
RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

CONTROLLING SHAREHOLDERS

As of the Latest Practicable Date, our Controlling Shareholders, were collectively interested in approximately 73.4% of our total issued share capital. Our Controlling Shareholders comprises (i) Mr. Xia, Mr. He, Mr. Xia Quanhui, Ms. Chen Yan and Mr. Zhao Bo (together, the “**Concert Parties**”); (ii) Mr. Xia Zhipeng; (iii) Changxing Lingguan and Changxing Hexia; and (iv) Changxing Junying.

For further details regarding our Concert Parties, please refer to “History, Development and Corporate Structure — Parties acting in concert” and “Directors and Senior Management” in this document. Changxing Lingguan and Changxing Hexia are limited partnerships established as our Employee Incentive Platforms, each of which the general partner is Mr. Xia. For further details regarding Changxing Lingguan and Changxing Hexia, please refer to “History, Development and Corporate Structure — Employee incentive platforms” in this document. Changxing Junying is a limited partnership, of which the general partner is Ms. Chen Yan. For further details regarding Changxing Junying, please refer to “History, Development and Corporate Structure — Equity transfers in 2023” in this document.

Mr. Xia Zhipeng is the brother of Mr. Xia, and Mr. Xia Zhipeng is voluntarily acting in concert with other parties under the Takeovers Code. As at the Latest Practicable Date, Mr. Xia Zhipeng is interested in approximately 3.2% of our total issued share capital.

Mr. Xia Quanhui, a cousin of Mr. Xia, who joined our Group in January 2019 and served as a former Director of our Company until his retirement in December 2025, during which he was responsible for managing the commercial vehicle and engine sector testing business. As at the Latest Practicable Date, Mr Xia Quanhui is interested in approximately 1.5% of our total issued share capital.

Immediately following the completion of the [REDACTED] (without taking into account any H Shares which may be allotted and issued pursuant to the exercise of the [REDACTED]), the Controlling Shareholders will together control approximately [REDACTED]% of our total issued share capital. In view of the above, the Controlling Shareholders will remain as a group of Controlling Shareholders of our Company immediately following the completion of the [REDACTED].

RULE 11.04 OF THE GEM LISTING RULES

Each of our Controlling Shareholders has confirmed that none of them nor any of their respective close associates has any interest in any business, apart from the business of our Company, which competes with, or is likely to compete with our business, whether directly or indirectly, which would otherwise require disclosure under Rules 11.04 of the GEM Listing Rules.

INDEPENDENCE FROM OUR CONTROLLING SHAREHOLDERS

Having considered the following factors, our Directors are of the view that our Company is capable of carrying on our business independently from our Controlling Shareholder and its close associates following the completion of the [REDACTED], details of which are set out below:

Management independence

Our business is managed and conducted by our Board and the members of senior management of our Company. Our Board comprises four executive Directors, two non-executive directors and three independent non-executive Directors. Our Directors and

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members of senior management possess relevant management and/or industry-related experience to act as Directors or senior management of our Company. For further details of our Directors and senior management, please refer to "Directors and Senior Management" in this document.

Although Mr. Xia, Mr. He, Ms. Chen Yan and Mr. Zhao Bo serve as our executive Directors, and are members of our Controlling Shareholders group, our Directors are of the view that our Board and senior management are able to manage our business independently from the Controlling Shareholders and their close associates for the following reasons:

- (a) all our senior management members are independent from our Controlling Shareholders. Our Group has established our own management, finance, human resources and administration departments which are responsible for the daily operations of our Group;
- (b) each Director is aware of his/her fiduciary duties as a Director of our Company which require, among other things, that he/she acts for the benefit and in the best interest of our Company and does not allow any conflict between his/her duties as a Director and his/her personal interest;
- (c) in the event that there is a potential conflict of interest arising out of any transaction to be entered into between our Group and our Directors and/or their respective associates, the interested Director(s) is required to declare the nature of such interest before voting at the relevant Board meetings of our Company in respect of such transactions. Further, our Articles provide that a Director shall not vote on any resolution approving any contract or arrangement in which such Director or any of his/her close associates have interest nor shall such Director be counted in the quorum present in the meeting. For details, please refer to "Summary of the Articles of Association" in Appendix V to this document;
- (d) we have adopted a series of corporate governance measures to manage conflicts of interest, if any, between our Group and our Controlling Shareholders which would support our independent management. Please refer to "Corporate Governance Measures" in this section below for details; and
- (e) we have three independent non-executive Directors, comprising not less than one-third of our Board and certain matters of our Company must always be referred to our independent non-executive Directors for review. Our independent non-executive Directors have diversified skills and experience in their respective fields of expertise to advise on the conflicted transactions and business decisions. For details of their biographical background, please refer to "Directors and Senior Management" in this document.

