefore, it has thorough understanding of our products; and (ii) both sides have established a mutual trust relationship during the past cooperation. It is not easy to find a suitable substitute in the market, and therefore it is cost-effective to continue cooperation, which is mutually beneficial for both parties.

Listing Rules implications

As the percentage ratio of the transactions under the Sales Framework Agreement for the year ending December 31, 2022 is expected to be more than 0.1% but less than 5%, such transactions will, upon [REDACTED], constitute continuing connected transactions of our Company and be subject to the reporting, annual review and announcement requirements but exempt from the circular and the independent Shareholders’ approval requirements under Chapter 14A of the Listing Rules.

Waiver Application

As the Sales Framework Agreement will continue after the [REDACTED] on a recurring basis and is expected to extend over a period of time, our Directors consider that strict compliance with the announcement requirement under the Listing Rules would be burdensome and would impose unnecessary administrative costs on our Company each time such transaction arises. Accordingly, pursuant to Rule 14A.105 of the Listing Rules, we [have applied] for, and the Stock Exchange [has granted] to us, a waiver from strict compliance with the announcement requirement under Chapter 14A of the Listing Rules in respect of the Sales Framework Agreement.

CONNECTED TRANSACTIONS

NON-EXEMPT CONTINUING CONNECTED TRANSACTION

4. Entrusted Processing Framework Agreement

On 31 December, 2021, Luoyang Company entered into the entrusted processing framework agreement with our Company, which was amended by a supplemental agreement dated March 3, 2022 (the “**Entrusted Processing Framework Agreement**”), pursuant to which our Company agrees to entrust Luoyang Company and Luoyang Company agrees to provide processing services of EV battery products for civil use and ESS products (collectively referred to as “**Lithium Batteries**”) for our Company for a term of one year commencing from January 1, 2022 and ending on December 31, 2022. Our Group and Luoyang Company will also enter into specific entrusted processing agreement in respect of the detailed terms of the processing services. The principal terms of the Entrusted Processing Framework Agreement and the specific entrusted processing agreement are summarized as follows:

Principal terms

Parties	:	(1) Our Company; and (2) Luoyang Company
Duration	:	One year commencing from January 1, 2022 and ending on December 31, 2022
Nature of transaction	:	We entrust Luoyang Company for the provision of processing service of Lithium Batteries. Luoyang Company will be responsible for the raw materials, front line workers and technicians whose licences and qualifications are approved by us and completing the production and processing.
Pricing policy	:	The fees to be paid for Lithium Batteries are determined with reference to the cost of processing and producing Lithium Batteries and the prevailing market price of processing services in the same or proximity areas charged by independent third parties.
Payment terms	:	We shall pay Luoyang Company in the following manner: (1) prepayment of 60% of the total purchase amount in the last month of each quarter, the amount of which is determined based on the order amount forecasted for the following quarter; and (2) the remaining 40% of the total purchase amount shall be paid on a monthly basis, which is determined based on the verified number of finished goods actually delivered to us.
Quality control	:	Luoyang Company has the obligation to inspect the finished goods according to our quality control standards requirements.

CONNECTED TRANSACTIONS

- Licensing of patent : We grant Luoyang Company the right to use our certain specified patents ("**Authorized Patents**") which are necessary for its provision of Lithium Batteries processing services. In this connection, Luoyang Company undertakes to only use the Authorized Patents for the purpose of the Lithium Batteries processing services under the Entrusted Processing Framework Agreement and that it shall not be entitled to use the Authorized Patents for other purposes unless prior written consent is obtained from us.
- Ownership of intellectual property rights : The intellectual property right(s) and the right(s) to apply for patents in relation to all documents, certificates, drawings and information provided by us and arising from performing the specific entrusted processing agreement shall belong to us.
- Confidentiality : Both parties shall keep trade secrets and confidential information obtained during the cooperation confidential ("**Confidential Information**"). Both parties are considered as the receiving and disclosing parties of the Confidential Information. The receiving party (i) shall keep proper custody of various documents provided by the disclosing party, including but not limited to technical information, technical plan, drawings, quantity and price for processing; (ii) shall return the same back to the disclosing party or destroy the same after completion of usage or upon the request of the disclosing party; and (iii) shall not deal the same at its own discretion without the written consent of the disclosing party.
- Warranties and undertakings by Luoyang Company : Luoyang Company undertakes to our Company that:
- (1) save and except for the contracts which already existed and valid before the date of the Entrusted Processing Framework Agreement, it shall not provide the processing services to any third parties nor shall it manufacture any Lithium Batteries for its own sales in the case where it has any surplus production capacities;
 - (2) during the term of the Entrusted Processing Framework Agreement, it shall use existing product lines and facilities to fulfill its obligations thereunder, and it shall not expand the production capacities for Lithium Batteries unless the expansion is necessary for meeting our demands and a written consent from us having been obtained; and
 - (3) prior to the expiry of the Entrusted Processing Framework Agreement, if Jintan Holding intends to dispose of all or part of its equity interests in Luoyang Company or Luoyang Company intends to dispose of its major assets or business in relation to Lithium Batteries, it shall inform us in a timely manner and we shall have the right of refusal under the same terms and conditions.

