

28 February 2025

*To the Independent Board Committee and  
the Independent Shareholders*

Dear Sir or Madam,

**CONTINUING CONNECTED TRANSACTION IN RELATION TO  
BAUXITE PURCHASE FRAMEWORK AGREEMENT**

**INTRODUCTION**

We refer to our engagement as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the Bauxite Purchase Framework Agreement and the transactions contemplated thereunder (including the Purchase Annual Caps), details of which are set out in the letter from the Board (the “**Letter from the Board**”) contained in the circular of the Company (the “**Circular**”) to the Shareholders dated 28 February 2025, of which this letter forms part. Capitalised terms used in this letter shall have the same meanings as those defined in the Circular unless the context otherwise requires.

On 27 January 2025, the Company and Geely Technology entered into the Bauxite Purchase Framework Agreement, pursuant to which Geely Technology Group shall supply bauxite related products to the Group for a term commencing on the Effective Date and up to 31 December 2027.

As at the Latest Practicable Date, Hong Bridge Capital holds approximately 33.99% of the total issued shares of the Company and Hong Bridge Capital is an indirect subsidiary of Geely Technology. Hong Bridge Capital and Geely Technology are ultimately controlled by Mr. Li, the controlling shareholder of the Company. Thus, Geely Technology is a connected person of the Company and the transaction contemplated under the Bauxite Purchase Framework Agreement constitutes continuing connected transactions of the Company.

As one or more of the applicable percentage ratios set out in the GEM Listing Rules calculated based on the Purchase Annual Caps under the Bauxite Purchase Framework Agreement are more than 5%, the Bauxite Purchase Framework Agreement is subject to the reporting, announcement, annual review and Independent Shareholders' approval requirements under Chapter 20 of the GEM Listing Rules.

The Independent Board Committee comprising all the independent non-executive Directors has been established to advise the Independent Shareholders in relation to the Bauxite Purchase Framework Agreement (including the Purchase Annual Caps).

## **INDEPENDENCE DECLARATION**

We are not associated or connected with the Company, the counterparties of the continuing connected transactions or their respective core connected persons or associates. In the two years immediately preceding the Latest Practicable Date, we were appointed as the independent financial adviser of the Company in relation to an unconditional cash offer by Geely Group Limited, which is beneficially owned by Mr. Li, as disclosed in the composite document of the Company dated 23 February 2023 (the **"IFA Engagement"**). We were also appointed as the independent financial adviser of the Geely Automobile Holdings Limited (**"Geely Automobile"**), a company ultimately approximately 39% owned by Mr. Li and listed on the main board of the Stock Exchange (Stock Code: 0175) in relation to (i) the acquisition of Xi'an Geely and certain continuing connected transactions as disclosed and defined in the circular of Geely Automobile dated 6 April 2023; (ii) the acquisitions of certain equity interests of Proton and DHG as disclosed and defined in the circular of Geely Automobile dated 6 April 2023; (iii) the Contribution Agreement, the Joint Venture Agreement and the Powertrain Purchase Agreement and the transactions contemplated thereunder, as disclosed and defined in the circular of Geely Automobile dated 6 September 2023; (iv) certain continuing connected transactions as disclosed in the circular of Geely Automobile dated 8 November 2023 and (v) certain continuing connected transactions as disclosed in the circular of Geely Automobile dated 24 September 2024 (collectively, the **"Other IFA Engagements"**). Save for the IFA Engagement and the Other IFA Engagements, we did not have any other relationship with or interests in the Company, the counterparties of the continuing connected transactions or their respective core connected persons or associates nor had we acted as an independent financial adviser to other transactions of the Company that could reasonably be regarded as hindrance to our independence as defined under the GEM Listing Rules. Furthermore, our remuneration for the IFA Engagement represented normal professional fees and did not affect our independence. Accordingly, we consider we are eligible to give independent advice on the continuing connected transactions.

## **BASIS OF OUR OPINION**

In formulating our recommendation, we have relied on the information and facts contained or referred to in the Circular as well as the representations made or provided by the Directors and the senior management of the Company.



