
RELATIONSHIP WITH THE CONTROLLING SHAREHOLDERS

OVERVIEW

As at the Latest Practicable Date, Mr. Deng and Ms. Wu held an aggregate of approximately 56.31% of the total issued Shares, comprising approximately 3.15% direct interest held by Mr. Deng, approximately 51.34% indirect interest held by Zhongwei Holding, a company controlled by Mr. Deng and Ms. Wu, and approximately 1.82% indirect interest held by Hongxin Chengda, a limited partnership owned as to 1.00% by Ms. Wu as the general partner and as to 99.00% by Mr. Deng as the limited partner. Mr. Deng and Ms. Wu are husband and wife. See “History, Development and Corporate Structure” for the corporate structure of the Group. Each of Zhongwei Holding and Hongxin Chengda was primarily engaged in equity investment as of the Latest Practicable Date.

Immediately following the completion of the Global Offering (assuming the Over-allotment Option is not exercised), Mr. Deng and Ms. Wu will hold an aggregate of approximately 50.68% of the total issued Shares, comprising approximately 2.84% direct interest held by Mr. Deng, approximately 46.21% indirect interest held by Zhongwei Holding and approximately 1.64% indirect interest held by Hongxin Chengda. Therefore, Mr. Deng and Ms. Wu will control an aggregate of more than 30% of the voting rights in the Company. Accordingly, Mr. Deng, Ms. Wu, Zhongwei Holding and Hongxin Chengda are and will continue to be a group of Controlling Shareholders upon the Listing.

INDEPENDENCE OF THE GROUP FROM THE CONTROLLING SHAREHOLDERS

Taking into consideration the following factors, the Directors are of the view that the Group is able to carry on its business independently from the Controlling Shareholders and their respective close associates after the completion of the Global Offering.

Operational Independence

The Group operates independently from the Controlling Shareholders and their respective close associates.

The Group holds and enjoys the benefits of all material licenses necessary to carry out its business. The Group has obtained, among other things, all material qualifications and authorization, operational equipment, premises, intellectual properties and domain name that are needed for its business. The Group has sufficient capital, facilities, equipment and employees to operate its business independently from the Controlling Shareholders. The Group also has independent access to its customers and suppliers and an independent management team to operate its business.

Based on the above, the Directors are satisfied that the Group is able to operate independently from the Controlling Shareholders and their respective close associates.

Financial Independence

The Group is able to operate independently from the Controlling Shareholders and their respective close associates from the financial perspective.

The Group has established its own finance department responsible for the financial management, accounting and taxation in the ordinary and usual course of business of the Company. The Group also has its own risk management and internal control system, independent accounting and financial management system and independent management for cash receipts and payments. The Group’s accounting and finance functions are independent from the Controlling Shareholder and their close associates. The Company opens accounts with banks independently and does not share any bank account with the Controlling Shareholders.

During the Track Record Period, the Controlling Shareholders provided guarantees for our credit facilities from different commercial banks and financial institutions. As of March 31, 2025, our credit

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facilities guaranteed by the Controlling Shareholders in aggregate amounted to RMB8,866.1 million. See “Connected Transactions — Fully Exempt Continuing Connected Transactions” for further details of the Controlling Shareholders’ guarantees.

We are of the view that the early release of all guarantees provided by the Controlling Shareholders prior to the Listing is not in the best commercial interests of the Company and its Shareholders as a whole, as the Group would need to go through the formalities for refinancing and incur unnecessary additional costs, expenses and time, and the Company has no intention to release all guarantees provided by the Controlling Shareholders prior to the Listing.

Notwithstanding the above, the Directors believe that the Group is capable of operating financially independently from the Controlling Shareholders and their close associates for the following reasons:

- (i) as of March 31, 2025, without any guarantee from the Controlling Shareholders or their close associates, independent commercial banks and financial institutions have made binding commitments to provide us with credit facilities in the total amount of RMB79,370.3 million, which was significantly higher than the amount of credit facilities guaranteed by the Controlling Shareholders and demonstrated robust market confidence in the Company’s own creditworthiness;
- (ii) during the Track Record Period, in addition to the credit facilities guaranteed by the Controlling Shareholders, we have been able to obtain credit facilities from independent commercial banks and financial institutions without any guarantee from the Controlling Shareholders or their close associates;
- (iii) as the credit facilities obtained by us which were guaranteed by the Controlling Shareholders were on normal commercial terms without more favorable interest rate terms as compared with other credit facilities obtained without the guarantee of the Controlling Shareholders, and the guarantees provided by the Controlling Shareholders were standard commercial credit enhancement requirements of certain commercial banks, we do not overly rely on the Controlling Shareholders; and
- (iv) we are in a solid financial position. As of December 31, 2024, our cash and cash equivalents amounted to approximately RMB10,084.0 million, and such cash and cash equivalents are sufficient to fully repay the borrowings guaranteed by the Controlling Shareholders if needed.

Based on the above, the Directors are of the view that the Group is financially independent from the Controlling Shareholders and their respective close associates.

Management Independence

The Board consists of ten Directors, including six executive Directors and four independent non-executive Directors. See “Directors and Senior Management” for more information.

