*Potential investors should consider carefully all information set out in this document and, in particular, should consider and evaluate the following risks associated with an investment in the Company before making any investment decision in relation to our Shares. The* **[REDACTED]** *of our Shares may decline due to any of these risks and you may lose all or part of your investment as a result.*

*In addition to the risk factors described below, other risks and uncertainties not presently known to us, or not expressed or implied below, or that we currently deemed immaterial, may also adversely affect our business, operating results and financial condition in a material respect and the* **[REDACTED]** *of the* **[REDACTED]** *could also fall considerably.*

## RISKS RELATING TO OUR BUSINESS

**We may not be able to maintain our historical growth rates or profit margins, and our results of operations may fluctuate significantly.**

During the Track Record Period, we have been experiencing steady growth by having a steady increase in revenue. For the years ended 31 December 2012 and 2013, our revenue amounted to approximately RMB364.3 million and RMB412.3 million, respectively, representing a year-on-year growth of approximately 13.2%. For the nine months ended 30 September 2013 and 2014, our revenue amounted to approximately RMB266.9 million and RMB298.2 million, representing a growth of approximately 11.7%. For a variety of reasons, we may not be able to expand our business at a rate comparable to our historical performance. Our growth rate and profit margin could be hampered by an economic downturn, fierce competition, change in regulations and government policies, failure to catch up with technology developments, shortage of key or specialised personnel or other risks described in this section.

**If investment in infrastructure and road construction and maintenance in the PRC declines or that there are changes in the PRC laws, regulations or policies, our business, financial conditions, results of operations and growth may be materially and adversely affected.**

We generate a substantial portion of our revenue in the PRC. The percentage of total revenue from the sale of asphalt mixing plants generated in the PRC for PRC road construction or maintenance projects for the years ended 31 December 2012 and 2013 and nine months ended 30 September 2014, was approximately 78.1%, 77.2% and 87.0% respectively. Our asphalt mixing plants are mainly used in the road construction and maintenance sector and the development of our business depends on the sustained growth of these sectors in the PRC. There is no assurance that this sector will continue to grow in the future. Factors such as consumer, corporate and government spending, business investment, volatility and strength of the capital markets and inflation in the PRC affect the business and economic environment we are in, and ultimately affect our revenue and profitability. If the PRC economy does not grow at the expected rate or that the government spending for road construction and maintenance work declines, this could lead to less than expected business and construction activity nationwide, or if there are changes in PRC laws, regulations or policies which lead to a decline in investment on infrastructure, road construction and maintenance, the demand for our products and services may decrease and our business, results of operations and financial condition may be materially and adversely affected.

**Our success depends on the market recognition of our brand and we could be adversely affected by negative publicity.**

We rely heavily on the market recognition of our "D&G" brand. We have a well-established operating history and strong brand recognition. We believe that business growth in our services and products depends heavily on the public perception of our brand and we anticipate that we will continue to rely on our brand in our future business. If we fail to promote our brand or to maintain or enhance the brand recognition and awareness amongst our customers, or if we are subject to events or negative allegations affecting our brand image or publicly perceived position of our brand, our business, our operating results and our financial condition could be adversely affected.

**If we fail to implement our overseas growth strategy, our business, financial condition and results of operations may be materially and adversely affected.**

As part of our expansion strategy, we plan to increase our revenues in the overseas market by increasing the sales of our asphalt mixing plants and related services to customers in overseas markets such as India, Southeast Asia and Middle East countries, which have strong demands for asphalt mixing plants. During the Track Record Period, we have sold our products directly to our overseas customers and we have sold our products to customers in the PRC who has undertaken road construction and maintenance projects in overseas countries. For the years ended 31 December 2012 and 2013 and the nine months ended 30 September 2014, the sales of our products to overseas markets (including direct or indirect export) represented approximately 21.9%, 22.8% and 13.0% of our total revenue from the sales of asphalt mixing plants, respectively.

Our global expansion plans and exposure to the overseas markets exposes us to a number of risks, including, among other things:

- imposition of currency restrictions, restrictions on repatriation of earnings or other restraints;
- imposition of tariffs, trade sanctions or other trade barriers;
- potential credit risk with respect to our customers in certain overseas markets;
- challenges in providing customer services and support in these markets;
- challenges in managing our distribution network overseas and our overseas sales channels effectively;
- difficulties in registering, maintaining or enforcing intellectual property rights;
- political and economic instability or civil unrest;
- decrease in investment in road construction in overseas markets; and
- slower than expected global economic growth and unfavorable macroeconomic conditions.

If we fail to avoid or mitigate these risks, our global expansion strategy will be negatively affected, which could adversely affect our business, financial condition, results of operations and prospects.

**If we are unable to implement our expansion plans successfully or we fail to manage our expansion strategies successfully, our business, financial condition, results of operations and future growth may be adversely affected.**

Our future success depends on our ability to implement our expansion plans. While we have conducted feasibility studies of our expansion plans, we cannot guarantee that our business strategies will be successful. Our key strategies include expanding our production capacity to meet demand for our products, enhancing our research and development capabilities, continuing to promote our hot-mix asphalt mixing recycling plant and other new products with recycling features, expanding our sales networks within the PRC and globally, and continuing to broaden our product offerings and development of new businesses.

The utilisation rate of our production capacity for the years ended 31 December 2012 and 2013 and the nine months ended 30 September 2014, was approximately 98.0%, 106.0% and 104.0% respectively. If we are unable to increase our production capacity, we may lose market share as we may lose orders from customers due to not having sufficient production capacity. Additionally, we may not be able to achieve the optimum economies of scale in our operations in a manner that allows us to minimise costs and remain competitive in the market. If we are unable to deliver high quality products to our customers in a timely manner, our reputation and brand name will be affected. Our customers may also require us to compensate them for their losses incurred as a result of being unable to deliver our products on time.

To keep up with our customers' changing needs, and to compete with our competitors, we are required to keep abreast of technological advancements and introduce new products. Our growth prospects are dependent on our ability to improve our existing products or develop new products that meet our customers' needs and changing requirements. As a result, we have invested considerable capital into our research and development activities. For the years ended 31 December 2012 and 2013 and the nine months ended 30 September 2014, our research and development expenses amounted to approximately RMB13.4 million, RMB13.9 million and RMB5.8 million, respectively, For the nine months ended 30 September 2014, we also capitalised research and development expenditures incurred on new model of plant as inventory in the amount of approximately RMB5.6 million.

While we strive to focus our research and development efforts on outcomes that will have a direct positive impact on our business, there is no assurance that our research and development efforts will be successful or directly applicable to improve our products, or that our new technology and products will be accepted in the market. Additionally, our ability to introduce newly developed products to the market depends on factors beyond our control, including prevailing economic conditions, changing risk appetites of our customers, ability of our customers to obtain financing for new and potentially more costly products, and changes in industry standards and regulatory requirements for asphalt pavements.

While we are making efforts to increase our production capacity, we cannot be certain that we will be able to do so or the demand for our products will continue to increase or remain at the current levels. Please see the paragraph headed "If investment in infrastructure and road construction and maintenance in the PRC declines or that there have been changes in the PRC laws, regulations or policies, our business, financial conditions, results of operations and growth may be materially and adversely affected." in this section for further details.

