
RELATIONSHIP WITH THE SG GROUP

Both Sany HK and Sany BVI are investment holding companies.

Sany Group is a company established in the PRC with a registered capital of RMB322,880,000. It is principally engaged in the manufacture and distribution of engineering machineries for construction purposes, and machinery leasing, and manufacture of automobile and educational businesses. Sany Group's customers are mainly civil engineering companies, construction contractors and equipment leasing companies in China.

Sany Heavy Industry is a company established in the PRC and listed on the Shanghai Stock Exchange with a registered capital of RMB1,484,000,000. It is owned as to 60.73% by Sany Group. Sany Heavy Industry is principally engaged in the research and development, manufacture and distribution of engineering machineries for construction purposes. It is one of the largest construction heavy machinery manufacturers in the PRC. The customers of Sany Heavy Industry are mainly PRC enterprises engaging in the construction, construction materials and engineering equipments leasing businesses. [Based on publicly available information published by Sany Heavy Industry, for the years ended 31 December 2008 and the six months ended 30 June 2009, the revenue of Sany Heavy Industry was approximately RMB5,210,190,900, RMB9,144,950,800, RMB13,745,256,100 and RMB7,495,297,200, respectively, and for the years ended 31 December 2006, 2007 and 2008 and the six months ended 30 June 2009, Sany Heavy Industry's net profit was approximately RMB741,201,600, RMB1,905,785,400, RMB1,474,405,600 and RMB959,938,900, respectively.

Mr. Liang Wengen, our Group's ultimate Controlling Shareholder, is also the shareholder and founder of the SG Group as well as a director of Sany Group and executive chairman of the board of directors of Sany Heavy Industry. While he is not involved in the day-to-day business operations of our Group, he participates in the business and decision making of our Group through his right as a Controlling Shareholder. In an event of conflicts of interest, Mr. Liang Wengen will abstain from voting and will not, by himself or through his associates, be present in the relevant shareholder meetings. Hence, he would not be able to influence our Shareholders from making decisions on the matters in which he is, or may be, interested.

Apart from the business of manufacture and sale of coal excavating machinery, integrated coal mining equipment and coal mining transportation vehicles, our Controlling Shareholders and their respective associates are operating other businesses such as the research and development, manufacture and distribution of engineering machineries for construction purposes (including construction machinery, road construction machinery and hoisting machinery), lease of construction related machinery, the manufacture and sale of automobile, and automobile related parts and components, the research and development, manufacture and sale of power equipment, and power equipment related parts and components, the provision of electronics related educational and training services, and property development (the "**SG Retained Businesses**") through a number of companies controlled by them and the SG Retained Businesses will not form part of our Group. The SG Group does not engage in the business of manufacture and sale of coal excavating machinery, integrated coal mining equipment and coal mining transportation vehicles and the SG Retained Businesses are not related to or competing with our business.

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The table below set forth the principal activities of some of the companies which are controlled by our Controlling Shareholders and their respective associates as at the Latest Practicable Date:

Name of company	Principal activities	Shareholding in the company
Sany Group (<i>Note 1</i>)	Manufacture and distribution of engineering machineries for construction purposes, machinery leasing, manufacture of automobile and educational businesses	Liang Wengen — 58.24% Tang Xiuguo — 8.75% Xiang Wenbo — 8% Mao Zhongwu — 8% Yuan Jinhua — 4.75% Zhou Fugui — 3.5% Wang Haiyan — 3% Yi Xiaogang — 3% Wang Zuochun — 1% Zhai Xian — 0.6% Zhai Chun — 0.4% Zhao Xiangzhang — 0.38% Duan Dawei — 0.3% Huang Jianlong — 0.08%
Sany Heavy Industry (a non wholly-owned subsidiary of Sany Group) (<i>Note 2</i>)	Research and development, manufacture and distribution of engineering machineries for construction purposes	Sany Group — 60.73%
Kangfu International (a non wholly-owned subsidiary of Sany Group)	Provision of finance lease services	Sany Group — 75% Synnium Machinery — 25%
Sany Automotive Manufacturing Co., Ltd. (a non wholly-owned subsidiary of Sany Group)	Manufacture and sale of automobile, and automobile related parts and components	Sany Group — 97.47% Yi Xiaogang — 2.53%
Shanghai Zhushenyuan Co., Ltd. (a non wholly-owned subsidiary of Sany Group)	Property development	Sany Group — 50% Shanghai Synnium Leasing Co., Ltd. — 50%
Sany Heavy Machinery Co. Ltd. (三一重機有限公司) (a company contracted to be acquired by Sany Group)	Manufacture of excavating machine for construction engineering	Sany Group — 100% upon Completion (the transaction has not been completed as at the Latest Practicable Date)

