

## RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDER

### OVERVIEW

As of the Latest Practicable Date, Shanxi CIG, directly and indirectly, held 100% interest in our share capital. Immediately following the completion of the [REDACTED] (assuming the [REDACTED] is not exercised), Shanxi CIG will, directly and indirectly, hold approximately [REDACTED] interest in our share capital and accordingly, be our Controlling Shareholder immediately after the [REDACTED].

For details of the Controlling Shareholder and its shareholding in the Company, see “Substantial Shareholder” of this document.

### INDEPENDENCE FROM OUR CONTROLLING SHAREHOLDER

Having considered the following factors, our Directors are satisfied that we are capable of carrying out our business independently of our Controlling Shareholder and its associates after [REDACTED].

#### Management Independence

Our Board comprises three executive Directors, four non-executive Directors and four independent non-executive Directors. For more details, see “Directors, Supervisor and Senior Management” of this document.

Our Group’s daily management and operational decisions are made by our executive Directors and senior management. Upon [REDACTED], certain Directors will continue to hold directorships and roles at SCIG Group as set out below:

Name of Director	Position in our Company	Positions in SCIG Group
Mr. Wang Limin	Chairman and executive Director	<ul style="list-style-type: none"><li>– Chairman of Shanxi CIG International Investment Company Limited* (山西建投國際投資有限公司) (a subsidiary of Shanxi CIG)</li><li>– Chairman of Shanxi CIG (Hong Kong) Limited (a subsidiary of Shanxi CIG)</li><li>– Chairman of Shanxi CIG South East Jin Construction Industry Company Limited* (山西建投晉東南建築產業有限公司) (a subsidiary of Shanxi CIG)</li><li>– General manager of Eastern China Headquarters of Shanxi CIG</li></ul>

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Name of Director	Position in our Company	Positions in SCIG Group
Mr. Xu Guanshi	Non-executive Director	<ul style="list-style-type: none"><li>– Head of the General Office of Shanxi CIG</li><li>– Director of Shanxi Construction Investment Group Decoration Co., Ltd. (山西建投集團裝飾有限公司) (a subsidiary of Shanxi CIG)</li></ul>
Mr. Zhang Hongjie	Non-executive Director	<ul style="list-style-type: none"><li>– Head of Capital Management Department of Shanxi CIG</li><li>– Outside director of Shanxi Eighth Construction Group Company Limited* (山西八建集團有限公司) (a subsidiary of Shanxi CIG)</li><li>– Supervisor of Shanxi Jian’an Non Financing Guarantee Company Limited (山西建安非融資性擔保有限責任公司) (a subsidiary of Shanxi CIG)</li><li>– Director of SCIG Yingbin Road Construction Project Management Company Limited (山西建投迎賓大道工程項目管理有限公司) (a subsidiary of Shanxi CIG)</li><li>– Director of Central Jin Jianyuan National and Provincial Road Surface Improvement Project Management Company Limited (晉中建遠國省道路面改造項目管理有限公司) (a subsidiary of Shanxi CIG)</li><li>– Director of Shanxi CIG Jinshuo Project Management Company Limited (山西建投晉朔項目管理有限公司) (a subsidiary of Shanxi CIG)</li></ul>

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Name of Director	Position in our Company	Positions in SCIG Group
		<ul style="list-style-type: none"><li>– Director of Shenzhen Huakong SEG Co. Ltd. (深圳華控賽格股份有限公司)</li><li>– Supervisor of Shanghai Rongda</li><li>– Supervisor of Beijing Jinfu Asset Management Company Limited (北京晉發資產管理有限公司) (a subsidiary of Shanxi CIG)</li></ul>
Mr. Mu Jianwei	Non-executive Director	<ul style="list-style-type: none"><li>– Head of the Party’s Propaganda Department in Shanxi CIG</li><li>– Director of Shanxi Construction Investment City Operation Group., Ltd. (山西建投城市運營集團有限公司)</li></ul>
Mr. Feng Cheng	Non-executive Director	<ul style="list-style-type: none"><li>– Deputy head of the Audit and Risk Control Department of Shanxi CIG</li><li>– Supervisor of Shanxi CIG International Investment Company Limited* (山西建投國際投資有限公司) (a subsidiary of Shanxi CIG)</li><li>– Outside director of SCIG International Construction Group Company Limited* (山西建投國際建設集團有限公司) (a subsidiary of Shanxi CIG)</li><li>– Director of SCIG South Jin Construction Industry Company Limited* (山西建投晉南建築產業有限公司) (a subsidiary of Shanxi CIG)</li></ul>

