
RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

OUR CONTROLLING SHAREHOLDERS

As of the Latest Practicable Date, our Company was directly owned as to approximately 99.02% by Carraro International and approximately 0.98% by Cicada Qingdao (which is a wholly-owned subsidiary of Carraro International), and Carraro International was in turn wholly-owned by Carraro S.p.A.. Mr. Enrico Carraro and Mr. Tomaso Carraro have joint ownership over approximately 10.13% of the equity interest in Carraro S.p.A., and Finaid S.p.A. is directly interested in approximately 48.33% of the equity interest in Carraro S.p.A.. Mr. Enrico Carraro and Mr. Tomaso Carraro have joint ownership over 55.00% of the equity interest in Finaid S.p.A., and each of Mr. Enrico Carraro and Mr. Tomaso Carraro has individual ownership over 5.00% of additional equity interest in Finaid S.p.A. Immediately upon completion of the [REDACTED] (assuming the [REDACTED] is not exercised), our Company will be directly owned as to approximately [REDACTED]% and [REDACTED]% by Carraro International and Cicada Qingdao, respectively.

Accordingly, Carraro International, Cicada Qingdao, Carraro S.p.A., Finaid S.p.A., Mr. Enrico Carraro and Mr. Tomaso Carraro will together constitute a group of our Controlling Shareholders under the Listing Rules.

INTEREST IN COMPETING BUSINESS

For the reasons set out below, each of our Controlling Shareholders confirms that he/it had no interest in any business apart from the business of our Company which competes or is likely to compete in any material respect, either directly or indirectly, with the business of our Company, which would require disclosure under Rule 8.10 of the Listing Rules as of the Latest Practicable Date.

Overview

We operate under two complementary sales models, namely (i) direct sales to manufacturers of construction equipment and agricultural machinery primarily in China, which is our main business, and (ii) sales to the Carraro Group.

The other entities within the Carraro Group, including Carraro India Limited (“**Carraro India**”), whose shares are listed on the National Stock Exchange of India Limited and the Bombay Stock Exchange (with the stock ticker CARRARO and 544320, respectively), are primarily engaged in the manufacturing of axles and transmissions, gearing components and tractors outside of the PRC. The other Controlling Shareholders and their respective close associates (excluding and apart from through the other entities within the Carraro Group) do not engage in any business in an industry similar to the industry in which our Company operates.

Direct Sales

There is clear and adequate delineation between the direct sales model of our Company and the business of the other entities within the Carraro Group as we have different geographical and market focuses.

During the Track Record Period, our Company operated our direct sales model in China as an independent operational arm within the Carraro Group. Our Company primarily focuses on business opportunities within China, whereas the other entities within the Carraro Group primarily focus on business opportunities outside of China (with the products exported by the other entities within the Carraro Group into China only relating to models of products which our Company does not produce). Following completion of the [REDACTED], we will continue to focus on expanding our business in China.

To further safeguard the independence of the business of our Company, we [have] entered into the Non-Competition Agreement with Carraro S.p.A., pursuant to which Carraro S.p.A. has agreed that it will not, and will use its best efforts to the fullest extent legally permissible to ensure that companies it directly or indirectly controls (excluding our Company) will not, engage in any business activities that would

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constitute direct or indirect competition with the business operations we carry out from time to time in the off-highway segments within the territory of the PRC, in accordance with the terms of the Non-Competition Agreement. For details of the Non-Competition Agreement, see “— Non-Competition Agreement” in this section.

Sales to the Carraro Group

Our sales to the Carraro Group primarily comprises clients of the Carraro Group placing orders with another Carraro Group member, which then subcontracts manufacturing to our Company. Typically, these clients purchase a wide range of products from the Carraro Group, and the Carraro Group and its clients would mutually determine that the clients would be best served by having a portion of such products contract manufactured by our Company.

Within the Carraro Group, only Carraro India currently engages in similar nature of contract manufacturing as our Company. We take the view that our sales to the Carraro Group model does not compete and is not likely to compete in any material respect with the other members of the Carraro Group (including Carraro India) which engage or may in the future engage in contract manufacturing, given:

- (i) it is unlikely that the clients of the Carraro Group would request for products currently contract manufactured by our Company to be manufactured by other members of the Carraro Group in the future. Our Company has remained as manufacturer for the top 10 clients of the Carraro Group with products contract manufactured by us (contributing to an average of 92.5% of the annual transaction amounts between our Company and the Carraro Group under this sales to the Carraro Group model for each of the three years ended December 31, 2025) for over eight years on average, and no product we manufactured for such clients in those years was also manufactured by Carraro India for the same clients;
- (ii) an average of over 90.0% of the annual transaction amounts between our Company and the Carraro Group under our sales to the Carraro Group model for each of the three years ended December 31, 2025 relate to products that are only produced by our Company within the Carraro Group during the Track Record Period, and considering the significant investments we made to obtain the production capabilities for such products, it would take a long time for the other members of the Carraro Group to be able to produce such products if they wished to do so; and
- (iii) for the products which are delivered to clients of the Carraro Group in the Asia-Pacific region (excluding the PRC), our Company would in practice be the default manufacturer of such products under our sales to the Carraro Group model, with an average of over 82.7% of the annual transaction amounts between the Carraro Group and its clients with respect to such products being related to products we (rather than other members of the Carraro Group) contract manufactured for each of the three years ended December 31, 2025.

To further safeguard the independence of the business of our Company, Carraro S.p.A. [has] also undertaken under the Contract Manufacturing Framework Agreement that, except for limited exceptions, Carraro S.p.A. shall not, and will use its best efforts to the fullest extent legally permissible to ensure that companies it directly or indirectly controls (excluding our Company) shall not: (a) engage another manufacturer for any new project, platform, product line or specific manufacturing activity that it intends to outsource to a manufacturer within the PRC, unless it first notifies and offers the opportunity to our Company; or (b) sell, distribute or otherwise supply within the PRC any product which is included in the range of products our Company manufactures under the sales to the Carraro Group model.

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INDEPENDENCE OF OUR COMPANY FROM OUR CONTROLLING SHAREHOLDERS

Our Directors believe that our Company is capable of carrying out our business independently from our Controlling Shareholders and their close associates following the completion of the [REDACTED] for the following reasons:

Management Independence

As described in the section headed “Directors and Senior Management”, only three of the Directors out of our Board comprising a total of eight Directors will have overlapping roles in our Company and our Controlling Shareholders following the completion of the [REDACTED].

The following table sets forth details of the role of our Directors in our Company and in our Controlling Shareholders:

Name of Director	Position(s) in our Company upon [REDACTED]	Position(s) in our Controlling Shareholders upon [REDACTED]
Mr. Wang Xiangjin . . .	Executive Director and general manager	None
Ms. Shi Hongxin	Executive Director and chief financial officer	None
Mr. Enrico Carraro	Non-executive Director and chairman of our Board	Chairman of Carraro S.p.A., director of Finaid S.p.A. and chairman of Carraro International
Mr. Andrea Conchetto .	Non-executive Director	Chief executive officer of Carraro S.p.A.
Mr. Gianluca Casiraghi	Non-executive Director	Chief financial officer of Carraro S.p.A.
Mr. Alberto Bradanini .	Independent non-executive Director	None
Ms. Lin Ni	Independent non-executive Director	None
Dr. Sung Ting Yee	Independent non-executive Director	None

Despite that certain members of our Board also serve as directors and/or senior management officers in our Controlling Shareholders, our Company does not rely on our Controlling Shareholders in terms of directorship and management, and strategic decisions and the day-to-day operations and management functions of our Company are, and upon [REDACTED] will be, managed independently of our Controlling Shareholders, given that:

- (i) none of the core management team of our Company with executive functions (comprising the executive Directors and members of the senior management) holds any position in any of our Controlling Shareholders;
- (ii) our Company has and will have a sufficient level of independence of directorship and management and a team of full-time senior management and employees focused exclusively on our businesses;
- (iii) we are committed that our Board should include a balanced composition of executive Directors, non-executive Directors and independent non-executive Directors. We have appointed a sufficient number of independent non-executive Directors which meets the requirements of the Listing Rules and we believe our independent non-executive Directors possess sufficient experience and they are free of any business or other relationship which could interfere in any material manner with the exercise of their independent judgment and will be able to provide an impartial, external opinion to protect the interests of our Company and the Shareholders

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(including [REDACTED]) as a whole. For details of our independent non-executive Directors, please refer to “Directors and Senior Management — Directors — Independent Non-executive Directors” in this Document; and

- (iv) each of the Directors 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 best interests of our Company and does not allow any conflict between his/her duties as a Director and his/her personal interests. In the event of any actual or potential conflict of interest between our Company and our Controlling Shareholders, the conflicted Directors will be required to abstain from voting on the relevant Board resolution and the other Directors will vote and decide on the matter.

Nevertheless, to further address potential conflict of interests that may arise in the future, our Company has also adopted certain corporate governance measures. Please refer to “— Corporate Governance” in this section for details.

