OUR CONTROLLING SHAREHOLDERS

As of the Latest Practicable Date, Mr. Wang was interested in approximately 55.50% in our Company through Lingong Group, which was controlled by Mr. Wang directly as to approximately 34.61% and indirectly as to approximately 60.26% through four shareholding platforms of which Mr. Wang is the general partner, namely Linyuan No.1, Linyuan No.2, Linyuan No.3 and Linyuan No.4.

Immediately following the completion of the [**REDACTED**] (assuming the [**REDACTED**] is not exercised), Mr. Wang, through Lingong Group, Linyuan No.1, Linyuan No.2, Linyuan No.3 and Linyuan No.4, will hold approximately [**REDACTED**]% of the enlarged share capital of our Company. Accordingly, Lingong Group, Mr. Wang, Linyuan No.1, Linyuan No.2, Linyuan No.3 and Linyuan No.4 will constitute our Controlling Shareholders upon the [**REDACTED**].

CLEAR BUSINESS DELINEATION

Our Business

We are a mining equipment and aerial work platform company with international operations, supported by our R&D centers located in China, Japan and Mexico, as well as our manufacturing facilities in China and Mexico. We are primarily engaged in on the R&D, design, manufacturing, sales and service of machinery and equipment for mining, aerial work and material handling applications.

We seek to provide customers with our solutions across three major product lines: ***Mining Equipment:*** including (i) mining transportation equipment; (ii) mining excavators; and (iii) other auxiliary mining machinery. These products cover the entire mining value chain, including transportation, extraction and auxiliary operations, delivering comprehensive solutions for open-pit scenarios; ***Aerial Work Platforms:*** including boom lifts and scissor lifts that provide complete equipment solutions for construction, renovation and industrial maintenance projects; and ***Material Handling Equipment:*** including telescopic handlers and forklifts delivering low carbon and high-efficiency solutions for industrial logistics and material handling.

The Business of our Controlling Shareholders

Apart from the investments in the Company, Lingong Group is also engaged in the businesses including (i) manufacturing and sales of construction engineering machinery such as small and medium construction excavators, loaders, excavator structural components through Shandong Lingong Construction Machinery Co., Ltd. (山東臨工工程機械有限公司) ("**Shandong Lingong**") and Linyi Lingong Zhongtuo Machinery Co., Ltd. (臨沂臨工重托機械有限公司) ("**Lingong Zhongtuo**"); (ii) comprehensive industrial automation solutions such as AGV (Automated Guided Vehicle) series, and (iii) other businesses, such as finance leases, leasing and equipment repair and maintenance.

The principal businesses of such investments are separate and clearly delineated from the principal businesses of our Group. Specifically, we believe that there is no material competition between the business of manufacturing and sales of medium and small excavators by Shandong Lingong and Lingong Zhongtuo and our ultra-large mining excavators in terms of, target customers, application scenario and product functionality: (i) customers: the medium and small excavators manufactured by Shandong Lingong and Lingong Zhongtuo are primarily sold to distributors, construction companies, infrastructure development companies, small and medium-sized mining companies and excavation and transportation companies, while the ultra-large excavators manufactured by our Group are primarily sold to distributors, large-scale open-pit mining companies and some excavation and transportation companies operating in various scenarios and sites; (ii) product form and manufacturing standards: the medium and small excavators manufactured by Shandong Lingong and Lingong Zhongtuo are equipped with a medium-to-low power engine offering excellent fuel economy, and utilize rubber tracks or smaller-sized steel tracks with an operating weight typically less than 100 tons, while the ultra-large excavators manufactured by our Group feature a high-power engine to enhance performance under high-altitude or harsh working conditions, and employ heavy-duty steel tracks with increased plate thickness and reinforced lug design for improved traction and stability on rocky terrain, and possess an operating weight typically over 100 tons. Additionally, the ultra-large excavators by our Group are manufactured using special alloy steel, which requires multi-layer reinforcement, double-sided welding and annealing treatment. Key wear parts such as bucket teeth and breaker chisel rods are made of specialized hard alloy materials, while the medium and small excavators manufactured by Shandong Lingong and Lingong Zhongtuo mainly utilizes general high-strength low-alloy steel and standard wear-resistant plates, without special welding or heat treatment. Such manufacturing standards demonstrate a higher complexity and technical threshold for the manufacturing of our products; (iii) application scenario: the medium and small excavators manufactured by Shandong Lingong and Lingong Zhongtuo are applied in construction projects as well as auxiliary tasks on the construction area, which is user-friendly and offer a high degree of operator comfort to reduce the physical strain on operators and enhance overall work efficiency, while the ultra-large excavators manufactured by our Group are deployed in large-scale open-pit mining operations to perform rock excavation and crushing, which required powerful excavation and crushing capabilities, enabling efficient breaking and digging of rocks of various hardness. Equipment reliability and durability are critical for our products, demanding that the equipment can operate stably over the long term in harsh rock working conditions, minimize unplanned downtime, and achieve nearly non-stop daily operation of 20-22 hours, which places extremely high demands on reliability; and (iv) supporting operational capacity: large open-pit mines typically require excavators with bucket capacities of more than 7 cubic meters to maximize operational efficiency. Our Group's ultra-large mining excavators generally have bucket capacities of 7-10 cubic meters, while the medium and small excavators manufactured by Shandong Lingong and Lingong Zhongtuo usually have bucket capacities below 5 cubic meters.