The Directors have declared in a responsibility statement set out in the Circular that they collectively and individually accept full responsibility for the accuracy of the information contained and representations made in the Circular and that there are no other matters the omission of which would make any statement in the Circular misleading. We have also assumed that the information and the representations made by the Directors as contained or referred to in the Circular were true and accurate at the time they were made and continue to be so up to the date of the EGM. We have no reason to doubt the truth, accuracy and completeness of the information and representations provided to us by the Directors and the senior management of the Company. We have also been advised by the Directors and believe that no material facts have been omitted from the Circular.

We consider that we have reviewed sufficient information to reach an informed view, to justify reliance on the accuracy of the information contained in the Circular and to provide a reasonable basis for our recommendation. The documents we reviewed included (i) the annual reports of the Company for the years ended 31 December 2022 (“**2022 Annual Report**”) and 2023 (“**2023 Annual Report**”); (ii) the interim reports of the Company for the six months ended 30 June 2023 (“**6M2023 Interim Report**”) and 2024 (“**6M2024 Interim Report**”); (iii) the Bauxite Purchase Framework Agreement; (iv) the calculation of the Purchase Annual Caps; and (v) the Circular. We have not, however, conducted an independent verification of the information nor have we conducted any form of in-depth investigation into the businesses and affairs or the prospects of the Company, the counterparties of the Bauxite Purchase Framework Agreement or any of their respective subsidiaries or associates.

## **PRINCIPAL FACTORS AND REASONS CONSIDERED**

In arriving at our opinion and advice to the Independent Board Committee and the Independent Shareholders, we have considered the following principal factors and reasons:

### **1. Information on the parties**

#### ***1.1 The Group***

The Group is principally engaged in (i) research & development and production of lithium-ion power batteries for new energy vehicles; (ii) provision of online car hailing services in Europe; and (iii) investment in the field of resources such as iron ore resources and resources exploration and exploitation as at the Latest Practicable Date. However, as set out in the Company’s announcement dated 13 February 2025, the Company intends to terminate the Group’s online car-hailing business in France and is in the process of facilitating the disposal of all or part of the vehicles at a price comprising the realisable market value and the closure of this business. The Company will continue to assess its business to enhance the Group’s long-term growth potential.

## 1.2 Geely Technology

Geely Technology is a company established in the PRC and controlled by Mr. Li, the controlling shareholder of the Company. Geely Technology's core businesses include new materials, new energy, and motorcycle travel culture. It also makes strategic investments in electric vertical take-off and landing (eVTOL) aircraft, commercial aerospace, and innovation incubation businesses.

## 2. Background of the Group

### 2.1 Historical financial performance of the Group

Set out below is a summary of (i) the audited consolidated financial information of the Group for the financial years ended 31 December 2022 (“FY2022”) and 2023 (“FY2023”) respectively, which has been extracted from the 2022 Annual Report and the 2023 Annual Report; and (ii) the unaudited financial information of the Group for the six months ended 30 June 2023 (“6M2023”) and 2024 (“6M2024”) respectively, which has been extracted from the 6M2023 Interim Report and 6M2024 Interim Report.

	FY2022 (Re-presented) HK\$'000	FY2023 (Audited) HK\$'000	6M2023 (Unaudited) HK\$'000	6M2024 (Unaudited) HK\$'000
Revenue				
— Lithium battery production	109,097	173,915	106,164	46,054
— Online car-hailing and related service	21,394	53,046	27,307	25,393
— Battery swapping service	—	—	2,450	—
— Mineral resources exploration and trading	—	—	—	—
<b>Total revenue</b>	<b><u>130,491</u></b>	<b><u>226,961</u></b>	<b><u>135,921</u></b>	<b><u>71,447</u></b>
<b>Net loss</b>	<b>(262,759)</b>	<b>(158,811)</b>	<b>(47,356)</b>	<b>(53,123)</b>
— attributable to owners of the Company	(199,156)	(106,519)	(38,759)	(42,484)



