

### OUR BUSINESS DEVELOPMENT

#### Overview

Our Group was founded in August 2003 when Dongying Shengli, our principal operating subsidiary which housed all our operating production facilities as at the Latest Practicable Date, was established as a WFOE in the PRC. Our existing BDO production facility was originally acquired from an Independent Third Party shortly after the establishment of Dongying Shengli in August 2003 with an initial designed BDO and GBL production capacity of approximately 20,000 tpa and 4,500 tpa, respectively. Following our acquisition of this facility, we made various design and technical improvements to our BDO production process and acquired additional equipment. As at January 2007, our designed BDO and GBL production capacity was increased to approximately 35,000 tpa and 17,000 tpa, respectively, and we had expanded our product pipeline to include THF, another derivative product of BDO with a designed production capacity of 5,000 tpa.

With a view of vertically integrating the production of maleic anhydride, the principal raw material used in our BDO production and securing its supply, Dongying Shengli acquired and took over a maleic anhydride production facility in August 2007 with an initial designed production capacity of approximately 15,000 tpa. We commenced producing maleic anhydride in-house for our BDO production use in December 2009 which successfully lessened our reliance on third-party supply of maleic anhydride.

In anticipation of the establishment of a new production base in Zibo, Shandong Province to house our planned new BDO and PBS production facilities, Full Win New Material was established as a WFOE in the PRC in April 2008. We are close to completing the construction of a 500-liter PBS laboratory facility which would be used for testing formulations for and trial production of various types of PBS and PBS copolymer downstream products. The PBS laboratory facility is scheduled to be completed by end of November 2010 and put into operation by December 2010. Construction of two PBS production lines with designed production capacity of 5,000 tpa and 20,000 tpa, respectively, which constitute the first phase of our three-phase PBS production capacity expansion plan, is currently under way and is scheduled to be completed by June 2011 and September 2011, respectively. As at the Latest Practicable Date, we had entered into non-legally binding letters of intent, valid up to December 31, 2013, with several Independent Third Party PRC manufacturers of medical supplies, packaging and hygienic disposables for intended PBS and PBS copolymers orders totaling over 17,000 tons per annum. On the other hand, construction of our new, 55,000 tpa BDO production facility with a designed BDO, GBL and THF production capacity of approximately 46,800 tpa, 6,600 tpa and 1,600 tpa, respectively, has commenced and is currently scheduled to be completed by June 2011.

#### Milestones in our business development

Immediately following its establishment in August 2003, Dongying Shengli and Shandong Shengming, an Independent Third Party, entered into an asset transfer agreement, pursuant to which Dongying Shengli agreed to acquire from Shandong Shengming a BDO production facility with a designed BDO and GBL production capacity

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of 20,000 tpa and 4,500 tpa, respectively, together with (i) the buildings and structures accompanying the BDO production facility; (ii) a parcel of land situated adjacent to the BDO production facility and houses a maleic anhydride production facility which was later acquired and took over by Dongying Shengli in August 2007; and (iii) the buildings and structures erected on the said parcel of land. The BDO production facility was the only one adopting the DAVY Process in the PRC at the time of our acquisition. The total consideration for the acquisition amounted to approximately RMB205.9 million, which was arrived at with reference to the market value of the production facility endorsed by an independent PRC engineering firm. Our PRC legal advisers confirmed that the asset transfer agreement constituted legal, valid and binding obligations of all the parties thereto under the then applicable rules, regulations and laws of the PRC. In December 2003, Dongying Shengli settled the consideration in full. The said payment was financed partly by Dongying Shengli's registered capital and partly by a loan of RMB188.4 million provided by Mr. Zhang, our Controlling Shareholder. The said loan was subsequently repaid in full by Dongying Shengli out of its internally generated funds.

In June 2004, we commenced production of BDO and GBL. In 2005, we conducted design enhancements and equipment upgrades on the esterification and refining processes of our BDO production facility. By then, our BDO and GBL production capacity had reached 35,000 tpa and 17,000 tpa, respectively.

In December 2006, Dongying Shengli and Shandong Jiatai, a then 97.56% owned subsidiary of Shandong Shengming and an Independent Third Party, entered into an asset transfer agreement, pursuant to which Dongying Shengli agreed to acquire from Shandong Jiatai a maleic anhydride production facility with an initial designed production capacity of 15,000 tpa, which is situated on the parcel of land we acquired in 2003 (which is adjacent to our BDO production facility). Maleic anhydride is the principal raw material for the production of BDO using the DAVY Process. The consideration for the acquisition was RMB250.0 million, which was fully settled by Dongying Shengli with its internally generated funds by October 2007. After having formally taken over the maleic anhydride production facility in August 2007 and up to September 2009, we commissioned a number of process enhancements and equipment upgrades to the production facility, including replacements and additions of imported equipment, to improve production safety and enhance output efficiency. Following successful trial run, we commenced commercial production of maleic anhydride in December 2009. As at the Latest Practicable Date, all maleic anhydride produced in this production facility were consumed internally for our production of BDO and derivative products.

Dongying Intermediate People's Court confirmed that Shandong Shengming acquired the BDO production facility and the maleic anhydride production facility once owned by a sino-foreign joint venture company under Shengli Petroleum Management Bureau\* (勝利石油管理局) through a bankruptcy auction. Both Shengli Petroleum Management Bureau\* (勝利石油管理局) and Sinopec Shengli Oilfield Branch Petrochemical Factory\* (中國石化勝利油田分公司石油化工總廠) ("**Sinopec Shengli**") have been under common control of Sinopec Group\* (中國石化集團公司), a state-owned company, since 2000. Save for the aforesaid, to the best of our Directors' knowledge, Shandong Shengming has no past or present relationship with Sinopec Shengli, or any of its associates.

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In January 2007, we expanded our product pipeline to include THF with a designed production capacity of 5,000 tpa. A derivative product of BDO, THF is one of the most popular end uses of BDO which is co-produced with BDO under the DAVY Process.

As part of our initial efforts to explore the market and the commercialization potential of BDO-based biodegradable PBS, we commissioned IPCCAS for a feasibility report on the construction of a 20,000 tpa PBS production facility, which was completed and issued in January 2008.

In May 2008 and September 2008, Dongying Shengli obtained the ISO9001: 2000 and ISO9001:2008 certifications for its BDO, GBL and THF production and service, respectively.