During the Track Record Period, the revenue generated from the overlapping customers of our Group with Shandong Lingong with respect to sales of excavator products accounted for approximately 2.70%, 2.43% and 0.25% of the total revenue of the Group during the same periods and accounted for 1.65%, 0.74% and 0.35% of the total revenue of Shandong Lingong during the same periods, and the revenue generated from the overlapping customers of our Group with Lingong Zhongtuo with respect to sales of excavator products accounted for approximately 0.08%, nil and nil of the total revenue of the Group during the same periods and accounted for 0.05%, nil and nil of the total revenue of Lingong Zhongtuo. The vast majority of overlapping customers of excavators products were distributors (with an average portion of over 90% in each year during the Track Record Period) and for the limited number of overlapping direct sales customers of excavator products, such customers were principally engaged in the mining and construction industries in the PRC. Given the minimal revenue contribution amount from overlapping customers for excavator products and the distinct application scenarios and product functionality, the excavators manufactured by our Group are not substitutable for those manufactured by Lingong Group (including Shandong Lingong and Lingong Zhongtuo) and do not give rise to any material competition.

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.

NON-COMPETITION UNDERTAKING

Lingong Group [has signed] a non-competition undertaking on [●] in favor of our Group (the "**Non-competition Undertaking**"). Pursuant to the Non-competition Undertaking, Lingong Group has irrevocably undertaken that they would not and will procure that its associates (except any members of our Group) would not, directly or indirectly, whether as principal or agent, either on their own account or in conjunction with or on behalf of any person, firm or company, whether inside or outside the PRC, among other things, carry on, engage, participate or hold any right or interest in or render any services to or otherwise be involved in any business which is or may be in competition with the principal business of our Group, including but not limited to the manufacturing of (i) mining equipment, which comprises (a) mining transportation equipment, comprising off-highway wide-bodydump trucks, mining dump trucks and articulated trucks; (b) mining excavators exceeding 100 tons;

and (c) other auxiliary mining machinery; (ii) aerial work platforms, which comprise scissor lifts and boom lifts; (iii) material handling equipment, which comprises telescopic handlers and forklifts; and other business which the Group may engage from time to time (the "**Restricted Business**").

The above undertaking does not apply where:

(i) Lingong Group and/or its associates hold any interests in the shares of any member of our Group or conduct business on behalf of any member of our Group;

(ii) Lingong Group and/or its associates hold, directly or indirectly, any equity interests in any companies listed on an accepted stock exchange other than our Group, and such companies are not engaged in the Restricted Business;

(iii) Lingong Group and/or its associates hold any equity interests in any company other than our Group, except that:

(a) according to the latest audited accounts of the company, the Restricted Business in which the company is engaged (and its related assets) accounts for less than 10% of the consolidated sales or consolidated assets of the company; and

(b) the total number of shares held by Lingong Group and/or its associates account for no more than 5% of the shares of the same class issued by the relevant company, and Lingong Group and/or its associates have no right to appoint most of the Directors of the company;

(iv) any opportunity to invest, participate, be engaged in and/or operate any Restricted Business has first been offered or made available by Lingong Group, and its related parties to us, and after decision by the Company, has been declined in writing or failed to respond within thirty (30) working days (the notification period could be extended to sixty (60) working days if requested by us) after being notified of such opportunity to invest, participate, be engaged in or operate the Restricted Business.