As of the Latest Practicable Date, except for the following Director, there was no other overlapping Director and senior management between the Group and the Controlling Shareholders and their close associates:

<u>Name of Directors</u>	<u>Position held in the Company</u>	<u>Position held in the Controlling Shareholders and their close associates as of the Latest Practicable Date</u>
Mr. Deng	Executive Director, chairman of the Board and president	Director of Zhongwei Holding

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Hence, we have sufficient Board and senior management team members who do not hold any position in and are not the Controlling Shareholders and/or their respective close associates. We believe that the Directors and senior management of the Company are capable of performing their own duties in the Company independently from the Controlling Shareholders and the Company is capable of managing its business independently from the Controlling Shareholders for the following reasons:

- (i) each of the Directors is aware of and understands the fiduciary duties which, among other things, requiring he/she to act in the best interests of the Company and its Shareholders as a whole;
- (ii) the decision-making mechanism of our Board as specified in the Articles of Association has set out relevant provisions to avoid conflicts of interests, including requiring a Director to abstain from voting on any resolution approving any contract, transaction or arrangement in which such Director or any of his/her close associates have a material interest;
- (iii) our daily management and operations are carried out by a senior management team, all of whom have substantial experience in the industry in which the Company is engaged, and will therefore be able to make business decisions that are in the best interests of the Company;
- (iv) save for Mr. Deng, none of our Directors and senior management hold any position in the Controlling Shareholders, and all of our Directors and senior management are able to devote sufficient time and efforts to manage the daily operations of the Group. In addition, the Company has four independent non-executive Directors who have extensive experiences in different professions. They have been appointed pursuant to the requirements under the Listing Rules to ensure that the decisions of the Board are made only after due consideration of independent and impartial opinions. Our Directors believe that the presence of the independent non-executive Directors from different backgrounds provides a balance of views and opinions for our Board; and
- (v) we have adopted a series of corporate governance measures to manage conflicts of interest, if any, between the Group and the Controlling Shareholders which would support our independent management. See “— Corporate Governance Measures” for more information.

COMPETING INTEREST

Apart from the business of our Company, the Controlling Shareholders have interest in control companies which primarily engage in (i) equity investment, (ii) research, development and manufacturing of intelligent equipment, (iii) design, manufacturing and sales of engineering equipment, and (iv) sales and trading.

Each of the Controlling Shareholders confirms that he/she/it does not have any interest in a business, apart from the business of the Group, which competes or is likely to compete (directly or indirectly) with the Group’s business and would require disclosure under Rule 8.10 of the Listing Rules.

DIRECTORS’ INTEREST IN COMPETING BUSINESS

As at the Latest Practicable Date, none of our Directors had any interest in a business, apart from the business of the Group, which competes or is likely to compete (directly or indirectly) with the Group’s business.

NON-COMPETITION UNDERTAKINGS

The Controlling Shareholders have provided certain non-competition undertakings to the Company in December 2020, pursuant to which the Controlling Shareholders have undertaken, among other things, that:

- (i) the Controlling Shareholders will procure that none of the companies, enterprises, or economic organizations controlled by the Controlling Shareholders, or affiliated enterprises of the

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Controlling Shareholders, will directly or indirectly engage in any business that is identical or similar to, or constitutes or may constitute competition with, the Company's business, or own any interest in any economic entity, institution, or economic organization that competes with the Company, and the Controlling Shareholders will not conduct any other activities that would harm the legitimate rights and interests of the Company or other Shareholders;

- (ii) if any other enterprises or economic organizations controlled by the Controlling Shareholders have any business opportunities to engage in any business that may compete with the Company's business, the Controlling Shareholders will, according to the request of the Company, give such business opportunities to the Company, allowing the Company to have the priority to acquire the assets or equity related to such business under the same conditions, in order to avoid competition with the Company; and
- (iii) if the Controlling Shareholders violate the aforementioned statements and undertakings and cause economic losses to the Company, the Controlling Shareholders will compensate the Company for all losses incurred as a result.

CORPORATE GOVERNANCE MEASURES

In order to further safeguard the interests of our Shareholders, the Company will adopt the following corporate governance measures to manage any potential conflicts of interest with the Controlling Shareholders and their respective close associates:

- (i) where a Board meeting is held for the matters in which any Director or his/her associates have a material interest, such Director(s) shall abstain from voting on the relevant resolutions and shall not be counted in the quorum for the voting;
- (ii) where a Shareholders' meeting is to be held for considering proposed transactions in which the Controlling Shareholders or any of their respective associates has a material interest, the Controlling Shareholders or their respective associates will not vote on the resolutions and shall not be counted in the quorum in the voting;
- (iii) as part of the preparation for the Global Offering, the Company has amended the Articles of Association to comply with the Listing Rules which will become effective upon the Listing. In particular, the Articles of Association will provide that, a Director shall abstain from voting on any resolution approving any contract, transaction or arrangement in which such Director or any of his/her close associates has a material interest nor shall such Director be counted in the quorum present at the Board meeting;
- (iv) the Company has established internal control mechanisms to identify connected transactions. Upon the Listing, if the Company enters into connected transactions with the Controlling Shareholders or any of their associates, the Company will comply with the applicable requirements under the Listing Rules;
- (v) the Company is committed that the Board shall include a balanced composition of executive Director and independent non-executive Directors. The Company has appointed four independent non-executive Directors, and believes that the independent non-executive Directors (i) possess sufficient experiences, (ii) are free of any business or other relationship which could interfere with the exercise of their independent judgment in any material manner, and (iii) will be able to provide an impartial and external opinion to protect the interests of our Shareholders as a whole;
- (vi) where the Directors reasonably request the advice of independent professionals, such as financial advisors, the appointment of such independent professionals will be made at the Company's expense; and

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- (vii) the Company has appointed Somerley Capital Limited as its compliance adviser, which will provide advice and guidance to the Company in respect of compliance with the applicable laws and the Listing Rules including various requirements relating to directors' duties and corporate governance.

The Directors consider that the above corporate governance measures are sufficient to manage potential conflict of interests between the Controlling Shareholders and the Group, and to protect the interests of the minority Shareholders.