Failure to manage our expansion, manage additional funds which have been raised, or execute growth strategies could adversely affect our business, results of operations, financial condition, cash flows, and prospects. Our investors' return on equity may also be adversely affected as a result. If, due to unforeseen factors, there is insufficient funding, we may be required to forgo some of our expansion plans, issue more shares which may dilute our investors' shareholding, or seek debt financing which may not be available on commercially reasonable terms, which may also adversely affect our investors' return on equity.

**If we are unable to collect trade receivables in a timely manner, we would have to record impairment losses and our financial condition and results of operations may be adversely affected.**

We may not be able to collect our trade and bills receivables in a timely manner and some of our customers may delay payment of the outstanding balances after due dates due to various reasons beyond our control, such as slow settlement of government funding for PRC road construction or maintenance projects that our customers participated in. As at 31 December 2012, 2013 and 30 September 2014, our trade receivables that were past due but not impaired amounted to approximately RMB35.8 million, RMB93.2 million and RMB86.3 million, respectively, of which approximately RMB2.1 million, RMB4.4 million and RMB7.3 million, respectively, were past due over 12 months, representing approximately 5.8%, 4.7% and 8.4% of the trade receivables that were past due but not impaired. Our average trade and bills receivables turnover days also increased from 125 days as at 31 December 2012 to 153 days as at 31 December 2013, and to 215 days as at 30 September 2014 during the Track Record Period.

Moreover, our trade receivable impairment losses recognised during the Track Record Period amounted to approximately RMB4.4 million, RMB10.4 million and RMB3.6 million, respectively. There is no assurance that impairment losses will not continue to occur in the future even we have from time to time enhanced our credit control and collection policies to minimise the credit risk. If any further amount of trade and bills receivables is considered to be uncollectible, impairment will be made accordingly. As a result, our financial condition and results of operations will be materially and adversely affected.

**If we fail to maintain our relationships with our distributors, our business, results of operations and financial condition may be materially and adversely affected.**

We sell our products and services through our internal sales teams and external distributors. Approximately 29.2%, 23.4% and 32.0% of our revenue from the sales of asphalt mixing plants was generated from the sales of our products to a distributor directly or to customers through our distributors acting as sale agents during the Track Record Period, respectively. Our ability to reach existing and potential customers depends partially on our relationships with distributors, particularly in the overseas market. If we fail to maintain or strengthen our relationships with our distributors, our business, results of operations and financial condition may be adversely affected.

Further, if we do not adequately manage our distributors, our distributors may fail to provide adequate training and services to our customers, violate anti-corruption laws in the PRC or abroad, or use or permit the unauthorised use of our brand name. As a result, our reputation and brand name may be damaged, and our sales may be materially and adversely affected. Additionally, if our distributors engage in illegal activities, or if they breach their contractual agreements with us, our corporate image may be harmed, our sales volume may decrease, and the sustainability of our business would be negatively impacted. We place considerable reliance on third party distributors to reach our customers, yet our ability to control such third party distributors is limited. There is no assurance that our third party distributors will comply with their agreements with us or that they will abstain from illegal activities.

**Any fluctuation in the local currencies of our overseas customers against US dollars or Euros may result in delay or default of payments by our overseas customers to us.**

During the Track Record Period, we generated approximately 14.2%, 14.1% and 4.9% of our total revenue from our direct export sales where our overseas customers pay us in foreign currencies. Even though our overseas customers pay us mainly in US dollar or Euro, any depreciation of the local currencies of our overseas customers against US dollars or Euros may result in our overseas customers using more local currency to exchange into the same amount of US dollars or Euros. During the Track Record Period, our direct export sales to Russian customers accounted for approximately 9.9%, 10.2% and 2.9% of our total revenue, respectively. As at 30 September 2014, our trade receivables from those Russian customers accounted for approximately 2.6% of our total trade and bills receivables. The recent depreciation of the Russian currency, Ruble, against US dollars and Euros recently means that our Russian customers would need to use more Rubles to exchange into the same amount of US dollars or Euros to pay us. If the Russian customers do not have sufficient Ruble to exchange into US dollars or Euros to settle their payment obligations to us, they may delay their payments to us or that they may be in default of their payment obligations to us. In such circumstances, our business, financial condition or results of operations may be adversely affected.

**We may be unable to maintain effective quality control.**

The performance, quality and safety of our products are critical to our business and development. Although we have established and currently maintain stringent quality control standards and internal inspection procedures, the effectiveness of our quality control system is determined by various factors, including the implementation of quality standards, quality of training programs and the adherence by our employees to our quality control policies and guidelines.

In addition, our production output is highly dependent upon our quality control system and reliable and sufficient sources of high quality raw materials, parts and components. While we are able to produce the core parts and components for our products, our customers from time to time will request that we procure certain non-key parts, components and other ancillary materials for their customized products from a limited number of domestic or overseas suppliers. We cannot assure you that such parts, components and ancillary materials will be manufactured in accordance with our internal quality standards. Failure of such parts, components and ancillary materials to meet our internal quality standards may result in product defects in our finished product. In addition, we also outsource the manufacturing of certain non-key parts and components to selected domestic suppliers and we are primarily liable for product defects resulting from outsourced parts and components. We cannot assure you that we will not be subject to any claims related to product defects including product liability claims in the future. If any such claims were to arise, regardless of the merits or adjudication of such claims, we may incur significant costs and expenses to address such claims. In addition, addressing such claims could divert our management attention and resources. If any of the foregoing were to occur, our business, results of operations, financial condition and reputation could be materially and adversely affected.

**We depend on a stable and adequate supply of raw materials, parts and components and we do not enter into any long-term agreements with our suppliers and our subcontractors, which exposes us to uncertainty and potential volatility with respect to our cost of raw materials, parts and components.**

During our Track Record Period, our cost of raw materials, parts and components with respect to the sales of asphalt mixing plants accounted for approximately 78.1%, 74.7% and 77.7%, respectively, of our total cost of sales. As a result, our production volume and production costs depend on our ability to source quality materials at competitive prices. We do not usually enter into any long-term agreements with any suppliers and subcontractors for raw materials, parts and components nor have we entered into any hedging arrangements or transactions to reduce our exposure to fluctuations in the costs of raw materials, parts and components. If we experience an interruption, reduction or termination in supply of raw materials, parts and components from our suppliers and subcontractors, or an increase in the cost of raw materials, we may not be able to obtain the supply of raw materials, parts and components needed for the production of our products. Any increase in the prices of our major raw materials, parts and components could result in additional costs to us and may lead to a reduction in our gross profit margin to the extent that we are unable to pass these increased costs on to our customers. As a result, our business, financial condition, results of operations and growth prospect may vary from period to period and may fluctuate significantly in the future.

**Our production and operations may be affected by factors beyond our control.**

Our manufacturing facilities are subject to numerous risks beyond our control, including, among others, equipment failures, earthquakes, fires, acts of terrorism, explosions, adverse weather conditions, accidents, power outages and other man-made or natural disasters. In addition, manufacturing processes for heavy machinery are inherently dangerous due to the complexity of the production environment, materials involved and human error in the operation of heavy manufacturing equipment. Although we have established a safety supervision department responsible for ensuring the safety and protection of our employees, we cannot assure you that serious accidents, physical injuries or fatalities will not occur.

