
RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

CONTROLLING SHAREHOLDERS OF OUR COMPANY

Immediately following the completion of the [REDACTED] and the [REDACTED] and taking no account of any Shares which may be allotted and issued pursuant to the exercise of the [REDACTED] and the options which were granted or may be granted under the Share Option Scheme, we will be owned as to approximately [REDACTED] by Zeming International. Zeming International is an investment holding company.

Zeming International is 100% owned by Mr. Liu. Mr. Liu is a founder of our Group, chairman of our Board and an executive Director. See “Directors and Senior Management” in this document for further information on Mr. Liu’s work experiences. For the purpose of the Listing Rules, Zeming International and Mr. Liu are our Controlling Shareholders.

As at the Latest Practicable Date, none of our Controlling Shareholders and his/its respective close associates had any other company or business that competes with or is likely to compete, directly or indirectly, with our business.

INDEPENDENCE FROM OUR CONTROLLING SHAREHOLDERS

Our Directors do not expect that there will be any significant transactions or competitions between our Group and our Controlling Shareholders upon or shortly after the [REDACTED]. As at the Latest Practicable Date, we did not contemplate any continuing connected transaction upon [REDACTED]. Our Directors consider that our Group is capable of carrying on our business independently of our Controlling Shareholders and their respective associates (other than us) based on the following reasons:

Operational Independence

We have established a set of internal control procedures to facilitate the effective operation of our business. We also have full rights to make all decisions regarding, and carry out, our business operations independently to our Controlling Shareholder. We have established our own organisational structure and each department is assigned to specific areas of responsibilities. We have independent access to our customers and suppliers. We are also in possession of all necessary licences, approvals and certificates to carry on our business and we have sufficient operational capacity in terms of capital and employees to operate and manage our business independently. We do not rely on our Controlling Shareholders or his/its close associates for our business operations and continuance. We have a management team (including our Directors and senior management) to handle our daily operational work.

Based on the above, our Directors are satisfied that there is no operational dependence by us on our Controlling Shareholders and our Group is able to operate independently of our Controlling Shareholders after [REDACTED].

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Financial Independence

During the Track Record Period and up to the Latest Practicable Date, we had our own finance department and independent accounting systems. Our Directors also believe that we are able to obtain financing independent from our Controlling Shareholders.

During the Track Record Period, we had various bank borrowings secured by personal guarantees and assets from our Controlling Shareholders, including (i) personal guarantee from Mr. Liu, Ms. Li Liyan, Mr. Liu YS and Ms. Lv; (ii) the property, plant and equipment of Laizhou Jiamingda New Building Material Co., Ltd. (萊州市嘉銘達新型建材有限公司), an entity controlled by Mr. Liu; and (iii) the property, plant and equipment of Zhonglian Cement, these personal guarantee have been released and pledge of our Controlling Shareholder’s assets have been replaced by our Group’s assets as at the Latest Practicable Date. All loans, advances and 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].

Our Directors are satisfied that we have sufficient capital for our financial needs and are capable of conducting our business independently of any of our Controlling Shareholders upon [REDACTED]. Our Directors further believe that we are capable of obtaining financing from external sources independently without the support of our Controlling Shareholders or their respective close associates.

In light of the foregoing, our Directors are of the view that our Group does not rely on our Controlling Shareholders and/or their respective close associates for any financial assistance after [REDACTED].

Management Independence

Our Board comprises three executive Directors and three independent non-executive Directors. One of our executive Directors is Mr. Liu, who is also our Controlling Shareholder.

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Each of our Directors is aware of his fiduciary duties as a Director which require, among other things, that he acts for the benefit and in the best interests of our Company and does not allow any conflict between his duties as a Director and his personal interest. In the event that there is a potential conflict of interest arising out of any transaction to be entered into between our Group and our Directors or their respective associates, 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. In addition, we have an independent management team to carry out the business decisions of our Group independently. Our Directors are satisfied that our management team is able to perform their roles in our Company independently, and our Directors are of the view that we are capable of managing our business independently from our Controlling Shareholders and their respective close associates after the [REDACTED].

RULE 8.10 OF THE LISTING RULES

None of our Controlling Shareholders and his/its respective close associates nor our Directors has any interest in a business apart from our Group’s business which competes or is likely to compete, directly or indirectly, with our Group’s business, and would require disclosure pursuant to Rule 8.10 of the Listing Rules as at the Latest Practicable Date.

