
RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

OUR CONTROLLING SHAREHOLDERS

As of the Latest Practicable Date, our Company was directly held as to approximately 61.10% by Weichai Power and 27.26% by Weichai Holdings.

Weichai Power was held as to approximately 16.33% by Weichai Holdings, which was in turn wholly owned by Shandong Heavy Industry, a state-owned company ultimately owned as to 90.00% by Shandong SASAC and 10.00% by Shandong Provincial Department of Finance. As Weichai Power is a consolidated subsidiary of Weichai Holdings and Weichai Holdings is able to exert substantial influence at the shareholders' meetings of Weichai Power, each of Weichai Holdings and Shandong Heavy Industry is also entitled to, through Weichai Power, indirectly control the exercise of more than 30% of the voting power at general meetings of our Company. As such, Weichai Power, Weichai Holdings and Shandong Heavy Industry, were collectively entitled to control approximately 88.36% of the voting rights of our Company.

Immediately following the completion of the [REDACTED] (assuming the [REDACTED] is not exercised), Weichai Power, Weichai Holdings and Shandong Heavy Industry will collectively be entitled to control approximately [REDACTED]% of the voting rights of the enlarged share capital of our Company. Accordingly, Weichai Power, Weichai Holdings and Shandong Heavy Industry will constitute our Controlling Shareholders upon the [REDACTED].

CLEAR BUSINESS DELINEATION

Our Business

We are provider of integrated smart agriculture solutions in China. In line with our commitment to create a robust smart agriculture ecosystem and tackle the pressing challenges of "who to farm" and "how to farm scientifically," we manufacture and sell the integrated set of intelligent agricultural machinery products, including tractors, harvesting machines and agricultural implements that span the entire modern agricultural production cycle, covering field preparing, planting, field management, harvesting, straw handling and grain drying, with a focus on high-end, intelligent agricultural machinery, addressing the challenges of "who to farm". Build on an integrated set of intelligent agricultural machinery that covers all process of farming activities, we combine with smart agriculture technologies to gain a comprehensive understanding of soil, crop and environmental conditions draw on the real-time field data captured by these machinery, and harness smart agriculture technologies such as IoT, AI and big data technologies to transform insights into precise operation decision-making that guide our intelligent machinery to perform coordinated, precision tasks. This approach boosts productivity, enhances quality and eventually addresses the challenge of "how to farm scientifically."

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The Business of our Controlling Shareholders

Weichai Power is one of the vehicle and equipment manufacturing conglomerates in the PRC. Weichai Power has been dedicated to product management and capital operation and striving to develop competitive products in terms of three key aspects: quality, technology and cost-effectiveness, thereby developing an industrial landscape of synergetic development among segments including powertrains, commercial vehicles, agricultural equipment (i.e. the business segment of our Group) and intelligent logistics.

Shandong Heavy Industry and Weichai Holdings are both internationally oriented, world-class industrial equipment manufacturing leaders in China, with their business operations spanning six major sectors: power systems, commercial vehicles, construction machinery, smart logistics, agricultural machinery (i.e. the business segment of our Group), and marine transportation equipment. Together, they control or are the single largest shareholder of 11 publicly listed companies.

Our Group is the only member of our Controlling Shareholders principally engaged in the manufacturing and sales of agricultural machinery, which is completely different from the business of our Controlling Shareholders (excluding our Group).