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Name of company	Principal activities	Shareholding in the company
Hunan Automobile Manufacturing Co., Ltd. (a wholly-owned subsidiary of Sany Group)	Manufacture and sale of agricultural related automobile and, parts and components	Sany Group — 100%
Sany Development (a wholly-owned subsidiary of Sany Heavy Industry)	Distribution of engineering machineries for construction purposes	Sany Heavy Industry — 100%
Beijing Sany Heavy Equipment Co., Ltd. (a wholly-owned subsidiary of Sany Heavy Industry)	Manufacture and sale of staking machines	Sany Heavy Industry — 100%
Hunan Sany Lumian Machinery Co., Ltd. (a non wholly-owned subsidiary of Sany Heavy Industry)	Manufacture and sale of road machinery and other related products	Sany Heavy Industry — 69.63% China Wealth — 25.70% Hunan Automobile Manufacturing Co., Ltd. — 4.67%
Shanghai Sany Technology Co., Ltd. (a non wholly-owned subsidiary of Sany Heavy Industry)	Manufacture and sale of crawler crane	Sany Heavy Industry — 92.76% Hunan Sany Lumian Machinery Co., Ltd. — 7.24%
Hunan Sany Repair Services Co., Ltd. (a wholly-owned subsidiary of Sany Heavy Industry)	Provision of machinery and equipment repair services	Sany Heavy Industry — 100%
Loudi Zhong Xing Hydraulic Parts Co., Ltd. (a non wholly-owned subsidiary of Sany Heavy Industry)	Manufacture and sale of hydraulic related accessories	Sany Heavy Industry — 75% China Wealth — 25%

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Name of company	Principal activities	Shareholding in the company
Loudi Zhongyuan Machinery Co., Ltd. (a non wholly-owned subsidiary of Sany Heavy Industry) <i>(formerly known as Loudi Zhongyuan New Material Company)</i>	Manufacture, sale and development of casting and forging	Sany Heavy Industry — 74.94% China Wealth — 25.06%
Sany Heavy Machinery Co., Ltd.	Design, manufacture and sale of excavating machinery for construction purposes	Sany Heavy Machinery (China) Co., Ltd. — 100% (indirectly owned as to 50.91% by Mr. Liang Wengen, a Controlling Shareholder)
Shanghai Synnium Leasing Co., Ltd.	Lease of construction related machinery in the PRC	Synnium Machinery — 80% Sany Heavy Machinery Co., Ltd. — 20%

Notes:

1. Apart from the companies disclosed in the table above, Sany Group owned a large number of other companies which operated the SG Retained Businesses and such SG Retained Businesses did not compete with our business as at the Latest Practicable Date.
2. Sany Heavy Industry is a company listed on the Shanghai Stock Exchange. Apart from the companies disclosed in the table above, Sany Heavy Industry owned a large number of other companies which operated the SG Retained Businesses and such SG Retained Businesses did not compete with our business as at the Latest Practicable Date.

Delineation of Businesses

Our Directors are of the view that there is a clear delineation between the SG Retained Businesses and our business, as a result of which, none of the SG Retained Businesses would compete, or is expected to compete, directly or indirectly, with our core business. None of the members of the SG Group controlled by Mr. Liang Wengen are engaged in any business relating to the designing, manufacturing and selling of coal integrated excavating machinery and coal mining transportation vehicles that competes or may compete with us.

We will focus on the business of designing, manufacturing and selling of excavating machinery, integrated coal mining equipment and coal mining transportation vehicles, while the SG Group will focus on the production and manufacture and sale of construction related machinery and equipment, and sale of parts and components, and pumps and other raw materials for various types of heavy equipment and machinery, equipment finance leases and property development. The SG Group's end-customers are mainly civil engineering companies, construction contractors and equipment leasing companies in China, whereas our Group's end-customers are mainly PRC coal mining companies.

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Our Directors believe that the SG Retained Businesses can be clearly differentiated from our business. The core business of the SG Group and our Group, by the nature of the products manufactured by each of the SG Group and our Group, are different businesses which are independently operated in different markets and are aimed at different types of end-customers.