The executive Directors and the senior management team are responsible for the day-to-day management of our operations. We have also appointed four independent non-executive Directors who have sufficient knowledge, experience and competence to provide independent view to our Board to promote the interests of our Company and the Shareholders as a whole.

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Each of our Directors is aware of his/her fiduciary duties as a Director which require, among other things, that he/she must act for the benefit of and in the best interests of our Company and no conflict between his/her duties as a Director and his/her personal interests shall exist. Our Company has established internal control mechanisms to identify connected transactions. In the event that there is a potential conflict of interest arising out of any transaction to be entered into between our Company and our Directors or its associates, the interested Director(s) shall abstain from voting on any Board resolutions approving any contract or arrangement or any other proposal in which he/she or any of his/her close associates has a material interest and shall not be counted in the quorum present at the relevant Board meeting. In addition, we believe that our independent non-executive Directors can bring independent judgment to the decision-making process of our Board.

We have the capabilities and personnel to perform all essential administrative functions, including financial and accounting, human resources, business management and research and development on a standalone basis. The daily operation of our Group is carried out by an experienced management team substantially independent from our Controlling Shareholder.

### **Operational Independence**

We have established our own organizational structure, and each department is assigned to specific areas of responsibilities. We have independent access to suppliers and customers. We are also in possession of all relevant assets, licenses, trademarks and other intellectual property necessary to carry on and operate our business and we have sufficient operational capacity in terms of capital and employees to operate independently.

Our Directors are of the view that there is no operational dependence by us on our Controlling Shareholder and our Group is able to operate independently from our Controlling Shareholder after the [REDACTED].

### **Financial independence**

We have an independent financial system and make financial decisions according to our own business needs.

As of June 30, 2023, our Controlling Shareholder has not provided guarantee for any of our bank loans.

Our Directors confirm that we will not rely on our Controlling Shareholder for financing after the [REDACTED] as we expect that our working capital will be funded by our operating income and bank borrowings. Our own accounting department is capable of discharging the treasury functions for cash receipts and payments, accounting, reporting and internal control independently of our Controlling Shareholder and its associates.

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### **RULE 8.10 OF THE LISTING RULES**

Save as disclosed in this section and the sections headed “History, Development and Corporate Structure”, “Continuing Connected Transactions” and “Directors, Supervisors and Senior Management” of this document, our Controlling Shareholder, the Directors and their respective close associates do not have any interest in a business apart from our business which competes or is likely to compete, directly or indirectly, with our business, and would require disclosure pursuant to Rule 8.10 of the Listing Rules.

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### COMPETING BUSINESS

#### *Business of our Group*

Our Group is principally engaged in the businesses of (i) specialized industrial construction, where we provide design consulting, construction contracting and other services for professional projects, including power engineering projects, petrochemical engineering projects and water conservancy and hydropower engineering projects; (ii) specialized auxiliary construction, where we provide design consulting, construction and operation and maintenance services for roads and bridges engineering as well as urban supporting heating engineering projects; (iii) other construction and (iv) non-construction business. For the three years ended December 31, 2022 and six months ended June 30, 2023, we derived in aggregate over 70% of our total revenue from the specialized industrial construction segment and the specialized auxiliary construction segment (collectively, the “**Major Business Segments**”). For further details of our business, please refer to “Business” in this document.

#### *Business of our Controlling Shareholder*

During the Track Record Period, apart from holding the shares in our Company, Shanxi CIG was principally engaged in the businesses of (i) building construction; (ii) investment, construction and operation of infrastructure; (iii) real estate development; and (iv) other business including logistics services, survey and design consultation services, construction labor subcontracting services and financial services. For each year/period during the Track Record Period, SCIG Group derived an aggregate of around 80% of its gross production value from the building construction segment (which comprises of residential building construction, commercial building construction, office building construction and public building construction) and the infrastructure construction segment (mainly roads and bridges construction projects).