Furthermore, members of our work force are currently employed under employment contracts which specify, among other things, each employee's position, responsibilities, remuneration and grounds for termination pursuant to PRC labour laws and other relevant regulations. However, PRC labour laws and other relevant regulations are subject to change, and we cannot assure you that any such change would not result in additional costs, restrictions or other requirements that would have an adverse effect on our business or results of operations. Although we believe that our relationships with our employees are good, we could be subject to employment disputes, strikes, work stoppages or other industrial actions.

The occurrence of any of the foregoing could disrupt our production schedules and business operations. Interruptions in production could increase our costs and delay delivery of our products. In addition, reductions in our production capacity could cause us to reduce or delay sales efforts until production capacity is available. Furthermore, any lost sales or increased costs that we may experience during the disruption of our production process and business operations may not be recoverable under our insurance policies, and longer-term business disruptions could result in a loss of customers. If any of the foregoing were to occur, our business, results of operations, financial condition and profitability could be materially and adversely affected.

**We provide our customers with various payment options, including finance lease services which are backed by an undertaking from us to re-purchase our products, which exposes us to additional risks and uncertainties.**

We offer various payment options to our customers in order to boost the demand for our products. We currently offer a payment arrangement where we sell our products to finance leasing companies which then lease our products to the end-users by way of finance leases. The end-users then pay rent to the finance leasing companies in exchange for the use of the equipment. In connection with this arrangement, we provide the finance leasing companies with an undertaking or guarantee to re-purchase the plant and to pay for the amount of outstanding lease payments for the remaining period in certain cases of the finance lease if the end-user defaults on its rental payments. As at 31 December 2012, 2013 and 30 September 2014, our maximum exposure to such guarantee obligations amounted to approximately RMB18.0 million, RMB25.7 million and RMB42.8 million, respectively.

Even though we have not encountered any defaults from the end-users since we started to offer such payment option to our end-users , these finance leasing arrangements may still expose us to additional risks and uncertainties, including the credit risk of our customers, as we are unable to guarantee our end-users will not default on payments under the finance lease arrangements in the future.

Our exposure to the end-users credit risk may become more acute in times of an economic slowdown, which may result in an increased probability of the end-users defaulting on rental payments in connection with the finance lease contracts. In the event of such end-user defaults, the equipment which is the subject of the finance lease will have to be re-purchased by us. During a recession, the demand for used equipment may decrease and we may not be able to sell the re-purchased equipment at a fair market value, or worse, we may not even be able to sell the re-purchased equipment at all.

**Non-renewal, revocation or suspension of permits, licenses and certificates required for our operations may materially and adversely affect our business, financial condition and results of operation.**

We are required to obtain and maintain valid licenses, permits, certificates and other authorisations issued by various governmental authorities (including NDRC and MOFCOM) in order to carry out our business. For details of the relevant authorisations required, please refer to the section headed "Laws and Regulations" and the paragraph headed "Risk Factors – Risks Relating to Our Industry – If there are changes in the PRC government policies that are unfavorable to our industry, our growth prospects, business, financial condition and results of operations may be materially and adversely affected". Further, we must comply with the conditions and restrictions imposed by the various government authorities to maintain our permits, licenses, certificates and other authorisations. Our PRC Legal Adviser has advised us that our Group has obtained all permits, licenses and certificates that are necessary for our current operations in the PRC.

The PRC governmental authorities (including NDRC and MOFCOM) may conduct special and routine inspections, audit, inquiries and examinations on us in order to ensure that we comply with the restrictions and conditions required for us to maintain our licenses, permits, certificates and other authorisations for our business operations. If we are found not to comply with the relevant licenses, permits, certificates or other authorisations issued by such PRC governmental authorities, our licenses, permits, certificates and other authorisations may be suspended or revoked, and we may be subject to fines or penalties, and may be required to suspend or cease part or all of our business operations. In addition, we cannot assure you that we will be able to maintain or renew, or renew in a timely manner, our existing licenses, permits, certificates or other authorisations which we require for our continued business operations. Our business operations, financial condition, results of operations and prospect and profits may be adversely affected as a result.

**Our business depends on our ability to retain key personnel.**

Our business and our historical success can substantially be attributed to the expertise and experience of our senior management and key employees. If any of the directors or the key management personnel cease to be involved in our management, our business and operations may be materially impaired. Our continued success depends on our ability to retain key personnel and to attract new talent. However, competition for recruiting suitable technical and professional personnel is intense, and we may need to offer higher compensation and more attractive benefits in order to attract and retain talent, which may adversely affect our financial condition and results of operations. In addition, the process of hiring and training qualified personnel is often costly in terms of time and money, and if our talent management is unsuccessful, qualified personnel may not be integrated into our workforce in a timely manner to meet our business needs.

We do not maintain key-man insurance for members of our senior management and key employees. If we are unable to find a replacement for our key personnel, our operations and business may be severely impaired or disrupted. Our senior management are subject to a non-competition term of two years. However, we cannot guarantee that the non-competition term is enforceable for the full two years or that such non-competition term is enforceable at all. In addition, if any of our key personnel joins a competitor or establishes a competing business, we may face the risk of losing our key customers and intellectual property and our business, finance condition and results of operations may be adversely affected.

**Fluctuations in the price of raw materials, parts and components may affect our profitability.**

Our ability to produce high quality products depends on reliable sources of large quantities of high quality raw materials, parts and components.

The prices and availability of raw materials, parts and components may vary from period to period due to factors such as customer demand and market conditions. As such, we are exposed to market risk of price fluctuation, which may cause fluctuation in our cost of sales. Any increase in our principal raw materials may adversely affect our gross profit margin if we are unable to pass on the increased costs to our customers.

One of our major raw materials, parts and components are steel and steel related products. In particular, the price of steel has been volatile in recent years. According to Bloomberg, the average spot price for China domestic hot rolled steel sheet was approximately RMB4,000, RMB3,700 and RMB3,400 in years ended 31 December 2012, 2013 and nine months ended 30 September 2014, respectively. We expect the volatility of steel prices to continue and here is no assurance that our suppliers and subcontractors will provide us with raw materials, parts and components at reasonable prices. If the price of our raw materials, parts and components increases in the future, or that we will not be able to pass on any increase in costs to our customers, our business, operations, financial condition and results of operations may be adversely affected.

**We will be required to pay corporate income tax at a higher rate, and this will affect our profitability.**

We are subject to various PRC taxes, including the current statutory PRC enterprise income tax of 25% as determined pursuant to the relevant PRC tax rules and regulations. We and some of our subsidiaries have in past years been taxed at preferential rates because of the nature of our business activities, the location of our projects or our status as a foreign invested enterprise. For example, our subsidiary, Langfang D&G, was recognised as a high-technology enterprise in Hebei and are thus entitled to a preferential PRC enterprise income tax rate of 15% for a period of three years from 2011 to 2013. We are in the process of renewing the high-technology enterprise qualification of Langfang D&G from 2014 to 2016.