CONNECTED TRANSACTIONS

Historical amount

For the three years ended December 31, 2021, the total service fees incurred from entrusted processing services provided by Luoyang Company were nil, nil and approximately RMB206.70 million, respectively.

Annual cap and basis for annual cap

Our Directors estimate that the fees to be incurred under the Entrusted Processing Framework Agreement will not exceed RMB3,500 million for the year ending December 31, 2022. As of the Latest Practicable Date, RMB775.2 million as prepayment has incurred in accordance with the specific entrusted processing agreement.

In determining such proposed annual cap, our Directors have considered (i) the cost of processing and producing EV batteries for civil use and ESS products; (ii) the prevailing market price for the provision of processing service in the same or proximity areas; (iii) the expected production capacity of Luoyang Company; (iv) the historical growth rate of the sales of our EV batteries for civil use and ESS products and estimated demands and growth sales of our EV batteries for civil use and ESS products in the coming year; and (v) our expected production capacity and utilization.

Reasons for and benefits of entering into the Entrusted Processing Framework Agreement

In October 2021 and March 2022, there has been a series of equity changes in Luoyang Company, and upon completion of which, our Company ceased to have any interest in Luoyang Company. As of the Latest Practicable Date, Luoyang Company is owned as to 49% by Jinhang Holding and 51% by Jincheng Technology, a wholly owned subsidiary of Jintan Holding. Please see “History, Development and Corporate Structure – Acquisition and Disposal of Luoyang Company” in this document for further details. To ensure delineation of business and non-competition between our Company and Luoyang Company, we enter into the Non-Competition Agreement with Jintan Group. In addition, we also entered into the Entrusted Processing Framework Agreement with Luoyang Company in order to govern the further entrusted processing arrangement between our Company and Luoyang Company. Please see “Relationship with Jintan Group” for further details.

Our Directors are of the view that the transactions under the Entrusted Processing Framework Agreement are to the benefit of our Company because (i) our current production capacity for manufacturing the EV batteries for civil use and ESS products is insufficient to meet the current and increasing demands of our customers; (ii) entrusted processing arrangement between our Company and Luoyang Company can fully utilize the production capacities of Luoyang Company; and (iii) it is not easy to find a substitute for provision of processing service of EV batteries for civil use and ESS products in the market with similar quality, price and cultivated trust and understanding.

CONNECTED TRANSACTIONS

Listing Rules implications

As the percentage ratio of the transactions under the Entrusted Processing Framework Agreement for the year ending December 31, 2022 is expected to exceed 5%, such transactions will, upon [REDACTED], constitute continuing connected transactions of our Company and be subject to the reporting, annual review, announcement and the independent Shareholders’ approval requirements under Chapter 14A of the Listing Rules.

Waiver Application

As the Entrusted Processing Framework Agreement will continue after the [REDACTED] on a recurring basis and is expected to extend over a period of time, our Directors consider that strict compliance with the announcement and Shareholders’ approval requirement under the Listing Rules would be burdensome and would impose unnecessary administrative costs on our Company each time such transaction arises. Accordingly, pursuant to Rule 14A.105 of the Listing Rules, we [have applied] for, and the Stock Exchange [has granted] to us, a waiver from strict compliance with the announcement and independent Shareholders’ approval requirements under Chapter 14A of the Listing Rules in respect of the Entrusted Processing Framework Agreement.

5. The General Contracting Agreements for Construction Projects

The members of our Group, as the developer and Jiangsu Chengdong Construction as the contractor, entered into certain general contracting agreements for construction projects pursuant to which, Jiangsu Chengdong Construction will provide the general contracting services for design, procurement, and construction for certain industrial parks or buildings of our Group.

(1) General Contracting Agreement for Construction Projects I

On December 15, 2020, our Company and Jiangsu Chengdong Construction entered into a general contracting agreement for construction projects (as varied by a tripartite agreement entered into between our Company, Jiangsu Company and Jiangsu Chengdong Construction on January 10, 2022) (the “**General Contracting Agreement for Construction Projects I**”), the principal terms of which are summarized as follows:

Parties : (1) Jiangsu Company and
(2) Jiangsu Chengdong Construction

Estimated construction : 521 days
period

CONNECTED TRANSACTIONS

Nature of the transaction : Jiangsu Chengdong Construction shall provide the general contracting services for design, procurement and construction of the industrial park of our Company, and shall be fully responsible for the quality, safety, construction period, cost, etc. of the general contracted construction project and deliver a qualified construction project after having passed completion acceptance.

