

## RELATIONSHIP WITH CONTROLLING SHAREHOLDERS

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### CONTROLLING SHAREHOLDERS

Immediately following completion of the [REDACTED], BVI-Prima DG, which is wholly-owned by the Choi Family Founders will be beneficially interested in approximately [REDACTED] of the Shares in issue (assuming that the [REDACTED] is not exercised and without taking into account Shares that may be allotted and issued upon the exercise of any options which may be granted under the Share Option Scheme). Accordingly, BVI-Prima DG and the Choi Family Founders will be our Controlling Shareholders within the meaning of the Listing Rules. Each of BVI-Prima DG and the Choi Family Founders has confirmed that he/she/it does not hold or conduct any business (except for our Group’s business) which competes, or is likely to compete, either directly or indirectly, with our business.

### NON-COMPETITION UNDERTAKINGS

In order to ensure that our Controlling Shareholders will not engage in any business undertaking in competition with our Group, each of BVI-Prima DG and the Choi Family Founders (“**Covenantors**”) has given an irrevocable non-competition undertaking in favour of our Company (for itself and as trustee for its subsidiaries from time to time) pursuant to which, each of the Covenantors has irrevocably, unconditionally and severally undertaken with our Company on a joint and several basis that, among others, at any time during the Relevant Period (as defined below), each Covenantor shall:

- (i) save for the Restricted Business (as defined below), not, and shall procure that none of his/her/its close associates (other than the Group) shall, directly or indirectly, carry on, invest in or be engaged in any business which will or may compete with the business engaged by our Group from time to time (“**Restricted Business**”), including but not limited to the manufacturing and sale of asphalt mixing plants, provision of equipment modification services and sale of machinery components and parts, and leasing of our asphalt mixing plants by way of operating lease;
- (ii) promptly provide our Company with any relevant information in respect of any new business opportunity within and/or outside the PRC which competes or may compete with the Restricted Business or future business of our Group of which he/she/it or his/her/its close associates may have knowledge and will give our Company an option, exercisable by our Company within 30 days upon receipt of the written notification of relevant information to take up such new business opportunity and he/she/it and/or his/her/its close associates may only take up such new business opportunity after the independent non-executive Directors have separately reviewed and decided that our Group should decline such new business opportunity after having considered (a) the financial resources of our Group and that required for the new business opportunity, (b) whether such new business opportunity would compete with our prevailing business; (c) the viability of and risks involved in such new business opportunity; and (d) whether it is in the interest of our Company and our Shareholders as a whole to pursue the new business opportunity.

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For the above purposes, the “**Relevant Period**” means the period commencing from the Listing Date and shall expire upon the earliest of the dates below:

- (i) the date on which the relevant Covenantor ceases to be our controlling shareholder for the purpose of the Listing Rules; or
- (ii) the date on which the Shares cease to be listed on the Stock Exchange.

Notwithstanding the aforesaid, the non-competition undertaking as set out above shall not prevent the Covenantors and their respective close associates from acquiring a direct or indirect shareholding interest of not more than 5% in a company listed on any stock exchange anywhere in the world and engaged in any Restricted Business.

Each of our Controlling Shareholders confirm that they are neither engaged, nor interested, in any business (except for our Group’s business) which, directly or indirectly, competes or may compete with our Group’s business and would require disclosure under Rule 8.10 of the Listing Rules. Our Directors confirm that none of them is interested in any business (except for our Group’s business) which competes or is likely compete, either directly or indirectly with our business.

## CORPORATE GOVERNANCE MEASURES

Our Company will adopt the following measures to manage the conflict of interests arising from our controlling shareholders and to safeguard the interests of our Shareholders:

- (i) as part of our preparation for the [REDACTED], we have amended our Articles of Association to comply with the Listing Rules. In particular, our Articles of Association provide that, unless otherwise provided, a Director shall not vote on any resolution approving any contract or arrangement or any other proposal in which such Director or any of his/her close associates have a material interest nor shall such Director be counted in the quorum present at the meeting;
- (ii) our independent non-executive Directors will review, on an annual basis, the compliance with the undertaking by the Covenantors under the non-competition undertaking set out in the paragraph headed “Non-competition undertakings” in this section;
- (iii) pursuant to Rule 3A.19 of the Listing Rules, we have appointed Shenyin Wanguo Capital (H.K.) Limited as our compliance adviser with effect from the date of Listing;
- (iv) the Covenantors undertake to provide all information requested by our Company which is necessary for the annual review by our independent non-executive Directors and the enforcement of the non-competition undertaking set out in the paragraph headed “Non-competition undertakings” in this section;

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- (v) our Company will disclose decisions on matters reviewed by our independent non-executive Directors relating to compliance and enforcement of the undertaking of the Covenantors under the non-competition undertaking set out in the paragraph headed “Non-competition undertakings” in this section, in the annual reports of our Company;
- (vi) if our independent non-executive Directors consider it necessary or desirable, they may also engage professional advisors (including an independent financial advisor) at the costs of our Company to advise them on matters relating to the non-competition agreement or on any business opportunities which may be referred to us by our Controlling Shareholders; and
- (vii) the Covenantors will make an annual declaration in compliance with their undertaking under the non-competition undertaking in the annual report of our Company.

