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CALB Co., Ltd.

中創新航科技股份有限公司

(A joint stock limited company incorporated in the People's Republic of China with limited liability)

(Stock Code: 3931)

CONTINUING CONNECTED TRANSACTIONS RENEWAL OF CONTINUING CONNECTED TRANSACTIONS

THE RENEWAL OF CONTINUING CONNECTED TRANSACTIONS

Reference is made to the section headed “Connected Transaction” of the prospectus of the Company in relation to the sales framework agreement of the Company and the entrusted processing framework agreement of the Company, both of these agreements will expire on December 31, 2022.

On November 10, 2022, the Company (for itself and on behalf of the Group) and CALB USA (for itself and on behalf of its Group) entered into the sales framework agreement (the “**2023 Sales Framework Agreement**”), pursuant to which the Group will sell EV batteries to CALB USA for a term of one year commencing from January 1, 2023 to December 31, 2023.

On the same day, the Company (for itself and on behalf of the Group) and Luoyang Company (for itself and on behalf of its Group) entered into the entrusted processing framework agreement (the “**2023 Entrusted Processing Framework Agreement**”), pursuant to which the Company agrees to entrust Luoyang Company to provide processing services of EV battery products for civil use and ESS products (collectively the “**Lithium Batteries**”) for the Company for a term of one year commencing from January 1, 2023 to December 31, 2023.

LISTING RULES IMPLICATIONS

As at the date of this announcement, Jintan Holding held approximately 25.54% issued Shares of the Company and is one of the substantial shareholders of the Company, and thus Jintan Holding and its associates are connected persons of the Company. Luoyang Company is owned as to 49% by Jinhang Holding and 51% by Jincheng Technology, respectively. Jincheng Technology is wholly owned by Jintan Holding, and hence an associate of Jintan Holding and a connected person of the Company. Therefore, the transactions contemplated under the 2023 Entrusted Processing Framework Agreement will constitute continuing connected transactions of the Company under the Chapter 14A of the Listing Rules.

As at the date of this announcement, CALB USA is owned as to 40% by Luoyang Company and hence an associate of Jintan Holding and a connected person of the Company. Therefore, the transactions contemplated under the 2023 Sales Framework Agreement constitute continuing connected transactions of the Company under the Chapter 14A of the Listing Rules.

As the highest applicable percentage ratios of the annual cap under the 2023 Sales Framework Agreement is expected to be more than 0.1% but less than 5%, the transactions contemplated thereunder are therefore subject to the reporting, announcement and annual review requirements but exempt from the circular and the independent Shareholder's approval requirements under Chapter 14A of the Listing Rules.

As the highest applicable percentage ratios of the annual cap under the 2023 Entrusted Processing Framework Agreement is expected to be more than 5%, the transactions contemplated thereunder are therefore subject to the reporting, announcement, annual review and the independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

The Independent Board Committee has been formed to provide recommendation to the independent Shareholders in respect of the 2023 Entrusted Processing Framework Agreement and the transactions contemplated thereunder. Gram Capital will be appointed as the Independent Financial Adviser to advise the Independent Board Committee and the independent Shareholders in this regard.

A circular containing, among other things, (i) details of the transactions contemplated under the 2023 Entrusted Processing Framework Agreement; (ii) a letter of recommendation from the Independent Board Committee to the independent Shareholders; and (iii) a letter of recommendation from Gram Capital to Independent Board Committee and independent Shareholders, is expected to be dispatched to Shareholders by no later than December 30, 2022 as additional time is required to prepare and finalize the relevant information to be included in the circular.

THE RENEWAL OF CONTINUING CONNECTED TRANSACTIONS

1. 2023 Sales Framework Agreement

Principal terms of the 2023 Sales Framework Agreement are set out below:

Date	November 10, 2022
Parties	(a) Company (for itself and on behalf of the Group); and (b) CALB USA (for itself and on behalf of its Group)
Term of the agreement	One year commencing from January 1, 2023 to December 31, 2023
Nature of transaction	The 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")

Historical Amount

For the ten months ended October 31, 2022, the total amount we received from CALB USA in respect of the sales of EV batteries was approximately RMB46.71 million.

Annual cap and basis for annual cap

The Directors estimate that the revenue to be received by the Company from CALB USA will not exceed RMB60 million for the year ending December 31, 2023.

