
HISTORY, REORGANISATION AND CORPORATE STRUCTURE

OUR BUSINESS DEVELOPMENT

The history of our business can be traced back to 1999 when Beijing D&G was established by the Choi Family Founders using their own income and investment savings to manufacture and sell asphalt mixing plants in the PRC, conduct research and development, and provide various ancillary services. Prior to the establishment of Beijing D&G, our co-founder, chairman and executive Director, Mr. Choi, had been engaged in the import and distribution of European and American branded specialised engineering equipment, such as equipment for precision concrete placing and levelling, machines used in sanitary landfills, asphalt mixing plants, equipment for utility installation projects, and machineries used in agriculture and farming, in Hong Kong and the PRC for over 12 years. For details about the experience of Mr. Choi and the other Choi Family Founders, please refer to the section headed “Directors, Senior Management and Staff – Directors” in this document.

In order to better and more efficiently serve our customers in Southern China and to take advantage of the preferential enterprise income tax then offered to foreign invested enterprise, we established our second manufacturing facility in Shenzhen in 2003 and branched out from our Beijing facility to our Shenzhen facility (i) the manufacturing, sale and research and development of electronic control room facilities (which is one of the key components of our asphalt mixing plants); and (ii) the provision of after-sales services, to serve our customers in Southern China.

In 2006, in view of (i) the increasing market demand for asphalt mixing plants, (ii) our strategic plan to further expand our business; and (iii) the fact that our Beijing and Shenzhen manufacturing facilities were already heavily utilised at that time, we established our third manufacturing facility, which was larger than the Beijing facility and the Shenzhen facility combined in terms of floor space, in Langfang, Hebei Province. We then gradually transferred our various manufacturing and research and development activities from Beijing D&G to Langfang D&G. In order to take advantage of the economies of scale in manufacturing and to streamline our corporate structure for more efficient and centralised management, we also gradually transferred our business in Shenzhen D&G back to Langfang D&G.

From June 2008 onwards, our Langfang manufacturing facility became the main manufacturing facility of our Group principally engaged in the manufacture and sale of asphalt mixing plants in the PRC, research and development, and the provision of various ancillary services while our Beijing facility concentrated on (i) the research and development of the electronic control room facilities; and (ii) the provision of after-sales services of our electronic control room facilities. In 2010, our leasing company, Tianjin D&G, was established in Tianjin to engage in the leasing of our asphalt mixing plants. As a result of the transfer of business activities from Shenzhen D&G to Langfang D&G, our Shenzhen facility had ceased to carry on any business since January 2013. For further information on Beijing D&G, Shenzhen D&G, Langfang D&G and Tianjin D&G, please refer to the paragraph headed “Our Corporate History” in this section.

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Since our establishment in 1999, we have expanded our business both nationally and internationally. Set out below are our major business milestones and achievements:

Year	Event
1999	We established Beijing D&G and our first manufacturing facility in Beijing.
2003	We were the first in the PRC to develop and launch 4000 model series asphalt mixing plants into the market. We were the first in the PRC to develop and launch the Recycling Plants and Double Drum Recycling Plants with 15% and 50% designed RAP added capacity, respectively, into the market. We established Shenzhen D&G and our second manufacturing facility in Shenzhen.
2004	We successfully developed the “DG Leap” automated control system.
2006	We established Langfang D&G and our third manufacturing facility in Langfang, Hebei Province. We began exporting our asphalt mixing plants internationally to India and Australia.
2007	We began exporting our asphalt mixing plants to Saudi Arabia. We obtained the ISO9001:2008 Quality Management System certification.
2008	We obtained the PCT certification in Russia for our asphalt mixing plants and began exporting our plants to Russia.
2009	We were the first in the PRC to develop and launch the Recycling Plant and 5000 model series asphalt mixing plants into the market. We became the first asphalt mixing plant manufacturer in the PRC that had acquired CE mark for our asphalt mixing plants.
2010	We successfully developed and added a remote monitoring system to the “DG Leap” automated control system. This system allows us to remotely control and monitor the manufacturing process and diagnose any problem occurred therein through a wireless network. We obtained the ISO14001:2004 Environmental Management System certification. We began the leasing of our asphalt mixing plants through Tianjin D&G.

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<u>Year</u>	<u>Event</u>
2011	<p>Langfang D&G was recognised as a high-technology enterprise* (高新技術企業) jointly by the Hebei Provincial Department of Science and Technology* (河北省科學技術廳), Hebei Provincial Department of Finance* (河北省財政廳), Hebei Provincial Office of State Administration of Taxation* (河北省國家稅務局) and Hebei Local Taxation Bureau* (河北省地方稅務局).</p>
2012	<p>We began our collaboration with the Hong Kong University of Science and Technology R and D Corporation Limited to develop the thermal insulation panel for asphalt mixing plants.</p> <p>We became the Vice President of China Construction Machinery Association Road Machine Chapter (中國工程機械工業協會築路機械分會) and the Executive Director of the Highway Construction Branch of the PRC Highway and Transportation Society* (中國公路學會築路機械分會常務理事單位).</p> <p>We began our collaboration with the Research Institute of Highway, Ministry of Transport (交通運輸部公路科學研究所) to demonstrate the use of new road recycling technology and equipment used to pave road surfaces.</p> <p>We began our collaboration with the Institute of Tsinghua University, Hebei (河北清華發展研究院) for the establishment of the Resources Recycling Intelligent Equipment Technology Institute, the Institute of Tsinghua University, Hebei and D&G* (河北清華發展研究院德基資源循環利用智能裝備技術研究所) to research and develop intelligent equipment and core, critical parts and processes that are environmental friendly.</p>
2013	<p>We obtained the OHSAS 18001:2007 Occupational Health and Safety Management System certification.</p> <p>We were named as the Top 30 Construction Machinery Manufacturers in the PRC* (中國工程機械製造商30強).</p> <p>We were appointed as the Vice President of the Highway Engineering Materials Branch of the China Association of Resource Comprehensive Utilization (now known as the PRC Association of Circular Economy)* 中國資源綜合利用協會 (現名為中國循環經濟協會)之公路工程材料循環利用分會.</p> <p>We were awarded the Golden Prize in the First Industrial Design Award in Hebei Province for our DG3000 recycling ring Recycling Plant.</p>

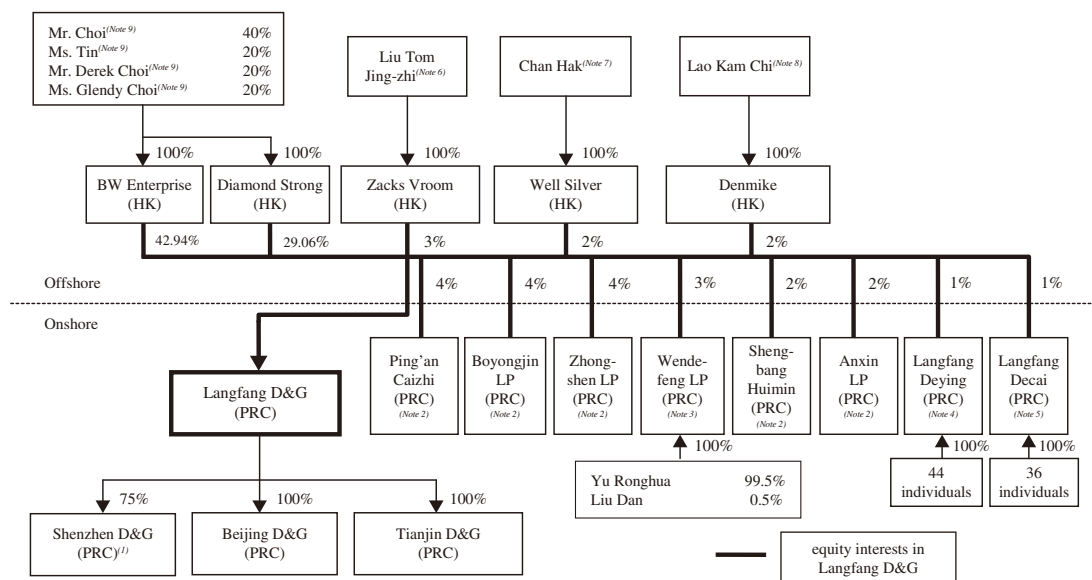
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<u>Year</u>	<u>Event</u>
2014	<p>We were the first in the PRC to develop and launch the Monoblock Recycling Plants into the market.</p> <p>We developed the bitumen foaming system for warm-mix asphalt mixture production.</p> <p>We officially established the Hebei Asphalt Pavement Intelligent Equipment Technology Research Centre* (河北省瀝青路面智能裝備工程技術研究中心) jointly with The Research Institute of Highway, the Ministry of Transport* (交通運輸部公路科學研究所) and the Institute of Tsinghua University, Hebei* (河北清華發展研究院) to research on areas including new Recycling Plants, RAP recycling and warm mix process, new mixing plants with recycling and environment friendly features and new multifunctional mixing plants.</p>

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OUR CORPORATE HISTORY

The following chart sets forth the corporate and shareholding structure of our Group immediately prior to the Reorganisation:



Notes:

- Immediately prior to the Reorganisation, 25% of the equity interests in Shenzhen D&G was held by Treasure Merger Holdings Limited (溢豐集團有限公司), a limited liability company incorporated in Hong Kong which was held as to 40%, 20%, 20% and 20% by the Choi Family Founders, respectively.
- Each of Ping'an Caizhi, Boyongjin LP, Zhongshen LP, Shengbang Huimin and Anxin LP is a private equity investor in the PRC and an Independent Third Party.
- Wendefeng LP is owned as to 99.5% and 0.5% by Mr. Yu Ronghua, our executive Director, and Mr. Liu Dan, an Independent Third Party.
- Prior to the Reorganisation, Langfang Deying was wholly-owned by 44 PRC employees of our Group who were Independent Third Parties. On 3 November 2014, one of these 44 PRC individual shareholders of Langfang Deying transferred his entire equity interest in Langfang Deying to one of the remaining 43 PRC individual shareholders of Langfang Deying. As a result, Langfang Deying became wholly-owned by 43 PRC employees of our Group who are Independent Third Parties. These 43 PRC individuals are the same group of people holding BVI-DY after the Reorganisation. Langfang Deying is an Independent Third Party.
- Prior to the Reorganisation, Langfang Decai was wholly-owned by 36 PRC employees of our Group who were Independent Third Parties. On 3 November 2014, two of these 36 PRC individual shareholders of Langfang Decai transferred all of their entire equity interests in Langfang Decai to one of the remaining 34 PRC individual shareholders of Langfang Decai. As a result, Langfang Decai became wholly-owned by 34 PRC employees of our Group who are Independent Third Parties. These 34 PRC individuals are the same group of people holding BVI-Decai after the Reorganisation. Langfang Decai is an Independent Third Party.
- Mr. Liu Tom Jing-zhi is our executive Director and the son-in-law of Mr. Choi's elder brother.
- Mr. Chan Hak is the sole director of Well Silver and the younger brother of Mr. Lewis Chan, our non-executive Director.
- Mr. Lao Kam Chi is our executive Director.
- Mr. Choi is the spouse of Ms. Tin and the father of Mr. Derek Choi and Ms. Glendy Choi. Ms. Tin is the mother of Mr. Derek Choi and Ms. Glendy Choi. Mr. Derek Choi and Ms. Glendy Choi are siblings.