We cannot assure you that we will always be able to obtain the renewal high-technology enterprise status or that the laws and regulations regarding the preferential tax treatment of high-technology enterprise will not change in the future. Any change or discontinuation in the preferential tax treatment that we currently enjoy will have a negative impact on our financial condition, business and results of operations.

**Third parties may infringe upon our intellectual property rights, or we may be subject to claims of alleged infringement on the intellectual property rights of others.**

Our focus on research and development enables us to stay competitive and is one of our key strengths. As at the Latest Practicable Date, we had (i) 29 registered patents in the PRC, of which 3 were invention patents and 26 were utility model patents; (ii) 5 patents pending registration in the PRC, of which 2 were invention patents, 3 were utility model patents; (iii) and 22 software copyrights in the PRC. In addition, Beijing D&G is in the midst of transferring 7 registered utility model patents to us. We have marketed our products under the brand name of "D&G", which is a registered trademark in the PRC, Hong Kong and European Union. Further details of our intellectual property are set out in the paragraph headed "Further Information about the Business of our Group – 9. Intellectual property rights of our Group" in Appendix IV to this document.

We rely on trademarks, patents, domain names and trade secret protection laws and confidentiality agreements with our employees, customers and other stakeholders to protect our intellectual property rights. Trade secrets such as product designs and product customisation are covered by confidentiality agreements as well.

Our intellectual property is exposed to theft and other forms of misappropriation. In particular, the legal protection to trademarks, patents, trade names, copyrighted materials, domain names, trade secrets, know-how and other forms of intellectual property in the PRC is limited and less effective as compared to many other countries. Preventing unauthorised use of our intellectual property is therefore difficult, time consuming and expensive, yet yielding limited and uncertain results. Misappropriation of our trademarks and other intellectual property could divert significant business to our competitors, damage our brand names and reputation, and may require us to initiate litigation that could be expensive, time consuming and require us to divert management resources from the operations of our business.

On the other hand, there is no assurance that infringement claims against us from third parties will not occur. We may be subject to legal proceedings and claims from time to time alleging infringement of copyrights, trademarks or patents, or misappropriation of creative ideas or formats, or other infringement of proprietary intellectual property rights. Any such claims, regardless of merit, may involve us in time consuming and costly litigation or investigation, divert significant management and staff resources, require us to enter into expensive royalty or licensing arrangements, prevent us from using important technologies, business methods, content or other intellectual property, result in monetary liability, prevent us from distributing our products through the use of injunctions or other legal means, or otherwise disrupt our operations. As at the Latest Practicable Date, our Directors were not aware of any claims or imminent claims against us alleging infringement of proprietary intellectual property rights.

**We may incur significant losses resulting from product liability claims.**

We may be exposed to the risk of third parties making product liability claims against us in relation to our products, and we may have to allocate financial and managerial resources to defend ourselves against such claims. We are also at risk of being sued for product liability in connection with parts or components that we obtained from third party suppliers and subcontractors and which we used in the production of our Conventional Plants and Recycling Plants. Since we do not maintain general product liability insurance, in the event that we are found liable in a product liability claim, we may be required to pay a substantial amount in compensation or damages and may suffer damage to our reputation.

**We may not have adequate insurance coverage.**

The commercial insurance products offered in the PRC do not provide as much coverage as those offered in other countries. We only obtain a limited amount of insurance coverage, and we may be exposed to the risk of uninsured financial or other losses, damages and liabilities, litigation costs, and losses arising from business or operation disruptions. Additionally, our insurance policy may not cover losses arising from natural disasters, adverse weather, power disruptions, war, terrorist attacks or other similar events that are out of our control. If our production and business operations are disrupted, we may incur material costs and losses that may materially and adversely affect our business, financial condition and results of our operations.

**Our sales may be affected by seasonality.**

Our revenue may be affected by seasonal and weather conditions. Our revenue is typically highest during the months between May to October of each calendar year because there are more road construction activities when the weather is warm. Further, road construction projects often progress more slowly or are temporarily suspended during winter, in particular, during the Chinese New Year holidays. Additionally, road construction projects are also affected by adverse weather conditions like heavy rain or snow. As a result, our revenue may fluctuate between different periods within a financial year, or between the same periods in different financial years.

**We could be adversely affected as a result of our operations in certain countries that are subject to evolving economic sanctions of the U.S. government, the UNSC, the E.U. and other relevant sanctions authorities.**

The U.S. and other jurisdictions, including the E.U., Australia and the U.N., have comprehensive or broad economic sanctions targeting the Sanctioned Countries and Sanctioned Persons. During the Track Record Period, we had (i) entered into a sales and purchase contract with a customer in Libya for the sale of an asphalt mixing plant at a price of US$0.5 million, of which no revenue had yet to be recorded within the Track Record Period; and (ii) product and parts and components sales in Russia, directly to our customers or indirectly through distributors acting as sales agents. Our revenue derived from these sales in aggregate accounted for approximately 9.9%, 10.2% and 6.6%, respectively, of our revenue for the years ended 31 December 2012 and 2013 and the nine months ended 30 September 2014. As at the Latest Practicable Date, we still carry out such business activities connected with such Sanctioned Countries. For details of the business operations in the Sanctioned Countries, please see the section headed "Business – Business activities in the Sanctioned Countries".

We have undertaken to the Stock Exchange that we will not use the proceeds from the **[REDACTED]**, as well as any other funds raised through the Stock Exchange, to finance or facilitate, directly or indirectly, activities or business with any Sanctioned Country which are prohibited under international sanction laws and regulations or with any sanctioned person. We have also undertaken to the Stock Exchange that we will not enter into sanctionable transactions that would expose us or the Stock Exchange, HKSCC, HKSCC Nominees, our Shareholders or potential investors to risks of being sanctioned. If we breach any of these undertakings to the Stock Exchange after the Listing, it is possible that the Stock Exchange may delist our Shares. In order to ensure our compliance with these undertakings to the Stock Exchange, we will continuously monitor and evaluate our business and take measures to protect the interests of our Group and our Shareholders. For details of our internal control procedures, see "Business – Business Activities in Sanctioned Countries – Our undertakings and internal control procedures".

As a Group with business operations in China, we will comply with all PRC laws and applicable laws in the jurisdictions where we have operations. We will also seek to prevent our transactions in relation to the Sanctioned Countries from being subject to sanctions under the laws of the U.S., the E.U., Australia, the U.N. or Hong Kong, and avoid carrying out business transactions with any Sanctioned Persons. However, to the extent such sanctions are imposed on our Company, our business and Shareholders' interests may be materially and adversely affected.