#### *6M2024 vs 6M2023*

According to 6M2024 Interim Report, approximately 64.5% revenue of the Group were contributed by lithium battery production business while the remaining revenue were generated by the online car-hailing business in France. For 6M2024, the Group recorded revenue of approximately HK\$71.4 million, representing a decrease of approximately HK\$64.5 million (or approximately 47.5%) as compared to that of approximately HK\$135.9 million for 6M2023. The decrease in revenue was mainly due to the decrease in lithium-ion battery pack orders, mainly attributable to the demand of the car model which installed the Group's battery pack was lower than expected. On the other hand, the sales of parking and starting battery for heavy trucks were not satisfactory as the product faced keen competition and certain distributors endured a difficult period on cashflow. The Group recorded a net loss attributable to owners of the Company of approximately HK\$42.5 million for 6M2024 as compared to that of approximately HK\$38.8 million for 6M2023. The loss increased was mainly contributed by (i) impairment loss on amount due from an associate; and (ii) the provision recognised related to a refund of grants to certain local government entities in Zhejiang, PRC.

#### *FY2023 vs FY2022*

For FY2023, the Group recorded revenue of approximately HK\$227.0 million, representing an increase of approximately HK\$96.5 million (or approximately 73.9%) as compared to that of approximately HK\$130.5 million for FY2022. The increase in revenue was mainly due to the ramp-up of production volume of Group's major product in 2023. The Group recorded a net loss attributable to owners of approximately HK\$106.5 million for FY2023, representing a reduction of net loss of approximately HK\$92.6 million as compared to that of approximately HK\$199.2 million for FY2022. Such reduction in losses in FY2023 was primarily due to the absence of a special provision of HK\$151.8 million for repayment of government grant that was present for FY2022. Furthermore, the Group's results were positively impacted by a decrease in investment losses in listed securities, partially set-off by approximately HK\$66.8 million impairment on property, plant and equipment and right-of-use assets during FY2023 (FY2022: HK\$20.7 million).

## 2.2 Financial position of the Group

Set out below is a summary of the financial position of the Group as at 30 June 2024, as extracted from the 6M2024 Interim Report of the Company for the six months ended 30 June 2024.

	<b>As at</b> <b>30 June 2024</b> <i>HK\$'000</i> (Unaudited)
Non-current assets	6,598,439
Current assets	300,314
Non-current liabilities	2,442,549
Current liabilities	<u>192,064</u>
<b>Net assets</b>	<b><u>4,264,140</u></b>

As at 30 June 2024, total assets of the Group amounted to approximately HK\$6,898.8 million, which mainly comprised (i) exploration and evaluation assets of approximately HK\$6,476.5 million, which mainly represented the rights to explore and identify prospective deposits of iron ore resources in the states of Minas Gerais, Brazil and the expenditures incurred in the search of mineral resources; (ii) cash and cash equivalents of approximately HK\$151.3 million; (iii) property, plant and equipment of approximately HK\$80.2 million; and (iv) financial assets at fair value through profit or loss of approximately HK\$45.9 million, which mainly represented the fair value of equity interests held in Yuxing InfoTech Investment Holdings Limited, a company listed on the GEM of the Stock Exchange.

As at 30 June 2024, the total liabilities of the Group amounted to approximately HK\$2,634.6 million, which mainly comprised (i) deferred tax liabilities of approximately HK\$2,084.1 million; and (ii) borrowings of approximately HK\$116.1 million.

As at 30 June 2024, the Group recorded net assets of approximately HK\$4,264.1 million and net assets attributable to owners of approximately HK\$4,290.6 million.

### ***2.3 Reasons for and benefits of entering into the Bauxite Purchase Framework Agreement***

As set out in the Letter from the Board, Geely Technology Group is engaged in various businesses, including the sale of bauxite related products under its new materials business segment. It received ownership and mining rights in a bauxite mine in Baise City in Guangxi Province in the PRC with an estimated annual production capacity of bauxite of two million tonnes.

The Group has been engaged in resources exploration and exploitation since around 2010 with substantial experience and extensive network in this field. Although the Group is currently focused on the exploration and exploitation of iron ores, it has decided to expand its focus to include bauxite (the raw material to produce aluminium) related business considering that it also has substantial experience with various other metals and ores including copper and steel. Taking into account the high level of competition in the market for lithium-ion power batteries and other challenges in the industry and the expected increase in demand for aluminium products in transportation, construction, packaging and the electrical sectors based on industry reports, articles and studies, the Company believes that securing a stable source of bauxite related products from a reputable source and at competitive prices would help facilitate the Group's further development in this business.