In addition, pursuant to the Deed of Non-competition, each of our Controlling Shareholders and Sany Group has undertaken not to engage in activities that compete with our core business, details of which are set out in the paragraph headed "Deed of Non-Competition" below. As at the Latest Practicable Date, none of our Controlling Shareholders, our Directors and their respective associates had an ownership interest in any business which competes or is likely to compete, either directly or indirectly with our Company's business.

Management independence

Our Board currently comprises two executive Directors, three non-executive Directors and three independent non-executive Directors. Other than Mao Zhongwu, Xiang Wenbo, Huang Jianlong and Wu Jialiang, none of our other Directors holds any directorship or senior management role in the SG Group nor is involved in the SG Retained Businesses. Mao Zhongwu assumes non-executive directorship with the SG Group and he will focus on overseeing the overall strategic planning of our Group. Save for attending the board meetings of the SG Group from time to time, it is expected that Mao Zhongwu will spend substantially all of his working time in the operation of our Group. Each of Xiang Wenbo, Huang Jianlong and Wu Jialiang is a non-executive Director with no executive function in our Group and each of them assumes an executive role in the SG Group. They will not be involved in the day-to-day management or affairs and operations of our businesses. Each of Xiang Wenbo, Huang Jianlong and Wu Jialiang is expected to maintain only an advisory role with us.

Apart from being a Director, each of Mao Zhongwu, Xiang Wenbo and Huang Jianlong is also a shareholder of Sany BVI, which in turn holds the entire issued share capital of Sany HK. Sany HK will directly shares in our Company. As at the Latest Practicable Date, Mao Zhongwu, Xiang Wenbo and Huang Jianlong held 8.00%, 8.00% and 0.08% of the issued share capital of Sany BVI, respectively. Mao Zhongwu, Xiang Wenbo and Huang Jianlong are also shareholders of Sany Group and each of them held the same shareholding interests in Sany BVI as at the Latest Practicable Date.

In the event that each of Mao Zhongwu, Xiang Wenbo, Huang Jianlong and Wu Jialiang is required to absent himself from any board meeting on any matter which may give rise to a potential conflict of interest with the SG Group, the remaining Directors will have sufficient expertise and experience to fully consider any such matter. Notwithstanding the directorship of Mao Zhongwu, Xiang Wenbo, Huang Jianlong and Wu Jialiang in the SG Retained Businesses, our Directors, including the independent non-executive Directors, are of the view that our Board is able to manage our business on a full time basis independently from the SG Retained Businesses for the following reasons:

- (a) Mao Zhongwu confirms and undertakes that, so long as he remains as an executive Director of the Company, all positions held by him with the SG Group are, and will

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continue to be, of a non-executive nature. Each of our Directors undertakes that, so long as he remains as an executive Director of our Company or in the event that he is appointed as an executive Director of our Company, he will not accept or will resign from any executive directorship or senior management position with the SG Group or any other entity save for entities within our Group or assume only non-executive role in the SG Group;

- (b) none of the SG Retained Businesses competes, or is likely to compete, with our core business and with the corporate governance measures in place to manage existing and potential conflicts of interest, therefore, the dual roles assumed by Mao Zhongwu, Xiang Wenbo, Huang Jianlong and Wu Jialiang in most cases will not affect the requisite degree of impartiality of our executive Directors in discharging their fiduciary duties owed to our Company;
- (c) we have three independent non-executive Directors, and certain matters of our Company, including connected transactions and other matters referred to in the Deed of Non-competition, details of which are set out in the paragraph entitled "— Deed of Non-competition" below, must always be referred to the independent non-executive Directors for review. This helps to enhance the independence of our management from that of the SG Retained Businesses;
- (d) in an event of conflict of interests, the relevant Director(s), including Mao Zhongwu, Xiang Wenbo, Huang Jianlong and Wu Jialiang, will abstain from voting, will not be present in the relevant Board meetings and will be excluded from deliberation by our Board. Hence the relevant Directors would be unable to influence the Board from making decisions on the matters in which he or she is, or may be, interested. We believe all of our Directors, including the three independent non-executive Directors, have the requisite qualifications, integrity and experience to maintain an effective board and observe their fiduciary duties in an event of conflict of interests. Please refer to the section entitled "Directors, Senior Management and Employees — Directors and Senior Management — Directors" in this document for a summary of the relevant experiences and qualifications of our Directors; and
- (e) save as disclosed herein, our daily operations will be managed by our senior management team, none of whom holds any senior managerial position or directorship position within the SG Retained Businesses.

