
CONNECTED TRANSACTIONS

OVERVIEW

Upon Listing, 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.

CONNECTED PERSONS

The following persons, among others, will become our connected persons upon Listing:

<u>Name of our connected persons</u>	<u>Connected Relationship</u>
Geely Group, including but not limited to Geely Automobile Holdings Limited (a company listed on the Stock Exchange (stock code: 175)), Lynk & Co Investment Co., Ltd., ZEEKR Intelligent Technology Holding Limited	Geely Holding is indirectly held as to over 50% by LI Shufu (李書福), the father-in-law of ZHENG Xin, our non-executive Director, and the father of LI Xingxing (李星星), who is a substantial shareholder of our Company by virtue of his interest in Yaoning Technology.
LI Shufu and his majority-controlled companies other than Geely Group, including Hangzhou Fenghua Technology Co., Ltd. (杭州楓華科技有限公司) and Zhejiang Geely Commerce Service Co., Ltd. (浙江吉利商務服務有限公司) (collectively, “ Li Connected Persons ”) .	LI Shufu is the father-in-law of ZHENG Xin, our non-executive Director, and the father of LI Xingxing, who is a substantial shareholder of our Company by virtue of his interest in Yaoning Technology.

OUR CONTINUING CONNECTED TRANSACTIONS

<u>Nature of transaction</u>	<u>Counterparty</u>	<u>Applicable Listing Rules</u>	<u>Waiver sought</u>
Fully exempt continuing connected transactions			
1. Procurement of products and services	Li Connected Persons	14A.76(1)	N/A

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Nature of transaction	Counterparty	Applicable Listing	
		Rules	Waiver sought
Non-exempt continuing connected transactions (subject to reporting, annual review and announcement requirements)			
2. Procurement of services	Geely Group	14A.35, 14A.76(2), 14A.105	Announcement requirement
Non-exempt continuing connected transactions (subject to reporting, annual review, announcement, circular and independent Shareholders' approval requirements)			
3. Provision of intelligent automotive vision products and development services.	Geely Group	14A.35, 14A.36, 14A.46, 14A.105	Announcement, circular and independent Shareholders' approval requirements

FULLY EXEMPT CONTINUING CONNECTED TRANSACTIONS

In the ordinary and usual course of business of our Group, we have procured certain products and services, including but not limited to travel agency services and office equipment, from Li Connected Persons. The pricing shall be on normal commercial terms and determined after an arm's length negotiations with reference to (i) the type of products or services procured, taken into account the nature, complexity and scope of services; (ii) the procurement volume; and/or (iii) the market price of similar products or services. The pricing 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. As the highest applicable percentage ratios for each of the abovementioned transactions for the purpose of Chapter 14A of the Listing Rules will be less than 0.1% on an annual basis, each of such transactions will constitute a de minimis continuing connected transaction of our Company pursuant to Rule 14A.76(1) of the Listing Rules that will be fully exempt from reporting, annual review, announcement, circular and independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

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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 Hong Kong Listing Rules but will be exempted from the independent Shareholders' approval requirement under Chapter 14A of the Listing Rules.

Procurement of services

Principal terms

On October 12, 2024, we entered into the procurement framework agreement with each of the respective members of Geely Group (the "**Procurement Framework Agreement**"), pursuant to which our Group may, from time to time, procure from Geely Group certain services and products, including but not limited to warehousing and other services, such as consultancy services for assistance in project application (the "**Procurement**"). The Procurement Framework Agreement has an initial term commencing on the Listing Date and ending on December 31, 2026, and may be renewed as the parties may mutually agree, subject to the compliance with the requirements under Chapter 14A of the Listing Rules and all other applicable laws and regulations.

Reasons and benefits for the transactions

In our ordinary and usual business associated with the intelligent automotive vision projects with Geely Group, our Group has been procuring warehousing services from Geely Group to facilitate storage and regional delivery of relevant products to Geely Group. By storage of products at closer proximity to customers, such procurement improves our operational efficiency and flexibility of our service response, on the one hand, and improve the customer experience of Geely Group, on the other hand. We also procure other services through Geely Group to enjoy more favorable pricing terms given the enhanced economy of scale achieved by bulk procurement. Based on our experience in cooperations with Geely Group in respect of the Procurement, we consider that Geely Group is capable of effectively and stably satisfying our demands with quality services. Therefore, we believe it is in the interest of our Company and our Shareholders to enter into the Procurement Framework Agreement and to continue with the Procurement upon the Listing.