On July 27, 2009, we entered into a letter of intent with IPCCAS for the licensing of the IPCCAS Direct Polycondensation Process to construct a 20,000 tpa PBS production facility. The intention of the parties was subsequently formalised into a formal technology licensing agreement on December 30, 2009 (and supplemented by a supplemental licensing agreement dated October 29, 2010), under which we were granted a non-exclusive license to use the relevant PBS resin polymerization technologies in our PBS production facilities and our 500-liter PBS laboratory facility adopting the IPCCAS Direct Polycondensation Process.

In September 2010, we commenced construction of our production base in the New-Hi Tech Industrial Development Zone of Zibo City, to house our new BDO and PBS production facilities. For further details of our new production base in Zibo, please refer to the paragraph headed “Production Facilities – Proposed Zibo Expansion” under the section headed “Business” in the prospectus.

### OUR CORPORATE HISTORY

As at the Latest Practicable Date, we had two wholly-owned PRC subsidiaries, namely Dongying Shengli and Full Win New Material. We indirectly own 100% equity interest of Dongying Shengli through King General, which in turn is wholly-owned by Full Smart. We indirectly own 100% equity interest of Full Win New Material through Mint World, which in turn is wholly-owned by Eminent Gains.

Historically, we carried out our business and generated our trading results principally from Dongying Shengli. We established Full Win New Material in April 2008 to house and operate our new BDO and PBS production facilities, both of which remained under construction as at the Latest Practicable Date.

#### Full Smart

On October 25, 2000, Full Smart was incorporated as an investment holding company in Samoa with an authorized share capital of US\$1,000,000 divided into 1,000,000 shares of a nominal value of US\$1 each. On November 30, 2000, one unpaid bearer share of US\$1 was allotted and issued by Full Smart to Mr. Xu Tieliang, an Independent Third Party. On November 20, 2003, Mr. Xu Tieliang exchanged one bearer

share for a registered share of Full Smart at par value and on the same date, transferred this one share at par value to Smart Rise Holdings Ltd. ("**Smart Rise**"), a company incorporated in the BVI wholly owned by Mr. Xu Tieliang.

On November 27, 2003, Smart Rise and Mr. Zhang entered into a share transfer agreement pursuant to which Smart Rise agreed to transfer its 85% shareholding interests in Full Smart to Mr. Zhang at a consideration of RMB47.5 million, which was determined with reference to the then registered capital of Dongying Shengli of RMB40 million and other commercial considerations. The consideration for the said share transfer was paid by cash installments and settled in full by December 23, 2003. On the same date, Mr. Zhang and Mr. Xu Tieliang reached an entrustment arrangement (the "**Entrustment Arrangement**") whereby it was agreed that Mr. Xu Tieliang shall hold the 85% shareholding interests in Full Smart through Smart Rise on trust for Mr. Zhang since December 23, 2003. As confirmed with Mr. Zhang, when he first acquired the said 85% shareholding interests in Full Smart, he was fully engaged in the Group's business and his other businesses in the PRC and was not able to travel outside of the PRC for extended period of time or on a frequent basis. For personal arrangement convenience, Mr. Zhang reached the Entrustment Arrangement with Mr. Xu Tieliang to hold his interests in Full Smart through Smart Rise. The parties to the Entrustment Arrangement considered that such arrangement was intended to be a temporary arrangement and it was more convenient and time effective to reach a verbal agreement, therefore, the Entrustment Arrangement had not been put into writing by the parties at such time. As a result of the share transfer and the Entrustment Arrangement, Full Smart was beneficially owned as to 85% and 15% by Mr. Zhang and Smart Rise respectively.

On February 5, 2004, 99 shares of Full Smart were allotted and issued at par value to Smart Rise. On the same date, Mr. Zhang and Mr. Xu Tieliang agreed to terminate the Entrustment Arrangement between them and Smart Rise transferred the legal interest of 85 shares of Full Smart to Mr. Zhang at par value. Upon completion of the said share transfer, Mr. Zhang became the registered and beneficial shareholder of 85% shareholding in Full Smart while Smart Rise continued to legally and beneficially own the remaining 15% shareholding in Full Smart.

On September 21, 2007, Smart Rise transferred the remaining 15% shareholding interests in Full Smart to Mr. Zhang at a consideration of RMB3.6 million, as a result of which and before the Reorganization, Mr. Zhang became the sole registered and beneficial owner of Full Smart.

By two statutory declarations executed by each of Mr. Zhang and Mr. Xu Tieliang on December 4, 2009, it was declared that (i) Mr. Xu Tieliang had been holding the 85% share holding in Full Smart through Smart Rise on trust for Mr. Zhang since December 23, 2003 and the Entrustment Arrangement was terminated with effect from February 5, 2004; and (ii) as to the transfer of the remaining 15% shareholding interests in Full Smart on September 21, 2007, notwithstanding the stated consideration of US\$15 (being the total par value of the 15% shareholding of Full Smart) on the transfer documents (including the instrument of transfer and the bought and sold notes) which were executed solely for the purpose of effecting the said share transfer, Mr. Zhang effected payment in cash totaling RMB3.6 million to Smart Rise on September 17, 2007 as consideration for the acquisition of

the 15% shareholding in Full Smart, which was verbally agreed upon by the parties with reference to the then registered capital of Dongying Shengli of RMB40 million and other commercial considerations.

### **King General**

On August 18, 2009, King General was incorporated as an investment holding company in Hong Kong with an authorized share capital of HK\$10,000 divided into 10,000 shares of a nominal value of HK\$1 each. On the same date, King General allotted and issued one subscriber share to the initial subscriber who in turn transferred the same to Full Smart on September 23, 2009 at par value. Since then and prior to the Reorganization, King General had been directly wholly-owned by Full Smart.

### **Dongying Shengli**

Dongying Shengli was established on August 28, 2003 as a WFOE by Full Smart in Dongying, Shandong Province, the PRC and remained a direct wholly-owned subsidiary of Full Smart prior to the Reorganization. At the time of establishment, Dongying Shengli had an approved registered capital of RMB40 million and an approved total investment of RMB80 million. According to the articles of association of Dongying Shengli, its registered capital was to be contributed, as to RMB20 million by cash and as to the remaining RMB20 million by asset injection, in full within six months from the date of establishment. At the time of its establishment, Dongying Shengli had an approved business scope of “production and sale of BDO and GBL, provision of technical and information consulting services in connection therewith”, which was subsequently expanded in April 11, 2008. As at the Latest Practicable Date, Dongying Shengli had an approved business scope of “production and sale of chemical products such as THF (expired on June 6, 2013), BDO and GBL, research and development of new products and provision of technical and information consulting services”.