In determining abovementioned proposed annual cap, the Directors have considered the historical amount of the sales of EV batteries by the Group to CALB USA and the sales volume of EV batteries by the Group to CALB USA in 2022. The Company expected average selling price and sales volume of CALB USA for the year of 2023 are basically in line with those in 2022. Having taken into consideration of the foreign exchange rate, the Company estimates the annual cap in 2023 should be the same as 2022.

Reasons for and benefits of entering into the 2023 Sales Framework Agreement

The Directors are of the view that the transactions under the 2023 Sales Framework Agreement are to the benefit of the Company because (i) during the last few years, CALB USA has been selling EV batteries of the Company in the U.S., therefore, it has thorough understanding of products of the Company; and (ii) both sides have established a mutual trust relationship during the past cooperation. It takes time to find suitable substitute in the market with mutual trust, and therefore it is cost-effective to continue cooperation, which is mutually beneficial for both parties.

Opinion of the Board

The Directors (including the independent non-executive Directors) are of the view that (i) each of the 2023 Sales Framework Agreement and the transactions contemplated thereunder have been entered into in the ordinary and usual course of business of the Group and are based on normal commercial terms that are fair and reasonable and in the interests of the Shareholders as a whole; and (ii) the proposed annual cap for the 2023 Sales Framework Agreement is fair and reasonable and in the interests of the Shareholders as a whole.

Mr. Zhang Guoqing and Mr. Zhou Sheng, as non-executive Directors, hold important positions in Jintan Holding and its close associates, they have therefore abstained from voting on the relevant Board resolution approving the 2023 Sales Framework Agreement. Save as disclosed above, none of the other Directors has material interests in the transactions contemplated thereunder.

2. 2023 Entrusted Processing Framework Agreement

Principal terms of the 2023 Entrusted Processing Framework Agreement are set out below:

Date	November 10, 2022
Parties	(a) Company (for itself and on behalf of the Group); and (b) Luoyang Company (for itself and on behalf of its Group)
Term of the agreement	One year commencing from January 1, 2023 to December 31, 2023
Nature of transaction	The Company 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.
Terms of payment	We shall pay Luoyang Company in the following manner: (1) prepayment of 60% of the total purchase amount for the next quarter in the last month of each quarter, 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 the quality control standards requirements.
Licensing of patent	The Company grant Luoyang Company the right to use certain specified patents of the Company (“ 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 2023 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

To ensure delineation of business and non-competition between our Company and Luoyang Company, our Company entered into a non-competition agreement with Jintan Group on March 2, 2022. Pursuant to the non-competition agreement, Luoyang Company undertakes to the Company that:

- (1) save and except for the contracts which already existed and valid before the date of the 2023 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 2023 Entrusted Processing Framework Agreement, it shall use existing product lines and facilities to fulfil its obligations thereunder, and it shall not expand the production capacities for Lithium Batteries unless the expansion is necessary for meeting demands of the Company and a written consent from the Company having been obtained; and
- (3) prior to the expiry of the 2023 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.

Historical amount

For the ten months ended October 31, 2022, the total service fees incurred from entrusted processing services provided by Luoyang Company was approximately RMB3,065.35 million.

Annual cap and basis for annual cap

The Directors estimate that the fees to be incurred under the 2023 Entrusted Processing Framework Agreement will not exceed RMB4,200 million for the year ending December 31, 2023.

In determining such proposed annual cap, the 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 the EV batteries for civil use and ESS products and estimated demands and growth sales of the EV batteries for civil use and ESS products in the coming year; and (v) the expected production capacity and utilization. Due to the non-competing undertakings, all the civil use production lines will be used for meeting the demands of the Company. The cost-plus is also considered in determining the annual cap of 2023.

Reasons for and benefits of entering into the 2023 Entrusted Processing Framework Agreement

The Directors are of the view that the transactions under the 2023 Entrusted Processing Framework Agreement are to the benefit of the Company because (i) while the Group is committed to building own production lines to increase production capacity of the Company, it takes time to achieve the planned production capacity of the Company. It is expected that the effective production capacity of the Company will be expanded to approximately 90GWh in 2023. At the current stage, the current production of the Company capacity for manufacturing the EV batteries for civil use and ESS products is insufficient to meet the current and increasing demands of customers; (ii) Luoyang Company as well as the shareholders of Luoyang Company have already entered into a non-compete undertaking in favour of each member of the Group and undertook that Luoyang Company cannot engage in the business of manufacturing, research and development and sales of EV battery products for civil use and ESS products, unless the Company's demands for entrusted processing services for EV battery products and ESS products have been satisfied and an expressed consent have been obtained from the Company. Such undertaking can effectively avoid potential competition from Luoyang Company; (iii) entrusted processing arrangement between the Company and Luoyang Company can, on the one hand, supplement the Company's current production capacities by utilizing the production capacities of Luoyang Company to meet the increasing demand of the Group's customers and, on the other hand, it is conducive to Luoyang Company in respect of the delivery of delineated orders; and (iv) 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, production capacity and cultivated trust and understanding.