Pursuant to the Non-competition Undertaking, the above restrictions would only cease to have effect upon the earlier of: (i) the H Shares of our Company cease to be [**REDACTED**] on the Stock Exchange; (ii) our Group no longer holds, directly or indirectly, the shares of any listed member of the group which is engaged in the Restricted Business; and (iii) Lingong Group ceases to be a Controlling Shareholder.

Option for New Competing Business Opportunities

Lingong Group has undertaken in the Non-competition Undertaking that if Lingong Group and its associates (excluding the Group's member companies) become aware of, have received notice about, are recommended or provided with new business opportunities which will or may directly or indirectly compete with the Restricted Business, including but not limited to the opportunities which are the same as or similar to the Restricted Business (the "**New Competing Business Opportunities**"), Lingong Group shall refer or recommend, and shall procure their associates (excluding the Group's member companies) to refer or recommend, the New Competing Business Opportunities to our Group subject to relevant laws, requirements or contractual arrangements with third parties in accordance with the following:

(i) Lingong Group shall provide our Group with a written notification which includes all reasonable and necessary information known to Lingong Group and its associates (excluding the Group's member companies) (including but not limited to the nature of the New Competing Business Opportunities and necessary information relating to the cost of the relevant investment or acquisition) for our Group to consider (a) whether the New Competing Business Opportunities constitute competition or potential competition to the Restricted Business; and (b) whether engaging in such New Competing Business Opportunities would be in the best interests of our Group (the "**Offer Notice**"); and

(ii) The Group shall respond to Lingong Group and/or its associates (excluding the Group's member companies) within thirty (30) working days upon receipt of the Offer Notice (the notification period could be extended to sixty (60) working days if requested by us). If our Group fails to reply to Lingong Group and/or its associates (excluding the Group's member companies) within the above period, it shall be deemed to have abandoned the New Competing Business Opportunities. If our Group determines to take up the New Competing Business Opportunities, Lingong Group and/or its associates (excluding the Group's member companies) would be obligated to offer such New Competing Business Opportunities to our Group.

Pre-emptive Right

Lingong Group has undertaken that if Lingong Group and/or its associates (excluding the Group's member companies) intend to transfer, sell, lease or license concession to a third party any businesses engaged in by Lingong Group and/or its associates which competes or may compete with the Restricted Business or any other businesses which would cause direct or indirect competition with the Restricted Business, it shall offer our Group such opportunity with a pre-emptive right on equal terms subject to the relevant laws, regulations and contractual arrangements with third parties in accordance with the following:

(i) Lingong Group and/or its associates (excluding the Group's member companies) shall provide the Company with written notice no later than the time of any such disposal (the "**Disposal Notice**"). For the avoidance of doubt, Lingong Group and/or its associates (excluding the Group's member companies) are entitled to provide information and/or a Disposal Notice relating to such disposal to any third parties at the same time as or after providing the Disposal Notice to the Company;

(ii) The Company shall reply to Lingong Group and/or its associates (excluding the Group's member companies) in writing by whichever is the later of the thirtieth (30th) working day after receipt of the Disposal Notice (the notification period could be extended to sixty (60) working days if requested by us) or the expiration of the period offered to third parties for them to reply in writing, before exercising the pre-emptive right;

(iii) If the Company intends to take up such pre-emptive right, the terms shall be determined with reference to fair market price; and

(iv) Lingong Group and/or its associates (excluding the Group's member companies) shall not dispose of such businesses and interests to any third parties unless (a) the Company declines to purchase such businesses and interests in writing; (b) the notice of exercising such pre-emptive right has not been received by Lingong Group and/or its associates (excluding the Group's member companies) from the Company by whichever is the later of the thirtieth (30th) working day after receipt of the Disposal Notice (the notification period could be extended to sixty (60) working days if requested by us) and the expiration of the period offered to third parties for them to reply; or (c) the Company fails to offer Lingong Group and/or its associates (excluding the Group's member companies) the same or more favorable terms of acquisition than those offered by any third parties to Lingong Group and/or its associates.