#### *Competitions in our Major Business Segments*

During the Track Record Period, there were certain degree of competition between our Group and SCIG Group in our Major Business Segments.

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### *Specialized industrial construction segment*

The following table sets forth (i) the ratio of segment revenue in the specialized industrial construction segment to the total revenue of our Group; (ii) the ratio of segment gross production value in the specialized industrial construction segment to the total gross production value of SCIG Group for the years/period as indicated:

	Our Group				SCIG Group			
	For the year ended December 31,			For the six months ended	For the year ended December 31,			For the six months ended
	2020	2021	2022	June 30, 2023	2020	2021	2022	June 30, 2023
Specialized industrial construction (total)	53.4%	52.5%	59.1%	55.9%	4.8%	5.0%	4.3%	5.2%
- Include:								
waterworks and hydraulic power engineering	3.0%	1.3%	0.6%	0.3%	0.5%	0.5%	1.0%	1.1%

As demonstrated above, the gross production value in the specialized industrial construction segment of the SCIG Group during the Track Record Period were immaterial. In addition, SCIG Group has undertaken not to compete with us for most of the works under the special industrial construction segment in the PRC except for the waterworks and hydraulic power engineering subsegment where both our Group and SCIG Group has generated insignificant revenue or gross production value is subject to different Restricted Regions. Please refer to “– Non-competition Agreement” hereinafter for further details.

### *Specialized auxiliary construction segment*

The following table sets forth (i) the ratio of segment revenue in the specialized auxiliary construction segment to the total revenue of our Group; and (ii) the ratio of segment gross production value in the specialized auxiliary construction segment to the total gross production value of SCIG Group for the years/period as indicated:

	Our Group				SCIG Group			
	For the year ended December 31,			For the six months ended June	For the year ended December 31,			For the six months ended June
	2020	2021	2022	30, 2023	2020	2021	2022	30, 2023
Specialized auxiliary construction (total)	26.0%	23.5%	16.3%	17.6%	22.6%	26.2%	30.1%	30.9%
- Include: roads and bridges construction	2.8%	2.2%	1.3%	3.5%	12.0%	9.9%	13.3%	13.9%

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Even though the major competition between our Group and SCIG Group under the specialized auxiliary construction segment is the roads and bridges construction subsegment, considering that (i) the roads and bridges construction market in the PRC is sizable with a large number of market participants; and (ii) roads and bridges construction subsegment is not our business focus and did not account for significant share of our total revenue during the Track Record Period; and (iii) we obtained businesses in roads and bridges construction subsegment through bidding process, our Directors are of the view that any potential competition in roads and bridges construction subsegment between our Group and SCIG Group is similar to the nature of the competition between our Group and other Independent Third Parties construction contracting companies as the selection of service provider is based on the discretion of the customer taking into account merits of the bidding process.

Besides the roads and bridges construction subsegment, SCIG Group has also been involved in standardized workshops construction, heating engineering and environmental protection engineering subsegments under the specialized auxiliary construction segment. Save for the standardized workshops construction subsegment which contributed as to 2.9%, 5.3%, 7.9% and 10.3% of the gross production value of SCIG Group for the three years ended December 31, 2022 and the six months ended June 30, 2023 and the environmental protection engineering subsegment which contributed as to 7.2% of the gross production value of SCIG Group for the year ended December 31, 2021, all the other subsegments under the specialized auxiliary construction segment contributed less than 5% of the gross production value of SCIG Group in each year during the Track Record Period.

### *Other construction segment*

The following table sets forth the ratio of segment revenue in the other construction segment to the total revenue of our Group:

	<b>Our Group</b>			<b>For the</b>
				<b>six months</b>
	<b>For the year ended December 31,</b>			<b>ended</b>
	<b>2020</b>	<b>2021</b>	<b>2022</b>	<b>June 30,</b>
				<b>2023</b>
Other construction (total)	13.4%	15.7%	14.8%	14.6%
– Include: building construction	13.4%	15.7%	14.4%	13.8%

During the Track Record Period, the major competition between our Group and SCIG Group took place in our other construction segment, in particular, the building construction subsegment. We recorded approximately RMB1,358 million, RMB2,080 million, RMB1,845 million and RMB726.2 million of our total revenue from the building construction subsegment for the three years ended December 31, 2022 and the six months ended June 30, 2023 respectively.