Opinion of the Board

The Directors (excluding the independent non-executive Directors whose view will be disclosed in the circular) are of the view that (i) each of the 2023 Entrusted Processing Framework Agreement and the transactions contemplated thereunder have been entered into in the ordinary and usual course of business of the Group and are based on normal commercial terms that are fair and reasonable and in the interests of the Shareholders as a whole; and (ii) the proposed annual cap for the 2023 Entrusted Processing Framework Agreement is fair and reasonable and in the interests of the Shareholders as a whole.

Mr. Zhang Guoqing and Mr. Zhou Sheng, as non-executive Directors, hold important positions in Jintan Holding and its close associates, they have therefore abstained from voting on the relevant Board resolution approving the 2023 Entrusted Processing Framework Agreement. Save as disclosed above, none of the other Directors has material interests in the transactions contemplated thereunder.

INTERNAL CONTROL MEASURES

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

- (1) the Company will adopt and implement a management system on connected transactions and the Board and various internal departments of the Company will be responsible for the control and daily management in respect of the continuing connected transactions;
- (2) the Board and various other internal departments of the 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) the Board and the finance department of the Group will regularly monitor the connected transactions (including but not limited to transaction amounts and annual caps under the relevant agreements) and management of the Company 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. The 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 the 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 the Group are no less favorable than those offered by the Independent Third Parties.

- (4) the Company shall engage the auditors of the Company to, and the 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) the Company 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, 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).

INFORMATION RELATING TO PARTIES

The Group is a leading new energy technology company mainly engaged in the design, R&D, production and sales of EV batteries and ESS products.

Luoyang Company is an other limited liability company established in the PRC, principally engaged in research, production, sales and market application development of lithium batteries, battery management systems (BMS), energy storage batteries and related integrated products and lithium battery-related materials and sales of new energy vehicles and parts. The ultimate beneficial owner is People's Government of Jintan District, Changzhou.

CALB USA is a joint venture incorporated in the United States, principally engaged in sale of batteries or battery parts and manufacture of batteries and/or battery parts. Calib Power Group and Luoyang Company hold 60% and 40% equity interests in CALB USA, respectively. To the best knowledge of the Company, the shareholders of the Calib Power Group are Calib Power Inc., Zhang Xuming, Han Ke and Yang Ming. Calib Power Inc. is the largest shareholder of Calib Power Group.

LISTING RULES IMPLICATIONS

As at the date of this announcement, Jintan Holding held approximately 25.54% issued Shares of the Company and is one of the substantial shareholders of the Company, and thus Jintan Holding and its associates are connected persons of the Company. Luoyang Company is owned as to 49% by Jinhang Holding and 51% by Jincheng Technology, respectively. Jincheng Technology is wholly owned by Jintan Holding, and hence an associate of Jintan Holding and a connected person of the Company. Therefore, the transactions contemplated under the 2023 Entrusted Processing Framework Agreement will constitute continuing connected transactions of the Company under the Chapter 14A of the Listing Rules.

As at the date of this announcement, CALB USA is owned as to 40% by Luoyang Company and hence an associate of Jintan Holding and a connected person of the Company. Therefore, the transactions contemplated under the 2023 Sales Framework Agreement constitute continuing connected transactions of the Company under the Chapter 14A of the Listing Rules.

As the highest applicable percentage ratios of the annual cap under the 2023 Sales Framework Agreement is expected to be more than 0.1% but less than 5%, the transactions contemplated thereunder are therefore subject to the reporting, announcement and annual review requirements but exempt from the circular and the independent Shareholder's approval requirements under Chapter 14A of the Listing Rules.

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The Independent Board Committee has been formed to provide recommendation to the independent Shareholders in respect of the 2023 Entrusted Processing Framework Agreement and the transactions contemplated thereunder. Gram Capital will be appointed as the Independent Financial Adviser to advise the Independent Board Committee and the independent Shareholders in this regard.