## INDEPENDENCE FROM CONTROLLING SHAREHOLDERS

Apart from our Group’s business, our Controlling Shareholders also have interests in or participate in the operation of other businesses, including but not limited to beverages, resort hotels and infrastructural, renewable energy and agricultural projects. Our Directors consider that our Group is capable of carrying on its business independent of, and does not place undue reliance on, our Controlling Shareholders and their close associates for the following reasons:

### Management independence

Our Board comprises six executive Directors, one non-executive Director and four independent non-executive Directors. Although three of our Directors, Mr. Choi, Mr. Derek Choi and Ms. Glendy Choi, are also our Controlling Shareholders, all of our other Directors and senior management possess relevant management and/or industry-related experience to act as Directors or senior management of our Company and to make management decisions independent from our Controlling Shareholders. Please refer to the section headed “Directors, Senior Management and Staff” in this document for details.

In addition, each of our Directors is aware of his/her fiduciary duties as a Director of our Company which requires, among other things, that he/she acts for the benefit and in the best interests of our Group and does not allow any conflict between his/her duties as a Director and his/her personal interests. In the event that there is a potential conflict of interest arising out of any transaction to be entered into between our Group and our Directors or their respective close associates, the interested Director(s) shall abstain from voting at the relevant Board meetings of our Company in respect of such transactions and shall not be counted in the quorum. In addition, we have a senior management team to make business decisions independently. Our independent non-executive Directors will also bring independent judgment to the decision-making process of our Board.

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Based on the above, our Directors are of the view that our Board, as a whole, together with our senior management team, are capable of managing our business independently from our Controlling Shareholders.

### **Operational independence**

Our Directors consider that our operations do not depend on our Controlling Shareholders for the following reasons:

- (a) we have independent access to sources of supplies or raw materials, parts and components for the production of our products and also independent access to our customers;
- (b) we have also established a set of internal controls to facilitate the effective operation of our business and an internal control committee to oversee the implementation of our internal control system;
- (c) we have our own registered patents and computer software copyrights which we can use for producing our products and providing our services. We have also registered trademarks which we can use for marketing our products and services;
- (d) there is no competing business between our Group and our Controlling Shareholders; and
- (e) except for the lease of office premises in Hong Kong and the PRC as described in the section headed “Connected Transactions” in this document, all of which our Directors consider can be replaced if necessary within a short period of time without incurring significant costs, there is no connected transaction between our Controlling Shareholders or their associates and any member of our Group.

Based on the above, our Directors are of the view that we are capable of carrying on our business independently of our Controlling Shareholders and their respective close associates.

### **Financial independence**

Our Group has an independent financial system and makes financial decisions according to our Group’s own business needs. We have our own internal control and accounting systems and accounting and finance department to perform independent treasury function on cash receipts and payments, independent accounting and reporting functions and independent internal control function. We are able to obtain financing from third parties or from our internally generated funds without reliance on our Controlling Shareholders.

## RELATIONSHIP WITH CONTROLLING SHAREHOLDERS

During the Track Record Period, there were a number of financial arrangements between our Group and our Controlling Shareholders and their associates (namely loans and guarantees given to/by our Group from/to our Controlling Shareholders and their associates). Details of these financial arrangements are summarised below:

	<b>As at 31 December 2012</b>	<b>As at 31 December 2013</b>	<b>As at 30 September 2014</b>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Amounts of loans due to us from our Controlling Shareholders and their associates	6,387	6,076	–
Amounts due from us to our Controlling Shareholders and their associates (including loans and rental)	798	4,429	4,350
Amounts guaranteed by our Controlling Shareholders and their associates for our Group	–	–	31,582
Amounts guaranteed by our Group for our Controlling Shareholders and their associates	–	21,227	49,135

In addition, to facilitate our Reorganisation, BVI-Prima DG, our Controlling Shareholder, advanced the Prima DG Shareholder’s Loan, the HK\$1.4M Loan and the Diamond Strong Loan to our Company. All such loans shall be capitalised prior to Listing as part of the Reorganisation. For details of these loans, please refer to the paragraph headed “History, Reorganisation and Corporate Structure – 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 document.

All of the aforementioned financial arrangements will be repaid/released prior to Listing.

In connection with the issue of the Exchangeable Bond and the advancement of the Regal Sky Loan, our Company provided a share charge in favour of Regal Sky. Rich Benefit will also grant a share charge in favour of Regal Sky. For details of these share charges, please refer to the paragraph headed “History Reorganisation and Corporate Structure – [REDACTED] Investments – Security” in this document. All of these share charges will be released upon Listing.

Save as disclosed above, our Controlling Shareholders have not entered into any financial arrangements with our Group during the Track Record Period.

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As at 30 September 2014, our Group’s outstanding bank borrowings were approximately RMB52.2 million, of which approximately RMB31.6 million were guaranteed by Mr. Derek Choi and Ms. Tin in favour of HSBC Bank (China) Company Limited. We have obtained consent in principle from HSBC Bank (China) Company Limited that such guarantees will be released prior to Listing.

Based on the aforementioned, our Directors are of the view that we are financially independent of our Controlling Shareholders.