
RELATIONSHIP WITH CONTROLLING SHAREHOLDERS

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Upon completion of the Global Offering, Parent Company will be directly, and Mr. Liem, who is the sole shareholder of Yihua Crown which in turn directly owns 62.14% of Parent Company, will be indirectly interested in approximately 52.49% and 32.62%, respectively, of our issued share capital taking no account of Shares which may be issued pursuant to the exercise of the Over-allotment Option or Shares which may be issued upon the exercise of options granted under the Share Option Scheme and the Pre-IPO Share Option Scheme. Accordingly, Parent Company, Yihua Crown and Mr. Liem will be regarded as our Controlling Shareholders. None of our Controlling Shareholders are interested in any business which is, whether directly or indirectly, in competition with our business.

INDEPENDENCE FROM OUR CONTROLLING SHAREHOLDERS

Our Directors consider that we will be able to operate independently from our Controlling Shareholders and their respective associates (other than our Group) upon Listing for the following reasons:

- (i) as of the Latest Practicable Date, no executive Director had overlapping roles or responsibilities in any business operation other than our business;
- (ii) our Controlling Shareholders do not operate any business other than our business;
- (iii) as of the Latest Practicable Date, none of our Directors had an interest in any business which competes or is likely to compete, either directly or indirectly, with our business;
- (iv) as of the Latest Practicable Date, we had our own independent operation capabilities and independent access to customers and suppliers and we had not entered into any connected transactions with any connected person who was also a customer or supplier of our Group; and
- (v) we are financially independent of our Controlling Shareholders and their associates. All loans, advances and balances due to and from our Controlling Shareholders and their respective associates have been fully settled and that all share pledges and guarantees provided by our Controlling Shareholders and their respective associates on our Group's borrowing have been fully released.

Our Directors are satisfied that we are capable of carrying on our business independently from any of our Controlling Shareholders and their respective associates (other than our Group) after the Listing.

NON-COMPETITION UNDERTAKINGS

In order to eliminate any existing or future competition with us, our Controlling Shareholders have undertaken to us in the Deed of Non-competition that they will not, and will procure their associates (other than members of our Group) not to, engage in any business involving the production of sodium chlorate, ADC foaming agent and other specialty chemicals, such as hydrogen peroxide, including (without limitation) the following activities:

- acquiring, holding, developing, transferring, disposing or otherwise dealing in, whether directly or indirectly, any business or related investments involving the production of sodium chlorate, ADC foaming agent and other specialty chemicals, such as hydrogen peroxide;

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- engaging, having a right or in any way having an economic interest, in the promotion or development of or investment in sodium chlorate, ADC foaming agent and other specialty chemicals production business; or
- acquiring, holding, transferring, disposing or otherwise dealing in any option, right or interest over any of the matters set out in the two paragraphs above; except for acquiring, holding, transferring, disposing or otherwise dealing in, directly or indirectly, shares of any company, joint venture, corporation or entity of any nature, whether or not incorporated, with any interest in the matters set out in the two paragraphs above so long as their aggregate interest in any such entity is less than 5% of its equity interest.

The Deed of Non-competition will lapse automatically if our Controlling Shareholders and their associates cease to hold, whether directly or indirectly, any of our Shares, or our Shares cease to be listed on the Stock Exchange.

The Deed of Non-competition also provides that:

- 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;
- our Controlling Shareholders have undertaken to us that they will, and will procure their associates to use their best endeavors to provide all information necessary for the annual review by the independent non-executive Directors for the enforcement of the Deed of Non-Competition;
- we will disclose the review by the independent non-executive Directors on the compliance with, and the enforcement of, the Deed of Non-competition in our annual report; and
- our Controlling Shareholders will make an annual declaration in our annual report on the compliance with the Deed of Non-competition in accordance with the principle of voluntary disclosure in the corporate governance report.