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Also, as demonstrated above, during the Track Record Period, the revenue generated from our other construction segment did not contribute in a significant manner (less than 16%) to our total revenue generated. Most of our top projects (in terms of revenue) in the building construction subsegment are livelihood projects, such as Taiyuan City Talent Apartment which helps the government to introduce talents and serve social and economic development. Despite the profit margins of those livelihood projects are generally lower than our overall profit margins, the Directors are of the view that we should undertake such government housing projects to optimise the use of our resources, expand our revenue source and construction portfolio. Thus, we would participate the open bidding process of a government housing project when it is considered our Group has sufficient resources to undertake such project at the relevant time. However, in view that it requires considerable resources input which may affect our Group’s performance in the principal business segments, our Group does not intend to include the building construction subsegment as one of its main business focuses. In this connection, for the year ended December 31, 2022, the percentage of our new contract amount attributable to the building construction subsegment accounted for less than 4.5% of the aggregate value of new contracts entered into during such period, which is materially lower than that of 6.5% and 11.4% for the two years ended December 31, 2021. The Directors will consider the size, complexity and location of the project, our Group’s financial resources, manpower, profitability and profile of the project, and other relevant factors before committing our Group to any new business opportunities in the building construction subsegment.

Considering that (i) the building construction market in the PRC is sizable with a large number of market participants; and (ii) the building construction subsegment is not our main business focus and did not account for major share of our total revenue during the Track Record Period, where we did not actively seek business opportunities in this segment and only occasionally undertook projects in this subsegment by introduction to the bidding opportunities of these projects through our business acquaintances with our customers, our Directors are of the view that any potential competition in the building construction subsegment between our Group and SCIG Group is of no difference from the competition between our Group and other Independent Third Parties construction contracting companies as the selection of service provider is based on the discretion of the customer taking into account merits of the bidding process.

### *Historical Position*

During the Track Record Period, our Group had tendered for a total of 3,598 projects and out of which, SCIG Group had also submitted tenders for 208 projects. Given that Shanxi CIG has undertaken not to compete with our Group, among others, in the Restricted Businesses in the Restricted Regions upon [REDACTED], after excluding projects of the Restricted Businesses in the Restricted Regions, our Group and SCIG Group had both submitted tenders for a total of 59 projects. All those 59 projects had been tendered through open bidding process (representing approximately 2.6% of the total number of open tenders our Group has participated during the same period). Out of those 59 projects, our Group had been awarded with 15 projects (representing approximately 3.1% of the total number of projects awarded to our Group through open bidding process during the same period) while SCIG Group had been

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awarded with 27 projects and the rest had been awarded to other Independent Third Parties bidders. In all those cases, each of our Group and SCIG Group had individually resolved to participate in the bidding process and had also composed respective tender documents independently.

To the best of the Directors’ knowledge, information and belief after making all reasonable enquiry, during the same period, Shanxi CIG has not exerted any influence over our Group in relation to our Group’s decision regarding any bidding process including the projects that both SCIG Group and our Group had participated in the bidding process. During the same period, our Group has obtained approximately 33.3% (in terms of contract sum) of our projects through open bidding process and the rest through private contracting (in accordance with the relevant PRC laws, government projects and government funding projects can only be contracted out through open bidding process, while private projects can use open bidding or private contracting at the owner’s discretion).

### *Effect of the Non-competition Agreement on our principal business segments*

In order to safeguard our interests in our principal business segments, we have entered in to the Non-competition Agreement with Shanxi CIG (for itself and on behalf of the SCIG Group) on November 3, 2023. For details, please see “– Non-competition Agreement” hereinafter.