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The following paragraphs describe the corporate history of our major operating entities from their respective incorporation dates up to the time immediately prior to the Reorganisation:

Langfang D&G

Langfang D&G was established in the PRC as a wholly-foreign owned enterprise on 21 August 2006 by Lucky Gain Holdings Limited (祥旺控股有限公司) (“**Lucky Gain**”), a limited liability company incorporated in the BVI and indirectly owned by the Choi Family Founders as to 40%, 20%, 20% and 20%, respectively. On the date of establishment, Langfang D&G had an initial registered capital of HK\$10,000,000 which was fully-paid up on 29 March 2007. BW Enterprise, which was also indirectly owned by the Choi Family Founders as to 40%, 20%, 20% and 20%, respectively, acquired the entire equity interests in Langfang D&G from Lucky Gain on 5 March 2008 at a consideration of HK\$10,000,000 which was determined based on the then registered capital of Langfang D&G, to take advantage of the lower withholding tax rate offered to Hong Kong shareholders at that time (as compared to that imposed on BVI shareholders). BW Enterprise subsequently increased the registered capital of Langfang D&G from HK\$10,000,000 to HK\$30,000,000 on 30 August 2010. The registered capital of Langfang D&G was fully paid-up on 16 November 2010.

On 24 December 2010, Langfang D&G acquired all the assets and liabilities of Langfang Chuangfu Machinery Company Limited* (廊坊創富機械有限公司) (“**Chuangfu Machinery**”), a limited liability company established in the PRC and 100% held by Diamond Strong at that time, in consideration for the transfer by BW Enterprise to Diamond Strong of 36.32% equity interests in Langfang D&G (the “**Merger**”). Such consideration was determined based on the percentage of Diamond Strong’s paid-up capital contribution in Chuangfu Machinery over the entire registered capital of Langfang D&G after the Merger. The Merger was properly and legally completed on 24 December 2010. As a result of the Merger, the registered capital of Langfang D&G was increased from HK\$30,000,000 to HK\$47,112,970 and Langfang D&G was held as to 63.68% and 36.32% by BW Enterprise and Diamond Strong, respectively. At the time of the Merger, each of BW Enterprise and Diamond Strong was indirectly owned by the Choi Family Founders as to 40%, 20%, 20% and 20%, respectively.

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In order to raise capital to further expand our business, the Choi Family Founders introduced a number of investors to invest in Langfang D&G at a premium (which was then credited to the capital reserve of Langfang D&G) between February 2011 and May 2011. As a result, the indirect equity interests of the Choi Family Founders in Langfang D&G was reduced to 72%. Details of the capital contribution and shareholding interests in Langfang D&G as at 30 May 2011 are set out in the table below:

No.	Shareholders	Total contribution credited to capital reserve as at 30 May 2011 <i>(approximately in HK\$)</i>	Total contribution to registered capital as at 30 May 2011 <i>(in HK\$)</i>	Equity interests held in Langfang D&G
1	BW Enterprise ^(Note 1)	–	25,288,704.00	42.94%
2	Diamond Strong ^(Note 1)	–	17,112,970.00	29.06%
3	Ping’an Caizhi ^(Note 2)	20,539,653.70 ^(Note 8)	2,355,648.00	4.00%
4	Boyongjin LP ^(Note 2)	20,539,653.70 ^(Note 8)	2,355,648.00	4.00%
5	Zhongshen LP ^(Note 2)	10,269,826.84 ^(Note 8)	2,355,648.00	4.00%
6	Zacks Vroom ^(Note 3)	1,943,407.95	1,766,734.50	3.00%
7	Wendefeng LP ^(Note 4)	1,943,407.95	1,766,734.50	3.00%
8	Denmike ^(Note 5)	1,295,605.30	1,177,823.00	2.00%
9	Well Silver ^(Note 6)	–	1,177,824.00	2.00%
10	Shengbang Huimin ^(Note 2)	–	1,177,824.00	2.00%
11	Anxin LP ^(Note 2)	–	1,177,824.00	2.00%
12	Langfang Decai ^(Note 7)	647,802.65	588,911.50	1.00%
13	Langfang Deying ^(Note 7)	647,802.65	588,911.50	1.00%
	Total	57,827,160.74	58,891,205.00	100.00%

Notes:

- (1) As at 30 May 2011, BW Enterprise and Diamond Strong were both indirectly wholly-owned by the Choi Family Founders as to 40%, 20%, 20% and 20%, respectively.
- (2) Each of Ping’an Caizhi, Boyongjin LP, Zhongshen LP, Shengbang Huimin and Anxin LP was a private equity investor in the PRC and an Independent Third Party.
- (3) As at 30 May 2011, Zacks Vroom was wholly-owned by Mr. Liu Tom Jing-zhi, our executive Director.
- (4) As at 30 May 2011, Wendefeng LP was owned as to 99.5% by Mr. Yu Ronghua, our executive Director, and 0.5% by Mr. Liu Dan, an Independent Third Party.
- (5) As at 30 May 2011, Denmike was wholly-owned by Mr. Lao Kam Chi, our executive Director.
- (6) As at 30 May 2011, Well Silver was wholly-owned by Mr. Chan Hak, the director of Well Silver and the younger brother of Mr. Lewis Chan, our non-executive Director.
- (7) As at 30 May 2011, Langfang Decai and Langfang Deying were respectively wholly-owned by 40 and 21 PRC employees of our Group who were Independent Third Parties.
- (8) Such amount of capital reserve was injected in RMB and converted into HK\$ based on an exchange rate of RMB1:HK\$0.8386.

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To prepare for a listing on a stock exchange in the PRC, Langfang D&G was converted from a limited liability company to a joint stock company on 30 June 2011 with a registered capital of RMB60,000,000 divided into 60,000,000 shares of RMB1.00 each. On 17 September 2012, Langfang D&G further increased its registered capital from RMB60,000,000 to RMB156,000,000 by capitalising its capital reserves and issuing new shares to its shareholders on a pro-rata basis. As a result, the respective shareholdings of the shareholders of Langfang D&G remained unchanged from 30 May 2011 to the time immediately prior to the Reorganisation.

In November 2012, Langfang D&G submitted an application to the CSRC for the listing of its A shares on the Shanghai Stock Exchange (“**A Share Listing Application**”). However, after considering the long application processing time as a result of the substantial number of companies which have submitted listing applications to the CSRC and were waiting for the CSRC to review and process, we decided not to further proceed with the A Share Listing Application. Pursuant to an announcement dated 4 April 2014 issued by the CSRC, the CSRC will cease to review a listing application if the financial information set out therein has expired for more than three months. As we did not continue to update the financial information in our listing application as required by the CSRC, the CSRC ceased to review our A Share Listing Application and so notified us in writing on 1 July 2014. Up to the date of such notice, we had not received any enquiry from the CSRC regarding our A Share Listing Application.

Langfang D&G is our major operating subsidiary principally engaged in the (i) manufacturing and sale of asphalt mixing plants; and (ii) provision of equipment modification services and sale of machinery components and parts for our asphalt mixing plants.

Tianjin D&G

Tianjin D&G was established in the PRC as a wholly-foreign owned enterprise on 27 August 2010 with an initial registered capital of HK\$3,000,000 which was fully-paid up on 30 November 2010. The entire equity interests in Tianjin D&G was held by BW Enterprise, which was then indirectly owned by the Choi Family Founders as to 40%, 20%, 20% and 20%, respectively. On 6 December 2010, BW Enterprise transferred the entire equity interests of Tianjin D&G to Langfang D&G at a consideration of HK\$3,000,000 (being the registered capital of Tianjin D&G) and Tianjin D&G was converted into a domestic company wholly-owned by Langfang D&G on the same day with a registered capital of RMB2,563,680.

Tianjin D&G is principally engaged in the leasing of our asphalt mixing plants through operating leases.

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Excluded Companies

Shenzhen D&G

Shenzhen D&G was established in the PRC on 2 April 2003 as a limited liability company. Immediately prior to the Reorganisation, Shenzhen D&G was a limited liability company held as to 75% by Langfang D&G and 25% by Treasure Merger Holdings Limited (溢豐集團有限公司), a limited liability company incorporated in Hong Kong and held as to 40%, 20%, 20% and 20% by the Choi Family Founders, respectively. Shenzhen D&G had a registered capital of RMB3,000,000 which was fully-paid up. Shenzhen D&G was engaged in (i) the manufacturing, sale and research and development of electronic control room facilities (which is one of the key components of our asphalt mixing plants); and (ii) the provision of after-sales services, to serve our customers in Southern China.

In order to take advantage of the economies of scale in manufacturing and to streamline our corporate structure for more efficient and centralised management, the business of Shenzhen D&G was gradually transferred to Langfang D&G. Since January 2013, Shenzhen D&G had ceased to carry on any business and was deregistered on 30 September 2014 as part of the Reorganisation. For details of the deregistration, please refer to the paragraph below headed “Reorganisation – 2. Deregistration of Shenzhen D&G and acquisition of equity interests in Langfang D&G by DGHK” in this section.

Beijing D&G

Beijing D&G was established in the PRC on 5 February 1999 as a domestic limited liability company with a registered capital of RMB5,000,000 by five PRC individuals who were employees of other companies owned by the Choi Family Founders and/or friends or relatives of the Choi Family Founders. The five PRC individuals were acting as trustees for the Choi Family Founders in establishing Beijing D&G. Although the business of Beijing D&G was not restricted to foreign investment at the time, the Choi Family Founders chose to establish and hold Beijing D&G through the five nominee holders as they thought it might be more convenient, in terms of the company establishment approval process and the organisation of operational matters such as the hiring of labour and procurement of equipment, that Beijing D&G be set up as a domestic company, and also because they were concerned that their venturing into the manufacture of asphalt mixing plants in the PRC might raise concerns among the specialised engineering equipment manufacturers whose products the Choi Family Founders were importing and distributing in the PRC about the Choi Family Founders’ dedication and allocation of resources to the import and distribution business. Accordingly, the Choi Family Founders provided the funds needed for the establishment of Beijing D&G to the five PRC individuals and entrusted the individuals to establish and hold the equity interests in Beijing D&G on trust for the Choi Family Founders. As advised by our PRC Legal Adviser, the trust arrangements were valid and legally binding among the parties and did not violate any PRC laws and regulations.