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Pricing basis

The pricing for the warehousing services shall be determined based on arm's length negotiations between the parties with reference to market rates of similar services, taking into account factors such as storage time and space taken and type of products concerned.

For other services, Geely Group will charge us fees at the similar level charged to its affiliates, which shall be based on the cost it incurred, including but not limited to its administrative and labor costs.

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. We will regularly review the prices charged by Geely Group in providing relevant services with reference to prevailing market prices of similar services to ensure they are on normal commercial terms and are fair and reasonable.

Historical amounts

	Historical amounts			
	For the year ended December 31,			For the five months ended May 31,
	2021	2022	2023	2024
	<i>(RMB'000)</i>			
Procurement fees recognized by our Group	666	1,788	2,911	1,949

Annual caps and basis of caps

The maximum aggregate annual procurement amounts in respect of the Procurement Framework Agreement for the three years ending December 31, 2024, 2025 and 2026 shall not exceed the caps set out below:

	Proposed annual caps (RMB'000) for the year ending December 31,		
	2024	2025	2026
Procurement fees to be paid by our Group .	4,400	4,800	5,700

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In arriving at the above annual caps, the Directors have considered, among other things,

- (a) the historical transaction amounts and the growing trend during the Track Record Period;
- (b) the estimated demand for the Procurement for the three years ending December 31, 2026, which is expected to continue to increase considering the production and sales plan of Geely Group and the robust expansion of our business. The increase in the annual caps for the Procurement as compared to the historical transaction amounts is primarily driven by the expected growth in demand for the warehousing services from Geely Group to cope with the projected increase in our sales to Geely Group, as (i) we have a number of intelligent automotive vision projects with Geely Group that commenced mass production in the second half of 2023, the production and sales of which would bring in significant increase in demand for warehousing services in 2024 and subsequent years as compared to the historical level, and (ii) the increase in number of new intelligent automotive vision projects secured or expected to be secured by our Group from Geely Group and the continued launch of new vehicle models by Geely Group will also lead to increasing sales of our intelligent automotive vision products which will require warehousing services from Geely Group; and
- (c) the estimated unit prices of the Procurement determined based on the existing contracts or arrangements between our Group and Geely Group.

NON-EXEMPT CONTINUING CONNECTED TRANSACTION (SUBJECT TO REPORTING, ANNUAL REVIEW, ANNOUNCEMENT, CIRCULAR 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, circular and independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

Provision of products and services

Principal terms

On October 12, 2024, we have entered into the products and services supply framework agreement with each of the respective members of Geely Group (the “**Supply Framework Agreement**”), pursuant to which our Group may, from time to time, provide Geely Group with our intelligent automotive vision products, including the relevant prototypes and spare parts, and development services. The Supply Framework Agreement has an initial term commencing on the

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Listing Date and ending on December 31, 2026, and may be renewed as the parties may mutually agree, subject to the compliance with the requirements under Chapter 14A of the Listing Rules and all other applicable laws and regulations.

Reason for the transactions

Our Group provides intelligent automotive vision solutions to Geely Group in our ordinary and usual business. Geely Group is a leading automobile manufacturer and manages several leading brands such as Geely Auto, Lynk & Co and ZEEKR. To cope with our strategic developments, it is natural and in the interest of our Group to cooperate with the leading players in the automotive industry such as Geely Group. We have established continuous and stable cooperation relationship with Geely Group since 2018. Through the cooperations, our Group and Geely Group have acquired a comprehensive understanding of the business and operational requirements of each other, which helped build mutual trust and reduced communication costs. The transactions also enable us to keep pace with the evolving markets so that we could consistently enhance our offerings to meet customers' demands. Considering the longstanding relationship and Geely Group's market position as well as its demand to transact with quality and reliable suppliers like our Group, we believe that entering into the Supply Framework Agreement would be mutually beneficial for our Group and Geely Group, and would be in the best interest of our Company and our Shareholders as a whole.

Pricing basis

The price of the transactions contemplated under the Supply Framework Agreement shall be determined after arm's length negotiations between the parties, and will generally be subject to the standard tender process of Geely Group to ensure it is competitive, on normal commercial terms, and also fair and reasonable.

The price shall be charged (i) in the form of unit price in respect of our intelligent automotive vision products or (ii) on project basis in respect of our development services. Given that our intelligent automotive vision products provided to Geely Group are tailored to its specification and requirements, market price is not considered appropriate as a pricing basis. We usually charge Geely Group fees determined with reference to a variety of factors such as the type and specification of products or services, our labor cost and costs of raw materials and production and price of competitive products. 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.