Operational independence

We are independent from our Controlling Shareholders and the SG Group as we do not share operational or production capabilities with our Controlling Shareholders and/or the SG Group, and we have independent access to suppliers and customers, as well as an independent management team to handle our day-to-day operations. We do not share office premises or facilities with the SG Group and we are also in possession of all relevant licenses necessary to carry on and operate our business and we have sufficient operation capacity in term of capital and employees to operate independently from the SG Group.

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Although we entered into and will continue to have various transactions such as purchase of raw materials, parts and components, and pumps, distribution arrangement, mutual supply arrangement, overseas raw materials, and parts and components procurement arrangement, and sale of equipment under the finance lease arrangement with the SG Group, such transactions have been entered into and will continue to be entered into on normal commercial terms and in the ordinary course of business of our Company. The details of the connected transactions are set out in the section headed "Connected Transactions" below.

We purchase parts and components including fuel tanks and electric motors, and pumps from the SG Group for the manufacture of our products. Our purchases of parts and components, and pumps from the SG Group for the years ended 31 December 2006, 2007 and 2008 and the six months ended 30 June 2009 amounted to nil, approximately RMB2,746,000, RMB28,343,000 and RMB34,366,000, respectively and represent nil, approximately 1%, 4% and 6% of the total purchases of our Group for the years ended 31 December 2006, 2007 and 2008 and the six month ended 30 June 2009, respectively. We estimate that our purchases of parts and components, and pumps from the SG Group for the two years ending 31 December 2009 and 2010 will amount to RMB132,700,000 and RMB105,281,000, respectively. We consider the SG Group a reliable supplier of certain parts and components to us at competitive prices. Given the high quality of the products supplied by the SG Group and their familiarity with our specifications, standards and requirements, we believe that it would be in our interest to continue purchasing parts and components, and pumps from the SG Group. As we have independent access to suppliers and the relevant parts and components supplied by the SG Group are generally and widely available in the market at comparable market prices and that our own production of fuel tanks will commence in 2011, we will gradually reduce the purchasing of parts and components, and pumps from the SG Group going forward. As such, we do not consider that such purchases from the SG Group are of such materiality as to affect our ability to conduct our business independently of the SG Group.

We have entered into distribution arrangements with Sany Development, a wholly-owned subsidiary of Sany Heavy Industry, pursuant to which Sany Development distributes our products to certain overseas markets, including Russia, South Africa, India and Ukraine. We only started entering into such distribution arrangement with Sany Development in the second half of 2009. We entered into the distribution arrangements to leverage on the presences and connections of Sany Development in these overseas markets. We have considered the strategic importance of developing the overseas markets and are of the view that the distribution arrangements with Sany Development for the overseas markets above would free us from committing significant resources to the development of these markets in addition to giving us the additional comfort and confidence of transacting with a familiar party in a new market. Sany Development started distributing heavy equipment and machinery in 2000. It has established over 30 subsidiaries with business presences in different overseas countries. As at the Latest Practicable Date, it had approximately 110 sales offices and employed approximately 132 sales persons and 168 overseas service engineers, respectively in many overseas countries distributing heavy equipment and machinery including the products of Sany Heavy Equipment. Given the extensive sales experience of Sany Development in overseas markets and strong overseas distribution network, our Directors consider the distribution arrangements with Sany Development are in the interest of our Company. We have established our own overseas sales sub-division, which is based in the PRC, in December 2008. Although we have our own overseas sales sub-division, such sales sub-division has no branch office, business

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presence or distribution network in any overseas country. As at the Latest Practicable Date, no business activities had been undertaken directly by us yet overseas and we plan to carry on our overseas sales business when considerable experience in overseas sales business is accumulated in the future. Notwithstanding that we are using Sany Development to distribute our products to certain overseas countries, our Directors do not consider that we are relying on Sany Development for the sales of our products overseas, as we are not restricted from appointing additional overseas distributors for these markets or carry on overseas sales business through our own sales sub-division in these markets.

With a view to expanding our overseas distribution business, Sany Heavy Equipment has obtained a PRC customs import and export goods customs registration certificate of consignor and consignee (《中華人民共和國海關進出口貨物收發貨人報關注冊登記證書》), and registered in the relevant custom which allows us to carry out export activities. We also plan to operate our own overseas distribution in the second half of 2010. To implement our overseas distribution plan, we intend to set up our own branch offices at selected overseas locations including Russia, South Africa, India and Ukraine, and send our sales persons and service staff from the PRC and to employ new overseas sales persons and service staff to facilitate our overseas distribution. Through our own overseas distribution platform, we will sell our products directly to our existing overseas end-customers and attract new overseas customers procured by ourselves.