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By the end of 2000, Beijing D&G had already sold its first asphalt mixing plant to the market. As Beijing D&G began to receive more purchase orders in 2001, in order to enjoy the preferential enterprise income tax then offered to foreign invested enterprises, the Choi Family Founders felt that it was an appropriate time to convert Beijing D&G from a domestic limited liability company to a wholly foreign-owned enterprise. On 7 June 2001, Beijing D&G was converted into a wholly foreign-owned enterprise when the PRC individual nominees of the Choi Family Founders transferred all their equity interests to Oriental Trading International Limited, a Hong Kong company which was then held by the spouses of Mr. Derek Choi and Ms. Glendy Choi on trust for the Choi Family Founders. At the same time, the registered capital of Beijing D&G was increased to RMB20,000,000.

In around 2003, the Choi Family Founders began to reduce the number of foreign equipment brands for which they acted as a distributor, such that by 2005, they acted as a distributor of certain utility installation equipment and agricultural and farming equipment of only one foreign brand. In November 2005, an indirect wholly-owned subsidiary of a company held as to 40%, 20%, 20% and 20% by the Choi Family Founders regained the legal title to the shares in Oriental Trading International Limited from the nominee holders.

On 28 July 2011, Oriental Trading International Limited transferred its entire equity interests in Beijing D&G to Langfang D&G at a consideration of RMB24,500,000 which was determined based on the net asset value of Beijing D&G as at 30 June 2011. The transfer was properly and legally completed and the consideration was fully settled on 1 August 2011. From 28 July 2011 until immediately prior to the Reorganisation, Beijing D&G was wholly-owned by Langfang D&G with a registered capital of RMB20,000,000 which was fully paid-up.

From its establishment in 1999 until the commencement of our operations in the Langfang manufacturing facility in August 2006, Beijing D&G was engaged in the manufacturing and sale of asphalt mixing plants, research and development and the provision of various ancillary services. From August 2006 to May 2008, the various manufacturing and research and development activities in Beijing D&G were gradually transferred from Beijing D&G to Langfang D&G. From June 2008 up until the establishment of the Beijing branch office of Langfang D&G in December 2014, Beijing D&G had only been engaged in the research and development, and the provision of after-sales services, of our electronic control room facilities. It continued to own the real properties of our previous manufacturing plant in Beijing which was no longer used by our Group. In mid-2013, the Li Yuan County Government in the Tongzhou District of Beijing notified Beijing D&G of the proposed demolition and relocation of such real properties and since then, Beijing D&G had been in discussions with the Li Yuan County Government regarding this matter.

As (i) the real properties in question were not required by our Group (ii) the negotiation with the Li Yuan County Government was expected to require time and effort on the part of Beijing D&G to complete and (iii) our research and development and after-sales services relating to the electronic control room facilities could be relocated to the Beijing branch office of Langfang D&G without any practical difficulty or material costs, Beijing D&G was excluded from our Group as part of the Reorganisation. For details about the exclusion, please refer to the paragraph headed “Reorganisation – 5. Acquisition of equity interests in Langfang D&G by BW Enterprise and reorganisation of the PRC operating companies – Sale of equity interests in Beijing D&G and acquisition of assets by Langfang D&G” in this section below.

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REORGANISATION

In preparation for the listing of our Shares on the Stock Exchange, our Group underwent the Reorganisation. The main steps of the Reorganisation are summarised below:

1. Incorporation of various offshore companies

Incorporation of BVI-Fair Silver

BVI-Fair Silver was incorporated in the BVI as a limited liability company on 26 February 2014. It is authorised to issue a maximum of 50,000 shares with a par value of US\$1.00 each. Since the date of its first share allotment on 28 July 2014, it has been wholly-owned by Mr. Chan Hak, the sole director of Well Silver and the younger brother of Mr. Lewis Chan, our non-executive Director.

Incorporation of Rich Benefit

Rich Benefit was incorporated in the BVI as a limited liability company on 23 May 2014 and is authorised to issue a maximum of 50,000 shares with a par value of US\$1.00 each. Rich Benefit was held as to 40%, 20%, 20% and 20% by the Choi Family Founders, respectively, from the date of its first share allotment on 25 June 2014 up until immediately prior to the Reorganisation.

On 22 September 2014, the Choi Family Founders transferred their respective shares in Rich Benefit to our Company for an aggregate consideration of US\$4.00. As a result, Rich Benefit became a direct wholly-owned subsidiary of our Company.

Incorporation of DGHK

DGHK was incorporated in Hong Kong as a limited liability company on 7 July 2014 with a share capital of HK\$1,000 comprising 1,000 ordinary shares. It has been wholly-owned by Rich Benefit since the date of its incorporation and is an indirect wholly-owned subsidiary of our Company.

Incorporation of BVI-Prima DG

BVI-Prima DG was incorporated in the BVI as a limited liability company on 1 August 2014. It is authorised to issue a maximum of 50,000 shares with a par value of US\$1.00 each. Since its incorporation, BVI-Prima DG has been held as to 40%, 20%, 20% and 20% by the Choi Family Founders, respectively. The Choi Family Founders consist of Mr. Choi, Ms. Tin, Mr. Derek Choi and Ms. Glendy Choi. Mr. Choi is the spouse of Ms. Tin and the father of Mr. Derek Choi and Ms. Glendy Choi. Ms. Tin is the mother of Mr. Derek Choi and Ms. Glendy Choi. Mr. Derek Choi and Ms. Glendy Choi are siblings.

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Incorporation of BVI-Zacks Vroom

BVI-Zacks Vroom was incorporated in the BVI as a limited liability company on 1 August 2014. It is authorised to issue a maximum of 50,000 shares with a par value of US\$1.00 each. Since its incorporation, BVI-Zacks Vroom has been wholly-owned by Mr. Liu Tom Jing-zhi, our executive Director who is also the son-in-law of Mr. Choi’s elder brother.

Incorporation of BVI-Denmike

BVI-Denmike was incorporated in the BVI as a limited liability company on 1 August 2014. It is authorised to issue a maximum of 50,000 shares with a par value of US\$1.00 each. Since its incorporation, BVI-Denmike has been wholly-owned by Mr. Lao Kam Chi, our executive Director.

Incorporation of BVI-Wonderful

BVI-Wonderful was incorporated in the BVI as a limited liability company on 1 August 2014. It is authorised to issue a maximum of 50,000 shares with a par value of US\$1.00 each. Since its incorporation, BVI-Wonderful has been wholly-owned by Mr. Yu Ronghua, our executive Director, in the form of one nil-paid share which was subsequently paid-up on 30 December 2014. Please refer to the paragraph below headed “Reorganisation – 6. Issue of Shares by our Company to the Offshore Employee Holding Entities” of this section for details of the paying up of the capital.

Incorporation of BVI-DY

BVI-DY was incorporated in the BVI as a limited liability company on 1 August 2014. It is authorised to issue a maximum of 50,000 shares with a par value of US\$1.00 each. At the date of incorporation, 11,002 shares were allotted and issued nil-paid to 44 PRC individuals who were employees of our Group but were Independent Third Parties. On 31 October 2014, one of these 44 PRC individual shareholders of BVI-DY transferred all his 110 shares in BVI-DY to one of the remaining 43 PRC individual shareholders of BVI-DY, for nil consideration. As a result, BVI-DY became wholly-owned by 43 PRC employees of our Group who are Independent Third Parties. These 43 PRC individuals were the same group of people holding Langfang Deying immediately prior to the Reorganisation. The 11,002 nil-paid shares of BVI-DY were subsequently paid up on 30 December 2014. Please refer to the paragraph below headed “Reorganisation – 6. Issue of Shares by our Company to the Offshore Employee Holding Entities” of this section for details of the paying up of the capital.

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Incorporation of BVI-Decai

BVI-Decai was incorporated in the BVI as a limited liability company on 1 August 2014. It is authorised to issue a maximum of 50,000 shares with a par value of US\$1.00 each. At the date of incorporation, 11,001 shares were allotted and issued nil-paid to 36 PRC individuals who were employees of our Group but were Independent Third Parties. On 31 October 2014, two of these 36 PRC individual shareholders of BVI-DY transferred an aggregate of 330 shares representing all of their interests held in BVI-Decai to one of the remaining 34 PRC individual shareholders of BVI-Decai, for nil consideration. As a result, BVI-Decai became wholly-owned by 34 PRC employees of our Group who are Independent Third Parties. These 34 PRC individuals were the same group of people holding Langfang Decai immediately prior to the Reorganisation. The 11,001 nil-paid shares of BVI-Decai were subsequently paid up on 30 December 2014. Please refer to the paragraph below headed “Reorganisation – 6. Issue of Shares by our Company to the Offshore Employee Holding Entities” of this section for details of the paying up of the capital.

Incorporation of our Company

Our Company was incorporated in the Cayman Islands as an exempted company with limited liability on 11 September 2014. It has an authorised share capital of HK\$10,000 divided into 1,000,000 Shares with a par value of HK\$0.01 each. On the date of incorporation, our Company allotted and issued one subscriber Share for cash at par to the initial subscriber, an Independent Third Party. On the same day, such subscriber Share was transferred to BVI-Prima DG.

On 11 September 2014, our Company further allotted and issued at par 7,199 Shares to BVI-Prima DG, 300 Shares to BVI-Zacks Vroom, 200 Shares to BVI-Fair Silver and 200 Shares to BVI-Denmike, respectively, all credited as fully-paid up. As a result, our Company was held as to approximately 91.14%, 3.80%, 2.53% and 2.53% by BVI-Prima DG, BVI-Zacks Vroom, BVI-Fair Silver and BVI-Denmike, respectively.

2. Deregistration of Shenzhen D&G and acquisition of equity interests in Langfang D&G by DGHK

Deregistration of Shenzhen D&G

In order to take advantage of the economies of scale in manufacturing and to streamline our corporate structure for more efficient and centralised management, the business of Shenzhen D&G was gradually transferred to Langfang D&G. Since January 2013, Shenzhen D&G had ceased to carry on any business and its business licence expired on 31 July 2014. We applied for the deregistration of Shenzhen D&G and Shenzhen D&G was deregistered on 30 September 2014. Our PRC Legal Adviser confirmed that Shenzhen D&G had been duly deregistered in accordance with all the relevant PRC laws and regulations. As a result of the deregistration, Shenzhen D&G ceased to be a subsidiary of Langfang D&G.