As part of the Corporate Separation, we have disposed Lovol Beidahuang to Weichai Power Group. Lovol Beidahuang is principally engaged in manufacturing and sale of tractors, which can be used as agricultural machinery. See “History, Development and Corporate Structure — Major acquisitions, disposals and mergers” for details. The exclusion of Lovol Beidahuang from our Group are due to the following reasons: (i) as our Company has been dedicating its capital, resources and management efforts to its core business in agricultural machinery and smart agriculture, and given that the products and channels of Lovol Beidahuang are still in a stage of ongoing development, especially the level of intelligence of its business prospects, we believe that Lovol Beidahuang currently has not yet met the conditions for integration within our Group. In addition, Lovol Beidahuang currently operates on a relatively small scale, with its product structure, product promotion and market channel development still under enhancement. Integrating Lovol Beidahuang into our Group at this stage may require additional management resources and could temporarily dilute our Group’s strategic focus on advancing our smart agricultural business. Therefore, our Company considers it more prudent to allow Lovol Beidahuang to continue its independent development and technological upgrade; and (ii) from regulatory perspective, certain properties of Lovol Beidahuang were subject to title defects and the exclusion of Lovol Beidahuang is considered to be in the best interests of our Group and to better safeguard the interests of shareholders of our Company as a whole. We will continue to explore pathways for mergers and business integration, including assessing potential synergies, monitoring the development progress of Lovol Beidahuang, and considering integration when conditions and timing are appropriate and the rectification has been completed, to ensure alignment with our Group’s long-term strategy and the maximization of shareholder value. Considering that Lovol Beidahuang does not sell tractors to any external customer but solely support our Company’s production chain to provide tractors and processing and warehousing services to our Group, our Company is of view that

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the tractor-related business of Lovol Beidahuang does not constitute material competition with our Group. Lovol Beidahuang has also confirmed that it will not sell tractors or similar products to other parties other than our Group. In addition, the revenue generated from sales of tractors to our Group by Lovol Beidahuang merely accounted for less than 0.2% of the total revenue of Weichai Power for the six months ended June 30, 2025 and less than 0.9% of the total revenue of our Group for the six months ended June 30, 2025, demonstrating the immateriality in terms of scale of the tractor-related business of Lovol Beidahuang. Therefore, there is no material competition between the Controlling Shareholders and our Group and the principal businesses of our Controlling Shareholders are separate and clearly delineated from the principal businesses of our Group.

Each of the Controlling Shareholders confirms that it was not interested in any business which competes or is likely to compete, either directly or indirectly, with the Group’s business under Rule 8.10 of the Listing Rules as of the Latest Practicable Date.

INDEPENDENCE FROM OUR CONTROLLING SHAREHOLDERS

Our Directors consider that we are capable of carrying on our business independently from our Controlling Shareholders and their close associates after the [REDACTED], taking into consideration the factors below.

Management Independence

Our business is managed and conducted by our Board and senior management. Upon [REDACTED], our Board will consist of nine Directors, comprising four executive Directors, two non-executive Director and three independent non-executive Directors. For more details, see “Directors and Senior Management”. The details of our Directors and senior management holding positions in our Controlling Shareholders and their respective close associates are set out below:

<u>Name</u>	<u>Major positions in our Company</u>	<u>Major positions in our Controlling Shareholders and their respective close associates</u>
Mr. Wang Guimin	Executive Director and chairman of the Board	Director in Shandong Wuxing (a close associate of Weichai Power)
Mr. Wang Junwei	Executive Director, chief financial officer and secretary of the Board	Director in Shandong Qixing (a close associate of Weichai Power)
Mr. Wang Decheng	Non-executive Director	Executive director and general manager of Weichai Power Vice chairman of the board of Weichai Holdings

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<u>Name</u>	<u>Major positions in our Company</u>	<u>Major positions in our Controlling Shareholders and their respective close associates</u>
Mr. Sun Chenglong	Non-executive Director	Chief financial officer of Weichai Holdings
Mr. Han Changde	Deputy general manager	Director in Shandong Wuxing (a close associate of Weichai Power)

Our Directors consider that we are able to carry on our business independently from our Controlling Shareholders and their close associates from a management perspective for the following reasons:

- (a) save for above, our Directors and senior management members do not hold any role as an director or member of senior management in our Controlling Shareholders or their respective close associates. Despite the overlapping roles as detailed above, all our Directors and senior management are capable to contribute sufficient time and efforts to discharge their responsibilities in our Group effectively. Each of Mr. Wang Decheng and Mr. Sun Chenglong serves as our non-executive Director and is not involved in the daily management and operations of our Group. Further, each of the directorship held by Mr. Wang Guimin, Mr. Wang Junwei and Mr. Han Changde in Shandong Wuxing and Shandong Qixing is non-executive in nature and each of them is not involved in the day-to-day management and operations of business of Shandong Wuxing. Therefore, each of Mr. Wang Guimin, Mr. Wang Junwei and Mr. Han Changde does not expect that his directorship in Shandong Wuxing and Shandong Qixing will take up a substantial amount of his time, and he will be able to devote sufficient time to the management of our Company;
- (b) our daily management and operations are carried out by a senior management team, all of whom have substantial experience in the industry in which our Company is engaged, and will therefore be able to make business decisions that are in the best interests of our Group;
- (c) each Director is aware of his/her fiduciary duties as a director which require, among other things, that he/she acts for the benefit and in the interest of our Company and does not allow any conflict between his/her duties as our Director and his/her personal interests. In the event that there is a potential conflict of interest arising out of any transaction to be entered into between our Group and a Director and/or his/her associate, he/she is required to declare the nature of such interest before voting at the relevant Board meetings of our Company in respect of such transactions and the interested Director shall abstain from voting and shall not be counted towards the quorum for the voting;

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- (d) upon the [REDACTED], we will have three independent non-executive Directors with extensive experience in their respective areas of expertise to ensure that the decisions of our Board are made after due consideration of independent and impartial opinions and in the best interests of our Company and our Shareholders as a whole. Certain matters of our Company must always be referred to the independent non-executive Directors for review and approval;
- (e) where a Shareholders’ meeting is held to consider a proposed transaction in which the Controlling Shareholders have a material interest, the Controlling Shareholders shall abstain from voting on the resolutions and shall not be counted towards the quorum for the voting; and
- (f) our Company has appointed Rainbow Capital (HK) Limited as our compliance adviser, which will provide advice and guidance to our Group in respect of compliance with the applicable laws and Listing Rules including various requirements relating to Directors’ duties and corporate governance.

Based on the above, our Directors believe that our Board as a whole and together with our senior management are able to perform the managerial role in our Group independently from our Controlling Shareholders and its close associates after the [REDACTED].

Operational Independence

Our Group holds all the relevant material licenses, qualifications and permits required for conducting our business. Our Group has sufficient capital, facilities and employees to operate our business independently from the Controlling Shareholders and their close associates. Our Group also has independent access to our clients. We have our own accounting and financial department, human resources and administration department, internal control department and technology department. In addition, we have established our internal organizational and management structure which includes shareholders’ meetings, our Board and its committees and formulated the terms of reference of these bodies in accordance with the requirements of the applicable laws and regulations, the Listing Rules and the Articles of Association, so as to establish a regulated and effective corporate governance structure with independent departments, each with specific areas of responsibilities.

We believe that we are capable of carrying on our business independently of the Controlling Shareholders and their close associates. Our Directors are of the view that our Group will be able to operate independently from the Controlling Shareholders and their respective close associates after the [REDACTED].

We entered into certain continuing connected transactions with our Controlling Shareholders and/or their respective associates. See section headed “Connected Transactions” for more details. All such transactions will be conducted on arm’s length and on normal commercial terms in the ordinary and usual course of business of our Group in accordance with the requirements under Chapter 14A of the Listing Rules, and the pricing policy of our Group

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and our connected persons will not be prejudicial to the interests of any of the parties. Our Directors believe that such transactions will not affect the operational independence of our Group as a whole. During the Track Record Period, the revenue generated from the Controlling Shareholders accounted for approximately 1.7%, 1.7%, 1.6% and 1.9% of our total revenue, and the purchase of goods from Controlling Shareholders accounted for approximately 10.0%, 16.6%, 19.3% and 18.0% of our total purchases. Specifically, our Group will continue to procure certain products and services, particularly engines, from Weichai Power Group. Our Directors believe that such continuing connected transactions do not indicate any undue reliance by our Group on our Controlling Shareholders for the reasons set out below:

(i) Long-standing and mutually beneficial relationship

Weichai Power Group has long been a well-known manufacturer in China's engine industry. According to data from the China Internal Combustion Engine Industry Association, Weichai Power ranked first in the multi-cylinder diesel engine market from 2022 to 2024, demonstrating a strong market need for its high-quality products. Furthermore, according to public available information, Weichai Power has also been major supplier of engines to other industry players in the agricultural machinery industry. Our Group has established and continued a long-term, stable and mutually beneficial business relationship with Weichai Power. Through such arrangement, we are able to benefit from Weichai Power's expertise in the manufacturing of high-quality engines at competitive prices. During the Track Record Period, the procurement amount of engines by us from Weichai Power Group accounted for approximately 50.25%, 69.76%, 83.12% and 79.0% of the total purchases of engines made by us. These transactions were entered into by our Group and Weichai Power Group on normal commercial terms and no less favourable than those between our Group and Independent Third Parties under the same conditions.

Therefore, on one hand, Weichai Power is one of the most important suppliers of our Group; on the other hand, the long-term and stable business relationship enables Weichai Power to grow alongside our Group's expansion. We believe the likelihood that the relationships between Weichai Power and our Group will materially adversely change or terminate is remote, and that maintaining such relationship is in the best interest of the shareholders of both Weichai Power and our Group.

(ii) Independent source of other suppliers

Our Group has independent procurement department overseeing our overall procurement. In terms of procurement by our Group, we also possess independent sources of procurement of engines. During the Track Record Period, the amount of procurement of engines by our Company from independent third-party suppliers accounted for approximately 49.75%, 30.24%, 16.88% and 21.00% of the total purchases of engines made by us. Although we believe that in the unlikely event that Weichai Power would cease to supply engines to us, we are able to source from alternative suppliers at comparable quality as Weichai Power Group, and our business and operations would not be materially adversely affected.

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(iii) Fair and reasonable pricing terms

We have established comprehensive and systematic pricing policies and shall obtain fee quotes from Independent Third Parties before making any purchases, which are fair and reasonable pricing terms and beneficial to our Group. In addition, Weichai Power, as a company listed both on the Shenzhen Stock Exchange and the Stock Exchange, is also subject to applicable PRC rules, regulations and A-share listing rules to ensure that the terms for transactions with us are fair and reasonable.

(iv) High level of transparency and corporate governance measures

Our transactions with Weichai Power will be subject to relevant requirements under the Listing Rules, including but not limited to, independent shareholders’ approval and the review by our independent non-executive Directors and auditors on an annual basis. As such, upon [REDACTED], the Shareholders of the Company will be well protected as the fairness and reasonableness of the transactions, will be closely and regularly monitored by our independent shareholders, independent non-executive Directors and auditors.

Financial Independence

We have an independent financial system and make financial decisions according to our Group’s own business needs. We have our own internal control and accounting systems and an independent finance department in charge of our treasury function and making financial decisions independently based on our Group’s needs. Our Company maintains bank accounts independently and does not share any bank account with our Controlling Shareholders. Our Company makes tax registration and pays tax independently with its own funds. As such, our Company’s financial functions, such as cash and accounting management, invoices and bills, operate independently from our Controlling Shareholders and their respective close associates. We do not rely on our Controlling Shareholders and their close associates for financing.

In addition, we have been receiving financial services from Shanzhong Finance, a close associate of our Controlling Shareholders, including deposit services, loan services and other financial services in connection with our ordinary course of business operation. For more details, see “Connected Transactions — Receipt of loan services from Shanzhong Finance”. We have entered into a financial services framework agreement with Shanzhong Finance, among which Shanzhong Finance will provide us a credit facility of up to RMB5,500 million and RMB6,000 million for the two years ending December 31, 2027. Such transactions constitute financial assistance received by our Group from our connected persons for the benefit of our Group under Rule 14A.90 of the Listing Rules and is fully exempt from the reporting, annual review, announcement, circular and independent Shareholders’ approval requirements under Chapter 14A of the Listing Rules. As of the Latest Practicable Date, approximately RMB988.8 million of the credit facilities provided by Shanzhong Finance have been utilized. Our Directors consider that the financial services arrangements are fair and reasonable and are in the interests of the Company and the shareholders as a whole. The Group is able to choose deposit services, loan services and other financial services provided by other Independent