According to the capital verification report issued by Shandong Tongsheng Certified Public Accountants Company Limited\* (山東同盛會計師事務所有限公司) on September 5, 2003, the registered capital of RMB40 million was contributed in full, by way of cash of HK\$19 million (equivalent to approximately RMB20.13 million) and injection of assets of RMB20 million, as at September 5, 2003. However, the acquisition price of the captioned assets of RMB20 million was consequently paid for by Dongying Shengli (instead of injected by Full Smart). As a result the registered capital of Dongying Shengli was not contributed in full in accordance with its constitutional documents. To rectify the capital contribution, Dongying Shengli applied to Dongying FTEC on August 21, 2007, and Dongying FTEC granted an approval on the same date, to change the form of registered capital contribution of Dongying Shengli to cash contribution in full. According to two capital verification reports from Zouping Jianxin Certified Public Accountants Company Limited\* (鄒平鑒鑫有限責任會計師事務所) dated August 31, 2007 and September 29, 2007, Full Smart further contributed cash in the amount of HK\$19,999,790 (equivalent to approximately RMB19,396,796.33) and HK\$500,000 (equivalent to approximately RMB484,170), respectively, pursuant to which the registered capital of Dongying Shengli of RMB40 million was contributed in full by cash.

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As advised by our PRC legal adviser, given that, (i) the change of the form of registered capital contribution was approved by Dongying FTEC; (ii) the registered capital of Dongying Shengli was subsequently contributed in full in cash, which was confirmed by capital verification reports issued by PRC certified public accountants and a revised business license reflecting the same was issued by Dongying AIC; and (iii) Dongying Shengli had since passed the subsequent annual corporate inspection by Dongying AIC, it would not affect the due establishment and valid existence of Dongying Shengli, as well as the validity of capital contribution to Dongying Shengli by Full Smart.

On September 29, 2007, Full Smart, being the sole equity holder of Dongying Shengli, resolved to increase the registered capital and total investment of Dongying Shengli to RMB180 million and RMB220 million, respectively. The proposed increase in registered capital and total investment was approved by Dongying FTEC on October 11, 2007. According to the capital verification report issued by Shandong Jianxin Certified Public Accountants Company Limited\* (山東鑒鑫會計師事務所有限公司) on March 27, 2008, Full Smart made cash contribution of HK\$43.3 million (equivalent to approximately RMB39,275,265) as registered capital of Dongying Shengli by cash as at March 27, 2008, and a revised business license with a registered capital of RMB180 million and paid up capital of RMB79.27 million (which included the previous capital contribution of approximately RMB40 million) was issued to Dongying Shengli on April 11, 2008.

On October 16, 2009, Dongying Shengli was granted an approval from Dongying FTEC to extend the period for the additional capital contribution to December 30, 2009. According to two capital verification reports issued by Shandong Jianxin Certified Public Accountants Company Limited\* (山東鑒鑫會計師事務所有限公司) on March 16, 2010 and March 23, 2010, Full Smart contributed in cash in the amount of HK\$75 million (equivalent to approximately RMB66,034,500) and HK\$40 million (equivalent to approximately RMB35,188,800) as registered capital and/or reserve of Dongying Shengli on December 30, 2009 and March 22, 2010, respectively, pursuant to which the increased registered capital of Dongying Shengli of RMB180 million (which included the previous capital contribution of RMB79.27 million) was contributed in full by cash. A revised business license with a registered capital of RMB180 million and paid up capital of RMB180 million was issued to Dongying Shengli on April 12, 2010.

As advised by our PRC legal advisers, the delayed capital contribution would not affect the due establishment and valid existence of Dongying Shengli, as well as the validity of capital contribution to Dongying Shengli by Full Smart for the reasons that (i) a capital verification report was issued by PRC certified public accountants and registered with Dongying AIC in respect of each capital contribution; (ii) a revised business licence reflecting full contribution of registered capital was issued by Dongying AIC; and (iii) Dongying Shengli had passed the subsequent annual corporate inspection by Dongying AIC.

On March 23, 2010, Full Smart entered into an equity transfer agreement to transfer its 100% interests in Dongying Shengli to King General at a consideration of US\$1 (the “**1st Dongying Shengli Equity Transfer**”). The 1st Dongying Shengli Equity Transfer was subsequently approved by relevant Dongying governmental authority on March 25, 2010. However, in or about January 2010, the Previous Potential Investor filed an administrative

action (the “**PRC Action**”) with Shandong Province Dong Ying City Intermediate People’s Court (“**Dongying People’s Court**”) against Dongying AIC for wrongful grant of de-registration and non-compliance with procedures then in effect, on the basis that the National Administration of Industry and Commerce Equity Interests Pledges Registration Measures (《國家工商局股權出質登記辦法》) had taken effect on October 1, 2008, pursuant to which registration and/or de-registration of charges of PRC assets would require a “registration” procedure instead of a “filing” procedure as previously required. Based on an administrative ruling issued by the Dongying People’s Court on April 13, 2010, the Previous Potential Investor voluntarily withdrew the PRC Action on the basis that Dongying AIC agreed with the position of the Previous Potential Investor that the Dongying Shengli Charge was not de-registered as at the date thereof. In response to the change of position of Dongying AIC on the de-registration of the Dongying Shengli Charge, the Company proceeded to rectify the de-registration of the Dongying Shengli Charge and on September 15, 2010 obtained the Notice of Equity Charge De-registration (the “**De-registration Notice**”) issued by Dongying AIC announcing that the Dongying Shengli Charge was officially released as of the same date. In order to preempt any regulatory challenges on the 1st Dongying Shengli Equity Transfer which was completed prior to the issue of the De-registration Notice dated September 15, 2010, Full Smart and King General re-executed the transfer of the entire equity interest of Dongying Shangli on November 26, 2010 (the “**2nd Dongying Shengli Equity Transfer**”), on the same terms as the 1st Dongying Shengli Equity Transfer. The 2nd Dongying Shengli Equity Transfer was approved by the Bureau of Commerce of Dongying City (東營市商務局) and registered with Dongying AIC on the same day.