HISTORY, REORGANISATION AND CORPORATE STRUCTURE

Acquisition of equity interests in Langfang D&G by DGHK

On 30 September 2014, DGHK acquired all of the equity interests in Langfang D&G held by:

- (i) the PRC PE Investors (except Anxin LP), representing an aggregate of 14% of the equity interests in Langfang D&G, for a total consideration of RMB101,470,159.41 which was determined after negotiations between the parties with reference to certain rate of return on investment for the PRC PE Investors (except Anxin LP); and
- (ii) Anxin LP, representing 2% of the equity interests in Langfang D&G, for a consideration of RMB14,422,142 which was determined based on the investment costs of Anxin LP.

The acquisitions were properly and legally completed and the considerations were fully settled on 25 November 2014. Please refer to the paragraph below headed “Reorganisation – 3. Advancement of the Regal Sky Loan by Regal Sky to BVI-Prima DG, issue of Exchangeable Bond by BVI-Prima DG to Regal Sky and provision of loans by BVI-Prima DG to our Company – Provision of loans by BVI-Prima DG to our Company” in this section for details about the settlement of the said consideration.

3. Advancement of the Regal Sky Loan by Regal Sky to BVI-Prima DG, issue of Exchangeable Bond by BVI-Prima DG to Regal Sky and provision of loans by BVI-Prima DG to our Company

Advancement of the Regal Sky Loan

On 1 November 2014, Regal Sky advanced the Regal Sky Loan to BVI-Prima DG repayable on the earlier of 31 October 2015 and one week after Listing. As consideration for this loan, BVI-Prima DG agreed: (i) to transfer and/or direct our Company to allot and issue to Regal Sky immediately before Listing such number of Shares as shall represent [REDACTED] of the issued share capital of our Company on a fully diluted basis immediately after Listing; and (ii) if the [REDACTED] is exercised, to transfer to Regal Sky as soon as BVI-Prima DG is able to do so under the Listing Rules, Shares representing [REDACTED] of the Shares allotted and issued by our Company under the [REDACTED].

Issue of Exchangeable Bond

On 3 November 2014, BVI-Prima DG issued the Exchangeable Bond to Regal Sky. Please refer to the paragraph below headed “[REDACTED] Investments” in this section for details of the Exchangeable Bond.

HISTORY, REORGANISATION AND CORPORATE STRUCTURE

Provision of loans by BVI-Prima DG to our Company

Between 10 October 2014 and 25 November 2014, BVI-Prima DG advanced, in eight tranches, the Prima DG Shareholder’s Loan to our Company. The Prima DG Shareholder’s Loan was in turn injected by our Company to Rich Benefit, and by Rich Benefit to DGHK, in all instances as interest-free and on-demand shareholder’s loans. DGHK applied the full amount of such shareholder’s loans it received from Rich Benefit to settle the consideration for acquisition of the equity interests in Langfang D&G which were held by the PRC PE Investors referred to in the paragraph above headed “Reorganisation – 2. Deregistration of Shenzhen D&G and acquisition of equity interests in Langfang D&G by DGHK – Acquisition of equity interests in Langfang D&G by DGHK”. Such consideration was fully settled on 25 November 2014.

On 20 November 2014, BVI-Prima DG advanced the HK\$1.4M Loan to our Company for the purpose of financing the incorporation and maintenance fees payable by the Company, Rich Benefit and DGHK.

On or before 31 January 2015, BVI-Prima DG will further advance the Diamond Strong Loan to our Company which will in turn be injected by our Company to Rich Benefit, and by Rich Benefit to BW Enterprise, in all instances as interest-free and on-demand shareholder’s loans. BW Enterprise will apply the full amount of such shareholder’s loan from Rich Benefit to settle the consideration for the acquisition of the equity interests in Langfang D&G held by Diamond Strong. For details of such acquisition, please refer to the paragraph below headed “Reorganisation – 5. Acquisition of equity interests in Langfang D&G by BW Enterprise and reorganisation of the PRC operating companies – Acquisition of equity interests in Langfang D&G by BW Enterprise”.

For details of the repayment of the Prima DG Shareholder’s Loan and the HK\$1.4M Loan and the Diamond Strong Loan, please refer to the paragraph below headed “Reorganisation – 8. [REDACTED], Capitalisation Issue and issue of Shares to Regal Sky and BVI-Prima DG”.

4. Issue of new shares to Rich Benefit and buy-back of shares by the Hong Kong Companies

On 1 December 2014, BW Enterprise allotted and issued to Rich Benefit one fully-paid ordinary share at a consideration of HK\$10.00 (“**BW Enterprise Proceeds**”) for the purpose of buying-back the issued shares from its existing shareholders. On 2 December 2014, BW Enterprise properly and legally bought-back an aggregate of 30,000,000 fully-paid ordinary shares from the Choi Family Founders at a consideration of HK\$4.00 which was paid out of the BW Enterprise Proceeds.

HISTORY, REORGANISATION AND CORPORATE STRUCTURE

On 1 December 2014, Zacks Vroom allotted and issued to Rich Benefit one fully-paid ordinary share at a consideration of HK\$10.00 (“**Zacks Vroom Proceeds**”) for the purpose of buying-back the issued shares from its existing shareholder. On 2 December 2014, Zacks Vroom properly and legally bought-back an aggregate of 3,730,000 fully-paid ordinary shares from the Mr. Liu Tom Jing-zhi at a consideration of HK\$1.00 which was paid out of the Zacks Vroom Proceeds.

On 2 December 2014, Well Silver allotted and issued to Rich Benefit one fully-paid ordinary share at a consideration of HK\$10.00 (“**Well Silver Proceeds**”) for the purpose of buying-back the issued shares from its existing shareholders. On 4 December 2014, Well Silver properly and legally bought-back an aggregate of 12,100,000 fully-paid ordinary shares from the Mr. Chan Hak at a consideration of HK\$1.00 which was paid out of the Well Silver Proceeds.

On 1 December 2014, Denmike allotted and issued to Rich Benefit one fully-paid ordinary share at a consideration of HK\$10.00 (“**Denmike Proceeds**”) for the purpose of buying-back the issued shares from its existing shareholders. On 2 December 2014, Denmike properly and legally bought-back an aggregate of 2,480,000 fully-paid ordinary shares from the Mr. Lao Kam Chi at a consideration of HK\$1.00 which was paid out of the Denmike Proceeds.

5. Acquisition of equity interests in Langfang D&G by BW Enterprise and reorganisation of the PRC operating companies

Conversion of Langfang D&G to a limited liability company and refinement of business scope

Since we decided not to further proceed with the A Share Listing Application, Langfang D&G was converted from a joint-stock company to a limited liability company on 24 November 2014. On 16 December 2014, Langfang D&G also added leasing business to its business scope to better meet its development needs.

Sale of equity interests in Beijing D&G and acquisition of assets by Langfang D&G

As the real properties owned by Beijing D&G were not required by our Group and were subject to a demolition and relocation proposal of the Li Yuan County Government and the negotiation with the Li Yuan County Government was expected to require time and effort on the part of Beijing D&G to complete, we decided to exclude Beijing D&G from our Group. On 4 December 2014 Langfang D&G transferred the entire equity interests in Beijing D&G to Beijing Weilifei, at a consideration of RMB31,716,700 which was determined with reference to a valuation of Beijing D&G as at 30 September 2014 conducted by a PRC valuation company. The equity transfer was properly and legally completed and RMB16 million of the consideration has been paid as at the Latest Practicable Date, Beijing Weilifei will settle the remaining consideration before 31 March 2015. As a result of the transfer, Beijing D&G ceased to be held by Langfang D&G. Beijing Weilifei is principally engaged in the manufacture and sale of biomaterial processing machineries and related after-sales services and research and development. Beijing D&G will not be carrying on any business similar to that of our Group after the transfer.

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On 15 December 2014, Langfang D&G acquired from Beijing D&G certain assets and liabilities of Beijing D&G including the machineries and inventories in relation to the electronic control room facility business of Beijing D&G at their net book value of RMB15,247,063.16. The transfer was properly and legally completed and the consideration was settled on 15 December 2014. After the acquisition, remaining in Beijing D&G were (i) the real properties comprising our previous manufacturing plant in Beijing which was no longer used by our Group; and (ii) the seven registered utility model patents and the 12 computer software copyrights registered in the name of Beijing D&G which Beijing D&G will be transferring to Langfang D&G pursuant to two intellectual property transfer agreements dated 2 January 2015. For details of the transfer of the intellectual property rights, please refer to the paragraph headed “Appendix IV – Statutory and General Information – Intellectual property rights of our Group” in this document.

Establishment of Beijing Branch Office of Langfang D&G

Since we still have business and employees based in Beijing after the disposal of Beijing D&G, we established a branch office of Langfang D&G in Beijing on 12 December 2014. Beijing Branch Office of Langfang D&G is principally engaged in the same business as Beijing D&G before it was being transferred to Beijing Weilifei, namely: (i) the research and development of electronic control room facilities; and (ii) the provision of after-sales services for our electronic control room facilities.

Acquisition of equity interests in Langfang D&G by BW Enterprise

On 16 December 2014, BW Enterprise acquired 29.06% of the equity interests in Langfang D&G from Diamond Strong at a consideration of RMB45,333,600, which was calculated based on the registered capital of Langfang D&G. The acquisition was properly and legally completed and the consideration was required to be settled by 31 January 2015.

On 16 December 2014, BW Enterprise acquired 3%, 1% and 1% of the equity interests in Langfang D&G from the PRC Employee Holding Entities, respectively, at a consideration of RMB4,680,000, RMB1,560,000 and RMB1,560,000, respectively, which was calculated based on the registered capital of Langfang D&G. The acquisition was properly and legally completed and the consideration was required to be settled by 31 January 2015.

As a result of the aforementioned acquisitions, BW Enterprise held an aggregate of 77% of the equity interests in Langfang D&G.