Administrative Independence

All essential administrative functions will be carried out by our Company, but the Carraro Group will provide to our Company certain administrative support services at our election such as in relation to (a) finance and accounting, (b) legal, compliance and tax, (c) human resources and management support, (d) technical and IT, (e) sales, procurement and marketing, (f) industrial development and other general administrative support. See the section headed “Connected Transactions” for more details.

As the Carraro Group will consolidate the financial results of our Company, the Directors believe that this arrangement with the Carraro Group would serve to align the implementation of the corporate governance charter of our Company with that of the Carraro Group and would better facilitate the administrative functions of the two groups as a whole in a cost efficient manner. Our Company always has the discretion to engage other independent third party suppliers to provide such services, and the Directors believe there is sufficient alternative independent third-party suppliers in the market.

Financial Independence

We have the ability to and we do operate independently of our Controlling Shareholders and their respective close associates from a financial perspective. We have our independent financial staff responsible for discharging the treasury function and making financial decisions according to our own business needs, and an audit committee comprising a majority of independent non-executive Directors to oversee our accounting and financial reporting processes. We make tax registration and pay tax independently with our own funds, and we maintain bank accounts independently and do not share any bank account with our Controlling Shareholders.

Furthermore, our Company has adequate capital to operate our business independently and sufficient internal resources to support our daily operations. We do not rely on our Controlling Shareholders or their respective close associates to provide financial assistance to our Company. As at the Latest Practicable Date, there were no loans due to or from our Controlling Shareholders or their respective close associates, nor were there any pledges and guarantees provided by and to our Controlling Shareholders or their respective close associates. Other than trade receivables and trade payables owing by or to our Controlling Shareholders or their respective close associates which arise from on-going continuing connected transactions in ordinary course of business on normal commercial terms, there will be no amounts owing from our Company to our Controlling Shareholders or their respective close associates or from our Controlling Shareholders or their respective close associates to our Company at the [REDACTED]. We also have independent access to third party financing and, if necessary, we are capable of obtaining financing from external sources without reliance on our Controlling Shareholders or their respective close associates.

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Operational Independence

Overview

We engage in our business independently from our Controlling Shareholders and their close associates, with the independent right to make operational decisions and implement such decisions, and we do not have undue reliance on our Controlling Shareholders.

Our Company has a full-time management team and a sizeable number of employees necessary to make all decisions on, and to carry out, our business operation independently of our Controlling Shareholders. We have established our own organizational structure, with each department assigned to specific areas of responsibilities which have been in operation and are expected to continue to operate independently of our Controlling Shareholders and their respective close associates. In addition, we maintain a set of comprehensive internal control procedures to facilitate the effective independent operation of our business.

Our Company also has full rights to hold and enjoy the benefit of all facilities and licenses independently from our Controlling Shareholders material to the operation of our business. Furthermore, our Company has a diversified base of customers and suppliers that are unrelated to our Controlling Shareholders, and has independent access to such customers and suppliers.

The Carraro Group as our customer

Despite the Carraro Group being the top customer of our Company in each of the three years ended December 31, 2025, we are of the view that we will not have undue reliance on the Carraro Group as our customer upon [REDACTED], given the revenue generated from the Carraro Group only accounted for just more than 26.0% of the total revenues of our Company in 2025, with this percentage expected to be even lower going forward, due to the expectation that our direct sales to the PRC will have a higher growth rate.

Our sales to the Carraro Group model is primarily a continuation of long-standing and reasonable historical contract manufacturing arrangements, where clients of the Carraro Group usually purchase a wide range of products from the Carraro Group, and products manufactured by our Company are only a portion of the entire products procured by such clients from the Carraro Group. Clients of the Carraro Group, including key accounts such as large enterprises, may by nature and due to their internal procurement procedures, prefer to enter a single contract with the Carraro Group covering a wide spectrum of services and products, and prefer a single point of contact (instead of having separate contacts with our Company and other members of the Carraro Group).

Our Company's main business has been and will remain as direct sales in the PRC which we independently operate, and we intend to continue the trend of focusing on expanding our direct sales in the PRC, with the revenue generated from direct sales in the PRC as compared to the total revenues of our Company having increased from approximately 47.0% in 2020 to accounting for 60.9%, 73.8% and 72.4% in each of the three years ended December 31, 2025, and the number of customers which our Company directly sells to in the PRC having increased from approximately 21 in 2020 to 80 as at the Latest Practicable Date.