Taking into account the fact that (i) the Bauxite Purchase Framework Agreement allows the Group to secure a stable source of bauxite related products; (ii) the Bauxite Purchase Framework Agreement enables the Group to expand its product mix and facilitate the development of mineral resources related business; (iii) the Bauxite Purchase Framework Agreement is non-exclusive in nature which does not prohibit the Group from sourcing bauxite related products from independent suppliers; and (iv) our analysis and view on the major terms of the Bauxite Purchase Framework Agreement (as explained below), we concur with the Directors that the entering into of the Bauxite Purchase Framework Agreement is within the ordinary and usual course of the Group's business and in the interests of the Company and the Shareholders as a whole.



### **3. The Bauxite Purchase Framework Agreement**

#### ***3.1 Principal terms of the Bauxite Purchase Framework Agreement***

Major terms of the Bauxite Purchase Framework Agreement are summarised below:

##### *Subject matter*

Pursuant to the Bauxite Purchase Framework Agreement, Geely Technology Group shall supply bauxite related products to the Group. The exact type and amount of goods supplied to the Group by Geely Technology Group and the dates of delivery will be provided in separate purchase orders.

##### *Term*

The Bauxite Purchase Framework Agreement has a term of commencing from the Effective Date to 31 December 2027.

##### *Payment terms*

The Group shall pay Geely Technology Group for the products in cash five (5) days before delivery and the amount to be paid shall be calculated in accordance with the agreed amount and quality of the products to be supplied in the current batch and the agreed unit price. Geely Technology Group will only deliver the products up to the amount covered by the advance payment paid by the Group.

##### *Conditions precedent*

The Bauxite Purchase Framework Agreement shall only become effective upon the Company having completed all necessary internal procedures (including obtaining approval of the Shareholders and/or the Board in accordance with the GEM Listing Rules), and having obtained all necessary approvals and consents from the Stock Exchange and other third parties (including relevant regulatory authorities, government or official authorities).

### *Pricing basis*

Pursuant to the Bauxite Purchase Framework Agreement, the price of the products under the Bauxite Purchase Framework Agreement will be negotiated on an arm's length basis and determined in the ordinary course of business on normal commercial terms or on terms no less favourable to the Group than those offered by independent third parties, and will be specified in individual purchase orders. The abovementioned product prices will be determined mainly by reference to the market price of the same or similar products under the Bauxite Purchase Framework Agreement.

### *Our view on pricing basis*

In assessing the fairness and reasonableness of the pricing basis, we have considered the following factors and performed the relevant work as below:

As set out in the Letter from the Board, the Company will put in place internal control procedures (the “**Internal Control**”) to regularly monitor the prevailing market prices of bauxite related products to ensure proper determination of the purchase price of bauxite related products to be purchased from Geely Technology Group. According to the Internal Control, the Group will compare the purchase price through different sources, including at least two market quotations from other independent third party bauxite related products manufacturers/suppliers, and/or reputable industry sources, on an ongoing basis. Based on the Bauxite Purchase Framework Agreement, the Group shall enter into individual purchase orders with Geely Technology Group from time to time for confirming the purchase by the Group and the terms of such transaction. We are advised by the management of the Group that the Group will only place purchase order with Geely Technology Group when the terms are no less favourable to the Group than those offered by independent third parties and the price should be reviewed by the respective heads of sales and procurement department and finance department of the Group and approved by at least two Directors. With the above procedures, we consider that the Company has sufficient and effective internal control measures in place to ensure that the purchase price of the Group under the Bauxite Purchase Framework Agreement will be fair and reasonable and no less favourable to the Group than those offered by independent third parties.

Based on the above, we concur with the view of the Directors that the terms of the Bauxite Purchase Framework Agreement are fair and reasonable, on normal commercial terms and in the interests of the Company and the Shareholders as a whole.