### **Eminent Gains**

On July 30, 2009, Eminent Gains was incorporated as an investment holding company in the BVI with an authorized share capital of US\$50,000 divided into 50,000 shares of a nominal value of US\$1 each. On August 24, 2009, Eminent Gains allotted and issued one share to Mr. Zhang at par value. Since then and prior to the Reorganization, Eminent Gains had been directly wholly-owned by Mr. Zhang.

### **Mint World**

On February 12, 2008, Mint World was incorporated as an investment holding company in Hong Kong with an authorized share capital of HK\$10,000 divided into 10,000 shares of a nominal value of HK\$1 each. On the same date, Mint World allotted and issued one subscriber share to the initial subscriber who in turn transferred the same to Max Talent on February 29, 2008 at par value. On September 1, 2009, Mint World allotted and issued 999 shares to Eminent Gains at par value. On the same date, Max Talent transferred its one share of Mint World to Eminent Gains at par value. Since then and prior to the Reorganization, Mint World had been directly wholly-owned by Eminent Gains.

### **Full Win New Material**

In anticipation of the construction of a new production base in Zibo, Shandong Province, to house our new BDO and PBS production facilities, Full Win New Material was established on April 2, 2008 as a WFOE by Mint World in the PRC with an approved registered capital and total investment of HK\$230 million. As at the Latest Practicable

Date, Full Win New Material had an approved business scope of “development of projects in relation to the production of 1-4 BDO, THF, GBL and degradable plastics (no production activity is permitted during the project development stage until October 1, 2010; valid Approval Certificate for Goods Subject to Administrative Supervision and Control up to March 27, 2011; valid Recommendation on Safety Control of Dangerous Chemicals Development Project up to March 24, 2011)”. Full Win New Material will apply to obtain all necessary approvals including a renewed business licence with an expanded business scope to cover its production of BDO, THF, GBL, PBS, PBS copolymers and other degradable plastics before the commencement of any production activity.

In accordance with Full Win New Material’s articles of association, Mint World should contribute 15% of the registered capital of Full Win New Material (that is HK\$34.5 million) in full within three months from the date of issuance of the business license of Full Win New Material of April 2, 2008, that is, on or before July 2, 2008. On October 20, 2009, Full Win New Material obtained a retroactive approval from Zibo NHT Economic Development Bureau for the extension of the period for its initial capital contribution to August 7, 2009.

According to the capital verification report issued by Shandong Jianxin Certified Public Accountants Company Limited\* (山東鑒鑫會計師事務所有限公司) (“**Shandong Jianxin CPA**”) on August 8, 2009, Mint World had made cash contribution of HK\$47,999,800 (representing about 20.87% of its approved registered capital) as registered capital of Full Win New Material as at August 7, 2009.

Aside from the prescribed time frame on the initial 15% capital contribution, Full Win New Material’s articles of association also stipulated that Mint World should contribute the remaining 85% of the registered capital in Full Win New Material within two years from the date of issue of its business license, that is April 2, 2010. By a capital verification report dated October 9, 2009 issued by Shandong Jianxin CPA, Mint World made further capital contribution of HK\$69,999,800 as registered capital of Full Win New Material as at September 30, 2009, with total paid up capital amounting to HK\$117,999,600.

On 2 March 2010, the Bureau of Commerce of Zibo City (淄博市商務局) approved the increase in registered capital and total investment of Full Win New Material to HK\$238 million and HK\$570 million respectively and the corresponding revised business licence was issued on March 31, 2010.

Between March and June 2010, Mint World made four additional capital contributions totalling HK\$71,999,400 as registered capital of Full Win New Material, details of which are as follows: (i) according to the capital verification report issued by Shandong Jianxin CPA on March 24, 2010, Mint World had made additional cash contribution of HK\$6,999,800 as registered capital of Full Win New Material on March 24, 2010; (ii) according to the capital verification report issued by Shandong Jianxin CPA on May 5, 2010, Mint World had made additional cash contribution of HK\$34,999,800 (equivalent to approximately RMB30.77 million) as registered capital of Full Win New Material on May 5, 2010; (iii) according to the capital verification report issued by Shandong Jianxin CPA on May 25, 2010, Mint World had made additional cash

contribution of HK\$22,999,800 as registered capital of Full Win New Material on May 25, 2010; and (iv) according to the capital verification report issued by Shandong Jianxin CPA on June 1, 2010, Mint World had made additional cash contribution of HK\$7,000,000 as registered capital of Full Win New Material on June 1, 2010. Upon completion of the aforesaid capital contributions, the total paid up capital of Full Win New Material amounted to HK\$189,999,000 (representing about 79.83% of its approved registered capital).

On August 9, 2010, Full Win New Material obtained retroactive approvals from Zibo NHT Economic Development Bureau and Zibo Administration for Industry and Commerce (淄博市工商行政管理局) whereby the due date for payment of the outstanding registered capital was extended to December 30, 2010. According to the two capital verification reports issued by Shandong Jianxin CPA on October 13, 2010 and November 11, 2010, Mint World had made further capital contribution of HK\$19,999,880 and HK\$28,001,120 as registered capital of Full Win New Material. Upon completion of the aforesaid cash contributions, the approved registered capital of Full Win New Material was fully settled.

## **PRE-IPO INVESTORS**

### **IAM**

IAM is an investment holding company incorporated in the BVI on February 15, 1996. It is wholly owned by Mr. Yam Tak Cheung (“**Mr. Yam**”). Mr. Yam is a professional investor and has substantial investments in a number of companies whose shares are listed on the Stock Exchange, including but not limited to approximately 3.86% shareholding in North Asia Resources Holdings Limited (stock code: 61) and approximately 7.88% shareholding in Kong Sun Holdings Limited (stock code: 295). Mr. Yam also indirectly holds approximately 55.13% shareholding in China Motion Telecom International Limited (stock code: 989) and approximately 24.39% shareholding in Rojam Entertainment Holdings Limited (stock code: 8075). Mr. Yam is not a director of any of the listed companies as stated above in which he has substantial investments.