Operational independence

We believe that we can operated independently from our Controlling Shareholders due to the following reasons:

- (a) we have sufficient capital, operations, assets, facilities and employees to operate and function our business independently from our Controlling Shareholders. We do not rely on our Controlling Shareholders for access to customers and suppliers as we have independent access to our customers and suppliers. Our customers and suppliers bases are unrelated to our Controlling Shareholders and/or his/her respective close associates. Our employees are independent from, and none of them are remunerated by, our Controlling Shareholders and his/her respective associates;

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- (b) we also maintain a comprehensive set of internal control procedures for facilitating the effective operation of our business. With reference to the relevant laws, regulations and rules, we have developed sound corporate governance practice and have adopted our rules of procedure for general meetings, rules of procedure for Board meetings and connected transactions regulations in order to maintain effective and independent operation; and
- (c) we have established our own organisational structure comprising various departments with independent functions, and we have sufficient capital and employees to operate our business independently from our Controlling Shareholders.

Based on the above, our Directors consider that we are able to operate independently of our Controlling Shareholders and his/her respective close associates.

Financial independence

We have an independent financial system and make financial decisions according to our business needs. We have internal control and accounting systems and an independent finance department for discharging the treasury function. We do not expect to rely on our Controlling Shareholders or his/her close associates for financing after the [REDACTED] as we expect that our working capital will be funded by cash flows generated from operating activities as well as [REDACTED] from the [REDACTED].

During the Track Record Period, our Group had obtained borrowings secured by personal guarantees from our Controlling Shareholders and their respective associates which will be released on or before [REDACTED] and be replaced by the corporate guarantee given by our Company after [REDACTED].

Save as disclosed in this section and the section headed "Financial Information – Indebtedness", our Directors confirm that as at the Latest Practicable Date, our Controlling Shareholders have not provided any other guarantee or loan to our Group, nor has any other party provided any guarantee in favour of our Group.

Based on the above, our Directors are of the view that our Board and senior management are capable of carrying on our business independently of, and do not place undue reliance on, our Controlling Shareholders and his associates after the [REDACTED].

CORPORATE GOVERNANCE MEASURES

With a view to managing any potential conflict of interests arising between our Group and our Controlling Shareholders as well as safeguarding the interests of our independent Shareholders, we will adopt the following measures:

- (a) in the event that the proposal of connected transactions between our Group and other business or entity in which any Director or his/her respective associates had any interest is submitted to our Board for consideration, such interested Director shall not be counted in the quorum of the meeting, and shall abstain from voting on such matters. In such event, the other non-interested Directors, with the assistance of our senior management, will be responsible for making decisions for our Board. If necessary, our Company will engage external professionals such as auditors, valuers and other advisers to give advice;

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- (b) each Director is aware of his/her fiduciary duties as a Director, which require, among other things, that he/she acts for the benefit of our Company and the Shareholders as a whole and does not allow any conflict of interests between his/her duties as a Director and his/her personal interests. If potential conflict of interest arises, the interested Director(s) will bring the matter to the independent non-executive Directors and shall not be present during the discussion of the relevant resolution in which the conflict of interest may arise and shall abstain from voting on such proposed resolution;
- (c) our Company will engage Vast Harbour Corporate Finance Limited as our compliance adviser who shall ensure that our Company is properly guided and advised as to compliance with the GEM Listing Rules and any other applicable laws and regulations. In particular, any transactions between our Company and its connected persons shall be in compliance with the relevant requirements of Chapter 20 of the GEM Listing Rules, including the announcement, annual reporting and independent shareholders' approval requirements (if applicable) under the Listing Rules;
- (d) the independent non-executive Directors may engage an independent professional advisers in appropriate circumstances at the costs of our Company; and
- (e) our Directors are obliged under the Articles of Association to declare to our Board any potential conflict of interest with our Group at Board meetings. It is provided in the Articles of Association that a Director shall not vote on any resolution approving any contract or arrangement in which such Director or any of his/her close associates have interest nor shall such Director be counted in the quorum present in the meeting.

Based on the above, our Directors are satisfied that sufficient corporate governance measures have been put in place to manage conflicts of interest between our Group and our Controlling Shareholders, and to protect minority Shareholders' interests after the [REDACTED].