We cannot predict the interpretation or implementation of government policy at the U.S. federal, state or local levels or any policy by the E.U., Australia, the U.N. or other applicable jurisdictions with respect to any current or future activities by us or our affiliates in the Sanctioned Countries and/or with Sanctioned Persons. We have no present intention to undertake any future business that would cause us, the Stock Exchange, HKSCC, HKSCC Nominees, our Shareholders or potential investors to violate or become a target of sanctions laws of the U.S., the E.U., Australia, the U.N. or Hong Kong. However, we can provide no assurance that our future business will be free of risk under sanctions implemented in these jurisdictions or that we will conform our business to the expectations and requirements of the U.S. authorities or the authorities of any other government that does not have jurisdiction over our business but nevertheless assert the right to impose sanctions on an extraterritorial basis. Our business and reputation could be adversely affected if the U.N., the government of the U.S., the E.U., Australia, UNSC or any other governmental entity were to determine that any of our activities constitutes a violation of the sanctions they impose or provides a basis for a sanctions designation of our Company. In addition, because many sanctions programs are evolving, new requirements or restrictions could come into effect which might increase scrutiny on our business or result in one or more of our business activities being deemed to have violated sanctions, or being sanctionable. In addition, certain U.S. state and local governments and universities have restrictions on the investment of public funds or endowment funds, respectively, in companies that are members of corporate groups with activities in certain Sanctioned Countries. As a result, concern about potential legal or reputational risk associated with our historical and on-going operations in the Sanctioned Countries and/or with Sanctioned Persons could also reduce the marketability of the **[REDACTED]** to particular investors, which could affect the price of our **[REDACTED]** and Shareholders' interests in us, despite our commitment not to direct the proceeds from the **[REDACTED]** to dealings with any parties subject to International Sanctions. Before investing in our Shares, you should consider if such investment would expose you to any of the U.S., the E.U. or other sanctions law risk arising from your nationality or residency. Any of these events could have an adverse effect on the value of your investment in us.

## RISKS RELATING TO OUR INDUSTRY

**If there are changes in the PRC government policies that are unfavourable to our industry, our growth prospects, business, financial condition and results of operations may be materially and adversely affected.**

Our asphalt mixing plant business and related services are supported by PRC national policies. The State Council of the PRC has specifically listed asphalt mixing plants as a development priority in its "Plan on Adjusting and Revitalizing the Equipment Manufacturing Industry"* (《裝備製造業調整和振興規劃》) promulgated in 2009. The development of asphalt pavement recycling technology is also supported by regulations such as the "Twelfth Five-Year Plan for Transport (JGHF [2011] No. 191)"* the Transportation "Twelfth Five-year" Development Planning* (《交通運輸「十二五」發展規劃》), and in the light of the Supportive Field of National Major New Product Plan 2013* (《國家重點新品計劃支持領域－2013年》) issued by the Ministry of Science and Technology, and the Ministry of Transport released the Guidance on Promoting Road Pavement Material Recycling* (《交通運輸部關於加快推進公路路面材料循環利用工作的指導意見》) (the "**Guideline**").

However, the PRC Ministry of Commerce has amended its *Catalogue for the Guidance of Foreign Investment Industries 2011 Revision* (《外商投資產業指導目錄(2011年修訂)》) on 24 December 2011 (the "**Catalogue**") such that foreign enterprise operating in the manufacturing of asphalt and concrete mixing and paving equipment now falls within the "limited" category even though it was previously in the "permitted" category in the Catalogue. In addition, according to the reply (serial number FaGaiBan [2012] 2636), issued by the National Development and Reform Commission on 14 September 2012, Langfang D&G has obtained approval to increase its production capacity from 50 units to 85 units of asphalt mixing plants per year and the additional 35 units approved should be Recycling Plants. The Recycling Plants projects undertake by Langfang D&G falls within the "manufacturing of solid waste disposal equipment", which is classified as Class 3. Article 18. Item 58. of "Encouraged" category in accordance with the Catalogue. During the TRP, we have manufactured and sold 41, 41 and 19 units of Conventional Plant for the years ended 31 December 2012 and 2013 and for the nine months ended 30 September 2014, respectively. Although we have been engaging in the business relating to the sale of asphalt mixing plants before the amendment to the Catalogue came into force and we are therefore not affected by such amendment, and even though our Recycling Plant business is supported by PRC national policies, we may face difficulties in carrying out or expanding our Conventional Plant business if it becomes difficult to obtain approval from the Development and Reform Commission to expand our production capacity.

In addition, we cannot fully predict the effect of future developments in the PRC legal system, or the extent and effect of implementation and enforcement of new laws. The PRC government has extensive powers and wide discretion in dealing with violations of its laws, including imposing fines, revoking business licenses or permits and requiring remedial actions for compliance with PRC law. If we are forced to restructure our business or undergo corporate restructuring as a result of changes in government policy on foreign investment or changes in the interpretation or application of PRC regulations or laws, our business, financial condition and results of operations may be adversely affected.

**We face competition from existing and new domestic and international asphalt mixing plant manufacturers and service providers.**

The competition in the PRC asphalt mixing plant manufacturing industry is intense. During the Track Record Period, we generated the majority of our revenue from the sales of medium to large scale asphalt mixing plants. Such revenue accounted for approximately 84.0%, 85.1% and 90.9%, of our total revenue from the sales of asphalt mixing plants, respectively. We also generated some revenue from sale of small scale asphalt mixing plants during the Track Record Period. Such revenue accounted for approximately 16.0%, 14.9% and 9.1%, of our total revenue from the sale of asphalt mixing plants, respectively, during the Track Record Period.

We face competition from domestic and international asphalt mixing plant manufacturers in medium to large scale asphalt mixing plants market. The medium to large scale asphalt mixing plants market is dominated by a small number of domestic and international asphalt mixing plant manufacturers, including us. Some of our competitors in this market, particularly PRC state-owned companies and multinational companies, have better access to financing and better brand recognition and they may have wider sales and distribution network coverage.

In the small scale asphalt mixing plant market, we face competition mainly from domestic asphalt mixing plant manufacturers. The competition in the PRC small scale asphalt mixing plant market is also intense. There is intense price competition in this market because of the relatively low technical barriers to entry to this market.

In terms of the type of products, as the PRC government has in recent years promoting environmental protection and encouraging the use of environmental friendly equipment and products, such as recycled asphalt mixtures, we expect that the demand for Recycling Plants will grow in the near future. Our existing competitors and perhaps an increasing number of new comers may try to penetrate this market and thereby increase the competitive landscape in the road construction and maintenance industries.

The increased competition from other asphalt mixing plant manufacturers may create a downward pressure on the selling price of our products. As such, our business, financial condition and results of operations may be adversely affected. Moreover, if we fail to keep up with technological advancements, adapt to changing market conditions, maintain product quality, build brand recognition, and provide our products and services at competitive prices, we will not be able to compete successfully against our competitors, and our business, financial condition, prospects and the results of our operations will also be adversely affected.

**Volatility in the global market may materially and adversely affect our business, results of operations and financial condition.**

Credit and capital markets globally have experienced high volatility in recent times due to factors like geopolitical tensions, availability and cost of credit, concerns about inflation or deflation and concerns about growing national debt and trade deficits of key global economic players. While there may be signs of an economic recovery, we cannot guarantee the strength of such recovery, or that such recovery can be sustained.