#### *(i) September 2009 Notes Subscription Agreement and September 2009 Exchangeable Notes*

On September 26, 2009, Mr. Zhang, Apex Wide and IAM entered into a subscription agreement (the “**September 2009 Notes Subscription Agreement**”), pursuant to which Apex Wide agreed to issue and IAM agreed to subscribe for up to HK\$120,000,000 aggregate principal amount of 10% exchangeable notes (the “**September 2009 Exchangeable Notes**”) due 24 months from issuance (the “**Maturity Date**”), exchangeable into existing Shares held by Apex Wide from time to time, at the option of IAM at any time on and after the date of issue of the September 2009 Exchangeable Notes up to the earliest of: (a) the close of business on the date which is seven Business Days before the Maturity Date; (b) if such September 2009 Exchangeable Notes shall have been called for redemption before the Maturity Date, then up to the close of business on the date no later than seven Business Days prior to the date fixed for redemption; and (c) the **Mandatory Exchange Time (September 2009 Exchangeable Notes)**, defined as either of (aa) the Business Day immediately prior to Listing; or (bb) if so requested by the Stock Exchange,

anytime prior to submission of Form C1 by the Company so that the Company can comply with Rule 9.09 of the Listing Rules, and upon such time all outstanding September 2009 Exchangeable Notes shall be mandatorily and automatically exchanged. Pursuant to a supplemental deed entered into among Apex Wide, Mr. Zhang and IAM dated 15 September 2010, the definition of the Mandatory Exchange Time (September 2009 Exchangeable Notes) was revised as either of (a) the Business Day immediately prior to Listing; or (b) if so requested by the Stock Exchange, a date which is not later than the fourth day prior to the first expected hearing date.

In the September 2009 Notes Subscription Agreement, Mr. Zhang agreed to undertake that he shall hold, directly or indirectly through any of his associates, 65% or more of the issued share capital of our Company (the “**65% Minimum Shareholding**”) after closing of the transaction as contemplated under the September 2009 Notes Subscription Agreement but prior to the Listing, unless (i) any failure to meet the 65% Minimum Shareholding was due to a dilution in shareholding resulted from an adjustment made pursuant to the terms and conditions of the September 2009 Exchangeable Notes (details of which are set out below); or (ii) otherwise permitted with the consent of IAM.

On November 6, 2009, December 4, 2009 and August 10, 2010 respectively, Mr. Zhang, Apex Wide and IAM entered into three supplemental deeds to the September 2009 Notes Subscription Agreement whereby it was agreed that the 65% Minimum Shareholding shall be reduced from 65% to 54%.

The September 2009 Exchangeable Notes carry an exchangeable interest (the “**IAM Exchangeable Interest**”) which, upon exchange, shall represent a percentage of shareholding interest in the issued share capital of our Company calculated as:

$$A = 14\% \times B / \text{HK\$}120,000,000$$

where

- “A” = IAM Exchangeable Interest, subject to adjustment from time to time pursuant to the terms and conditions of the September 2009 Exchangeable Notes; and  
“B” = total principal amount of the September 2009 Exchangeable Notes so exchanged;

In other words, the IAM Exchangeable Interest shall amount to 14% shareholding interest in the issued share capital of our Company upon full exchange of the aggregate principal amount of HK\$120,000,000 September 2009 Exchangeable Notes. The IAM Exchangeable Interest shall not be diluted as a result of any transfer or issuance of Shares prior to the Global Offering. Simultaneously with such transfer or issuance of Shares, Apex Wide shall transfer such number of Shares to IAM so as to maintain the IAM Exchangeable Interest as if no Shares were transferred or issued.

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The IAM Exchangeable Interest is also subject to performance target adjustments with reference to the net profit of our Group for each of the two years ending December 31, 2010, calculated as:

$$A = D \times C/B$$

where

“A” = Adjusted IAM Exchangeable Interest;

“B” = Actual NPAT for 2009 or 2010 (as the case may be);

“C” = 2009 NPAT Target or 2010 NPAT Target (as the case may be);

“D” = Current Exchangeable Interest (after adjustment relating to 2009 NPAT Target, if any);

“NPAT” means our Company’s consolidated audited after tax net profit and adjusted to exclude any finance costs and interest expenses associated with any pre-IPO investments;

“2009 NPAT Target” means the NPAT for 2009 which shall be at least HK\$170 million; and

“2010 NPAT Target” means the NPAT for 2010 which shall be at least HK\$200 million.

The above adjustment formula shall also apply retrospectively to any part of the Notes already exchanged into Shares prior to the relevant adjustment. In other words, if our Group fails to meet 2009 NPAT Target or 2010 NPAT Target, then irrespective of whether the September 2009 Exchangeable Notes have been partially or wholly exchanged into the Shares, Apex Wide is required to deliver certain number of additional Shares to IAM calculated in accordance with the aforesaid adjustment formula. By way of example, if the Actual NPAT for 2009 is HK\$100,000,000 and the initial Exchangeable Interest is 1%, the Exchangeable Interest shall be adjusted upwards as:

$$A = 1 \% * \text{HK\$}170,000,000 / \text{HK\$}100,000,000 = 1.7\%,$$

and further if the Actual NPAT for 2010 is HK\$160,000,000, the Exchangeable Interest shall be adjusted upward as:

$$A = 1.7\% * \text{HK\$} 200,000,000 / \text{HK\$}160,000,000 = 2.125\%.$$

However, IAM’s right to receive additional Shares as a result of any adjustment to the IAM Exchangeable Interest based on the 2009 NPAT and the 2010 NPAT shall immediately cease and terminate on the Mandatory Exchange Time (September 2009 Exchangeable Notes).

It should be noted that the 2009 NPAT Target and the 2010 NPAT Target are subjective targets agreed to between the parties as part of the terms of the September 2009 Exchangeable Notes, and should not be considered as a profit forecast as it is a private arrangement between the parties and the figures were arrived at based on negotiations between the parties at that time with regard to the historical performance of our Company.

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The aggregate amount of HK\$120,000,000 invested by IAM under the September 2009 Notes Subscription Agreement was paid in full on September 28, 2009. Out of the aggregate amount of HK\$120,000,000, HK\$118,000,000 was injected into our Group by way of shareholder's loan from Apex Wide and used for paying up the registered capital of Full Win New Material. The remaining HK\$2 million out of the total investment amount was retained by Mr. Zhang for his personal use.