Total contract sum : Approximately RMB232.80 million

(2) General Contracting Agreement for Construction Projects II

On September 30, 2021, Jiangsu Research Institute and Jiangsu Chengdong Construction entered into a general contracting agreement for construction projects (the "**General Contracting Agreement for Construction Projects II**"), the principal terms of which are summarized as follows:

Parties : (1) Jiangsu Research Institute and
(2) Jiangsu Chengdong Construction

Estimated construction period : 720 days

Nature of the transaction : Jiangsu Chengdong Construction shall provide the general contracting services for design, procurement and construction of a laboratory building of Jiangsu Research Institute, and shall be responsible for the quality, safety, construction period, cost, etc. of the general contracted construction project and deliver a qualified construction project after having passed completion acceptance.

Total contract sum : Approximately RMB85.65 million

(3) General Contracting Agreement for Construction Projects III

On January 10, 2022, Jiangsu Company and Jiangsu Chengdong Construction entered into a general contracting agreement for construction projects (the "**General Contracting Agreement for Construction Projects III**"), the principal terms of which are summarized as follows:

Parties : (1) Jiangsu Company and
(2) Jiangsu Chengdong Construction

Estimated construction period : 574 days

CONNECTED TRANSACTIONS

Nature of the transaction : Jiangsu Chengdong Construction shall provide the general contracting services for design, procurement and construction for of the newly established EV batteries project and shall be fully responsible for the quality, safety, construction period, cost, etc. of the general contracted construction project and deliver a qualified construction project after having passed completion acceptance.

Total contract sum : Approximately RMB1,138.10 million

(4) General Contracting Agreement for Construction Projects IV

On January 25, 2022, Jiangsu Company and Jiangsu Chengdong Construction entered into a general contracting agreement for construction projects (the “**General Contracting Agreement for Construction Projects IV**”), the principal terms of which are summarized as follows:

Parties : (1) Jiangsu Company and
(2) Jiangsu Chengdong Construction

Estimated construction period : 720 days

Nature of the transaction : Jiangsu Chengdong Construction shall provide the general contracting services for design, procurement and construction of Company production and living facilities of the newly established EV batteries project and shall be fully responsible for the quality, safety, construction period, cost, etc. of the general contracted construction project and deliver a qualified construction projects after having passed completion acceptance.

Total contract sum : Approximately RMB747 million

Pursuant to the General Contracting Agreement for Construction Projects I, General Contracting Agreement for Construction Projects II, General Contracting Agreement for Construction Projects III and General Contracting Agreement for Construction Projects IV (collectively the “**General Contracting Agreements for Construction Projects**”), our Group shall make payment to Jiangsu Chengdong Construction according to the time frame and the progress of the respective construction project.

CONNECTED TRANSACTIONS

Pricing policy

The amount charged by Jiangsu Chengdong Construction under the General Contracting Agreements for Construction Projects are determined through bidding procedure with reference to the prices charged by independent third parties in the area or nearby areas where similar engineering and construction services are provided in the ordinary and usual course business at the relevant time.

Historical amounts

For the three years ended December 31, 2021, the fees incurred from services provided by Jiangsu Chengdong Construction to our Group, including the general contracting services of design, procurement and construction of the Group’s certain industrial parks or buildings were nil, nil and approximately RMB1,058.13 million, respectively.

Annual caps and the basis of annual caps

The Directors estimate that the fees to be incurred by our Group (excluding taxes) under the General Contracting Agreements for Construction Projects for the two years ending December 31, 2023 will not exceed RMB617.23 million and RMB357.75 million, respectively.

In determining the proposed annual caps, our Directors have considered (i) the relevant projects’ construction plan and (ii) the progress and extent of completion of the projects.

Reasons for and Benefits of Entering into General Contracting Agreements for Construction Projects

Our Directors believe that general contracting services provided by Jiangsu Chengdu Construction in respect of design, procurement and construction to certain industrial park or buildings of our Group are in line with our strategy and expansion plan, and lay a solid foundation for the long-term development of our Group, which will have a positive impact on the current and future performance of our Group.

Listing Rules implications

Our Company or our wholly-owned subsidiaries entered into General Contracting Agreements for Construction Projects within a 12-month period in relation to our Group’s procurement of general contracting services including design, procurement and construction from the same connected person. Accordingly, the transactions contemplated under the General Contracting Agreements for Construction Projects shall be aggregated and treated as one transaction for the purpose of calculating the percentage ratio of the continuing connected transactions pursuant to Rule 14A.81 of the Listing Rules.