## RISKS RELATING TO CONDUCTING BUSINESS IN THE PRC

**The value of Renminbi and foreign currencies we trade in may fluctuate and this may affect our financial condition and our operations.**

Most of our operations are in the PRC and our functional currency is the Renminbi. However, we also conduct part of our business and provide our products and services overseas. As we continue to expand our business internationally, we will increasingly be exposed to risks associated with foreign currency fluctuations. Change in the value of foreign currencies may increase our Renminbi costs by affecting the price of our imported raw materials, parts and components or reduce our Renminbi revenues by affecting the price of our exported products and services. In addition, changes in foreign exchange rates may have an impact on the book value of certain of our foreign currency denominated assets and liabilities and the value of, and any dividends payable on, our Shares which are denominated in Hong Kong dollars.

For the years ended 31 December 2012 and 2013 and the nine months ended 30 September 2014, we experienced a foreign exchange loss of approximately RMB739,000, RMB560,000 and a foreign exchange gain of approximately RMB40,000, respectively. We do not purchase foreign exchange forward contracts or swaps to hedge against foreign exchange risk exposure. Our business, financial condition, results of operations and prospects for growth may be adversely affected if there are unfavorable foreign exchange fluctuations.

**The PRC legal system is evolving and has inherent uncertainties that could limit the legal protection available to you.**

Substantially all of our operations are conducted in the PRC. The PRC legal system is a civil law system based on written statutes, and prior court decisions can only be cited as reference and have almost no precedential value and because of the limited volume of published cases and their non-binding nature, the interpretation and enforcement of these laws, rules and regulations involve some degree of uncertainty, which may lead to additional restrictions and uncertainty for our business and uncertainty with respect to the outcome of any legal action investors may take against us in the PRC. In addition, we cannot predict the effect of future developments in the PRC legal system, including the promulgation of new laws, changes to existing laws or the interpretation or enforcement thereof, or the pre-emption of local regulations by national laws. Any changes to such laws and regulations may materially increase our costs and regulatory exposure in complying with them.

**It may be difficult to effect service of process on, or to enforce any judgments obtained outside the PRC against us, our Directors, or senior management members who live inside the PRC.**

It may be difficult to effect service of process on, or to enforce judgments obtained outside the PRC against, us, our Directors or our senior management members who reside in the PRC. A number of our Directors and senior management members reside in the PRC and substantially all of our assets and the assets of such persons are located in the PRC. Accordingly, it may be difficult for investors to effect service of process on any of these persons or to enforce judgments obtained outside of the PRC against us or any of these persons, as the PRC does not have treaties providing for the reciprocal recognition and enforcement of judgments awarded by courts in many developed countries, including the United States, the United Kingdom, Japan and the Cayman Islands. As a result, the recognition and enforcement in the PRC of judgments of a court in any of these jurisdictions may be difficult or even impossible.

**We may be deemed to be a PRC resident for PRC tax purposes.**

Under the Enterprise Income Tax ("**EIT**") regime in the PRC, enterprises established outside the PRC whose "de facto management bodies" are located in the PRC are considered "resident enterprises" and will generally be subject to a 25% EIT rate on their global income. "De facto management bodies" are defined under EIT laws as bodies that have material overall management control over the business, accounts, properties and personnel of an enterprise. As most of our management is based in the PRC and are likely to remain in the PRC, we may be treated as a PRC resident enterprise for PRC EIT purposes. If we are deemed as a PRC resident enterprise, we may be subject to PRC EIT at the rate of 25% on our worldwide income.

**Unfavourable changes in the PRC economic, social and political climate, may materially and adversely affect our growth prospects, business, financial condition and results of operations.**

The PRC government has, in recent times, been implementing wide scale economic reforms to utilize market forces to improve the allocation of resources in the PRC economy. Despite these reforms, there still exist substantial differences between the economic, social and political climate in the PRC and most of the developed world. The differences include the level of government intervention in the economy, rate of GDP growth, foreign exchange restrictions, trade balance position and rate of inflation. While the economic reforms in the PRC have had a generally positive effect on economic development of the PRC, we cannot guarantee that this positive trend will continue, or that the PRC government will continue to pursue a policy of economic reform that is conducive for our business and growth prospects.

The China Banking Regulatory Commission has also begun implementing restrictions on bank lending in early 2010. If the PRC government continues to impose stricter requirements on bank lending, our ability to obtain external bank financing will be impaired. As a result we may not have sufficient funds to pursue our growth strategies.

Additionally, our future success and growth depends on external factors that are beyond our control, including political, cultural and economic environment in the PRC; macroeconomic forces and fiscal and monetary policies to control inflation or deflation; and changes in PRC laws, regulations, administrative directives or the interpretation thereof.

**Exchange control of the Renminbi may affect the value of investors' investment.**

The conversion of Renminbi into foreign currencies is restricted by the PRC government. We receive a large proportion of our income in Renminbi, and shortages in the availability of foreign currencies may restrict our ability to remit foreign currencies to pay dividends to our investors or our other shareholders, or satisfy other obligations denominated in foreign currencies. While payments of current account items can be made in foreign currencies without prior SAFE approval as long as certain procedures are adhered to, government approval is required if Renminbi is converted into a foreign currency for remittance out of the PRC for capital expenses such as the repayment of foreign currency denominated loans. There is no assurance that the PRC government will continue to allow payments of current account items without SAFE approval, or that the further restrictions will not be imposed.

**If the PRC economy experiences unexpected inflationary pressures, our business and financial condition may be adversely affected.**

If inflation continues to rise in the PRC economy, the price of our raw materials, parts and components which we obtain from third party suppliers and subcontractors in the PRC may increase, increasing manufacturing cost and decreasing our profitability. Inflation in the PRC economy may also lead to higher interest rates, which may cause a slowdown in economic growth in the PRC, reducing local demand for our products and services, and adversely affecting our business, results of operations and financial condition.

**We face uncertainties with respect to indirect transfers of equity interests in PRC resident enterprises by their non-PRC holding companies.**

Pursuant to the Notice on Strengthening Administration of Enterprise Income Tax for Share Transfers by Non-PRC Resident Enterprises* (《關於加強非居民企業股權轉讓所得企業所得稅管理的通知》) ("**SAT Circular 698**"), issued by the State Administration of Taxation ("**SAT**") on 10 December 2009 with retroactive effect from 1 January 2008, where a foreign investor transfers its indirect equity interest in a PRC resident enterprise by disposing of its equity interests in an overseas holding company, or an "Indirect Transfer", and such overseas holding company is located in a tax jurisdiction that: (i) has an effective tax rate less than 12.5% or (ii) does not tax foreign income of its residents, the foreign investor shall report to the competent tax authority of the PRC resident enterprise this Indirect Transfer. The PRC tax authority may disregard the existence of the overseas holding company if it lacks a reasonable commercial purpose and was established for the purpose of avoiding PRC tax. As a result, gains derived from such Indirect Transfer may be subject to PRC withholding tax at a rate of up to 10%. SAT Circular 698 also provides that, where a non-PRC resident enterprise transfers its equity interests in a PRC resident enterprise to its related parties at a price lower than the fair market value, the relevant tax authority has the power to make a reasonable adjustment to the taxable income of the transaction.