### 3.2 Fairness and reasonableness of the Purchase Annual Caps

#### *Purchase Annual Caps*

It is expected that for the period from the Effective Date to 31 December 2025, and for the years ending 31 December 2026 and 2027, the Group purchasing bauxite related products from Geely Technology Group will not exceed the following respective amounts and such amounts have been set as the proposed caps for the relevant continuing connected transactions contemplated under the Bauxite Purchase Framework Agreement accordingly:

	<b>For the period from the Effective Date to 31 December 2025 RMB'000</b>	<b>For the year ending 31 December 2026 RMB'000</b>	<b>For the year ending 31 December 2027 RMB'000</b>
Purchase Annual Caps	<u>300,000</u>	<u>370,000</u>	<u>370,000</u>

As set out in the Letter from the Board, the Purchase Annual Caps were determined based on (i) the estimated purchase volumes of bauxite related products for the period from the Effective Date to 31 December 2025 (assuming the Effective Date shall be on or about March 2025), and for the years ending 31 December 2026 and 2027 respectively with reference to the expected demand of the Group's customers based on indications (in the form of a memorandum of understanding) and discussion with the Group's potential customers; (ii) the estimated production capacity of Geely Technology Group for bauxite related products; (iii) the current and forecast transaction price of bauxite related products; and (iv) the inclusion of a buffer of 10% in the estimated amount of the bauxite related products required by the Group so as to accommodate any unexpected increase in the aforesaid transaction amount (as a result of any unexpected increase in market demand) or unexpected increase in the cost of bauxite related products.

In our assessment of the fairness and reasonableness of the Purchase Annual Caps, we have reviewed and discussed with management of the Group on the underlying calculation. From our review of the aforesaid documents and discussion with management of the Company, we have taken into consideration the following:

- We note that the Purchase Annual Caps for each of the years ending 31 December 2026 and 2027 represented an increase of approximately 23.3% over the Purchase Annual Cap for the period from the Effective Date to 31 December 2025. Such increase is mainly because the Bauxite Purchase Framework Agreement is only expected to commence on or about March



2025. Therefore, the Purchase Annual Cap for each of the two years ending 31 December 2026 and 2027 is in fact comparable to the annualised amount of the Purchase Annual Cap for the period from the Effective Date to 31 December 2025.

- When determining the estimated purchase amount of bauxite related products for the period from the Effective Date to 31 December 2025, the Group has taken into account the expected demand of such products based on indications (in the form of a memorandum of understanding) and discussion with the Group's potential customers. All estimated purchase amounts of bauxite related products under the Purchase Annual Cap for the period from the Effective Date to 31 December 2025 are determined with the support of memorandums of understanding from the Group's potential customers. According to a research report by Dongxing Securities, the global demand for bauxite has increased by 88% from 2014 to 2023 and the consumption of bauxite in China has increased by 112%. Separately, Bauxite is a fundamental raw material for manufacturing aluminium. According to a study conducted by business intelligence analysts on behalf of the International Aluminium Institute (which has been the representative for the global primary aluminium industry) (as retrieved from its website at <https://international-aluminium.org/wp-content/uploads/2022/03/CRU-Opportunities-for-aluminium-in-a-post-Covid-economy-Report.pdf>), the global aluminium demand will increase by approximately 39% from 86.2 million tonnes in 2020 to 119.5 million tonnes in 2030 mainly driven by transportation, construction, packaging and the electrical sectors. Around 37% of this growth is expected to come from China. This urges the need to produce additional amount of aluminium to meet demand growth in different industrial sectors. As such, although the Group has no historical trading record of bauxite related products, we consider that there is sufficient market demand to support the Group's estimation of bauxite related products for the period from the Effective Date to 31 December 2025 and such estimation, which is well within the annual production capacity of bauxite of Geely Technology Group, is fair and reasonable.
- In assessing the fairness and reasonableness of the current and forecast transaction prices of bauxite related products, we note that the Group estimated the transaction prices of the bauxite related products based on the prevailing market prices of similar bauxite related products from the website of Shanghai Nonferrous Metals Network ("SMM"). On the SMM website, the market prices of bauxite related products at certain grades, which are based on the proportion of alumina to silica and different percentage of aluminium in the bauxite ore, are listed. Based on this information, the Group calculated the average price adjustment (the

“**Price Adjustment**”) for each percentage increase in the proportion of alumina to silica and applied this Price Adjustment to estimate the transaction price of the bauxite related products to be supplied by Geely Technology Group at their estimated grades.