Subject to the grant of the Listing approval, IAM will exercise the rights attaching to the aggregate HK\$120,000,000 worth of September 2009 Exchangeable Notes on December 10, 2010 (being the Business Day immediately preceding the Listing Date), pursuant to which certain number of Shares will be transferred by Apex Wide to IAM, representing approximately 10.5% of the issued share capital in our Company as enlarged by the Shares to be allotted and issued pursuant to the Global Offering and the Capitalization Issue (without taking into account any Shares which may be allotted and issued pursuant to the Over-allotment Option).

*(ii) Investor's rights agreement*

In conjunction with the September 2009 Notes Subscription Agreement, an investor's rights agreement was entered into among Apex Wide, Mr. Zhang and IAM on September 28, 2009 pursuant to which IAM has been granted the rights to (without limitation):

- receive annual and quarterly consolidated financial statements of Apex Wide;
- visit and inspect Apex Wide's properties (including our Group), to examine the books and records of Apex Wide and to discuss the affairs, finances and accounts of Apex Wide with its officers;
- participate, together with other selling shareholders, in selling its Shares at the Global Offering on a pro-rata basis;
- appoint one director to the board of directors of each of Apex Wide and our Company; and
- receive all management letters of accountants, written notification of (i) default or breach of material agreement(s); (ii) material legal or regulatory proceeding, action or documentation relating to governmental investigation and governmental or regulatory investigation, copies of material regulatory reference, orders, decisions and rulings, relating to our Group.

Additionally, the investor's rights agreement has specified certain matters (applicable to both Apex Wide and our Group) which would require affirmative vote of at least two directors of which one should be appointed by IAM, including (without limitation) related party transactions, dividend payments, budgets and significant expenditure, share buy-backs, group restructurings, change of scope or nature of business, change of auditors or accounting rules and selected material business related undertakings (eg. acquisition and disposal of material assets and/or equity interests,

significant increase in indebtedness and/or exposure to liabilities, etc.). It is also provided that certain matters (applicable to both Apex Wide and our Group) that would reasonably be expected to have material adverse impact on IAM (as investor) must be subject to unanimous vote of all directors, including (without limitation) alteration of constitutional documents, reorganization of share/registered capital and grant of options or rights on equity interests, corporate merger/amalgamation/consolidation, winding-up or liquidation and increase in size of board of directors. The investor's rights agreement will lapse and be automatically terminated upon Listing.

### *(iii) Indemnification Agreement*

On November 16, 2010, Mr. Wu Chi Chiu ("**Mr. Wu**"), nominated by and representing IAM, was appointed as a non-executive Director and entered into an indemnification agreement (the "**Indemnification Agreement**") with our Company.

Pursuant to the Indemnification Agreement and subject to the limitation referred to in the Indemnification Agreement, our Company shall indemnify Mr. Wu if he is a party to or threatened to be made a party to or is otherwise involved in any action, suit, arbitration, alternate dispute resolution mechanism, or any other proceeding (the "**Proceeding**") (including but not limited to any Proceeding by or in the right of our Company to procure a judgment in its favour), by reason of the fact that he is or was a director, officer, employee or agent of our Company or any subsidiary of our Company, or is or was serving at the request of our Company or any subsidiary of our Company as a director, officer, employee or agent of another enterprise, against all expenses, judgments, fines, interest or penalties, and excise taxes assessed with respect to any employee benefit or welfare plan, which are actually and reasonably incurred by him in connection with such a Proceeding (or in case of any Proceeding by or in the right of our Company to procure a judgment in its favour, the defense or settlement of such a Proceeding), in any case to the fullest extent permitted by applicable law, if he acted in good faith and in a manner he reasonably believed to be in or not opposed to the best interests of our Company, and with respect to any criminal Proceeding, had no reasonable cause to believe his conduct was unlawful.

Notwithstanding any other provision of the Indemnification Agreement (save for the exception as set forth in the paragraph (a) of the paragraph headed "(iii) Indemnification Agreement" under the Sub-section headed "IAM"), to the extent that Mr. Wu (a) has prepared to serve or has served as a witness in any Proceeding in any way relating to (i) our Company or any of our Company's subsidiaries, affiliates, employee benefit or welfare plans or such plan's participants or beneficiaries or (ii) anything done or not done by him as a director of our Company or in connection with serving at the request of our Company as an agent of another enterprise, or (b) has been successful in defense of any Proceeding or in defense of any claim, issue or matter therein, on the merits or otherwise, including the dismissal of a Proceeding without prejudice or the settlement of a Proceeding without an admission of liability, he shall be indemnified against all expenses actually and reasonably incurred by him in connection therewith, in any case to the fullest extent permitted by applicable law in accordance with the Indemnification Agreement.

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Regardless of anything else contained in the Indemnification Agreement, no payments or indemnity pursuant to the Indemnification Agreement shall be made by our Company:

- (a) To indemnify or advance funds to Mr. Wu for expenses with respect to (i) Proceedings initiated or brought voluntarily by him and not by way of defense, except with respect to Proceedings brought to establish or enforce a right to indemnification under the Indemnification Agreement or any other statute or law or otherwise as required under applicable law or (ii) expenses incurred by him in connection with preparing to serve or serving as a witness in cooperation with any party or entity who or which has threatened or commenced any action or proceeding against our Company, or any director, officer, employee, trustee, agent, representative, subsidiary, parent corporation or affiliate of our Company (other than where he is compelled to so serve pursuant to his fiduciary duties to our Company), but such indemnification or advancement of expenses in such case may be provided by our Company if the Board finds it to be appropriate;
- (b) To indemnify Mr. Wu for any expenses, judgments, fines, interest or penalties, or excise taxes assessed with respect to any employee benefit or welfare plan, and sustained in any Proceeding for which payment is actually made to him under a valid and collectible insurance policy, except in respect of any excess beyond the amount of payment under such insurance;
- (c) To indemnify Mr. Wu for any expenses, judgments, fines, expenses or penalties sustained in any Proceeding for an accounting of profits made from the purchase or sale by him of securities of our Company pursuant to the provisions of any law and regulation of the relevant jurisdiction;
- (d) To indemnify Mr. Wu for any expenses, judgments, fines, interest or penalties, or excise taxes assessed with respect to any employee benefit or welfare plan, for which he is indemnified by our Company otherwise than pursuant to the Indemnification Agreement or to the extent he has otherwise actually received payment of the amounts otherwise indemnifiable hereunder;
- (e) To indemnify Mr. Wu for any expenses (including without limitation any expenses relating to a Proceeding attempting to enforce the Indemnification Agreement), judgments, fines, interest or penalties, or excise taxes assessed with respect to any employee benefit or welfare plan, on account of his conduct if such conduct shall be finally adjudged to have been knowingly fraudulent, deliberately dishonest or willful misconduct; or
- (f) If a court of competent jurisdiction finally determines that any indemnification hereunder is unlawful or otherwise impermissible.