The following table sets forth the ratio of segment revenue of our principal segments subject to competition with SCIG Group to the total revenue of our Group assuming the Non-competition Agreement have been taken effect throughout the Track Record Period:

	<b>Our Group</b>			<b>For the six months ended June 30, 2023</b>
	<b>For the year ended December 31,</b>			
	<b>2020</b>	<b>2021</b>	<b>2022</b>	
Specialized industrial construction	0.0%	0.1%	0.1%	0.0%
Specialized auxiliary construction	2.0%	1.9%	1.3%	3.4%
– Include: roads and bridges construction	1.5%	1.7%	1.1%	3.3%

As demonstrated above, should the Non-competition Agreement had been put in place during the Track Record Period, our Group would only have minimal portion of up to 0.1% of its revenue from the specialized industrial construction segment, and insignificant portion of up to 3.4% of its revenue from the specialized auxiliary construction segment (including the roads and bridges construction subsegment which forms the major part of the competition in the specialized industrial construction segment).

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### ***Business Delineation***

In view of the above analysis, our Directors believe our Group’s business can still be clearly delineated from the business of SCIG Group.

*Note:*

*In this paragraph, “gross production value” are used to demonstrate the composition of SCIG Group’s income from various segments of the construction industry because Shanxi CIG does not have any consolidated accounts. The gross production value of SCIG Group for the three years ended December 31, 2022 and the six months ended June 30, 2023 were computed by Shanxi CIG on its own by adding up the production value of all engineering works undertaken by members of SCIG Group during the relevant periods. The gross production value of SCIG Group has not taken into account (i) any value-added tax imposed on those engineering works, and (ii) incomes generated from other businesses of SCIG Group which are not engineering works in nature. As both the production value for each segment and the gross production value of SCIG Group have not been audited, the percentages relating to SCIG Group set out hereinabove are for demonstration purpose only.*

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### NON-COMPETITION AGREEMENT

#### *Non-competition*

To ensure that competition does not develop between us and other business activities and/or interests of our Controlling Shareholder, our Controlling Shareholder (the “**Covenantor**”) (for itself and each member of its group, excluding members of our Group) has entered into a Non-competition Agreement in favor of our Company (for ourselves and as trustee for the benefit of each of our subsidiaries from time to time) on November 3, 2023, pursuant to which the Covenantor has, among other things, irrevocably and unconditionally undertaken with our Company that at any time during the Relevant Period (as defined below), it shall not, and shall procure that its close associates (other than members of our Group) not to, directly or indirectly, carry on, engage in, invest in, participate in, attempt to participate in, render any services to, provide any financial support to or otherwise be involved in or interested in, whether alone or jointly with another person and whether directly or indirectly or on behalf of or to assist or act in concert with any other person, any business or investment activities in the Restricted Regions (as defined hereinafter) which are the same as, similar to or in competition or likely to be in competition with the Restricted Businesses (as defined hereinafter) carried on or contemplated to be carried on by any member of our Group from time to time.

The above restrictions do not prohibit any of the Covenantor and its associates (excluding members of our Group) from:

- (a) holding any securities of any companies which conducts or is engaged in any Restricted Business through their interests in our Group;
- (b) undertaking project(s) or otherwise be involved in any of the Restricted Businesses provided that the project or business opportunity has been first offered to our Group and our group has not taken it up;
- (c) through acquiring or holding any investment or interest in units or shares of any company, investment trust, joint venture, partnership or other entity in whatever form which engages in any Restricted Business where such investment or interest does not exceed 10% of the issued shares of such entity provided that (1) such investment or interest does not grant the Covenantor or its associates any right to control the composition of the board of directors or managers of such entity, (2) such investment or interest does not result in the Covenantor or its associates control the board of directors or managers of such entity and (3) such investment or interest does not grant the Covenantor or its associates any right to participate directly or indirectly in such entity.