We have looked into the website of SMM (<https://hq.smm.cn/h5/bauxite-price>) and note that the prevailing market prices of bauxite related products in different regions of China are publicly available and easily accessible. SMM is a world-renowned integrated service portal for the non-ferrous metals industry, providing benchmark prices, analysis, information for the metals and mining industries. The spot price of domestic and foreign metals released by SMM covers thousands of metal products which has become an authoritative spot benchmark price and has been certified by the International Organisation of Securities Commissions. We consider that the website of SMM is a reputable source for the Group to estimate the transaction price of bauxite related products for the purpose of determining the Purchase Annual Caps.

Given the above, we consider the estimated transaction price of bauxite related products, which is calculated based on the public information extracted from the SMM website, used in estimating the Purchase Annual Caps is fair and reasonable.

- The Group has applied a buffer of 10% (the “**Applied Buffer**”) to accommodate any unexpected increase in the aforesaid transaction amount (as a result of any unexpected increase in market demand) or unexpected increase in the cost of bauxite related products in determining the Purchase Annual Caps. We have conducted an independent research on the range of buffer built in the annual caps of continuing connected transactions in relation to sales and procurement transactions of companies listed on the Stock Exchange, as extracted from their respective circulars published since 5 November 2024 and note that the buffer percentage ranges from 5% to 25% (the “**Buffer Range**”). We consider that the Buffer Range represents a market practice of how much buffer are usually built into the annual caps of continuing connected transactions in relation to sales and procurement transactions and is a fair and representative reference for benchmarking the Applied Buffer. Given that the Applied Buffer proposed by the Group falls within the Buffer Range, we are of the view that the Applied Buffer is reasonable.

*Our view*

Based on the factors, reasons and our analysis explained above and our review of the underlying calculations from the Company, we concur with the Directors' view that it is fair and reasonable and in the interests of both the Company and the Shareholders to set the Purchase Annual Caps at the proposed levels.

**3.3 Internal control measures**

For details of the Group's internal control measures, please refer to the paragraph headed "Internal Control Measures" in the Letter from the Board.

*Our view*

Based on our discussion with the management of the Company on the internal control measures that govern the transaction contemplated under the Bauxite Purchase Framework Agreement and our review of the internal control procedures that include:

- (i) the Group has measures in place to ensure that the price provided by Geely Technology Group is no less favourable to the Group than the quotations offered by the independent suppliers or not higher than those in the market. Prior to entering into any transaction with Geely Technology Group, the Group will collect market information and keep track of the latest changes in the industry on a monthly basis, especially the purchase prices of similar bauxite related products through different sources, including at least two market quotations from other independent third party bauxite related products manufacturers/suppliers, and/or reputable industry sources, on an ongoing basis. After obtaining market information, the sales and procurement team of the Group performs analysis against factors, including but not limited to, the general market supply and demand of products, raw material costs, available production capacity and delivery time etc.. The price of bauxite related products will be reviewed by the respective heads of sales and procurement and finance departments of the Group, and approved by at least two Directors. Furthermore, the Group and the Geely Technology Group will negotiate the terms of such transactions on a monthly basis (or more frequently if determined necessary) to ensure that the prices are fair and reasonable and appropriately reflect the level of costs incurred by both parties in the relevant transactions. Hence, the Group will be able to ensure that the pricing terms offered by Geely Technology Group to the Group are fair and reasonable and no less favourable than those offered by independent third parties; and



- (ii) the Group has measures in place to ensure that the annual transaction amounts under the Bauxite Purchase Framework Agreement will not exceed the Purchase Annual Caps of respective period/years. Such measures include (a) the Group will establish a monthly updated database to track, monitor and evaluate the amount of transactions under the Bauxite Purchase Framework Agreement on a monthly basis; (b) the transaction amount under the Bauxite Purchase Framework Agreement will be reported to the Board at least quarterly to ensure that the Purchase Annual Caps are not exceeded; (c) the relevant person in charge will also immediately notify the Board when the transaction amount reaches 75% of the Purchase Annual Caps so as to evaluate whether it is necessary to apply to the Independent Shareholders for increase in the Purchase Annual Caps; the independent auditor and the independent non-executive Directors will review the transactions under the Bauxite Purchase Framework Agreement on an annual basis to confirm whether the terms of the Bauxite Purchase Framework Agreement are on normal commercial terms, fair and reasonable and in the interest of the Company and its Shareholders as a whole;