The Carraro Group as our supplier

Despite certain other entities within the Carraro Group are our suppliers during the Track Record Period, we are of the view that we will not have undue reliance on the Carraro Group as our supplier upon [REDACTED], for the following reasons:

- (i) despite the Carraro Group being one of our top five suppliers in each of the three years ended December 31, 2025, the amount that our Company purchased from the Carraro Group only amounted to 7.6% of the total annual purchase amounts of our Company in 2025;

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- (ii) Carraro S.p.A. has transferred certain intellectual property assets to our Company with effect from January 1, 2026 pursuant to the IP Transfer. Despite there being still some remaining intellectual properties that may be licensed by the Carraro Group to our Company under the Technology Licensing Framework Agreement (as defined and further detailed in the section headed "Connected Transactions") following the [REDACTED], the IP assigned by Carraro S.p.A. to our Company under the IP Transfer would allow our Company to be self-sufficient in producing the products corresponding to over 80.0% of our revenue generated from direct sales on local market in the PRC in 2025;
- (iii) while our Company may purchase some semi-finished goods and components from the Carraro Group under the Semi-Finished Goods and Components Framework Agreement (as defined and further detailed in the section headed "Connected Transactions") following the [REDACTED], such procurements will not be of a frequent nature and there are alternative independent third party sources for the same semi-finished goods and components for our Company; and
- (iv) while our Company may procure some engineering services from the Carraro Group under the Engineering Services Framework Agreement (as defined and further detailed in the section headed "Connected Transactions") following the [REDACTED], such arrangement is part of the mutually beneficial two-way procurement of engineering services between our Company and the other members of the Carraro Group for efficient use and management of resources.

Continuing connected transactions

During the Track Record Period, our Company conducted certain transactions with the Carraro Group on a recurring basis which are expected to continue after the [REDACTED] and will constitute continuing connected transactions of our Company under the Listing Rules.

Such continuing connected transactions are entered into in the ordinary and usual course of our business and conducted on normal commercial terms or better, in accordance with the requirements under Chapter 14A of the Listing Rules, and the terms (including the pricing policies) of such transactions are fair and reasonable.

For the reasons aforementioned, our Directors believe that such continuing connected transactions do not indicate any undue reliance of our Company on the Carraro Group and are beneficial to the Company and our Shareholders as a whole. Details of each of the continuing connected transactions are set out in the section headed "Connected Transactions".

Mutually complementary relationship

Our Company has a well-established and ongoing business relationship with the other entities within the Carraro Group for nearly 20 years. The business relationship between our Company and the other entities within the Carraro Group has been mutually beneficial and complementary, and our Directors consider that given the commercial interests of our Company and the Carraro Group are strongly aligned, it is unlikely that the relationship between our Company and the Carraro Group will materially adversely change in the foreseeable future on the following grounds:

- (i) our Company is expected to remain as a subsidiary of Carraro S.p.A. upon completion of the [REDACTED];
- (ii) our Company generates a significant share of the Carraro Group's profit and this is expected to continue to increase as China is one of the fastest-growing major market of the Carraro Group. Our Company will directly impact the Carraro Group's financial statements and performance as the Carraro Group will continue to consolidate our Company;

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- (iii) our Company has considerable local “on the ground” expertise and experience of working in China for nearly two decades, has established strong relationships with key stakeholders in the PRC industry (including suppliers, consumers and regulators) which is crucial to the successful execution of the China business operations, and has tailored our capabilities to facilitate specific local needs and preferences in the PRC basing upon our deep understanding of the market in China. In the absence of the expertise, experience and relationships built up by our Company, we believe that the Carraro Group would face significant difficulties replicating the role and function of our Company in the PRC market;
- (iv) our Company is the Carraro Group’s primary means of generating revenue from the off-highway industry segment in the PRC, as further supported by the Non-Competition Agreement;
- (v) the ability of the Carraro Group to offer our Company (being a company within the Carraro Group) and hence China to its clients as an option for potential contract manufacturing location would support the Carraro Group’s positioning as a globally-recognized leading manufacturer, and expand the Carraro Group’s appeal to clients requiring services globally. In any event, subject to limited exceptions and to the fullest extent legally permissible, the Carraro Group will also not be able to engage another contract manufacturer in China without consulting our Company in advance given the right of first refusal with respect to contract manufacturing in the PRC [granted] by Carraro S.p.A. to our Company under the Contract Manufacturing Framework Agreement;
- (vi) our Company has entered into various cooperation agreements with the Carraro Group, as set out in the section headed “Connected Transactions”. Even without the reasons as aforementioned, it is unlikely that the Carraro Group will terminate these agreements without cause, as there may be substantial administrative cost in finding other business partners (including contract manufacturers) in the market and may cause disruption to the operation of the Carraro Group; and
- (vii) as the Carraro Group attaches great importance to the quality of its products and services and the value of the Carraro reputation and technology, the Carraro Group is incentivized to support our Company’s business from a market recognition and reputational protection point of view. The quality, experience, expertise and customer satisfaction of our Company are well-recognized in the PRC market, and therefore if the Carraro Group ceases its business relationship with our Company, it could damage the Carraro Group’s reputation.