HISTORY, REORGANISATION AND CORPORATE STRUCTURE

6. Issue of Shares by our Company to the Offshore Employee Holding Entities

On 30 December 2014, BVI-Prima DG advanced interest-free and on-demand loans in the amount of HK\$2,000,000, HK\$2,000,000 and HK\$6,000,000 (being the HK\$ equivalents of RMB1,560,000, RMB1,560,000 and RMB4,680,000, respectively, at the exchange rate agreed between BVI-Prima DG and the borrowers named below) (“**Employees’ Loans**”) to (i) the 43 shareholders of BVI-DY; (ii) the 34 shareholders of BVI-Decai; and (iii) Mr. Yu Ronghua, the sole shareholder of BVI-Wonderful (together, the “**Borrowers**”), respectively, for paying up the 11,002, 11,001 and one nil-paid shares issued to them by BVI-DY, BVI-Decai and BVI-Wonderful, respectively. Pursuant to the terms of the Employees’ Loans, the Borrowers shall pay down the Employees’ Loans in the following circumstances until full repayment of such loans: (i) whenever the Borrowers have in their lawful possession any offshore currencies or whenever they are able to lawfully remit their RMB out of the PRC; (ii) upon receipt of any distributions or dividends received from the Offshore Employee Holding Entities; (iii) within two months of any demand for repayment from BVI-Prima DG; (iv) upon selling or transferring to another party the shares held by the Borrowers in the Offshore Employee Holding Entities; and (v) upon such other events or by such other means as shall be agreed among BVI-Prima DG and the Borrowers.

On 30 December 2014:

- (i) the 43 shareholders of BVI-Deying paid up their 11,002 nil-paid shares in BVI-DY in the amount of HK\$2,000,000 (being the HK\$ equivalent of RMB1,560,000), which nil-paid shares were then credited as fully paid-up;
- (ii) the 34 shareholders of BVI-Decai paid up their 11,001 nil-paid shares in BVI-Decai in the amount of HK\$2,000,000 (being the HK\$ equivalent of RMB1,560,000), which nil-paid shares were then credited as fully paid-up; and
- (iii) Mr. Yu Ronghua, the sole shareholder of BVI-Wonderful paid up his one nil-paid share in BVI-Wonderful in the amount of HK\$6,000,000 (being the HK\$ equivalent of RMB4,680,000), which share was then credited as fully paid-up.

On 31 December 2014, our Company allotted and issued:

- (i) an aggregate of 100 fully-paid Shares to BVI-DY at a consideration of HK\$2,000,000 (being the HK\$ equivalent of RMB1,560,000, which represented the amount payable by BW Enterprise to acquire Langfang Deying’s 1% equity interest in Langfang D&G);
- (ii) an aggregate of 100 fully-paid Shares to BVI-Decai at a consideration of HK\$2,000,000 (being the HK\$ equivalent of RMB1,560,000, which represented the amount payable by BW Enterprise to acquire Langfang Decai’s 1% equity interests in Langfang D&G); and

HISTORY, REORGANISATION AND CORPORATE STRUCTURE

- (iii) an aggregate of 300 fully-paid Shares to BVI-Wonderful at a consideration of HK\$6,000,000 (being the HK\$ equivalent of RMB4,680,000, which represented the amount payable by BW Enterprise to acquire Wendefeng LP’s 3% equity interests in Langfang D&G).

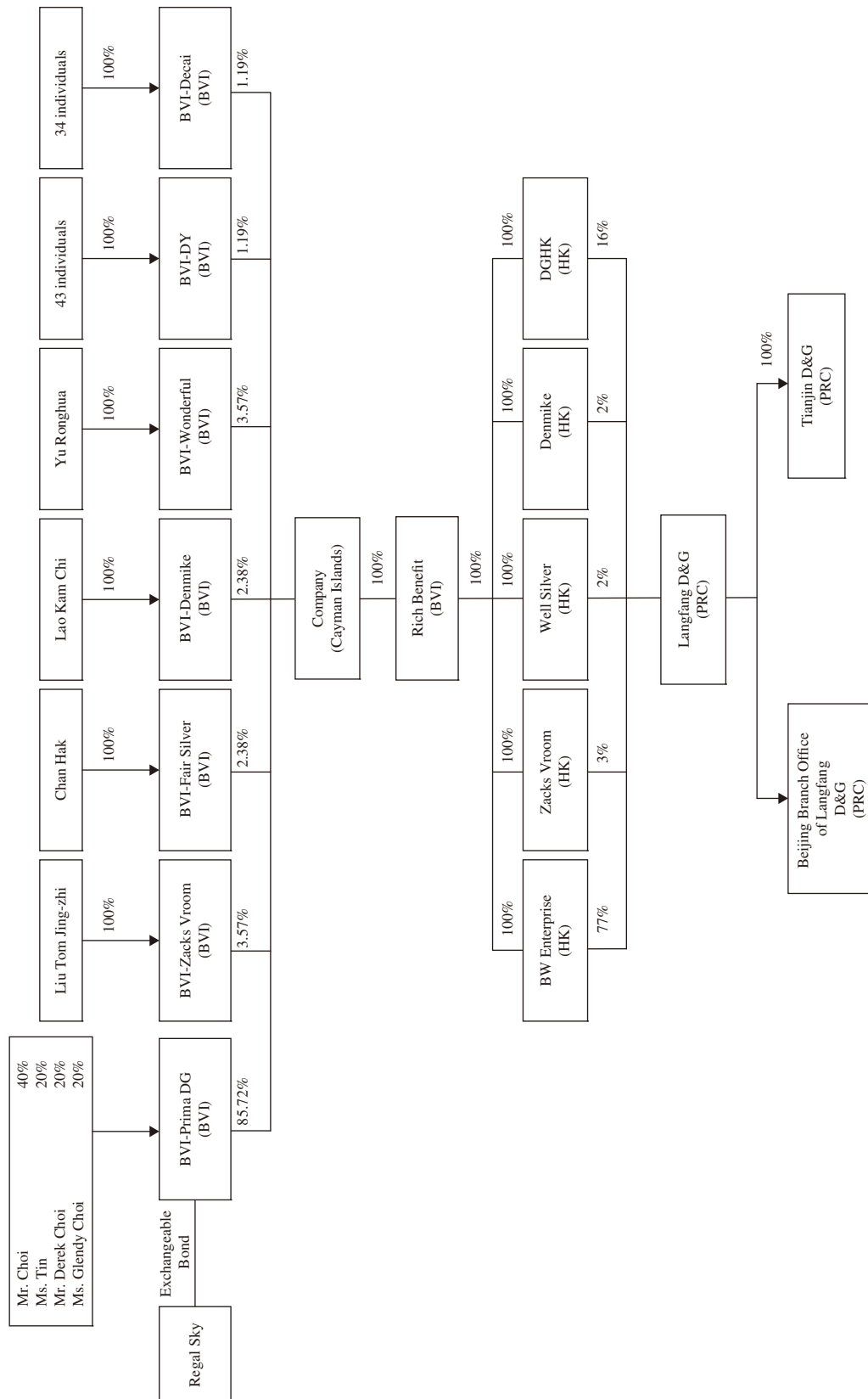
Our Company injected the total amount received from the aforementioned share allotments to BW Enterprise through Rich Benefit by means of interest-free and on-demand shareholders’ loans. Such amount was used by BW Enterprise for acquiring equity interests in Langfang D&G held by the PRC Employee Holding Entities referred to in the paragraph above headed “Reorganisation – 5. Acquisition of equity interests in Langfang D&G by BW Enterprise and reorganisation of the PRC operating companies – Acquisition of equity interests in Langfang D&G by BW Enterprise” in this section.

As a result of the aforementioned steps of our Reorganisation, our Company became the holding company of our Group, holding through our immediate holding company, Rich Benefit, which holds the Hong Kong Companies and DGHK. The Hong Kong Companies were used as holding companies to minimise the change in shareholding of Langfang D&G during the Reorganisation. The Hong Kong Companies and DGHK in turn hold our operating subsidiary, Langfang D&G, which holds the Beijing Branch Office of Langfang D&G and Tianjin D&G. Each of our Company, Rich Benefit, the Hong Kong Companies and DGHK is an investment holding company. Langfang D&G (including the Beijing Branch Office of Langfang D&G) and Tianjin D&G are our operating subsidiaries principally engaged in the (i) manufacturing and sale of asphalt mixing plants; (ii) provision of equipment modification services and sale of machinery components and parts for our asphalt mixing plants; and (iii) leasing of our asphalt mixing plants by way of operating lease.

Our PRC Legal Adviser has advised that each of the steps in our Reorganisation concerning Shenzhen D&G, Beijing D&G and our PRC subsidiaries has been duly completed in accordance with the applicable PRC laws and regulations and all necessary governmental approvals as required under the PRC laws and regulations have been obtained.

HISTORY, REORGANISATION AND CORPORATE STRUCTURE

The following chart sets forth our corporate and shareholding structure immediately following the aforementioned steps of our Reorganisation:



HISTORY, REORGANISATION AND CORPORATE STRUCTURE

7. Increase in our Company’s authorised share capital

On [●] 2015, our Company increased its authorised share capital from HK\$10,000 to HK\$[20,000,000] by the creation of an additional [1,999,000,000] Shares.

8. [REDACTED], Capitalisation Issue and issue of Shares to Regal Sky and BVI-Prima DG

On the Listing Date, our Company will:

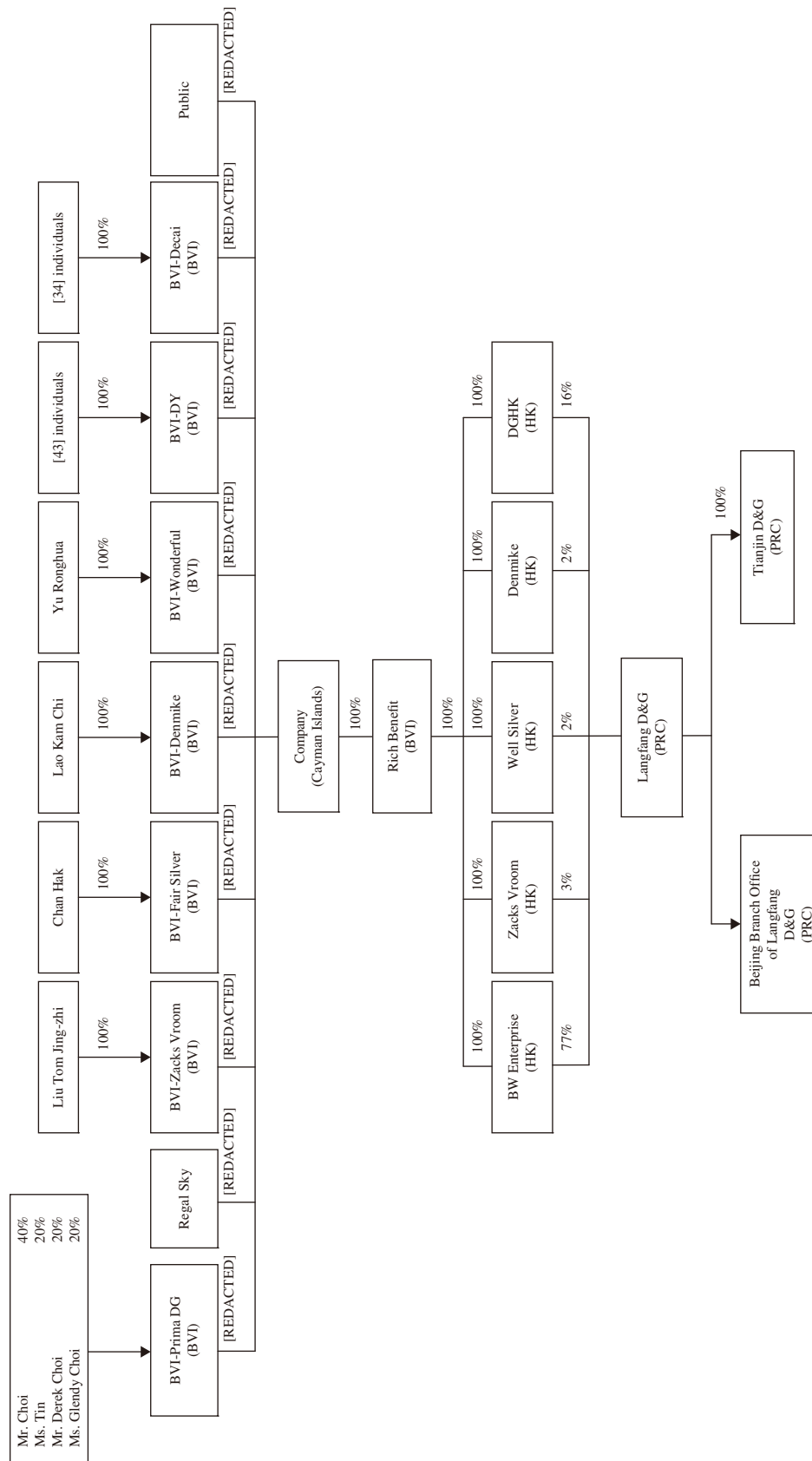
- (i) offer [REDACTED], representing [REDACTED] of the enlarged issue share capital of our Company after all of the allotment and issue of Shares stated in (ii) and (iii) below (taking no account of any Shares to be issued pursuant to the exercise of the [REDACTED] or options that may be granted under the share option scheme to be adopted by our Company), for the [REDACTED];
- (ii) conditional upon the share premium account of our Company being in credit as a result of the issuance of [REDACTED] under the [REDACTED], capitalise an appropriate amount standing to the credit of the share premium account of our Company by applying that amount in paying up in full at par a total of [377,991,600] Shares for allotment and issue on a pro-rata basis to all of our Shareholders as at the date of this document; and
- (iii) allot and issue [REDACTED] Shares to Regal Sky and [REDACTED] Shares to BVI-Prima DG, all credited as fully paid, in full repayment of the Prima DG Shareholder’s Loan, the HK\$1.4M Loan and the Diamond Strong Loan. Such Shares issued to Regal Sky and BVI-Prima DG will respectively represent [REDACTED] and [REDACTED] of the entire issued share capital of our Company immediately following completion of the [REDACTED], the Capitalisation Issue and the Capitalisation of the Loans, assuming that the [REDACTED] is not exercised and taking no account of any Shares that may be issued pursuant to any options that may be granted under the Share Option Scheme.

Assuming the [REDACTED] is not exercised, the allotment of the [REDACTED] Shares to Regal Sky in (iii) above would represent full satisfaction of the obligations of BVI-Prima DG to Regal Sky under the Exchangeable Bond(s) and the Regal Sky Loan.

If the [REDACTED] is exercised, BVI-Prima DG will, as soon as practicable after Listing, additionally transfer Shares representing [REDACTED] of the Shares allotted and issued by our Company under the [REDACTED] to Regal Sky in full satisfaction of the obligations of BVI-Prima DG to Regal Sky under the Regal Sky Loan. Upon completion of such share transfer, assuming that the [REDACTED] is exercised in full and taking no account of any Shares that may be issued pursuant to the exercise of the options which may be granted under the Share Option Scheme. BVI-Prima DG and Regal Sky will hold approximately [REDACTED] and [REDACTED] of the entire issued share capital of our Company, respectively.

HISTORY, REORGANISATION AND CORPORATE STRUCTURE

The following chart sets forth our corporate and shareholding structure immediately following completion of the [REDACTED], the Capitalisation Issue and the Capitalisation of the Loans, taking no account of any Shares that may be issued pursuant to the exercise of the [REDACTED] or any options that may be granted under the Share Option Scheme:



HISTORY, REORGANISATION AND CORPORATE STRUCTURE

[REDACTED] INVESTMENTS

Overview

On 27 October 2014, BVI-Prima DG (as issuer) and the Choi Family Founders (as guarantors) entered into an exchangeable bond subscription agreement with Regal Sky (as subscriber) pursuant to which BVI-Prima DG agreed to issue and Regal Sky agreed to subscribe for an exchangeable bond in the principal amount of US\$8,000,000. BVI-Prima DG issued the Exchangeable Bond to Regal Sky on 3 November 2014. The proceeds from the issuance of the Exchangeable Bond was used to fund the Prima DG Shareholder’s Loan which was advanced to our Company for the purpose of settling the consideration for the acquisition of equity interests in Langfang D&G from the PRC PE Investors as part of the Reorganisation. Please refer to the paragraph above headed “Reorganisation – 2. Deregistration of Shenzhen D&G and acquisition of equity interests in Langfang D&G by DGHK – Acquisition of equity interests in Langfang D&G by DGHK”.

Pursuant to the terms of the Exchangeable Bond, the Exchangeable Bond will automatically be exchanged into Shares immediately before Listing. For details about the shareholding interests of Regal Sky in our Company upon full exchange of the Exchangeable Bond and Listing, please refer to the paragraph above headed “Reorganisation – 8. [REDACTED], Capitalisation Issue and issue of Shares to Regal Sky and BVI-Prima DG” in this section.

On 31 December 2014, the parties to the exchangeable bond subscription agreement entered into a supplemental agreement to revise the dates by which certain undertakings were to be fulfilled by BVI-Prima DG and the Choi Family Founders.

Key information regarding the Exchangeable Bond

Date of subscription agreement	27 October 2014
Date of supplemental agreement	31 December 2014
Subscriber of the Exchangeable Bond	Regal Sky
Principal amount of the Exchangeable Bond:	US\$8,000,000
Date of payment of the subscription price:	3 November 2014
Number and approximate percentage of shareholding upon Listing (assuming the [REDACTED] is not exercised)	[REDACTED]
Approximate cost of investment	[REDACTED]
Approximate percentage of discount to the mid-point [REDACTED]	[REDACTED]

HISTORY, REORGANISATION AND CORPORATE STRUCTURE

Background of Regal Sky

Regal Sky is a limited liability company incorporated in the BVI on 20 May 2014 and is an investment holding company. It is wholly owned by Ocean Equity Partners Fund L.P., an exempted limited partnership registered in the Cayman Islands which is principally engaged in the business of investing in private enterprises in the PRC. To the knowledge of our Directors, the limited partners of Ocean Equity Partners Fund L.P are Independent Third Parties.

Principal terms of the Exchangeable Bond

Set out below are the principal terms of the Exchangeable Bond Subscription Agreement and the Exchangeable Bond which were arrived at among the parties based on arm’s length negotiations with reference to factors including our historical financial performance and future prospects:

Date of issue of the Exchangeable Bond:	3 November 2014
Principal amount of the Exchangeable Bond:	US\$8,000,000
Interest:	2% per annum on the principal amount of the Exchangeable Bond outstanding and accruing from and including the date of issue on a daily basis and calculated on the basis of a 360-day year
Interest payment date:	Interest is payable annually in arrears on the last day of each 12-month period, except that the last interest payment date will be the Maturity Date or the Extended Maturity Date or the date of the Qualified [REDACTED] (as defined below)
Maturity date:	On the completion of 18 months from the date of issue (the “ Maturity Date ”). Upon mutual agreement in writing between BVI-Prima DG and Regal Sky, the maturity date may be extended for another 12 months (the “ Extended Maturity Date ”)
Right to exchange:	Regal Sky has the right to exchange the Exchangeable Bond for Shares at any time up to the Maturity Date or the Extended Maturity Date. Regal Sky has no present intention to exercise the right to exchange the Exchangeable Bond for Shares before the Listing is granted.
Automatic exchange:	In the event our Company completes a Qualified [REDACTED] (as defined below) on or before the Maturity Date or, if applicable, the Extended Maturity Date, the whole of the principal amount of the Exchangeable Bond shall automatically be exchanged into Shares immediately before the completion of the Qualified [REDACTED]

HISTORY, REORGANISATION AND CORPORATE STRUCTURE

Number of Shares to be exchanged: The number of Shares to be transferred and/or allotted to Regal Sky upon exchange will be determined in the following manner:

$$ES = N \times C\%$$

where:

“ES” = the number of Shares to be transferred and/or allotted and issued by our Company;

“N” = (a) in the case of automatic exchange, the total number of the issued Shares immediately before the completion of the Qualified [REDACTED] (i.e. excluding the [REDACTED] to be issued to the public under the Qualified [REDACTED]); or

(b) in the case other than automatic exchange, the total number of issued Shares on the date of exchange; and

“C” = the percentage of Shares to be transferred and/or allotted and issued by our Company (on post-money basis) which is calculated using the following formula:

$$C = \frac{A}{P} \times 100\%$$

where:

“A” = the aggregate principal amount of the Exchangeable Bond to be exchanged. The amount denominated in US\$ will be converted into RMB for the purpose of calculating the number of Shares to be transferred/allotted and issued upon exchange based on the middle exchange rate of US\$ to RMB announced by the People’s Bank of China on the date of exchange; and

“P” = the amount of net profit after tax but before minority interest of our Company for the year ended 2014 on group consolidation basis audited under IFRS multiplied by 5.8.

No fractional Shares shall be transferred upon exchange of the Exchangeable Bond.

