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## CONNECTED TRANSACTIONS

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### ONE-OFF TRANSACTIONS ENTERED INTO BEFORE LISTING WHICH WOULD OTHERWISE CONSTITUTE CONNECTED TRANSACTIONS

During the Track Record Period and prior to Listing, we entered into the following transactions with Mr. Wu Pingfang and Jiawei Resources Limited, each being a connected person (as defined under the Listing Rules) of our Company after the Listing Date. These transactions are accounted as one-off in nature under HKFRS 16. If these transactions were entered into after Listing, such transactions would constitute connected transactions under Chapter 14A of the Listing Rules. Details of such transactions are set out below:

#### *PRC Tenancy Agreements*

During the Track Record Period, Zhiyuan New Material leased certain units in the PRC from Mr. Wu Pingfang for use as offices of our Group, and entered into the following tenancy agreements (“**PRC Tenancy Agreements**”):

Date of the PRC Tenancy Agreements:	15 November 2018
Premises (“ <b>PRC Office Premises</b> ”):	Rooms 1903–1906, Building 3, Baoli Daduhui, No. 290 Hanxi Avenue East, Zhongcun Street, Panyu District, Guangzhou City, Guangdong Province, China (中國廣東省廣州市番禺區鐘村街漢溪大道東290號保利大都匯3棟辦公樓1903至1906房)
Term:	From 15 November 2018 to 31 December 2022
Total gross area:	Approximately 643 sq.m.
Total monthly rent:	From 15 November 2018 to 31 December 2018: nil From 1 January 2019 to 31 December 2020: RMB83,537 From 1 January 2021 to 31 December 2022: RMB90,219

The PRC Tenancy Agreements commenced on 15 November 2018. The total rent for the leasing of the PRC Office Premises pursuant to the PRC Tenancy Agreements were nil and RMB668,296 for FY2018 and 8M2019, respectively.

For the year ended 31 December 2019, the total rent for the leasing of the PRC Office Premises pursuant to the PRC Tenancy Agreements was RMB1,002,444. For each of the years ending 31 December 2020, 2021 and 2022, the total rent for the leasing of the PRC Office Premises pursuant to the PRC Tenancy Agreements is expected to be RMB1,002,444, RMB1,082,628 and RMB1,082,628, respectively.

The rents payable under the PRC Tenancy Agreements have been determined after arm’s length negotiations between the parties thereto with reference to the prevailing market rates in respect of similar premises in the vicinity.

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### *HK Tenancy Agreement*

On 16 June 2019, Xite Hong Kong leased a unit in Hong Kong from Jiawei Resources Limited for use as workshop of our Group, and entered into the following tenancy agreement (“**HK Tenancy Agreement**”):

Date of the HK Tenancy Agreement:	16 June 2019
Premises (“ <b>HK Workshop Premises</b> ”):	Workshop E, 7th Floor, Derrick Industrial Building, No. 49 Wong Chuk Hang Road, Hong Kong
Term:	From 16 June 2019 to 15 July 2021
Total gross area:	1,979 square feet
Total monthly rent:	From 16 June 2019 to 15 July 2019: nil From 16 July 2019 to 15 July 2021: HK\$35,000

The HK Tenancy Agreement commenced on 16 June 2019. The total rent for leasing of the HK Workshop Premises pursuant to the HK Tenancy Agreement was HK\$52,500 for 8M2019.

For the year ended 31 December 2019, the total rent for the leasing of the HK Workshop Premises pursuant to the HK Tenancy Agreement was RMB192,500. For each of the years ending 31 December 2020 and 2021, the total rent for the leasing of the HK Workshop Premises pursuant to the HK Tenancy Agreement is expected to be HK\$420,000 and HK\$227,500, respectively.

The rents payable under the HK Tenancy Agreement have been determined after arm’s length negotiations between the parties thereto with reference to the prevailing market rates in respect of similar premises in the vicinity.

### *Accounting treatment of the PRC Tenancy Agreements and the HK Tenancy Agreement*

Our Group has consistently applied HKFRS 16 in the preparation of the financial information of our Group throughout the Track Record Period, pursuant to which, at the commencement date of a lease, our Group as lessee shall recognise a liability to make lease payments and an asset representing the right to use the underlying asset during the lease term. Accordingly, the lease transactions under the PRC Tenancy Agreements and the HK Tenancy Agreement would be regarded as acquisitions of assets by the tenant for the purpose of the Listing Rules.

### *Listing Rules implications*

Mr. Wu Pingfang is a nephew of Mr. Wu, the founder of our Group, the chairman of our Board, chief executive officer, an executive Director and one of our Controlling Shareholders. As at the Latest Practicable Date, Jiawei Resources Limited was wholly owned by Mr. Wu, our chairman, chief executive officer, executive Director and one of our Controlling Shareholders. Therefore, each of Mr. Wu Pingfang and Jiawei Resources Limited is deemed to be a connected person of our Company pursuant to the Listing Rules.

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Although the transactions contemplated under the PRC Tenancy Agreements and the Hong Kong Tenancy Agreement were on-going as at the Latest Practicable Date, given the PRC Tenancy Agreements and the Hong Kong Tenancy Agreement were entered into prior to Listing and the transactions thereunder are one-off in nature, these transactions (including further payments to be made by us pursuant to the terms of the PRC Tenancy Agreements and the Hong Kong Tenancy Agreement) will not be classified as notifiable transactions under Chapter 14 of the Listing Rules or connected transactions or continuing connected transactions under Chapter 14A of the Listing Rules, and will not be subject to any of the reporting, announcement, annual review and independent Shareholders' approval requirements under Chapters 14 and 14A of the Listing Rules. In the event that there are any material changes to the terms and conditions of any of the PRC Tenancy Agreements and the Hong Kong Tenancy Agreement (including any increase in the total rent payable by our Group under any of the PRC Tenancy Agreements and the Hong Kong Tenancy Agreement as disclosed in this prospectus), we shall comply with Chapters 14 and 14A of the Listing Rules (as the case may be) in respect of such agreement(s) (as amended) as and when appropriate, including, where required, seeking independent Shareholders' approval prior to effecting such changes. In the event where we enter into further tenancy agreements with any of the counterparty of the PRC Tenancy Agreements and the Hong Kong Tenancy Agreement, we shall also comply with Chapters 14 and 14A of the Listing Rules (as the case may be) as and when appropriate.