A circular containing, among other things, (i) details of the transactions contemplated under the 2023 Entrusted Processing Framework Agreement; (ii) a letter of recommendation from the Independent Board Committee to the independent Shareholders; and (iii) a letter of recommendation from Gram Capital to Independent Board Committee and independent Shareholders, is expected to be dispatched to Shareholders by no later than December 30, 2022 as additional time is required to prepare and finalize the relevant information to be included in the circular.

DEFINITIONS

In this announcement, unless the context otherwise requires, the following terms shall have the following meanings.

“Board”	the board of Directors of the Company
“CALB USA”	a company owned as to 40% by Luoyang Company and hence an associate of Jintan Holding and therefore a connected person of the Company
“Company”, “we”, or “us”	CALB Co., Ltd. (中創新航科技股份有限公司), H Shares of which are listed on the Stock Exchange with stock code of 3931
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“Director(s)”	director(s) of the Company
“Group”	the Company and its subsidiaries, and their respective predecessors
“H Share(s)”	overseas listed foreign shares in the ordinary share capital of the Company with a nominal value of RMB1.00 each, subscribed for and traded in Hong Kong dollars and listed on the Stock Exchange
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Board Committee”	the independent committee of the Board, comprising all the independent non-executive Directors, formed for the purpose of advising the independent Shareholders in respect of, among other things, the terms of the 2023 Entrusted Processing Framework Agreement and the annual caps of the transactions contemplated thereunder

“Independent Financial Adviser” or “Gram Capital”	Gram Capital Limited, the independent financial adviser appointed to advise the Independent Board Committee and the independent Shareholders
“Independent Third Party(ies)”	an individual(s) or a company(ies) who or which, as far as the Directors are aware after having made all reasonable enquiries, is/are not (a) connected person(s) of the Company within the meaning of the Listing Rules
“Jincheng Technology”	Jiangsu Jintan Jincheng Technology Industry Development Co., Ltd.* (江蘇金壇金城科技產業發展有限公司), a company established under the laws of the PRC with limited liability on December 7, 2015 and wholly owned by Jintan Holding, a connected person of the Company
“Jinhang Holding”	Jiangsu Jinhang Holding Co., Ltd.* (江蘇金航控股有限公司), a company established under the laws of the PRC with limited liability on March 2, 2022, which is owned as to 40% by Jincheng Technology, 30% by Cai Dongze (蔡東澤), an Independent Third Party, 12.5% by Nanjing Ruiguan Enterprise Management Centre (Limited Partnership)* (南京瑞冠企業管理中心 (有限合夥)), 12.5% by Wuxi Fengshenghui Enterprise Management Partnership Business (Limited Partnership)* (無錫豐晟匯企業管理合夥企業(有限合夥)) and 5% by Jiangsu Fengchuang Environmental Energy Co., Ltd* (江蘇楓創環保能源有限公司), an Independent Third Party. Jinhang Holding is a connected person of our Company
“Jintan Group”	namely Jinsha Investment, Huake Engineering, Huake Investment, Jintan International, Jintan Hualuogeng and Jintan Holding
“Jintan Holding”	Jiangsu Jintan Investment Holding Co., Ltd.* (江蘇金壇投資控股有限公司), a company established under the laws of the PRC with limited liability on September 16, 2014 and wholly owned by the Government of Jintan District, a connected person of the Company
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“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 a associate of Jintan Holding and a connected person of the Company
“PRC”	the People’s Republic of China which, for the purpose of this announcement, excludes Hong Kong, the Macao Special Administrative Region and Taiwan

“Share(s)”	ordinary share(s) in the share capital of the Company with a nominal value of RMB1.00 each
“Shareholder(s)”	holder(s) of the Share(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“%”	per cent

By order of the Board
CALB Co., Ltd.
Liu Jingyu
*Chairwoman of the Board, executive
Director and president*

Changzhou, PRC
November 10, 2022

As at the date of this announcement, the Board of Directors of the Company comprises Ms. Liu Jingyu and Mr. Dai Ying as executive Director, Mr. Zhou Sheng, Mr. Zhang Guoqing, Mr. Li Yunxiang as non-executive Directors, Mr. Wu Guangquan, Mr. Wang Susheng, Mr. Chen Zetong as independent non-executive Directors.