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Historical amounts

	Historical amounts			
	For the year ended December 31,			For the five months ended May 31,
	2021	2022	2023	2024
	(RMB'000)			
Transaction amount recognized by our Group	50,600 ⁽¹⁾	349,881	686,190	324,477

Note:

- (1) we recorded lower transaction amount in 2021 as we provide intelligent automotive vision products to Geely Group through Lynway Vision, which became our subsidiary on September 30, 2021.

Annual caps and basis of caps

The maximum aggregate annual transaction amounts in respect of the Supply Framework Agreement for the three years ending December 31, 2026 shall not exceed the caps set out below:

	Proposed annual caps (RMB'000) for the year ending December 31,		
	2024	2025	2026
	Transaction amount to be paid to our Group	1,081,000	1,218,000

In arriving at the above annual caps, the Directors have considered, among other things,

- (a) the historical transaction amounts and the growing trend during the Track Record Period. In particular, the transaction amount increased significantly from 2021 to 2023, primarily because we commenced mass production for a number of intelligent automotive lamp projects in 2022 and 2023. In line with our business expansion and development, we expect such growing trend will continue;
- (b) the estimated sales volume of our products and services under the Supply Framework Agreement for the three years ending December 31, 2026, which is expected to continue to increase primarily due to the projected increase in sales under our existing projects with Geely Group, based on the production plan of Geely Group and expansion of our production capacity, taking into account the historical growing trend of our sales of intelligent automotive vision products to Geely Group. As of May 31, 2024, among the 22 intelligent automotive vision projects we have secured in total, we have secured 21

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intelligent automotive vision projects from Geely Group, among which we commenced mass production for 16 projects in or before 2023 and expect to commence mass production for the remaining five projects in 2024 and 2025. In addition, considering the continuing efforts of Geely Group in development and introduction of new models, we expect its demand for our intelligent automotive vision products as well as the number of projects granted by Geely Group to us will be increasing^(Note), which will become the additional driver of the increased annual caps;

- (c) the estimated unit price of our intelligent automotive vision products to be provided to Geely Group determined based on the existing contracts or arrangements between our Group and Geely Group and taking into account various factors such as the new automobile models to be launched by Geely Group and product specifications;
- (d) the estimated cost to be incurred for our development services to be provided to Geely Group with reference to the costs incurred during the Track Record Period, the expected increase in manpower and other costs and expenses, the market trends, taking into account factors such as the detailed aspects of automobile models; and
- (e) the estimated revenue to be recognized based on the existing projects between our Group and Geely Group, mainly in respect of development of intelligent automotive vision products, the outstanding sum of which is expected to be recognized as our revenue in 2024 and 2025.

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 transaction (subject to reporting, annual review and announcement requirements)” and the transaction under the subsection headed “— Non-exempt continuing connected transaction (subject to reporting, annual review, announcement, circular and independent Shareholders’ approval requirements)” will constitute our continuing connected transactions subject to those requirements under Chapter 14A of the Listing Rules upon the Listing.

Note:

We expect that as compared with the year ended December 31, 2023, we will have five, five and six additional projects on an accumulative basis from Geely Group for each of the three years ending December 31, 2026, respectively. This includes five new projects for the two years ending December 31, 2025, and one additional new project for the year ending December 31, 2026.

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As those non-exempt continuing connected transactions are expected to continue on a recurring and continuing basis and have been fully disclosed in this prospectus, our Directors consider that compliance with the announcement, circular and the independent Shareholders' approval requirements (as the case may be) would be impractical, and such requirements would lead to unnecessary administrative costs and would be unduly burdensome to us.

Accordingly, we have applied to the Hong Kong Stock Exchange for, and the 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 Transaction (subject to reporting, annual review and announcement requirements)” in this section; and (ii) the announcement, circular 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 Transaction (subject to reporting, annual review, announcement, circular 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 prospectus, 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 our Shareholders as a whole, and the proposed annual caps for those transactions are fair and reasonable and in the interest of our Company and our Shareholders as a whole.

CONFIRMATION FROM THE SOLE SPONSOR

The Sole Sponsor is 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 and in the interests of our Company and our Shareholders as a whole, and the proposed annual caps for those transactions are fair and reasonable and in the interest of our Company and our Shareholders as a whole.

CONNECTED TRANSACTIONS

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 relevant responsible personnel 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.
- 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 as stated above.
- When considering any renewal or revisions to the agreements after Listing, 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.