

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

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As of the Latest Practicable Date, Mr. Lu Bo (together with Riches Development, One Ideal Limited and Now Wealth Limited) and Ms. Lu Xiaojing (together with Richen Development, Lady Jing Limited and LXJ Limited), held approximately 45.27% and 45.27% shareholdings of our Company, respectively. As such, Mr. Lu Bo (together with Riches Development, One Ideal Limited and Now Wealth Limited) and Ms. Lu Xiaojing (together with Richen Development, Lady Jing Limited and LXJ Limited) will each be entitled to exercise voting rights of approximately [REDACTED]% of the total issued share capital of our Company upon completion the Capitalisation Issue and of the [REDACTED] (assuming the [REDACTED] [REDACTED] is not exercised) and are considered as our Controlling Shareholders upon [REDACTED].

INDEPENDENCE FROM OUR CONTROLLING SHAREHOLDERS

Each of our Controlling Shareholders has confirmed that as of the Latest Practicable Date, they did not have any interest in a business, apart from the business of our Group, which competes or is likely to compete, directly or indirectly, with our business, and requires disclosure under Rule 8.10 of the Listing Rules.

Having considered the following factors, our Directors are satisfied that we are capable of carrying on our business independently of our Controlling Shareholders and their close associates after the [REDACTED].

Management Independence

Our Board comprises five executive Directors and three independent non-executive Directors. Mr. Lu Bo and Ms. Lu Xiaojing are our executive Directors. Our Directors believe that our Board and senior management will function independently from our Controlling Shareholders for the following reasons:

1. each Director is aware of their fiduciary duties as a Director of our Company which requires, 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 their duties as a Director and his/her personal interest;
2. 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 their respective associates (including the spouse of a Director), the interested Director(s) shall abstain from voting at the relevant board meetings of our Company in respect of such transactions, and shall not be counted in the quorum;
3. our Board comprises of three independent non-executive Directors who have extensive experience in different areas and have been appointed in accordance with the requirements of the Listing Rules to ensure that the decisions of our Board are made after due consideration of independent and impartial opinions; and

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4. other than our Controlling Shareholders themselves, our senior management members, are independent from our Controlling Shareholders. They have substantial experience in the industry which we are engaged in. Accordingly, they are able to discharge their duties independently from our Controlling Shareholders.

Having considered the above factors, our Directors are satisfied that they are able to perform their roles in our Company independently, and our Director are of the view that we are capable of managing our business independently from our Controlling Shareholders following the completion of the [REDACTED].

Operational Independence

Although our Controlling Shareholders will retain a controlling interest in us after [REDACTED], we have full rights to make all decisions on, and to carry out, our own business operations independently. Our Company, through our subsidiaries, holds the licences and qualifications necessary to carry on our current business, and has sufficient capital, facilities, technology and employees to operate the business independently from our Controlling Shareholders. We have access to third parties independently from and not connected to our Controlling Shareholders for sources of suppliers and customers.

Based on the above, our Directors are satisfied that we will be able to function and operate independently from our Controlling Shareholders and their close associates after [REDACTED].

Financial Independence

We have established our own finance department with a team of financial staff, who are responsible for financial control, accounting, reporting, group credit and internal control functions of our Company, independent from our Controlling Shareholders from a financial perspective. We have also established an independent audit system, a standardised financial and accounting system and a complete financial management system. Our Directors also believe that we are able to obtain financing independent from our Controlling Shareholders.

During the Track Record Period, our Controlling Shareholders have provided personal guarantees to certain banks and financial institutions in order to secure certain bank loans for our Group. For details of these guarantees, please see note 33 to the Accountants' Report set out in Appendix I in this document. As at the Latest Practicable Date, as confirmed by our Company and our Controlling Shareholders with the relevant banks, all personal guarantees provided by our Controlling Shareholders have been released or will be replaced with corporate guarantees given by either our Company or the subsidiaries of our Group upon [REDACTED]. All balances due to and from our Controlling Shareholders and their respective close associates will also be fully settled upon [REDACTED]. Thus, our Directors are of the view that we will be financially independent of our Controlling Shareholders and their respective close associates upon [REDACTED].

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

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NON-COMPETITION UNDERTAKING

Mr. Lu Bo and Ms. Lu Xiaojing provided non-competition undertakings in favour of us pursuant to the Non-Competition Undertaking, pursuant to which each of them irrevocably and unconditionally undertook not to, and to procure their respective close associate(s) (as appropriate) (other than our Group) not to, either directly or indirectly, compete with our business, which includes the manufacturing of petroleum refinery and petrochemical equipment (“Restricted Activities”) and granted our Group the option for new business opportunities. They have further irrevocably undertaken in the non-competition undertaking that, unless the business opportunity is declined by the Group in accordance with the Non-Competition Undertaking and during the term of the Non-Competition Undertaking they will not, and will also procure their respective close associate(s) (as appropriate) (other than our Group) not to, alone or with a third party, in any form, directly or indirectly, engage in, participate in, support to engage in or participate in any business that competes, or is likely to compete, directly or indirectly, with the Restricted Activities (other than in compliance with the Non-Competition Undertaking).

CORPORATE GOVERNANCE MEASURES

Our Directors recognise the importance of good corporate governance in protecting our Shareholders’ interests. We have adopted the following measures to safeguard good corporate governance standards and to avoid potential conflict of interests between our Group and our Controlling Shareholders:

- (a) as part of our preparation for the [REDACTED], we have amended our Articles to comply with the Listing Rules. In particular, our Articles provided 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 or her associates have a material interest nor shall such Director be counted in the quorum present at the meeting;
- (b) a Director with material interests shall make full disclosure in respect of matters that may have conflict or potentially conflict with any of our interest and abstain from the board meetings on matters in which such Director or his or her associates (including the spouse of a Director) have a material interest, unless attendance or participation of such Director at such meeting of our Board is specifically requested by a majority of our independent non-executive Directors;
- (c) we are committed that our Board should include in balanced composition of executive Directors and independent non-executive Directors. We have appointed independent non-executive Directors 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 judgement and will be able to provide an impartial, external opinion to protect the interests of our public Shareholders. Details of our independent non-executive Directors are set out in the section headed “Directors and Senior Management” in this document;

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- (d) as required by the Listing Rules, our independent non-executive Directors shall review all connected transactions annually and confirm in our annual report that such transactions have been entered into in our ordinary and usual course of business, are either on normal commercial terms or on terms no less favourable to us than those available to or from independent third parties and on terms that are fair and reasonable and in the interest of our Shareholders as a whole;
- (e) our Company will disclose decisions on matters reviewed by the independent non-executive Directors either in its annual reports or by way of announcements as required by the Listing Rules;
- (f) where our Directors reasonably request the advice of independent professionals, such as financial advisers, the appointment of such independent professionals will be made at our Company's expenses; and
- (g) we have appointed First Shanghai Capital Limited as our compliance adviser to provide advice and guidance to us in respect of compliance with the applicable laws and regulations, as well as 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 that may arise between our Group and our Controlling Shareholders and their respective associates and to protect our minority Shareholders' interests after the [REDACTED].