No monetary cap is set on the amount to be indemnified pursuant to the Indemnification Agreement.

All agreements and obligations of our Company contained in the Indemnification Agreement shall continue during the period that Mr. Wu is a Director (or is or was serving at the request of our Company as an agent of another enterprise, foreign or domestic) and shall continue thereafter so long as he shall be subject to any possible Proceeding by reason of the fact that he was a Director or serving in any of the aforesaid capacity.

*(iv) Termination of special rights upon Listing*

All special rights granted to IAM as disclosed in this sub-section will be terminated upon Listing.

### **CCAM**

CCAM is an investment holding company incorporated in Hong Kong on April 21, 1999. It is a wholly owned subsidiary of Well Kent, which in turn is wholly owned by China Cinda, a wholly state-owned financial corporation established on April 19, 1999 in the PRC under the authorization of the State Council with a registered capital of RMB10.0 billion injected from the Ministry of Finance of the PRC. The principal business of China Cinda includes the acquisition and operation of non-performing assets of China Construction Bank and China Development Bank.

*(i) November 2009 Notes Subscription Agreement and 2009 Exchangeable Notes*

On November 30, 2009, Mr. Zhang and Apex Wide entered into a subscription agreement (the “**November 2009 Notes Subscription Agreement**”) with, among others, CCAM, CCB International Capital Limited and the Exit Investors, pursuant to which Apex Wide agreed to issue and CCAM and the Exit Investors agreed to subscribe for up to HK\$180,000,000 aggregate principal amount (in which CCAM, Exit Investor 1 and Exit Investor 2 agreed to subscribe for HK\$80,000,000, HK\$70,000,000 and HK\$30,000,000 respectively) of 8.5% exchangeable notes due 36 months from issuance (the “**November 2009 Exchangeable Notes**”), exchangeable into existing Shares held by Apex Wide from time to time, at the option of CCAM and the Exit Investors at any time on and after the date of issue of the November 2009 Exchangeable Notes up to the earliest of: (a) the close of business in Hong Kong on the seventh Business Day before maturity; (b) if such November 2009 Exchangeable Notes shall have been called for redemption before maturity, then up to the close of business in Hong Kong on the date no later than the seventh Business Day prior to the date fixed for redemption; and (c) the **Mandatory Exchange Time (November 2009 Exchangeable Notes)**, defined as either of (aa) the Business Day immediately prior to Listing; or (bb) if so requested by the Stock Exchange, a date which is not later than the fourth day immediately prior to the first expected hearing date, and upon such time all outstanding November 2009 Exchangeable Notes shall be mandatorily and automatically exchanged. CCB International Capital Limited was engaged as the arranger and security agent pursuant to the November 2009 Notes Subscription Agreement. In consideration for services provided, CCB International Capital Limited received fees of approximately 2% of the principal amount of the November 2009 Exchangeable Notes actually issued and subscribed for. On March 25, 2010, the parties further entered into an amendment agreement to the November 2009 Notes Subscription Agreement (the “**Amendment Agreement**”) with CIG, pursuant to

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which, *inter alia*, Exit Investor 1 agreed to reduce its subscription from HK\$70,000,000 to HK\$30,000,000. For further details regarding CIG's subscription of the November 2009 Exchangeable Notes, please refer to the sub-section headed "CIG" below.

In the November 2009 Notes Subscription Agreement, Mr. Zhang agreed to undertake that he shall hold, directly or indirectly through any of his associates, 59% or more of the issued share capital of our Company (the "**59% Minimum Shareholding**") after closing of the transaction as contemplated under the November 2009 Notes Subscription Agreement but immediately prior to the Listing, unless (i) any failure to meet the 59% Minimum Shareholding was due to a dilution in shareholding resulted from an adjustment made pursuant to the terms and conditions of the November 2009 Exchangeable Notes (details of which are set out below); or (ii) otherwise permitted with the written consent of Exit Investor 1 only (as agreed among Exit Investor 1, CCAM and Exit Investor 2 under the November 2009 Notes Subscription Agreement). Pursuant to a supplemental deed entered into among Mr. Zhang, Apex wide and Exit Investor 1 on August 16, 2010, it was agreed that the 59% Minimum Shareholding shall be reduced to 54%.

Pursuant to the November 2009 Exchangeable Notes, CCAM and the Exit Investors have the right (the "**Exchange Right**") to exchange the November 2009 Exchangeable Notes into such number of Shares (the "**Exchange Shares**") (subject to adjustment) as derived from the formula below:

$$\text{Exchange Shares} = A / \text{Exchange Price}$$

where

"A" = the aggregate principal amount of the November 2009 Exchangeable Notes so exchanged; and

"Exchange Price" = (a) HK\$180,000,000 divided by the number of Shares representing 18% of the total issued share capital of the Company on a fully diluted basis at the time of exercise of the Exchange Right; or

(b) where the Exchange Right is being exercised immediately prior to the completion of the Qualified IPO (which means the completion of the Global Offering), the lower of:

(i) HK\$180,000,000 divided by the number of Shares representing 18% of the total issued share capital of the Company on a fully diluted basis immediately prior to the completion of the Qualified IPO; and

(ii) 70% of the Offer Price.

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If the Exchange Price is higher than 70% of the Offer Price, then Apex Wide shall within 10 business days of the last day of its lock-up period, transfer to CCAM and each of the Exit Investors certain number of additional Shares representing the difference between the number of Shares received by CCAM, Exit Investor 1 or Exit Investor 2 upon exercise of its Exchange Right and the number of Shares that CCAM, Exit Investor 1 or Exit Investor 2 would have been entitled to receive based on 70% of the Offer Price (the “**Additional Post-IPO Shares**”) or pay to CCAM and the Exit Investors cash equal to the number of the Additional Post-IPO Shares multiplied by the closing price of the Shares on its first trading day upon Listing. Such right to receive the Additional Post-IPO Shares or cash equivalent was subsequently terminated pursuant to the October 2010 Supplemental Deed (as defined below). For further details, please refer to the paragraph headed “(ii) *October 2010 Supplemental Deed*” under this sub-section.