We had entered into sales agreements with Kangfu International for the two years ended 31 December 2008 and the six months ended 30 June 2009, pursuant to which we sold equipment to Kangfu International, which would then enter into finance leases with the ultimate customers for such equipment.] Kangfu International is principally engaged in the business of providing finance leases. Our sales to Kangfu International amounted to RMB5,470,000, RMB159,327,000 and RMB97,874,000 for the two years ended 31 December 2007, 2008 and the six months ended 30 June 2009, respectively, and represent approximately 1%, 14% and 11% of the total sales of our Group for the two years ended 31 December 2007 and 2008 and the six months ended 30 June 2009. We expect our sales to Kangfu International will continue and our Directors consider that our sales to Kangfu International would help expand our market as it would allow customers who, alone, lack the financial resources at the time of purchasing our equipment but would be able to do so under a finance lease arrangement. In addition, it would help reduce any credit risk associated with credit sales to customers. Notwithstanding that the sale contracts have been entered into between Kangfu International and us, (i) such sale contracts form an integral part of the corresponding financing agreements entered into between Kangfu International and our end customers; (ii) the product specifications are decided by our end customers instead of by Kangfu International; (iii) our end customers are required to acknowledge the executions of our sale contracts entered into with Kangfu International and (iv) neither the sale contract nor the financing lease contract contains any clause that has an effect of imposing an obligation on us or our end customers to appoint Kangfu International as the financing agent. In addition, there are numerous finance lease companies that our Company or the customers could use in China. We have entered and will continue to enter into finance lease arrangement with other independent finance lease service providers. As such, we intend to gradually reduce the finance lease arrangement with Kangfu International in the future. Based on the foregoing, our Directors are of the view that the sales to Kangfu International have no significant impact on the independence of the operation of our Group.

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In view of the above, our Directors confirm that we are able to operate independently of the SG Group despite the existence of the transactions discussed above, and can carry on our business independently of our Controlling Shareholders and their respective associates including the SG Group.

We have entered into mutual supply agreement with Sany Group, pursuant to which we supply raw materials which are expected to be not required by us to the SG Group, and in turn the SG Group supplies raw materials, which are not expected to be required by the SG Group but expected to be required by us for our production, to us on terms no less favourable than those that we can obtain from independent third parties. For the years ended 31 December 2006, 2007 and 2008 and the six months ended 30 June 2009, we did not supply raw materials to the SG Group. Apart from the SG Group, we are able to source raw materials from other alternative suppliers and it is our intention to cease the mutual supply arrangement with SG Group upon the expiry of the mutual supply agreement on 31 December 2009 and source raw materials from other independent third party suppliers. Our Directors believe that since there are alternative suppliers of such raw materials available in the market, we are able to operate independently of the SG Group in this regard.

We possess an independent raw materials procurement system. However, in order to enjoy more favourable prices with a discount ranging from 5% to 30% from bulk purchasing, [we have entered into a purchasing agency agreement with Sany Heavy Industry. Pursuant to the purchasing agency agreement with Sany Heavy Industry, Sany Heavy Industry has agreed to purchase certain raw materials, and parts and components, which are commonly required by our Group and the SG Group for their respective production, from overseas third party suppliers, which will then be resold to us at cost and with a management fee at 0.5% of such cost be paid by us to Sany Heavy Industry.] For the years ended 31 December 2006, 2007 and 2008 and the six months ended 30 June 2009, the aggregate purchasing amounts paid by our Group (including management fees) to Sany Heavy Industry for the purchase of raw materials, and parts and components from overseas third party suppliers were nil, approximately RMB8,366,000, RMB36,313,000 and RMB16,039,000, respectively. We are able to source raw materials, and parts and components directly from overseas third party suppliers or through other alternative purchasing agents and we will start sourcing raw materials, and parts and components from overseas third party suppliers in the second half of 2010. Upon the expiry of the purchasing agency agreement on 31 December 2010, we will cease the overseas procurement arrangement with Sany Heavy Industry. Our Directors believe that since we are able to source raw materials, and parts and components directly from overseas third party suppliers and there are alternative purchasing agents available in the market, we are able to operate independently of the SG Group in this regard.

Financial independence

All the amounts due to and due from the companies controlled by the SG Group, including any guarantees and indemnities provided by such companies for our benefit will be released or fully settled soon. Accordingly, we believe that we are able to maintain financial independence from our Controlling Shareholders and their respective associates including the SG Group.