For the avoidance of doubt, the terms of disposal offered by Lingong Group and/or its associates (excluding the Group's member companies) to any third parties shall not be more favorable than those to be offered to the Company.

Option for Purchase

To the extent that no relevant laws and regulations are breached and agreements with third parties are complied with, the Company is entitled to acquire any businesses operated by Lingong Group and/or its associates (excluding the Group's member companies) which compete or may compete with the Restricted Business or have the option to acquire any businesses or any interests engaged in by Lingong Group and/or its associates (excluding the Group's member companies) through the abovementioned New Competing Business Opportunities (the "**Option for Purchase**"). The Company is entitled to exercise the Option for Purchase, whether singly or separately, at any time, and Lingong Group and/or its associates (excluding the Group's member companies) shall offer the Option for Purchase to the Company on the condition that the commercial terms of a proposed acquisition shall be arrived at solely by a committee consisting of our independent non-executive Directors after consulting the views of independent experts. Furthermore, such commercial terms shall be based on negotiation between the parties involved in line with the normal commercial practice of the Company, and shall be fair, reasonable and in the interests of the Company as a whole through the negotiation with Lingong Group and its associates (other than the Group's member companies).

However, if a third party has the pre-emptive right in accordance with applicable laws and regulations and/or a prior legally binding document (including, but not limited to, articles of association and/or shareholders' agreements), the Company's Option for Purchase shall be subject to such third-party rights. In such case, Lingong Group and/or its associates (excluding the Group's member companies) will use their best efforts to persuade the third party to waive its pre-emptive rights.

Further Undertakings

Lingong Group has further undertaken that, subject to relevant laws, regulations or contractual arrangements with third parties: (i) at the request of the Group, it shall provide, and shall procure that its associates (excluding the Group's member companies) will provide, any necessary information for the implementation of the Non-competition Undertaking; (ii) they shall allow the authorized representatives or auditors of the Group to have reasonable access to the financial and corporate information necessary to its transactions with third parties, which would assist with the judgment of the Group in respect of whether Lingong Group and/or its associates have complied with the Non-competition Undertaking; and (iii) they shall ensure that, within ten (10) working days of receipt of the written request from the Group, necessary confirmation shall be made in writing to the Group as to the performance of the Non-competition Undertaking by Lingong Group and its associates (other than the Group's member companies), and the consent of Lingong Group and its associates to allow such confirmation to be included in our annual reports.

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 ten Directors, comprising two executive Directors, four non-executive Director and four independent non-executive Directors. For more details, see "Directors and Senior Management".

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

(a) save for Mr. Wang who mainly serves as a director of Lingong Group, none of our Directors and senior management members holds any role as a director or senior management in our Controlling Shareholders or their close associates. Mr. Wang, being a non-executive Director of our Company, is not involved in the day-to-day operations of our business;

(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;

(d) upon the [**REDACTED**], we will have four 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; and

(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 Somerley Capital 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

We do not rely on our Controlling Shareholders and their respective close associates for our daily operations. We have our own organizational structure with self-governing departments specializing in various aspects in relation to our business development, including but not limited to procurement, R&D, production, sales and marketing, financing, human resources, administration, internal audit and legal and compliance which have been in operation and are expected to continue to operate separately and independently from our Controlling Shareholders and their respective close associates. In addition, we have our own headcount of employees for our operations and management for human resources.

We have independent access to suppliers and customers and a dedicated management team independently handling our day-to-day operations. We also have sufficient capital, facilities, equipment and employees, administrative and corporate governance infrastructure, to operate the business independently. We are also in possession of all relevant licenses, certificates, facilities, intellectual property rights and approvals and permits from the relevant regulatory authorities necessary to carry on and operate our principal businesses and we have sufficient operational capacity in terms of capital and employees to operate independently. 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 close associates after the [**REDACTED**].