Events of default:

(a) BVI-Prima DG defaults in the payment of any principal or other amount due and payable under the Exchangeable Bond;

HISTORY, REORGANISATION AND CORPORATE STRUCTURE

- (b) BVI-Prima DG or any member of our Group (i) changes its business; (ii) ceases or is disqualified to carry on its business or any substantial part of it; or (iii) disposes of all or any substantial part of our business or assets; other than as part of a restructuring within the Group;
- (c) any permits, licences or other approval necessary for the business operations of BVI-Prima DG of any member of our Group (except as part of a restructuring within the Group) is revoked, withdrawn or not renewed, and such revocation, withdrawal or non-renewal is incapable of remedy or is not remedied within 60 days of the notice of default given by Regal Sky;
- (d) any party to the Exchangeable Bond Subscription Agreement and the documents contemplated therein (collectively the “**Bond Documents**”) (other than Regal Sky, its affiliates or nominees) defaults in the due observance or performance of any material term, covenant, undertaking or agreement contained in such documents, and such default remains unremedied for a period of 10 business days after notice of default is given by Regal Sky;
- (e) any of the warranties, statements or representations under the Exchangeable Bond Subscription Agreement is false or misleading or ceases to be true and accurate in any material respect;
- (f) an insolvency or bankruptcy event occurs in respect of BVI-Prima DG or any member of our Group, our Company or any of our Subsidiaries;
- (g) an order is made or a resolution is passed for the winding-up of BVI-Prima DG, our Company or any of our Subsidiaries, except for the internal reorganisation or voluntary winding up of our Subsidiaries;

HISTORY, REORGANISATION AND CORPORATE STRUCTURE

- (h) a moratorium is agreed or declared in respect of any indebtedness of BVI-Prima DG or any member of our Group, or all or a substantial part of the assets of BVI-Prima DG or of any member of our Group is compulsorily acquired or expropriated by any governmental authority and which is expected to have a material adverse effect on the business or prospects of our Group as a whole or of our ability to perform our obligations under the Bond Documents (“**Material Adverse Effect**”);
- (i) any default by BVI-Prima DG or any member of our Group in the payment of any principal, interest or other amount of indebtedness which is due to be paid, or breach of any material term of any instrument of indebtedness of BVI-Prima DG or any member of our Group which results in the indebtedness becoming due or payable prior to its stated maturity and causes a Material Adverse Effect;
- (j) except as part of the Reorganisation or with the prior written consent of Regal Sky, any of BVI-Prima DG or a member of our Group being involved in any of the following transactions (i) the sale, transfer or disposal of all or substantially all of its assets; (ii) merger or consolidation of with or into an other entity; or (iii) a transfer or a series of transfers which would result in a change in the person(s) holding 50% or more of the voting shares of Prima DG or any member of our Group; and
- (k) BVI-Prima DG fails to fulfil any of the post-completion undertakings set out in the Exchangeable Bond Subscription Agreement (which include, among other things, undertakings to deliver security documents and complete certain steps of the Reorganisation) on or prior to the dates specified in the Exchangeable Bond Subscription Agreement.

Upon the occurrence of an event of default, Regal Sky may by written notice to BVI-Prima DG, redeem the entire outstanding principal amount of the Exchangeable Bond, in which event the redemption amount (together with all interest accrued thereon until payment is made in full) shall be due and repayable on the seventh business day after the date of Regal Sky’s notice.

HISTORY, REORGANISATION AND CORPORATE STRUCTURE

The redemption amount shall be calculated in the following manner:

$$\text{Redemption amount} = P \times (1 + 23\%)^n$$

Where:

“P” = the principal amount of the Exchangeable Bond outstanding as at the date of notice given by Regal Sky; and

“n” = the number of year(s) from the date of issue to the date of redemption

Redemption not resulting from an event of default:

In the event that a Qualified [REDACTED] is not completed by December 2015, or there is no sale of substantially all of the outstanding Shares and/or assets of our Company in a single transaction before the Maturity Date or the Extended Maturity Date, BVI-Prima DG shall redeem the principal amount of the Exchangeable Bond which remain outstanding on the Maturity Date or the Extended Maturity Date at the redemption amount below together with all interest accrued thereon until payment is made in full.

The redemption amount shall be calculated in the following manner:

$$\text{Redemption amount} = P \times (1 + 13\%)^n$$

Where:

“P” = the principal amount of the Exchangeable Bond outstanding as at the Maturity Date or the Extended Maturity Date; and

“n” = the number of year(s) from the date of issue to the date of redemption

Save for the above, BVI-Prima DG may not redeem the Exchangeable Bond before the Maturity Date or the Extended Maturity Date unless with the prior written consent of Regal Sky.

The Exchangeable Bond will be cancelled upon redemption.

A “Qualified [REDACTED]” means an [REDACTED] of our Shares on the Main Board of the Stock Exchange at a [REDACTED] valuation of our Company of at least [REDACTED] and proceeds therefrom of at least [REDACTED].

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Use of proceeds

BVI-Prima DG shall use the proceeds from the Exchangeable Bond to on-lend to our Company to fund the acquisition of equity interests in Langfang D&G from the PRC PE Investors under the Reorganisation as well as reimburse BVI-Prima DG for funds already advanced to our Company to fund such acquisition of equity interests in Langfang D&G.

All of the proceeds from the Exchangeable Bond had been used by BVI-Prima DG and our Company in the manner set out above.

Guaranteed internal rate of return

BVI-Prima DG covenants and guarantees to Regal Sky that upon Regal Sky and/or its affiliate becoming a shareholder of our Company at the completion of the Qualified [REDACTED], Regal Sky and/or its affiliate shall have an internal rate of return of 25% (the “Guaranteed IRR”). If the [REDACTED] of the Shares is insufficient to provide the Guaranteed IRR upon Listing, BVI-Prima DG shall pay the shortfall to Regal Sky in cash to ensure the Guaranteed IRR.

[Based on the current indicative [REDACTED] of [REDACTED] to [REDACTED], it is expected that the [REDACTED] of the Shares would be sufficient to provide the Guaranteed IRR upon Listing.]

Security

In connection with the issue of the Exchangeable Bond and the advancement of the Regal Sky Loan, the following share charges and guarantees were provided in favour of Regal Sky:

- (a) a charge over the entire issued share capital of BVI-Prima DG dated 3 November 2014 and executed and delivered by the Choi Family Founders in favour of Regal Sky;
- (b) a charge over all the Shares held by BVI-Prima DG dated 3 November 2014 and executed and delivered by BVI-Prima DG in favour of Regal Sky;
- (c) a charge over the entire issued share capital of Rich Benefit dated 3 November 2014 and executed and delivered by the our Company in favour of Regal Sky; and
- (d) a guarantee dated 3 November 2014 and given by the Choi Family Founders in favour of Regal Sky for the due and punctual performance and observance of the obligations of the Exchangeable Bond Subscription Agreement and the documents contemplated therein by BVI-Prima DG.

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In addition, the following charges, guarantees and mortgages will also be provided in favour of Regal Sky:

- (a) a charge over the entire issued share capital of BW Enterprise to be executed and delivered by Rich Benefit in favour of Regal Sky;
- (b) if and when requested by Regal Sky, a guarantee to be given by Langfang D&G in favour of Regal Sky;
- (c) a first mortgage to be created by Diamond Strong in favour of Regal Sky in relation to Room B2, 10/F., Hing Lung Commercial Building, 68-74 Bonham Strand, Sheung Wan, Hong Kong;
- (d) a second mortgage to be created by Diamond Strong in favour of Regal Sky in relation to Rooms 701 and 702, Hing Lung Commercial Building, 68-74 Bonham Strand, Sheung Wan, Hong Kong; and
- (e) Subject to consent being given by the lending bank under the first mortgage, a second mortgage to be created by Balama Engineering in favour of Regal Sky in relation to 17/F., Hing Lung Commercial Building, 68-74 Bonham Strand, Sheung Wan, Hong Kong.

All of the charges, guarantees and mortgages set out in this paragraph headed “Security” will be discharged and released upon Listing.

Special rights

Under the Bond Documents, Regal Sky was also granted a number of special rights, a summary of which is set out below. All these special rights, other than the right described under the paragraph headed “Guaranteed Sales for 2014 and 2015”, will automatically terminate and lapse upon Listing.

Information and inspection rights

We shall deliver to Regal Sky the following documents:

- (a) final draft audited financial statements of our Company on a consolidated basis and of each of our Subsidiaries on an unconsolidated basis, all prepared on Hong Kong generally accepted accounting principles or such other international generally accepted accounting principles (“**Accounting Standards**”) within 120 days after the end of each financial year;
- (b) quarterly financial statements of our Company on a consolidated basis and of each of our Subsidiaries on an unconsolidated basis, prepared based on the Accounting Standards within 45 days after the end of each fiscal quarter;
- (c) unaudited monthly management accounts of our Company and our Subsidiaries and their respective operational report within 30 days after the end of each calendar month;
- (d) proposed annual business plan for the following financial years for our Company on a consolidated basis and for each of our Subsidiaries on an unconsolidated basis not later than 31 December of each financial year;

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- (e) minutes or resolutions passed by the board or shareholders of any member of our Group within 10 business days from the date of such meeting; and
- (f) manuals, documents and policies of our Group in relation to corporate governance or internal control.

Inspection rights

Regal Sky shall have the right, by giving us not less than five business days’ prior notice, to inspect during reasonable business hours the properties and facilities of members of our Group, and have access to and examine our books and accounts.

Profit guarantee

Our Controlling Shareholders guarantee that our Company shall achieve the net profit after tax (“NPAT”) for each of 2014, 2015, 2016 and 2017 as set out below. In the event that the NPAT in any relevant year falls short of the guaranteed amount below, our Controlling Shareholders shall, at the election of Regal Sky, compensate Regal Sky for the shortfall in cash or transfer additional Shares to Regal Sky based on an agreed formula.

<u>Year</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
Guaranteed NPAT	RMB80,000,000	Higher of : (i) 1.1 times NPAT in 2014; and (ii) RMB88,000,000	Higher of : (i) 1.2 times NPAT in 2015; and (ii) RMB105,600,000	Higher of : (i) 1.25 times NPAT in 2016; and (ii) RMB132,000,000

Guaranteed Sales for 2014 and 2015

Our Controlling Shareholders also guarantee that the total units of asphalt mixing plants which are sold or leased to our customers shall not be less than 55 units in 2014 and 58 units in 2015. In the event that the actual number of units sold or leased in any relevant year falls short of the guaranteed units, our Controlling Shareholders shall pay a cash compensate to Regal Sky calculated in the following manner:

$$\text{Cash compensation} = \text{MS} \times \text{AG} \times \text{ST}$$

where:

“MS” = guaranteed number of units – actual number of units sold or leased by the relevant year end;

“AG” = the average gross profit per unit of asphalt mixing plants sold for the relevant year; and

“ST” = the shareholding (%) of Regal Sky in our Company by relevant year end

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Restrictions on transfer and right of first offer

Our Controlling Shareholders shall not without the prior consent of Regal Sky transfer or otherwise dispose of or create any new mortgage, charge, pledge, lien or other encumbrance, third party rights or security interest in respect of all or any of the Shares held by them. In the event our Controlling Shareholders propose to transfer or dispose of any of their Shares, they shall give a written notice (the “**Notice**”) to our Company and Regal Sky providing information such as the number of Shares to be transferred and the consideration therefor and Regal Sky shall be given a right of first offer to purchase all (but not part of) the offered Shares.