we consider that the Company has sufficient and effective internal control measures in place to ensure that (i) the Purchase Annual Caps will not be exceeded (or if it is expected to be exceeded, the Company will consider measures to be taken in a timely manner, which include restricting the amount of the continuing connected transactions or re-complying with disclosure and independent shareholders' approval requirement under the GEM Listing Rules); and (ii) the purchase prices will be determined on normal commercial terms or on terms no less favourable to the Group than those offered by independent third parties (through adopting internal procedures to compare the terms offered by Geely Technology Group with quotations or data on market prices).

#### **4. Requirements by the GEM Listing Rules Regarding The Continuing Connected Transactions**

Pursuant to Rules 20.53 to 20.57 of the GEM Listing Rules, the transactions contemplated under the Bauxite Purchase Framework Agreement are subject to the following annual review requirements:

- (a) each year the independent non-executive Directors must review the transactions contemplated under the Bauxite Purchase Framework Agreement and confirm in the annual report that the transactions contemplated under the Bauxite Purchase Framework Agreement have been entered into:
  - in the ordinary and usual course of business of the Company;
  - on normal commercial terms or better; and
  - according to the agreement governing them on terms that are fair and reasonable and in the interests of the Shareholders as a whole.
- (b) each year the auditors of the Company must provide a letter to the Board confirming that the transactions contemplated under the Bauxite Purchase Framework Agreement:
  - have received the approval of the Board;
  - are, in all material respects, in accordance with the pricing policies of the Company if the transactions involve provision of goods or services by the Company;
  - have been entered into, in all material respects, in accordance with the relevant agreement governing the transactions contemplated under the Bauxite Purchase Framework Agreement; and
  - have not exceeded the Purchase Annual Caps.
- (c) the Company must allow, and ensure that the relevant counterparty to the transactions contemplated under the Bauxite Purchase Framework Agreement allows, the Company's auditors sufficient access to their records for the purpose of reporting on the transactions contemplated under the Bauxite Purchase Framework Agreement. The Board must state in the annual report whether its auditors have confirmed the matters stated in paragraph (b) above; and

- (d) the Company must promptly notify the Stock Exchange and publish an announcement in accordance with the GEM Listing Rules if it knows or has reason to believe that the independent non-executive Directors and/or the auditors of the Company cannot confirm the matters set out in paragraphs (a) and/or (b) above respectively.

In light of the reporting requirements attached to the transactions contemplated under the Bauxite Purchase Framework Agreement, in particular, (i) the restriction of the value of the transactions contemplated under the Bauxite Purchase Framework Agreement by way of the Purchase Annual Caps; and (ii) the ongoing review by the independent non-executive Directors and the auditors of the Company on the terms of the transactions contemplated under the Bauxite Purchase Framework Agreement and the Purchase Annual Caps not being exceeded, we are of the view that appropriate measures are in place to govern the conduct of the transactions contemplated under the Bauxite Purchase Framework Agreement and safeguard the interests of the Company and the Shareholders as a whole.

#### **CONCLUSION AND RECOMMENDATION**

Based on our analysis and work done set out above, we consider that the entering into of the Bauxite Purchase Framework Agreement and the continuing connected transactions contemplated thereunder (including the Purchase Annual Caps) are on normal commercial terms, fair and reasonable, in the ordinary and usual course of business of the Group and in the interests of the Company and the Shareholders as a whole.

We advise the Independent Board Committee to recommend, and we ourselves recommend, the Independent Shareholders to vote in favour of the ordinary resolution to be proposed at the EGM in relation to the Bauxite Purchase Framework Agreement and the transactions contemplated thereunder (including the Purchase Annual Caps).

Yours faithfully,  
For and on behalf of  
**Ballas Capital Limited**



**Alex Lau**  
*Managing Director*



**Michelle Tse**  
*Director*

*Note:* Mr. Alex Lau has been a responsible officer of Type 6 (advising on corporate finance) regulated activity since 2004 and Miss Michelle Tse has been a licensed representative of Type 6 (advising on corporate finance) regulated activity from 2010 to 2015 and since 2019.