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Third Party commercial banks and financial services institutions, even if the arrangements with Shanzhong Finance is terminated. As of the Latest Practicable Date, there were no guarantees provided by our Controlling Shareholders or their respective close associates to facilitate our financings.

Taking into consideration that: (i) we have sufficient capital, cash and cash equivalent and bank facilities and credit to operate our business independently, and have sufficient internal resources to support our day-to-day operations. As of June 30, 2025, our cash and cash equivalents amounted to RMB3,453.7 million, (ii) we have access to Independent Third Party financial institutions and are not required to rely on any guarantee or mortgage from our Controlling Shareholders or its close associates to obtain the relevant financing. As of June 30, 2025, we had cooperated with a number of independent PRC commercial banks and obtained a total of RMB14,928 million credit line and such credit facilities are sufficient to cover our credit facility from Shanzhong Finance, (iii) our Group has a strong financial position with our business operations established in relatively mature markets, and (iv) the arrangement of financial services within PRC state-owned enterprises is common. We also have discretion in selecting financial services from independent commercial banks as we think fit and appropriate for the benefit of the Group, our Directors are of the view that the Company has the ability to obtain financing independently, and are financially independent of our Controlling Shareholders and their respective close associates.

Save as disclosed above, our Directors confirm that, as of the Latest Practicable Date, there were no outstanding loans or guarantee provided by or guaranteed to our Controlling Shareholders or their associates to facilitate our financings.

Based on the above, our Directors believe that we are capable of carrying on our business independently from, and do not place undue reliance on our Controlling Shareholders and their close associates after the [REDACTED].

CORPORATE GOVERNANCE

Our Company and Directors are committed to upholding and implementing good corporate governance and recognize the importance of protecting the rights and interests of all Shareholders, including the rights and interests of our minority Shareholders. Our Company will comply with the provisions of the Corporate Governance Code in Appendix C1 to the Listing Rules (the “**Corporate Governance Code**”), which sets out principles of good corporate governance.

We would adopt the following measures to safeguard good corporate governance standards and to avoid potential conflict of interests between our Group and our Controlling Shareholders and their close associates:

- (a) where a Shareholders’ meeting is to be held for considering proposed transactions in which our Controlling Shareholders and/or their close associates has a material interest, our Controlling Shareholders and/or their close associates will abstain from voting on the resolutions and shall not be counted in the quorum in the voting;

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- (b) in accordance with our Articles of Association which will come into effect upon [REDACTED], among others, 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;
- (c) our Company has established internal control mechanisms to identify connected transactions. Upon the [REDACTED], if our Group enters into connected transactions with our Controlling Shareholders and/or their close associates, we will comply with the applicable Listing Rules;
- (d) we are committed that our Board shall include a balanced composition of executive Directors and non-executive Directors (including independent non-executive Directors). We have appointed three independent non-executive Directors, and we believe our 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. See the section headed "Directors and Senior Management" for details of the independent non-executive Directors;
- (e) where our Directors reasonably request the advice of independent professionals or advisors, such as financial advisors, valuers or legal advisors, the appointment of such independent professionals or advisors will be made at our Company's expenses;
- (f) we have appointed Rainbow Capital (HK) Limited as our Compliance Advisor to provide us with advice and guidance in respect of compliance with the applicable laws and regulations and the Listing Rules, including various requirements relating to Directors' duties and corporate governance; and
- (g) we have established our Strategy Committee, Audit and Risk Committee, Remuneration and Appraisal Committee and Nomination Committee with written terms of reference in compliance with the Listing Rules and the Corporate Governance Code.

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].