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### *New Business Opportunity*

The Covenantor has also undertaken to refer, or to procure the referral of, any investment or commercial opportunities relating to any Restricted Business (“**New Business Opportunities**” and each, a “**New Business Opportunity**”) to us (for ourselves and as trustee for the benefit of each of our subsidiaries from time to time) in the following manner:

- As soon as it becoming aware of any New Business Opportunity, give written notice (the “**Offer Notice**”) to us identifying the target company (if relevant) and the nature of the New Opportunity, detailing all information available to it for us to consider whether to pursue such New Business Opportunity (including details of any investment or acquisition costs and the contact details of the third parties offering, proposing or presenting the New Business Opportunity to it).
- Our Company shall, as soon as practicable and in any case within 30 business days from the receipt of the Offer Notice (the “**Offer Notice Period**”) notify the Covenantor in writing of any decision taken to pursue or decline the New Business Opportunity. During the Offer Notice Period, our Company may negotiate with the third party offering it, proposing or presenting the New Business Opportunity and the Covenantor shall use its best endeavors to assist us in obtaining such New Business Opportunity on the same or more favorable terms.
- Our Company is required to seek approval from our independent non-executive Directors who do not have a material interest in the matter for consideration as to whether to pursue or decline the New Business Opportunity, and that the appointment of an independent financial advisor to advise on the terms of the transaction in the subject matter of such New Business Opportunity may be required.
- The Covenantor may, at its absolute discretion, consider extending the Offer Notice Period as appropriate.
- The Covenantor shall be entitled to but shall not be obliged to carry on, engage, invest, participate or be interested (economically or otherwise) in the New Business Opportunity (whether individually or jointly with another person and whether directly or indirectly or on behalf of or to assist any other person) on the same, or less favorable, terms and conditions in all material respects as set out in the Offer Notice if:
  - (i) it has received a written notice from us declining the New Business Opportunity; or
  - (ii) it has not received any written notice from us of our decision to pursue or decline the New Business Opportunity within 30 business days from our receipt of the Offer Notice, or if it has extended the Offer Notice Period, within such other period as agreed by it, in which case our Company shall be deemed to have declined the New Business Opportunity.

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- If there is a change in the nature or proposal of the New Business Opportunity pursued by the Covenantor, it shall refer the New Business Opportunity as revised and shall provide to us details of all available information for us to consider whether to pursue the New Business Opportunity as revised.

When considering whether or not to pursue any New Business Opportunities, our independent non-executive Directors will form their views based on a range of factors, including but not limited to, the estimated profitability, investment value and permits and approval requirements. The Covenantor, for itself and on behalf of its associates (except any members of our Group), have also acknowledged that our Company may be required by the relevant laws, regulations and rules and regulatory bodies to disclose, from time to time, information on the New Business Opportunities, including but not limited to disclosure in public announcements or annual reports of our Company our decisions to pursue or decline the New Business Opportunities, and have agreed to disclose to the extent necessary to comply with any such requirements.

Under the Non-competition Agreement, the Covenantor has further irrevocably and unconditionally undertaken jointly and severally, with us the following:

- (i) the Covenantor shall provide, and shall procure its associates (other than members of our Group) to provide, during the Relevant Period (as defined below), where necessary and at least on an annual basis, all information necessary for the review by our independent non-executive Directors, subject to any relevant laws, rules and regulations or any contractual obligations, to enable them to review the Covenantor's and its associates' (other than members of our Group) compliance with the Non-competition Agreement, and to enable the independent non-executive Directors to enforce the Non-competition Agreement;
- (ii) without prejudicing the generality of paragraph (i) above, the Covenantor shall provide to us with an annual declaration for inclusion in our annual report, in respect of their compliance with the terms of the Non-competition Agreement;
- (iii) the Covenantor has agreed and authorized us to disclose decisions on matters reviewed by the independent non-executive Directors relating to the compliance and enforcement of the Non-competition Agreement, either through our annual reports or by way of public announcements; and
- (iv) the Covenantor agrees to indemnify us from and against any and all losses, damages, claims, liabilities, costs and expenses (including legal costs and expenses) where we may suffer or incur as a result of any failure to comply with the terms of the Non-competition Agreement by the Covenantor or any of its associates.

Our Company will disclose the decisions with basis on matters reviewed by our independent non-executive Directors relating to the compliance with and enforcement of the Non-competition Agreement either in the annual report of our Company or by way of announcement to the public.