During the Track Record Period, our Group conducted certain transactions with Lingong Group and its associates 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. Details of each of the continuing connected transactions are set out in the section headed "Connected Transactions" in this Document. All connected transactions are entered into in the ordinary and usual course of business of our Group and our Directors confirm that the terms of such transactions are determined at arm's length negotiations and are no less favourable to our Group than terms offered by Independent Third Parties (where applicable), specifically:

Guarantees by Lingong Group under finance lease arrangements

We adopt finance lease arrangements for sales of products to our customers who are willing to purchase but require financing options. In 2023, 2024 and 2025, our revenue derived from the finance lease arrangements was RMB2,068.0 million, RMB2,289.3 million and RMB1,865.7 million, respectively, which accounted for 20.9%, 19.0% and 18.4% of our total revenue, respectively, in the same years. The finance lease companies involved in such arrangements comprised independent third-party finance lease companies and Chentai Finance Lease, a subsidiary of Lingong Group while the finance lease provided to customers by independent third-party finance lease companies accounted for approximately 70% during the Track Record Period.

In addition, we have entered into finance lease cooperation agreements with Lingong Group (together with its subsidiary), pursuant to which Lingong Group and/or its subsidiaries agreed to provide us finance lease management services to undertake our guarantee obligations under the finance lease arrangements, and other ancillary services, and we will pay the finance lease management fee in return. During the Track Record Period, approximately 66.7%, 84.2% and 82.2% of the finance lease amounts at the relevant period were guaranteed by Lingong Group and approximately 48.9%, 74.6% and 82.0% of the finance lease amounts provided by Chentai Finance Lease were guaranteed by Lingong Group. In the case that Lingong Group provides repurchase guarantees in favour of us, we will not assume any guarantee obligations or make any repurchase payment in the event of default of our end-customers. Our Directors believe that the guarantees provided by Lingong Group under finance lease arrangements do not indicate any material reliance by our Group on our Controlling Shareholders and their close associates, and are beneficial to the Company and our Shareholders as a whole for the reasons set out below:

(1) Long-standing and mutually beneficial relationship

During the Track Record Period, we have been cooperating with Lingong Group and its subsidiary, through which Lingong Group provides guarantees support in certain financing arrangements, while the Group, in return, pays finance lease management fees at prevailing market rates. Such arrangements enable our Group to mitigate the repurchase obligations while enabling Lingong Group and its subsidiary to earn corresponding consideration at the same time. In addition, the relevant transaction structure typically involves four parties, namely our Group, Lingong Group, the relevant finance leasing company and the end customers. Accordingly, any termination or material change to our current arrangements would be subject not only to discussions between our Group and Lingong Group but would also require the consent of the other contractual counterparties, making unilateral termination of current finance lease guarantees by Lingong Group unlikely.

(2) Ability to undertake repurchase obligations through independent finance lease companies or by our own

Furthermore, our Group retains full autonomy under such arrangement and it is not necessarily for the Company to request Lingong Group and its associates to provide repurchase guarantees. The Company may also consider alternative approaches. During the Track Record Period, we have also provided repurchase guarantees in favour of our customers without receiving any support from Lingong Group. During the Track Record Period, among the finance lease amounts, approximately 33.3%, 15.8% and 17.8% were guaranteed by our own, and our Company also maintains sufficient cash and cash equivalent and independent unutilised banking facilities to satisfy and settle the repurchase obligations in the event of default For details, see "Financial Independence" of this section below.

In addition, we also have options to engage other independent third parties to undertake such obligations. For instance, although we did not engage any independent third parties to provide finance lease management services during the Track Record Period, we have been able to obtained fee quotation from independent financial institution for providing the similar repurchase guarantees. Based on such quotation, the relevant finance lease management fee rate is comparable to the fee rate of finance lease management services provided by Lingong Group and its subsidiary. Furthermore, we could negotiate with customers to arrange payment by instalments as an alternative to immediate repurchase. During the Track Record Period, approximately 28.2%, 29.6% and 37.8% of our customers opted for credit facilities or instalment payment arrangements instead of entering into finance lease arrangements, demonstrating that finance leasing was not the only option available to customers. Therefore, the termination or continuation of the guarantee associated with these repurchase obligations will not affect customer willingness to engage in business with the Group.

(3) Fair and reasonable pricing

According to the Frost & Sullivan, it is common in the construction machinery industry to enter into finance lease arrangements for sales of products to end customers and provide guarantees to the financial leasing company to guarantee the performance under the finance lease arrangements, and it is not uncommon for such obligations to be elevated to the level of the seller's controlling shareholder, which are normally subject to defined limits on duration, amount, and trigger conditions.