There is uncertainty as to the application of SAT Circular 698. For example, while the term "Indirect Transfer" is not clearly defined, it is understood that the relevant PRC tax authorities have jurisdiction regarding requests for information over a wide range of foreign entities having no direct contact with China. Moreover, the relevant authority has not yet promulgated any formal provisions or formally declared or stated how to calculate the effective tax rates in foreign tax jurisdictions. In addition, there are not any formal declarations with regard to how to determine whether a foreign investor has adopted an abusive arrangement in order to avoid PRC tax. As a result, we may become at risk of being taxed under SAT Circular 698 in the future and we may be required to expend valuable resources to comply with SAT Circular 698 or to establish that we should not be taxed under SAT Circular 698, which may have a material adverse effect on our financial condition and results of operations.

**Our business and operations may be adversely affected by developments or changes in PRC labor laws.**

PRC labour laws require us to comply with the following that require us to expend our financial and managerial resources, and may adversely affect our business and increase operating costs:

- minimum wage requirements;
- severance payment on termination of fixed term employment contracts;
- non-fixed term employment contracts which imposes time limits for probation periods and limitations on the duration and number of times that an employee can be employed in a fixed term employment contract; and
- mandatory social insurance for employees.

We may face difficulties in complying with the requirement to provide non-fixed term employment contracts as we may have difficulties terminating employees who are under non-fixed term employment without cause. We may also suffer financial losses if we are required to make severance payments to employees under fixed term contracts when their employment under fixed term employment contracts expire, unless the employee voluntarily terminates or rejects an offer to renew his or her fixed term employment contract.

If PRC labour laws become increasingly stringent, we may be exposed to an increasing risk that employees may make claims against us if we do not comply with such PRC labour laws. The increasing risk of potential employment disputes may lead to increasing costs if we are required to seek legal representation to defend ourselves from claims by our employees or if penalties are imposed on us by the relevant PRC authorities. Additionally, our employees may be able to unilaterally terminate his or her labour contract if we do not provide sufficient benefits for our employees, for example, if we fail to provide mandatory social insurance for our employees.

**Our environmental compliance obligations may increase if PRC environmental laws become more stringent.**

In order to manage the deteriorating environmental conditions in the PRC, the PRC government has in recent years been increasingly stringent in its laws relating to environmental protection, for example imposing carbon restrictions in the industrial and manufacturing sectors. We may be required to pay fines if we discharge excessive pollutants, discharge of our waste improperly or cause environmental pollution. Additionally, if our operations cause severe environmental damage, we may be required to rectify the damage, suspend our operations or even close our production facilities.

Our operating costs may be increased if we are required to comply with more stringent requirements to conduct additional tests or more extensive tests on the quantity and type of our waste products. We may also incur additional operating costs in order to update our waste discharge testing systems, improve our environmental protection technology and processes, and implement additional measures and assign more personnel to ensure that we comply with the PRC environmental laws. As a result, our financial condition, results of operations and future prospects may be materially and adversely affected.

**PRC regulations relating to the establishment of offshore special purpose companies by PRC residents may subject our PRC resident Shareholders to personal liability and limit our ability to inject capital into our PRC subsidiaries, limit our PRC subsidiaries' ability to distribute profits to us, or otherwise adversely affect our financial position.**

SAFE has issued a Circular of the State Administration of Foreign Exchange on Issues concerning Foreign Exchange Administration over the Overseas Investment and Financing and Round-trip Investment by Domestic Residents via Special Purpose Vehicles* (《關於境內居民通過特殊目的公司境外投融資及返程投資外匯管理有關問題的通知》) (Huifa [2014] No.37, hereinafter referred to as "**Circular No. 37**"), which is effective from 14 July 2014. Circular No. 37 requires a PRC individual resident ("**PRC Resident**") to register with the local SAFE branch by filing a "Registration Form of Overseas Investments Contributed by Domestic Individual Residents" before he or she contributes assets or acquires equity interests in any special purpose vehicle incorporated outside the PRC ("**SPV**") that is directly established or controlled by the PRC Resident for the purpose of conducting investment or financing. Under Circular No. 37, after the initial registration with SAFE, the PRC Resident is also required to register with the local SAFE branch for any major change in respect of the SPV, including, any major change of the SPV's PRC Resident shareholder, name of the SPV, term of operation, or any increase or reduction of the SPV's registered capital, share transfer or swap, and merger or division. Failure to comply with the registration procedures of Circular No. 37 may result in penalties, including the imposition of restrictions on the ability of the subsidiaries of SPV which are established in the PRC to distribute dividends to the SPV.

Since Circular No. 37 has come into effect only recently, it remains unclear how the relevant PRC government authorities will interpret, amend and implement it. There is no assurance that all the PRC shareholders will register with SAFE or update SAFE's record as required. If our PRC Shareholders fail to register with SAFE or update SAFE's records, this may result in penalties and our subsidiaries established in the PRC may be prohibited from making payments to us from capital reductions, share transfers or liquidations of our PRC subsidiaries. This may in turn affect our ownership structure, acquisition strategy, business operations and ability to make dividend payments to our Shareholders.

**Our PRC subsidiaries are subject to restrictions on dividend payments that could materially impact our ability to receive dividends.**

We are a Cayman Islands holding company and all of our income is ultimately derived from dividends that are paid by our subsidiaries in the PRC. Under the EIT Law and its implementation rules, dividends payable to foreign enterprise investors that are non-resident enterprises that do not have an establishment or place of business in the PRC, or that have such establishment or place of business but the relevant income is not effectively connected with the establishment or place are subject to a 10% withholding tax since 1 January 2008, which may be reduced if a foreign enterprise investor is eligible for the benefits of a tax treaty with the PRC that provides for a different withholding arrangement.

Pursuant to a tax arrangement between the PRC and Hong Kong, companies incorporated in Hong Kong may be subject to withholding taxes at a rate of 5% on dividends they receive from their PRC subsidiaries of which they directly hold at least 25% equity interests. As dividends from our PRC subsidiaries will be paid to us through our Hong Kong subsidiaries that own 100% equity interests in our PRC subsidiaries, those dividends may be subject to a withholding tax at the rate of 5%. However, according to the Administrative Measures for Non-resident Enterprises to Enjoy Treatments under Tax Treaties (Trial)* (非居民享受税收協定待遇管理辦法(試行)) ("**Administrative Measures**") which was promulgated on 24 August 2009 and came into force on 1 October 2009, where a non-resident enterprise (as defined under the EIT Law) that receives dividends from a PRC resident enterprise wishes to enjoy the favourable tax benefits under the tax arrangements, it shall submit an application for approval to the competent tax authority. Without being approved, the non-resident enterprise may not enjoy the favourable tax treatments provided in the tax arrangements.

Furthermore, on 27 October 2009, the State Administration of Taxation, or the SAT, promulgated the Circular on How to Understand and Recognise the "Beneficial Owner" in Tax Treaties* (關於如何理解和認定税收協定中「受益所有人」的通知) ("**Circular 601**"). Circular 601 clarifies that a beneficial owner is a person having actual operations and this person could be an individual, a company or any other entity. Circular 601 expressly excludes a "conduit company" that is established for the purposes of tax avoidance and dividend transfers and is not engaged in actual operations such as manufacturing, sales and management, from being a beneficial owner. It is still unclear how Circular 601 is being implemented in practice by the SAT or its local counterparts. If our Hong Kong subsidiaries are not deemed to be beneficial owners of our PRC subsidiaries, those dividends may be subject to withholding tax at the rate of 10%, instead of 5%.

