
CONNECTED TRANSACTIONS

OVERVIEW

We have entered into certain transactions with party who will, upon the Listing, become our connected person, and such transactions are expected to continue after the Listing, constituting connected transactions and/or continuing connected transactions of our Company under Chapter 14A of the Listing Rules.

In addition, we have entered into a lease transaction, which is expected to subsist after the Listing, with party who will, upon the Listing, become our connected person. Such transaction, if entered into after the Listing, would have constituted a one-off connected transaction of our Company.

FULLY EXEMPT CONTINUING CONNECTED TRANSACTIONS

Sales Agreements with Zhejiang Feishen

During the Track Record Period, Zhejiang Feishen Automobile Co., Ltd.* (浙江飛神車業有限公司) (“**Zhejiang Feishen**”) purchased aluminum alloy automobile wheels from Buyang Wheel, with revenue recognized by our Group amounted to approximately RMB23,000, nil, nil and nil for the years ended December 31, 2019, 2020 and 2021 and the five months ended May 31, 2022, respectively. Such transactions were conducted on normal commercial terms, with the price determined with reference to our internal reference price list.

Listing Rules Implications

As at the Latest Practicable Date, Zhejiang Feishen is owned as to (i) 70% by Feishen Group Co., Ltd.* (飛神集團有限公司), which in turn is owned as to 66.67% by Mr. Chen Xiangyang, 16.67% by Mr. Chen Bin and 16.67% by Ms. Chen Jiangbo; (ii) 20% by Mr. Chen Xiangyang; (iii) 5% by Mr. Chen Bin; and (iv) 5% by Ms. Chen Jiangbo. Mr. Chen Xiangyang, Mr. Chen Bin and Ms. Chen Jiangbo are (i) brothers and sister of Ms. Chen, our Controlling Shareholder; (ii) brothers-in-law and sister-in-law of Mr. Xu, our chairman, non-executive Director and Controlling Shareholder; and (iii) uncles and auntie of Ms. Xu, our deputy chairlady and executive Director.

Accordingly, Zhejiang Feishen is a connected person of our Company and any sales agreement to be entered into between Zhejiang Feishen and our Group after the Listing will constitute connected transactions and/or continuing connected transactions of our Company under Chapter 14A of the Listing Rules.

As the sale and purchase of aluminum alloy automobile wheels between Zhejiang Feishen and our Group are conducted on normal commercial terms and the annual transaction amount is expected to be less than HK\$3.0 million with the highest applicable percentage ratio expected to be less than 5%, such transactions are expected to be fully exempted from the reporting, announcement, circular, independent Shareholders’ approval and annual review requirements pursuant to Rule 14A.76(1) of the Listing Rules.

We will comply with the applicable requirements under the Listing Rules if the annual transaction amount exceeds HK\$3.0 million and/or the highest applicable percentage ratio exceeds 5%.

CONNECTED TRANSACTIONS

SUBSISTING TRANSACTION ENTERED INTO BEFORE THE LISTING WHICH WOULD OTHERWISE CONSTITUTE CONNECTED TRANSACTION

Workshop and Office Lease Agreement

On December 20, 2014, Buyang Wheel entered into the Workshop and Office Lease Agreement with Buyang PRC pursuant to which Buyang Wheel agreed to rent and Buyang PRC agreed to let the Leased Property, being the workshop, the office and the land located on 8 Buyang Road, Xicheng, Yongkang City, Zhejiang Province, PRC.

Listing Rules Implications

As our Company has adopted HKFRSs 16 in the preparation of the financial statements of our Company as set out in the Accountants' Report in Appendix I to this prospectus, the Workshop and Office Lease Agreement has been recognized as an asset representing our right to use the Leased Property and a liability to make rent payments during the lease term. Accordingly, the Workshop and Office Lease Agreement and the lease thereunder constitute one-off transaction of our Company within the meaning of the Listing Rules.

As at the Latest Practicable Date, Buyang PRC is owned as to 80% by Mr. Xu, our chairman, non-executive Director and Controlling Shareholder and 20% by Ms. Chen, our Controlling Shareholder. Accordingly, Buyang PRC is a connected person of our Company. If the Workshop and Office Lease Agreement was entered into after the Listing, the entering into of the Workshop and Office Lease Agreement and the lease thereunder would have constituted connected transaction of our Company under Chapter 14A of the Listing Rules and, as the highest applicable percentage ratio of the Workshop and Office Lease Agreement is more than 0.1% but less than 5%, the Workshop and Office Lease Agreement would have been subjected to the annual reporting and announcement requirements under Chapter 14A of the Listing Rules but exempted from the circular and independent Shareholders' approval requirements pursuant to Rule 14A.76(2) of the Listing Rules.

Principal Terms

The principal terms of the Workshop and Office Lease Agreement are as follows:

Date of Agreement	December 20, 2014 <i>(as supplemented by the supplemental agreement dated August 3, 2020)</i>
Parties	(1) Buyang PRC (2) Buyang Wheel
Subject Matter	Buyang PRC agreed to let the Leased Property to Buyang Wheel and Buyang Wheel agreed to rent the Leased Property from Buyang PRC
Gross Floor Area	18,153 sq. m
Term	January 1, 2015 to December 31, 2034

CONNECTED TRANSACTIONS

Annual Rent RMB900,000 (subject to adjustment), payable before January 31 of each year

Rent Adjustment Either party may request review of the annual rent every three years during the term of the Workshop and Office Lease Agreement, with the first review being the annual rent for 2024. Upon such review, the annual rent shall be adjusted to the then market rent determined by an independent third-party valuer agreed by the parties whose fee shall be born by the party requesting the review.

If the review resulting in annual rent being increased by more than 20%, Buyang Wheel may, within three months from receiving the valuation report, terminate the Workshop and Office Lease Agreement at such time determined by Buyang Wheel.

Termination The Workshop and Office Lease Agreement can be terminated upon:

- (1) the end of the term of the Workshop and Office Lease Agreement;
- (2) mutual agreement prior to the end of the term of the Workshop and Office Lease Agreement due to material change in objective circumstances;
- (3) Not less than six months notice by Buyang Wheel unilaterally;
- (4) cessation of business of Buyang Wheel, rendering it unable to continue to perform the Workshop and Office Lease Agreement; and
- (5) force majeure on the part of any of the parties rendering any of the parties incapable of continuing to perform the Workshop and Office Lease Agreement.

Buyang PRC shall have the right to seek for compensation if Buyang Wheel is incapable of or unable to continue to perform the Workshop and Office Lease Agreement due to cessation of business.

Reasons for and Benefit of Entering into of the Workshop and Office Lease Agreement

Buyang Wheel has been operating in the Leased Property since its incorporation and all our production and office facilities are located in the Leased Property. In order to secure the continual usage of the Leased Property, Buyang Wheel entered into the Workshop and Office Lease Agreement with Buyang PRC.

Our Directors are of the opinion that (i) the transaction under the Workshop and Office Lease Agreement is in the ordinary and usual course of business of our Group and in the interests of our Company and our Shareholders as a whole; and (ii) the terms of the Workshop and Office Lease Agreement are on normal commercial terms and are fair and reasonable.

CONNECTED TRANSACTIONS

For more details on the Workshop and Office Lease Agreement, please refer to “Relationship with Our Controlling Shareholders — Independence from Our Controlling Shareholders — Operational Independence” in this prospectus.

Basis of Determination of the Consideration

The annual rent was determined with reference to the rent of comparable properties within the locality of the Leased Property and other factors including location, quality, size and renovation condition of the Leased Property, taking into consideration of the opinion of a valuation company, which is an Independent Third-Party.