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In addition, we have an independent financial system and finance team which is responsible for our own treasury function, cash receipts and payments, and independent access to third party financing. We also have our own internal control and accounting systems, and accounting and finance department and all finance and administrative functions are being and will be carried out independently by us without any assistance from the SG Group.

Based on the above, our Directors are of the view that our Directors and senior management are able to function independently of our Controlling Shareholders and their associates including the SG Group.

DEED OF NON-COMPETITION

Our Controlling Shareholders and Sany Group have entered into the Deed of Non-competition with our Company to the effect that each of them will not, and will procure any of their respective associates not to, directly or indirectly participate in, or hold any right or interest, or otherwise be involved in any business which may be in competition with our businesses.

The Deed of Non-competition also provides that:

- (i) our independent non-executive Directors shall review, at least on an annual basis, the compliance with the Deed of Non-competition by our Controlling Shareholders, Sany Group and their respective associates, the options, pre-emptive rights or first rights of refusal provided by our Controlling Shareholders, Sany Group and their respective associates on their existing or future competing businesses;
- (ii) our Controlling Shareholders and Sany Group shall, and if upon request, procure their respective associates to, provide all information necessary for the annual review by our independent non-executive Directors and the enforcement of the Deed of Non-competition;
- (iii) our Company shall disclose decisions on matters reviewed by our independent non-executive Directors relating to the compliance and enforcement of the undertaking (for example, the exercise of options or first rights of refusal) either through the annual report, or by way of announcements to the public;
- (iv) our Controlling Shareholders and Sany Group shall make declaration(s) on compliance with the Deed of Non-competition in accordance with the requirements under appendix 14 (Code of Corporate Governance) and appendix 23 (Corporate Governance Report) of the Listing Rules; and
- (v) our Controlling Shareholders and their respective associates shall abstain from voting at any general meeting of our Company if there is any actual or potential conflict of interests.

The Deed of Non-competition will cease to have effect on any of our Controlling Shareholders if he or it ceases to be our Shareholders.

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CORPORATE GOVERNANCE MEASURES

We may, as needed, enter into connected transactions with the SG Group. Our Controlling Shareholders, Sany Group and their respective associates may not compete with us as provided in the Deed of Non-competition. Each of our Controlling Shareholders has confirmed that he/it fully comprehends his/its obligation to act in our Shareholders' and our best interests as a whole. Our Directors believe that there are adequate corporate governance measures in place to manage existing and potential conflicts of interest. In order to further avoid potential conflicts of interest, we have implemented the following measures:

- (a) we have amended our Articles of Association to comply with the Listing Rules. In particular, our Articles of Association provide 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 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 conflict or potentially conflict with our interest and absent himself from the board meetings on matters involving the SG Group (including the SG Retained Businesses) and our Group and/or matters in which such Director or his associates have a material interest, unless the attendance or participation of such Director at such meeting of the Board is specifically requested by a majority of the independent non-executive Directors;
- (c) we are committed that our Board should include a balanced composition of executive and non-executive Directors (including independent non-executive Directors). We have appointed three independent non-executive Directors, two of whom have experience as directors of listed companies (namely, Mr. Ngai Wai Fung and Mr. Ng Yuk Keung) and one of whom has substantive expertise in the coal mining sector (namely, Mr. Xu Yaxiong). We believe our independent non-executive Directors possess sufficient experience and they are free of any business or other relationship which could interfere in any material manner with the exercise of their independent judgment and will be able to provide an impartial, external opinion to protect the interests of our public shareholders. Details of our independent non-executive Directors are set out in the section entitled "Directors, Senior Management and Employees — Directors and Senior Management — Directors — Independent non-executive Directors";
- (d) we have appointed HSBC as our compliance advisor, which will provide advice and guidance to us in respect of compliance with the applicable laws and the Listing Rules including various requirements relating to directors' duties and corporate governance; and

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- (e) as required by the Listing Rules, our independent non-executive Directors shall review any 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 available to or from independent third parties and on terms that are fair and reasonable and in the interests of our Shareholders as a whole.

In addition, if our independent non-executive Directors consider it necessary or desirable, they may also engage professional advisors (including an independent financial advisor) at the costs of our Company to advise them on matters relating to the Deed of Non-competition or on any business opportunities which may be referred to us by our Controlling Shareholders, details of which are set out in "— Deed of Non-competition" above in this section.