Moreover, under the EIT Law and its implementation rules, as discussed above, we may in the future be treated as a PRC tax resident enterprise by the PRC taxation authorities. In that case, dividends on our Shares and capital gains from sales of our Shares realised by foreign shareholders may be regarded as income from "sources within the PRC" and may be subject to a 10% withholding tax, subject to any reduction by an applicable tax treaty. If foreign shareholders are required to pay PRC withholding tax on dividends on our Shares or capital gains from any sales of our Shares, the value of the investment in our Shares may be materially and adversely affected.

**Any recurrence of natural disasters or severe contagious diseases in the PRC may adversely affect us.**

Our products are manufactured and assembled at our facilities located in the PRC. Natural disasters, epidemics and other acts of God which are beyond our control may adversely affect the economy, construction projects and livelihood of the people of the PRC. Material damage to, or the loss of, the facilities due to fire, severe weather, flood, earthquake, or other acts of God or cause may not be adequately covered by proceeds of our insurance coverage and could materially and adversely affect our business and operating results. Acts of war and terrorist attacks may cause damage or disruption to our business, our employees and our markets, any of which could adversely impact our business and operating results.

Any future outbreaks of contagious diseases, including avian influenza and severe acute respiratory syndrome ("**SARS**") may materially and adversely affect our business, financial condition and results of operations. There have been reports in the past of outbreaks of a highly pathogenic avian influenza caused by H5N1 virus in certain regions of Asia and Africa since 2004. The World Health Organization and other agencies have issued and may continue to issue warnings on a potential avian influenza pandemic if there is sustained human-to-human transmission. Furthermore, the World Health Organization in April 2009 raised its pandemic alert level in response to an outbreak of influenza A caused by the H1N1 virus that originated in Mexico, and resulted in a number of confirmed cases worldwide. An outbreak of avian influenza in the human population could result in a widespread health crisis that could adversely affect the economies and financial markets of many countries, particularly in Asia. Additionally, a recurrence of SARS, a highly contagious form of atypical pneumonia, similar to the occurrence in the first half of 2003, which affected the PRC, Hong Kong and certain other areas, could have similar adverse effects. We cannot assure you that any future outbreak of avian influenza, SARS, influenza A (H1N1) or other epidemics, or the measures taken by the PRC government or other countries in response to a future outbreak of avian influenza, SARS, influenza A (H1N1) or other epidemics, will not seriously interrupt our operations or those of our suppliers, subcontractors or customers, which may have a material adverse effect on our business, results of operations and financial condition.

## RISKS RELATING TO THE [REDACTED]

**There has been no prior public market for our shares and an active trading market for our shares may not develop or be sustained.**

While we have applied to list our shares on the Hong Kong Stock Exchange, we cannot guarantee that an active or liquid market for our shares will develop, or be sustained. The **[REDACTED]** of our shares will be determined through negotiations among us and the Sole Global Co-ordinator (for itself and on behalf of the Underwriters) and it may not be a true indicator of the initial **[REDACTED]** of our shares. The initial **[REDACTED]** of our shares may be lower than the **[REDACTED]** due to macroeconomic events, unforeseen market conditions or a variety of other factors beyond our control.

**Our dividend distribution after the [REDACTED] will be made at the discretion of our Directors.**

Our dividend distribution after the **[REDACTED]** will be made at the discretion of our Directors, and depends on many factors, including our earnings and financial condition, operating requirements and capital requirements. Please see the section titled "Financial Information – Dividend Policy" for more information about our dividend policy.

**Our investors' interest as shareholder may be diluted if we raise funds by issuing more shares.**

If we raise funds by issuing new equity or new equity-linked securities in order to meet our funding needs, our investors' percentage ownership of our Company may decrease. Additionally, if the new equity that we issue confers preferential rights, such rights may take priority over those rights conferred by our Shares.

**Facts and statistics relating to the PRC economy and the asphalt mixing plant industry mentioned in this document may not be completely reliable.**

The facts and statistics mentioned in this document relating to the PRC, the PRC economy and the industry in which we operate have been obtained from communications with personnel from various government agencies or independent third parties which we believe to be reliable. While we have taken reasonable care in extracting and reproducing such information in this document, we cannot guarantee the accuracy of the information from such sources. The information has not been independently verified by us, the Sole Sponsor, the Sole Global Coordinator, the Joint Bookrunners, the Joint Lead Managers, any underwriter or any other party involved in the **[REDACTED]**. Investors should consider whether the information provided should be given full weight, bearing in mind the reliability of the source of information.

**Investors may face difficulties in protecting their interests under Cayman Islands law.**

The rights of the Shareholders to take actions against our Directors and the rights of our minority shareholders to take actions against us and the duties of our Directors towards us and our Shareholders are governed by the common law of the Cayman Islands and our Articles of Association. In general, our corporate affairs are governed by (amongst other things) the laws of the Cayman Islands, our Articles of Association and the Companies Law. The laws of the Cayman Islands relating to the protection of the interests of minority shareholders differ from the legal position for minority shareholders of companies incorporated in Hong Kong and in other jurisdictions. For further details, please refer to the section titled "Summary of the Constitution of the Company and Cayman Islands Company Law" in Appendix III to this document.

**We will continue to be controlled by our controlling shareholders, whose interests may differ from our investors' interests and the interests of other shareholders.**

The controlling shareholders of the company are Choi Hung Nang, Tin Suen Chu, Choi Hon Ting, Derek and Choi Kwan Li, Glendy, who indirectly hold **[REDACTED]** and **[REDACTED]** of our total ordinary issued shares respectively, before the **[REDACTED]** of our shares. Choi Hung Nang and Tin Suen Chu are husband and wife, and Choi Hon Ting, Derek and Choi Kwan Li, Glendy are their son and daughter respectively. The controlling shareholders indirectly own a total of **[REDACTED]** of our total ordinary issued shares before the **[REDACTED]**. While our controlling shareholders will have a smaller percentage of shareholding after the **[REDACTED]**, and will be bound to adhere to the process of decision making set out in our Articles of Association and as required by law, our controlling shareholders may still be able to influence our major policy decisions, business strategy and material transactions. It is possible that there may be differences in opinion between our controlling shareholders and our remaining shareholders from time to time, and we cannot guarantee that our controlling shareholders will influence our company to pursue or refrain from pursuing strategies or actions in a manner that serves the best interest of the remaining shareholders.

**Prospective investors should read the entire document carefully, and are strongly cautioned not to place any reliance on information contained in the media or press which are not consistent with the information in this document.**

There may have been press and media coverage regarding us and the **[REDACTED]** prior to the publication of this document. We may not have any control over the information that is released in press and media reports, and may not have authorised such reports. We therefore make no representation as to the accuracy, completeness or reliability of the information in any such press or media coverage. To the extent that the information in such press or media coverage conflicts with the information we have provided in this document, we disclaim such information. In deciding whether or not to subscribe for our Shares, investors should rely only on the information included in this document.