Co-sale right and sale at Qualified [REDACTED]

If Regal Sky has not exercised its right of first offer described above and our Controlling Shareholders proceed to sell the Shares to a prospective transferee, and Regal Sky has by then exchanged any amount of the Exchangeable Bond for Shares, Regal Sky shall have the right to sell its Shares to the prospective transferee at the same price and upon the same terms and conditions as our Controlling Shareholders. The number of Shares to be sold by our Controlling Shareholders shall be reduced to accommodate the Shares which Regal Sky wishes to sell in the event the prospective transferee refuses to purchase the additional Shares of Regal Sky.

If our Controlling Shareholders transfer any Shares in contravention of the arrangements as stated above, Regal Sky shall have the right to sell to our Controlling Shareholders the number of Shares equal to the number of Shares which Regal Sky would have been entitled to transfer to the purchaser.

In the event our Controlling Shareholders propose to sell their Shares to the public under the Qualified [REDACTED], Regal Sky shall have the right to participate in such sale on a pro-rata basis with our Controlling Shareholders and sell a portion of the Shares which it will receive upon exercise of the exchange right immediately before the Qualified [REDACTED].

Board representation

Regal Sky shall be entitled to nominate one Director. The quorum for a Board meeting shall comprise two Directors one of whom shall be the Director nominated by Regal Sky. The Director nominated by Regal Sky shall resign upon Listing.

Negative covenants

Without the prior written approval of Regal Sky, no member of our Group shall carry out the following transactions:

- (a) change its principal business or conduct any business or operation which is not in its ordinary course of business;
- (b) any deviation from the annual budget more by than 30% or a material change of the annual business plan;

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- (c) acquiring any asset (including shares in any other person), whether in one or a series of transactions, for which the total price paid is greater than RMB5,000,000 save and except acquisition of assets (i) under the Reorganisation or (ii) arising from or in the ordinary course of business;
- (d) authorising or undertaking any arrangement for the disposal of the assets or business of any member of the Group, whether in one or a series of transactions with a value exceeding RMB5,000,000, save and except acquisition of assets (i) under the Reorganisation or (ii) arising from or in the ordinary course of business;
- (e) incurring any single item of capital expenditure exceeding RMB5,000,000, unless such expenditure is (i) included in the annual budget; or (ii) in respect of the Reorganisation; or (iii) arising from or in the ordinary course of business;
- (f) incurring indebtedness or assuming any financial obligation or liability of an amount exceeding RMB5,000,000 otherwise than under the Reorganisation or in its ordinary course of business;
- (g) carrying out any amalgamation, merger, consolidation, reconstitution, restructuring or similar transaction that results in a change of control of any member of our Group;
- (h) providing loans to any person or incurring any liability (other than those: (i) incurred in the ordinary course of business; (ii) where the amount and nature of such a loan provision is included in the annual budget; or (iii) loans between members of our Group);
- (i) giving a guarantee, indemnity or other assurance for a debt of another person or about the financial condition of that person, unless the same arises in its ordinary course of business;
- (j) entering into any contract not in its ordinary course of business and with a value exceeding RMB5,000,000 except in respect of the transactions under the Reorganisation;
- (k) creating any encumbrance over any of its asset (including shares) or rights other than in its ordinary course of business;
- (l) entering into any arrangement with any Shareholder or its affiliate, which is not on an arm’s length basis and involves an amount exceeding RMB1,000,000;
- (m) removing any of the key personnel and approving the remuneration packages of key personnel with a change of 30% or more than their then existing packages save and except where such removal is compulsorily required by the applicable laws or regulations;
- (n) compromising litigation or a similar procedure involving a claim of more than RMB5,000,000;

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- (o) licensing, selling or otherwise disposing of any of its intellectual property rights which gives rise to a value exceeding RMB5,000,000 other than pursuant to a license, sale or disposition of a type and amount included in the annual budget;
- (p) recommending or declaring an interim or a final dividend;
- (q) changing the auditors or the terms of their appointment or changing the financial year of any member of our Group;
- (r) disposing, creating or acquiring any interests in a subsidiary or entering into any joint venture other than in connection with the Reorganisation;
- (s) amending or repealing the constitutional documents of any member of our Group which will affect or be in relation to the rights and interests of Regal Sky or the shareholders of any member of our Group. For other amendments of the constitutional documents, to provide such amendments to Regal Sky in advance;
- (t) changing the designations, powers, rights, preferences or privileges, or the qualifications, limitations or restrictions of our Shares;
- (u) creating, authorising or issuing any shares or other equity security of BVI-Prima DG or any member of our Group having a structural or legal preference over, or ranking pari passu with, the shares in issue with respect to any matter, including, without limitation, dividend rights, voting rights or liquidation preference;
- (v) granting any type of options, warrants or any rights issue to subscribe to shares of BVI-Prima DG or any member of our Group;
- (w) authorising or undertaking any reduction of capital or share repurchase, other than (i) under the Reorganisation or (ii) any repurchase of Shares or other equity security issued to or held by employees, officers, directors of any member of the Group pursuant to the stock option plan upon termination of their employment at a price not greater than the fair market value; and
- (x) authorising or undertaking any liquidation, winding up or bankruptcy, reorganisation, composition with creditors or other analogous insolvency proceedings, whether voluntary or involuntary, or any petition presented or resolution passed for any such event or for the appointment of an insolvency practitioner.

Other matters

[The Shares to be exchanged under the Exchangeable Bond and held by Regal Sky, unless waived by the Sole Global Coordinator, are expected to be subject to a lock-up of not more than six months from the Listing Date]. These Shares will be counted towards the public float after the Listing for the purposes of Rule 8.08 of the Listing Rules. As of the Latest Practicable Date, no part of the Exchangeable Bond had been exchanged for Shares.

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Since the subscription price for the Exchangeable Bond was fully settled by Regal Sky on 3 November 2014, the Sole Sponsor is of the view that the issue of the Exchangeable Bond is in compliance with the Interim Guidance on [REDACTED] investments (HKEx-GL29-12), the Guidance on [REDACTED] investments (HKEx-GL43-12) and the Guidance on [REDACTED] investments in convertible instruments (HKEx-GL44-12) issued by the Stock Exchange.

Immediately before Listing, BVI-Prima DG will direct our Company to allot and issue to Regal Sky such number of Shares as shall represent approximately [REDACTED] and [REDACTED] of the issued share capital of our Company on a fully diluted basis immediately after Listing, representing full fulfillment of BVI-Prima DG’s obligations under the Exchangeable Bond and part of the consideration for the Regal Sky Loan, respectively. Please refer to the paragraph above headed “Reorganisation – 3. Advancement of the Regal Sky Loan by Regal Sky to BVI-Prima DG, issue of Exchangeable Bond by BVI-Prima DG to Regal Sky and provision of loans by BVI-Prima DG to our Company – Advancement of the Regal Sky Loan” for details of the Regal Sky Loan. Immediately before Listing, our Company will also issue Shares to BVI-Prima DG as full repayment of the Prima DG Shareholder’s Loan, the HK\$1.4M Loan and the Diamond Strong Loan. For further details about the Capitalisation of the Loans and the corporate and shareholding structure immediately after the completion of the Capitalisation Issue, the [REDACTED] and the Capitalisation of the Loans, please refer to the paragraph above headed “Reorganisation – 8. [REDACTED], Capitalisation Issue and the issue of Shares to Regal Sky and BVI-Prima DG” in this section.

PRC LEGAL COMPLIANCE

M&A Rules

According to the Rules on the Acquisition of Domestic Enterprises by Foreign Investors (《關於外國投資者併購境內企業的規定》) (“M&A Rules”) which were promulgated by the Ministry of Commerce, the State-owned Assets Supervision and Administration Commission, the CSRC, the State Administration of Taxation, the State Administration for Industry and Commerce and the SAFE and took effect on 8 September 2006 and modified on 22 June 2009, where a domestic natural person intends to take over his/her related domestic company in the name of an offshore company which he/she lawfully established or controls, the takeover shall be subject to the examination and approval of the Ministry of Commerce; and where a domestic natural person holds equity interest in a domestic company through an offshore special purpose company, any transaction involving the overseas listing of that special purpose company shall be subject to approval by the CSRC. Our PRC Legal Adviser has advised that the M&A Rules are not applicable to our Listing and it is not necessary for us to obtain approval from the CSRC and the Ministry of Commerce as the controlling beneficiary owners of our PRC subsidiaries have been individuals from Hong Kong since the establishment of our PRC subsidiaries.

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Circular No. 37

The 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融資及返程投資外匯管理有關問題的通知》) (Huifa [2014] No. 37, hereinafter refer to as “**Circular 37**”) and Operating Guideline for Relevant Business of Foreign Exchange Administration over Round-trip Investment* (《返程投資外匯管理所涉業務操作指引》) (“**Operating Guideline**”), the annexure of Circular 37 were promulgated by SAFE on 14 July 2014 and took effect on the same day. According to Circular 37 and the Operating Guideline, a domestic resident shall, before contributing lawful domestic and overseas assets or interests to a special purpose vehicle, apply to the foreign exchange office of the place of registration or the foreign exchange office of where the domestic enterprise’s assets or interests is located, to effect foreign exchange registration.

Since our Shareholders, BVI-Prima DG, BVI-Zacks Vroom, BVI-Fair Silver and BVI-Denmike, are beneficially owned by the Choi Family Founders, Mr. Liu Tom Jing-zhi, Mr. Chan Hak and Mr. Lao Kam Chi, respectively, all of whom are non-Chinese residents, our PRC Legal Adviser is of the opinion that the aforementioned beneficial shareholders are not subject to Circular 37.

Since our other Shareholders, BVI-Wonderful, BVI-DY and BVI-Decai, are beneficially owned by Mr. Yu Ronghua (our executive Director), 43 individuals and 34 individuals, respectively, all of whom are Chinese residents, our PRC Legal Adviser is of the opinion that their setting up of BVI-Wonderful, BVI-DY and BVI-Decai to indirectly hold shares in our PRC subsidiaries constitute round-trip investments and are therefore required to apply for registration with Langfang sub-office of Hebei Branch of SAFE pursuant to Circular 37. On 26 December 2014, Mr. Yu Ronghua and the aforesaid 77 individuals completed the registration with Hebei Branch of SAFE.