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For the purposes of the above:

“Relevant Period” means the period commencing from the [REDACTED] and shall expire on the earlier of (i) the date when the Covenantor and any of its associates, cease to hold, or otherwise be interested in, beneficially in aggregate whether directly or indirectly, 30% or more (or such other percentage of shareholding as stipulated in the Listing Rules to constitute a controlling shareholder) of the issued share capital of our Company or (ii) the date on which our Shares cease to be listed on the Stock Exchange (except for temporary suspension of [REDACTED] of our Shares).

“**Restricted Businesses**” and “**Restricted Regions**” in respect of each Restricted Business shall be as follows

<b>Restricted Business</b>	<b>Restricted Regions</b>
Specialized industrial construction projects: <ul style="list-style-type: none"><li>– power engineering, petrochemical engineering, metallurgical engineering, electromechanical installation engineering and urban metro transit (station)</li><li>– waterworks and hydraulic power engineering projects</li></ul>	The PRC  Jiexiu City and Xinjiang City of Shanxi Province, Laibin City of Guangxi Zhuang Autonomous Region, and Chongqing City
Specialized auxiliary construction projects: <ul style="list-style-type: none"><li>– water supply engineering, drainage engineering, urban supporting heating engineering, gas engineering, environmental protection engineering, standardized workshop and agricultural engineering</li><li>– Roads and bridges construction projects</li></ul>	The PRC  Gaoping City and Linfen City of Shanxi Province, Jingzhou City and Xiangyang City of Hubei Province, and Huaibei City of Anhui Province
Other construction projects: <ul style="list-style-type: none"><li>– Science, education, culture and health building (the “<b>SECH Building</b>”) construction projects</li><li>– projects requiring Grade A Qualification for Building Intelligent System Design</li><li>– projects requiring Grade A Qualification for Fire Protection Engineering Design</li><li>– projects requiring Grade A Safety Service Capability of Chemical Facilities Dismantle Enterprises (化工裝置拆除施工企業安全服務能力甲級)</li></ul>	Jin City and Datong City of Shanxi Province  The PRC The PRC The PRC

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The Restricted Regions were determined to cover the regions where our Group has established subsidiaries and presence in order to protect our businesses from competing with SCIG Group. We consider there are sufficient business opportunities in the relevant Restricted Regions for our Group to further strengthen our local presence for the relevant Restricted Business in the near future. The Restricted Regions were set to protect the interests of our Group and our Group is free to operate business within and outside of the Restricted Regions. The establishment of the Restricted Regions is solely for the benefits of our Group and we will not operate relevant businesses only within the Restricted Regions but will seize suitable opportunities elsewhere as appropriate. During the Track Record Period, SCIG Group has carried out relevant business operations in the respective Restricted Regions. For the three years ended December 31, 2022 and the six months ended June 30, 2023, SCIG Group only recorded 0.6%, 0.8%, 1.6% and 1.7% of its gross production value from Roads and Bridges Construction Subsegment within relevant Restricted Regions. Nonetheless, SCIG Group has undertaken not to continue the relevant business operations in the respective Restricted Regions during the Relevant Period unless in accordance with the terms of the Non-competition Agreement. For avoidance of doubt, pursuant to the expected completion timetable under the relevant construction project contracts, SCIG Group’s existing projects within the relevant Restricted Regions will be continued until their respective completion and based on the contract term and the expected completion timetable of the respective projects stated in the relevant contracts, it is expected those projects will be completed within two years from the [REDACTED]. We intend to strictly enforce the Non-competition Agreement and will not subcontract any Restricted Business within relevant Restricted Regions to SCIG Group under the Bilateral Construction Services Framework Agreement after the [REDACTED].

The Non-competition Agreement will take effect upon the [REDACTED].