CORPORATE GOVERNANCE MEASURES

Each of our Controlling Shareholders has confirmed that none of them engages in, or is interested in any business (other than our Group) which, directly or indirectly, competes or may compete with our business.

Deed of Non-competition

To further protect our Group from any potential competition, our Controlling Shareholders have given non-compete undertakings in our favour under the Deed of Non-competition, pursuant to which each of our Controlling Shareholders has, among other matters, irrevocably and unconditionally undertaken with us on a joint and several basis that at any time during the Relevant Period (as defined below), each of our Controlling Shareholders shall, and shall procure that their respective associates (other than our Group) shall:

- (i) save for the Excluded Business (as defined below), not, directly or indirectly, carry on, invest in or be engaged in any business which will or may compete with the business currently and from time to time engaged by our Group (“**Restricted Business**”), including but not limited to the marketing, sales, distribution, production and/or processing of recycled products from gold mine hazardous waste treatment and other relevant products of our Group from time to time (“**Restricted Products**”);

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- (ii) not solicit any existing or then existing employee of our Group for employment by them or their respective associates (excluding our Group);
- (iii) not, without the consent from our Company, make use of any information pertaining to the business of our Group which may have come to their knowledge in their capacity as our Controlling Shareholders and/or Directors for the purpose of competing with the Restricted Business; and
- (iv) in respect of any order undertaken or proposed to be undertaken by them or their respective associates (excluding our Group) involving the marketing, sales, distribution, production and/or processing of any Restricted Products, unconditionally use reasonable endeavours to procure that such customer(s) to appoint or contract directly with any member of our Group for the marketing, sales, distribution, production and/or processing of the Restricted Products under the relevant order.

For the above purpose:

- (A) the “Relevant Period” means the period commencing from the [REDACTED] and shall, in respect of each Controlling Shareholder, expire upon the earliest date of occurrence of the events below:
 - (a) the date on which such Controlling Shareholder ceases to be a controlling shareholder of our Company (as defined under the Listing Rules); or
 - (b) the date on which our Shares cease to be listed on the Stock Exchange or (if applicable) other stock exchange;
- (B) the “Excluded Business” means:
 - (a) any direct or indirect investments of the Controlling Shareholders and/or their respective associates (excluding our Group) in any member of our Group;
 - (b) any direct or indirect investment of the Controlling Shareholders and/or their respective associates (excluding our Group) in the marketing, sales, distribution, production and/or processing of the Restricted Products outside the PRC whereby:
 - (i) the aggregate investment by such Controlling Shareholder and/or his/its associates in the business shall not exceed 30% of the entire equity interests in that business; and
 - (ii) none of such Controlling Shareholder and/or his/its associates will be involved in the operation and management of that business; and

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- (c) any direct or indirect investment in our Controlling Shareholders and/or their respective associates (excluding our Group) in shares of a publicly listed company (other than any member of our Group) whereby:
 - (i) the aggregate interests held by such Controlling Shareholder and/or his/its associates shall not exceed 5% of the entire issued shares of that company; and
 - (ii) none of such Controlling Shareholder and/or his/its associates (individually or taken as a whole) will be the single largest shareholder or equity holder of that company; and
 - (iii) none of such Controlling Shareholder and/or his/its associates will be involved in the operation and management of that company and/or its subsidiaries.

Other corporate governance measures

In order to strengthen our internal control in relation to the compliance and enforcement of the Deed of Non-competition, we have adopted the following corporate governance measures:

- (i) our independent non-executive Directors shall review, at least on an annual basis, the compliance with and enforcement of the terms of the Deed of Non-competition by our Controlling Shareholders;
- (ii) we will disclose any decisions on matters reviewed by the independent non-executive Directors relating to compliance and enforcement of the Deed of Non-competition either through our annual report or by way of announcement;
- (iii) we will disclose in the corporate governance report of our annual report on how the terms of the Deed of Non-competition have been complied with and enforced; and
- (iv) in the event that any of our Directors and/or their respective associates has material interest in any matter to be deliberated by the Board in relation to the compliance and enforcement of the Deed of Non-competition, he shall disclose his interests to our Board and may not vote on the resolutions of the Board approving the matter and shall not be counted towards the quorum for the voting pursuant to the applicable provisions in the Articles of Association.

Our Directors consider that the above corporate governance measures are sufficient to manage any potential conflict of interests between our Controlling Shareholders and their respective associates and our Group and to protect the interests of our Shareholders, in particular, the minority Shareholders.