CONNECTED TRANSACTIONS

As the maximum percentage ratio of the estimated aggregated fees to be incurred (excluding taxes) under the General Contracting Agreements for Construction Projects for the two years ending December 31, 2023 is expected to exceed 5%, the relevant transactions will, upon [REDACTED], constitute continuing connected transactions of our Company, and be subject to the reporting, annual review, announcement and independent Shareholders’ approval requirements under Chapter 14A of the Listing Rules.

Waiver Application

As the General Contracting Agreements for Construction Projects will continue after the [REDACTED] on a recurring basis and is expected to extend over a period of time, our Directors consider that strict compliance with the announcement and Shareholders’ approval requirements under the Listing Rules would be burdensome and would impose unnecessary administrative costs on our Company each time such transaction arises. Accordingly, pursuant to Rule 14A.105 of the Listing Rules, we [have applied] for, and the Stock Exchange [has granted] to us, a waiver from strict compliance with the announcement and independent Shareholders’ approval requirements under Chapter 14A of the Listing Rules in respect of the General Contracting Agreements for Construction Projects.

DIRECTOR’S VIEW

Our Directors (including our independent non-executive Directors) are of the view that (i) each of the Sales Framework Agreement, the Entrusted Processing Framework Agreement and General Contracting Agreements for Construction Projects and the transactions contemplated thereunder have been entered into in the ordinary and usual course of business of our Group and are based on normal commercial terms that are fair and reasonable and in the interests of our Shareholders as a whole; and (ii) the proposed annual caps for each of the Sales Framework Agreement, the Entrusted Processing Framework Agreement and General Contracting Agreements for Construction Projects are fair and reasonable and in the interests of our Shareholders as a whole.

OPINION OF THE SOLE SPONSOR

Based on the documents and information provided by our Company, the discussions with our Company and the Sole Sponsor’s due diligence work, the Sole Sponsor concurs with our Directors that (i) each of the Sales Framework Agreement, the Entrusted Processing Framework Agreement and General Contracting Agreements for Construction Projects has been entered into in the ordinary and usual course of business of our Group, the terms of which are on normal commercial terms, fair and reasonable and in the interests of our Shareholders as a whole; and (ii) the proposed annual caps for each of the Sales Framework Agreement, the Entrusted Processing Framework Agreement and General Contracting Agreements for Construction Projects are fair and reasonable and in the interest of our Shareholders as a whole.

CONNECTED TRANSACTIONS

INTERNAL CONTROL MEASURES

We will adopt the following internal control and corporate governance measures to closely monitor connected transactions and ensure future compliance with the Listing Rules:

- (1) we will adopt and implement a management system on connected transactions and our Board and various internal departments of our Company will be responsible for the control and daily management in respect of the continuing connected transactions;
- (2) our Board and various other internal departments of our Company (including but not limited to the finance department and legal department) will be jointly responsible for evaluating the terms under the relevant agreements for the continuing connected transactions, in particular, the fairness of the pricing policies and annual caps (if applicable) under each transaction;
- (3) our Board and the finance department of our Group will regularly monitor the connected transactions (including but not limited to transaction amounts and annual caps under the relevant agreements) and our management will regularly review the pricing policies to ensure connected transactions to be performed in accordance with the relevant agreements through the following review procedures:
 - (i) if there are market prices available, they will compare the proposed price with the market price to ensure that the proposed price is equivalent to or no less favorable to us than the price offered by the independent third parties providing similar services. Our Company will make enquiries from certain independent third party service providers for their quotations and conduct internal assessments;
 - (ii) if no market price is available, they will take into account of several factors such as regulatory requirements, actual needs of our Group and the industry position of service provider in determining whether the pricing is fair and reasonable; and
 - (iii) review the proposed price to ensure it is consistent with the pricing terms under the relevant agreements for non-exempt connected transactions, and that the terms offered by the connected person to our Group are no less favorable than those offered by the independent third parties.

CONNECTED TRANSACTIONS

- (4) we shall engage our auditors to, and our independent non-executive Directors will, conduct annual review on the continuing connected transactions to ensure that the transactions contemplated thereunder have been conducted pursuant to the requirements of the Listing Rules and have fulfilled the relevant disclosure requirements;
- (5) we will comply with the relevant requirements under Chapter 14A of the Listing Rules for the continuing connected transactions, and comply with the conditions prescribed under the waiver submitted to the Stock Exchange in connection with the continuing connected transactions in this regard; and
- (6) when considering any renewal or revisions to the framework agreements after the [REDACTED], the interested Directors and Shareholders shall abstain from voting on the resolutions to approve such transactions at Board meetings and general meetings (as the case may be).