### *Internal Control Measures*

In order to resolve actual or potential conflicts of interests between our Company and our Controlling Shareholder, and to ensure the performance of the above non-competition undertakings, our Company has adopted the following internal control measures:

- (a) in case of any actual or potential conflict of interest, the Covenantor and any interested Directors will abstain attending and voting at any meeting or part of any meeting convened to consider any New Business Opportunity (unless their attendance is specifically requested by the non-interested Directors to provide details on the New Business Opportunity) and shall not be counted towards the quorum for such meeting;
- (b) the Covenantor will, as required by our Company, provide all information necessary for the independent non-executive Directors to conduct annual review on the compliance with the terms of the Non-competition Agreement and the enforcement of it;



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## RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDER

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- (c) our Company will disclose to the public either in the annual report of our Company or issue an announcement (if necessary) in relation to any decision, and where applicable the reasons for such decisions, made by the independent non-executive Directors to pursue or decline the New Business Opportunity, together with the reasons in case of decline with regard to the compliance of the terms of the Non-competition Agreement and the enforcement of it;
- (d) our Company will disclose the decision(s) and related basis on matters reviewed by the independent non-executive Directors in relation to our Company’s compliance of the terms of the of Non-competition Agreement and make a declaration in relation to the compliance of the terms of the of Non-competition Agreement in the annual report of our Company, and ensure that the disclosure of information relating to compliance with the terms of the Non-competition Agreement and the enforcement of it are in accordance with the requirements of the Listing Rules;
- (e) the Covenantor will, during the period when the Non-competition Agreement is in force, fully and effectually indemnify our Company and/or its subsidiaries against any loss, liability, damage, cost, fee and expense as a result of any breach on the part of such Covenantor of any statement, warranty or undertaking made under the Non-competition Agreement; and
- (f) the independent non-executive Directors may appoint independent financial advisers and other professional advisers as they consider appropriate to advise them on any matter(s) relating to the non-competition undertaking or connected transaction(s) at the cost of our Company.

Given the fundamental differences in the primary business focus of our Group and SCIG Group, and with the above internal control measures and Non-competition Agreement in place, together with the facts that the competition in the Potential Competing Subsegments between our Group and SCIG Group is of no difference from the competition between our Group and other Independent Third Parties, in particular, on the percentage of our new contract amount attributable to the building construction subsegment for the year ended December 31, 2022, was substantially lower than that for the two years ended December 31, 2021. our Directors (including our independent non-executive Directors) are of the view, which the Joint Sponsors concur with, that there will be no direct competition in the principal business segments of our Company (i.e. Restricted Businesses in the Restricted Regions) and our Company is able to protect its business interests from our Controlling Shareholder.

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## RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDER

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### CORPORATE GOVERNANCE

Our Company will comply with the provisions of the Corporate Governance Code and Corporate Governance Report set out in Appendix 14 to the Listing Rules, which sets out principles of good corporate governance in relation to, among other matters, directors, the chairman and chief executive officer, board composition, the appointment, reelection and removal of directors, their responsibilities and remuneration and communications with shareholders.

Our Directors recognize the importance of good corporate governance to protect the interests of our Shareholders. We would adopt the following corporate governance measures to manage potential conflict of interests between our Group and our Controlling Shareholder:

1. the Company has established internal control mechanisms to identify connected transactions. Upon [REDACTED], if the Company enters into connected transactions with our Controlling Shareholder or its associates, the Company will comply with the applicable Listing Rules;
2. where a Shareholders’ meeting is to be held for considering proposed transactions in which our Controlling Shareholder or its associates have any material interest, our Controlling Shareholder shall not vote on the resolutions and shall not be counted in the quorum for the voting;
3. our Board will consist of a balanced composition of executive and non-executive Directors, including not less than one-third of independent non-executive Directors to ensure that our Board is able to effectively exercise independent judgment in its decision making process and provide independent advice to our Shareholders. Our independent non-executive Directors, details of whom are set out in the section headed “Directors, Supervisors and Senior Management” individually and together possess the requisite knowledge and experience to perform their roles. They will review whether there is any conflict of interests between our Group and our Controlling Shareholder and provide impartial and professional advice to protect the interest of our minority Shareholders;
4. where the advice from an independent professional, such as that from a financial adviser, is reasonably requested by our Directors (including the independent non-executive Directors), the appointment of such an independent professional will be made at the Company’s expenses; and
5. we have appointed Shanxi Securities International Capital Limited as our compliance adviser, 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 corporate governance.

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 Shareholder, and to protect minority shareholders’ rights after the [REDACTED].