NON-COMPETITION AGREEMENT

Under the Non-Competition Agreement, Carraro S.p.A. has undertaken to us that during the term of the Non-Competition Agreement, it will not, and will use its best efforts to the fullest extent legally permissible to ensure that all companies it directly or indirectly control will not, within the territory of the PRC: (a) engage, whether directly or indirectly, in any business activities that would constitute direct or indirect competition with the business operations carried out by our Company from time to time in the off-highway segments, meaning agricultural machinery, construction equipment and material handling segments (the “**Restricted Business**”); (b) incorporate or acquire any entity engaging in the Restricted Business; (c) enter into joint ventures, partnerships or commercial arrangements whose core purpose is to conduct the Restricted Business; or (d) market or sell any products or services that compete with those manufactured or supplied by our Company, subject to certain limited exceptions.

The exceptions in the Non-Competition Agreement provide that Carraro S.p.A. will not be required to impose measures that would (a) conflict with mandatory laws or regulatory constraints applicable to its subsidiaries; (b) require conduct that could be considered a restriction of competition under applicable antitrust rules; or (c) result in structural divestments or the cessation of legitimate pre-existing business activities outside the PRC territory.

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The Non-Competition Agreement has become effective since [●] and shall remain in force for the duration of our Company's operational presence in the PRC territory, unless earlier terminated (a) by mutual written consent; (b) automatically upon cessation of our Company's activities in the PRC territory; or (c) automatically upon our Company no longer being directly or indirectly controlled by Carraro S.p.A..

Compliance with the Non-Competition Agreement

On an annual basis, our independent non-executive Directors will review the compliance by Carraro S.p.A. of its undertakings under the Non-Competition Agreement.

Carraro S.p.A. will, upon request, provide, and use its reasonable endeavors to procure members of the Carraro Group to provide, all information necessary for annual review by our independent non-executive Directors and will allow, and procure members of the Carraro Group to allow, subject to confidentiality restrictions imposed by third parties, our Company's representatives and an accounting firm to be appointed by us, access to the financial and corporate records for the independent non-executive Directors to determine whether the Non-Competition Agreement has been complied with by the Carraro Group.

We will disclose decisions on matters reviewed by our independent non-executive Directors relating to the enforcement of the Non-Competition Agreement in our annual report or, where we consider appropriate, by way of an announcement in compliance with the Listing Rules.

CORPORATE GOVERNANCE

Our Directors believe that there are adequate corporate governance measures in place to manage existing and potential conflicts of interest. In order to further safeguard the interests of our Shareholders, we will adopt the following corporate governance measures to manage any potential conflicts of interest with our Controlling Shareholders and their respective close associates:

- (i) as part of our preparation for the [REDACTED], we have amended our Articles of Association to comply with the Listing Rules. In particular, our Articles of Association provides that, unless otherwise provided, a Director shall not vote on any resolution approving any contract or arrangement or any other proposal in which such Director or any of his/her associates have a material interest, and if he/she shall do so his/her vote shall not be counted (nor shall such Director be counted in the quorum for the resolution);
- (ii) a Director with material interests shall make full disclosure in respect of matters that may have actual or potential conflict with any of our interest and abstain from the board meetings on matters in which such Director or his/her associates have a material interest, unless the attendance or participation of such Director at such meeting of the Board is specifically requested by a majority of the independent non-executive Directors;
- (iii) we have appointed Maxa Capital Limited as our compliance advisor, which will provide advice and guidance to us in respect of compliance with the applicable laws and the Listing Rules including various requirements relating to Directors' duties and corporate governance;
- (iv) where our Directors reasonably request for the advice of independent professionals, such as financial advisors, the appointment of such independent professionals will be made at our Company's expenses; and
- (v) we have adopted the internal control and corporate governance measures to identify connected transactions and ensure that the terms of our continuing connected transactions are fair and reasonable and not prejudicial to the interests of our Company and the minority Shareholders, as further described under the section headed "Connected Transactions — Internal Control Measures".