The finance lease management fees we paid for risk compensation for providing repurchase guarantees were determined based on arm's length negotiations between the parties and was primarily calculated with reference to the finance lease amounts in respect of which Lingong Group provides repurchase obligations, multiplied by a fee rate ranging from 0.5% to 2%, depending on the lease terms, which are comparable to the market rate of other A share listed engineering machinery companies, which are subject to applicable PRC rules, regulations and A-share listing rules to ensure that the terms are fair and reasonable. Therefore, our Directors are of view that the terms of transactions between our Group and Lingong Group during the Track Record Period are in our ordinary and usual course of business and on normal commercial terms or better, and are fair and reasonable and in the interest of our Company and Shareholders as a whole.

(4) Ability to effectively mitigate risk exposure arising from reliance

To further mitigate and reduce any potential reliance, our Group has implemented governance-level control measures, including internal approval procedures and ongoing oversight by the Board. We have also been committed to progressively transitioning relevant arrangements to be supported by our own guarantees where practicable. We will closely monitor the existing guarantees provided by Lingong Group, and based on the current lease terms, as at December 31, 2026, December 31, 2027 and December 31, 2028, the remaining guarantee balances provided by Lingong Group will amount to RMB1,826.2 million, RMB897.4 million and RMB349.2 million, respectively. All guarantees by Lingong Group are subject to fixed contractual maturities and are scheduled to expire by the end of 2032. Our Company also undertakes that, with respect to newly entered finance lease arrangements, we will complete the transition process to undertake the repurchase guarantees by our own prior to the [**REDACTED**]. Accordingly, the Directors consider that the Group has effective mechanisms in place to manage and mitigate any risk exposure arising from the current arrangements and that such arrangements do not result in undue reliance on Lingong Group.

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 our 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 close associates. We do not rely on our Controlling Shareholders and their close associates for financing.

In connection with the finance lease arrangements, Lingong Group and/or its associates have provided repurchase guarantees in favour of us to the relevant finance lease companies to undertake our end-customers' payment obligations under the finance lease arrangements, and our Group will pay the lease management fee to Lingong Group in accordance with the market rate. As of the Latest Practicable Date, the outstanding balance of the Guarantees from Controlling Shareholders (as defined in "**Connected Transactions**") amounted to approximately RMB4,209.7 million. We currently expect the Guarantees from Controlling Shareholders to remain in force upon the [**REDACTED**].

Such provision of guarantees constitutes 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.

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 the Latest Practicable Date, our cash and cash equivalents amounted to RMB2,088.7 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 their close associates to obtain the relevant financing: as of Latest Practicable Date, we had cooperated with a number of independent PRC commercial banks and obtained a total of RMB6,897.1 million independent unutilized facilities without any guarantee or mortgage from our Controlling Shareholders or their close associates, which is irrevocable, unconditional, unrestricted and legally binding, (iii) our Group has a strong financial position with our business operations established in relatively mature markets, (iv) for newly-entered finance lease arrangements, we are in the transition process to undertake the repurchase guarantees by our own and such transition will complete prior to the [**REDACTED**]; and (v) during the Track Record Period, the default rates by our customers under the finance lease arrangements in 2023, 2024 and 2025 was 0.39%, 0.54% and 1.67%, respectively. In the event of default by customers, we have the following recovery measures (i) enforce security interests over pledged assets, including realization of collateral; and (ii) pursue recovery through legal proceedings. In addition, upon repurchase of the equipment, we may recover value through the resale or utilization of the equipment, which may further mitigate potential losses arising from such default. Based on the foregoing, we consider that there is no material recoverability issue in respect of customers' payment obligations guaranteed by us under finance lease arrangements, our Directors are of the view that our Company has sufficient cash and other available financial resources such as unutilised banking facilities without restriction on use of [**REDACTED**], unfulfilled conditions and without guarantees or mortgages from the Controlling Shareholders as at the Latest Practicable Date to satisfy the outstanding balance of the Guarantees from Controlling Shareholders as at the same date and the Company has the ability to obtain financing independently, and are financially independent of our Controlling Shareholders and their respective close associates.

Saved as disclosed above, as of the Latest Practicable Date, there were no other guarantees or financial assistance provided by our Controlling Shareholders and their respective close associates.

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 have 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;

(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;

(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 four 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 Somerley Capital 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 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**].