The number of Exchange Shares to be received upon exchange and the Exchange Price shall be subject to the following adjustments:

(a) Adjustments based on performance

If our Group fails to meet any of the 2009 NPAT Target, the 2010 NPAT Target or the 2011 NPAT Target (as defined below), then irrespective of whether the Exchange Right has been exercised by CCAM or the Exit Investors, CCAM, Exit Investor 1 or Exit Investor 2 may give Apex Wide a notice electing one of the following adjustments:

Issue of Additional Exchange Shares

The number of Exchange Shares is subject to performance target adjustments with reference to the net profit of our Group for each of the three years ending December 31, 2011 and CCAM, Exit Investor 1 or Exit Investor 2 may request Apex Wide, by serving a notice in writing (the “**Performance Election Notice**”), to transfer such number of additional Exchange Shares (the “**Additional Exchange Shares**”) thereto in the event that our Company fails to meet any of the 2009 NPAT Target (as defined below), the 2010 NPAT Target (as defined below) or the 2011 NPAT Target (as defined below) without any consideration in accordance with the following adjustment formula:

$$A = D \times (C - B) / C$$

where

“A” = Additional Exchange Shares;

“B” = Actual NPAT for 2009, 2010 or 2011 (as the case may be);

“C” = 2009 NPAT Target, 2010 NPAT Target or 2011 NPAT Target (as the case may be);

“D” = The number of Exchange Shares as at the date of the Performance Election Notice;

## HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

“NPAT” means our Company’s consolidated audited after tax net profit provided in the annual report for each of financial years 2009, 2010 and 2011;

“2009 NPAT Target” means RMB170 million;

“2010 NPAT Target” means RMB200 million; and

“2011 NPAT Target” means RMB350 million.

The 2009 NPAT, the 2010 NPAT and the 2011 NPAT are subjective targets agreed to among the parties as part of the terms of the November 2009 Exchangeable Notes, and should not be considered as a profit forecast as it is a private arrangement among the parties and the figures were arrived at based on negotiations among the parties at that time with regard to the historical performance of our Company.

### Performance Cash Settlement

Instead of receiving the Additional Exchange Shares, CCAM, Exit Investor 1 or Exit Investor 2 may elect to receive cash for the Additional Exchange Shares in the Performance Election Notice. The amount of such cash payment shall equal to the Performance Cash Settlement Amount, which is equivalent to the Redemption Amount (principal amount plus any interest accrued at the rate of 25% per annum compounded annually) of the Additional Exchange Shares which CCAM, Exit Investor 1 or Exit Investor 2 would be entitled to receive.

### Performance Put Option

If CCAM, Exit Investor 1 or Exit Investor 2 has already exercised the Exchange Right in respect of all or any part of the November 2009 Exchangeable Notes, it may elect to exercise the “Performance Put Option” in the performance election notice and Apex Wide will be obligated to purchase all Exchange Shares held by it at the performance put price, which is equivalent to the redemption amount (principal amount plus any interest accrued at the rate of 25% per annum compounded annually) of the Exchange Shares held by it as at the date of such performance election notice.

Subject to the provisions in the October 2010 Supplemental Deed (as defined below), the aforesaid right of CCAM and the Exit Investors to receive Additional Exchange Shares, cash equivalent to the Performance Cash Settlement Amount or Performance Put Option as a result of the adjustment to the number of Exchange Shares based on performance (the “**Performance Target Adjustment Right**”) shall continue to be effective after Listing.

### (b) Adjustments to Exchange Price

The Exchange Price shall be subject to adjustment in the following events:

- (i) any alteration to the nominal value of the Shares as a result of consolidation, subdivision, reclassification or redomination;

- (ii) the issue of Shares credited as fully paid to the Shareholders by way of capitalization of profits or reserves, share dividends or otherwise by virtue of being holders of Shares including Shares paid up out of distributable profits or reserves and/or share premium account issued, save where the Shares are issued in lieu of the whole or any part of a specifically declared cash dividend, being a dividend which the Shareholders concerned would or could otherwise have received and would not have constituted a capital distribution;
- (iii) the issue of Shares to Shareholders by the Company, by way of rights, or issue or grant to Shareholders, by way of rights, options or warrants to subscribe for or purchase new Shares, at less than the fair market value (the “Fair Market Value”) per Share as determined by an independent accountant);
- (iv) the issue of any securities (other than Shares or options, warrants or other rights to subscribe for or purchase new Shares) by the Company to Shareholders by way of rights;
- (v) the issue of Shares (other than any Shares issued on the exercise of Exchange Right or on the exercise of any other rights of conversion into, or exchange or subscription for, Shares) or issue or grant options, warrants or other rights to subscribe or purchase Shares in each case at less than the Fair Market Value on the last day immediately preceding the date of announcement of the terms of such issue or grant; or
- (vi) (x) any modification of the rights of conversion, exchange, subscription or redesignation attaching to any options, rights or warrants to subscribe for or purchase Shares or any securities convertible into or exchangeable for, or which carry rights to subscribe for or purchase Shares (other than pursuant to and as provided in the terms and conditions of such options, rights, warrants or securities as originally issued) or (y) Apex Wide determines that an adjustment should be made to the Exchange Price as a result of one or more events or circumstances not referred to in paragraphs (i) to (v) above which would have an analogous effect.

No adjustment to the Exchange Shares shall be made to the extent such adjustment would be duplicative with an adjustment already made with respect to the applicable event.

On December 30, 2009, an aggregate principal amount of HK\$80,000,000 worth of the November 2009 Exchangeable Notes were issued to CCAM.

The aggregate amount of HK\$80,000,000 paid by CCAM on December 30, 2009 under the November 2009 Notes Subscription Agreement was fully injected into our Group by way of shareholder’s loan from Apex Wide. HK\$5 million out of the total

investment was injected into Mint World and used for administrative and listing expenses, while the remaining portion was used for paying up the registered capital of Dongying Shengli.

Pursuant to the November 2009 Exchangeable Notes, a share charge may be given by Mr. Zhang if the Listing fails to be completed within 270 days after the date of the November 2009 Notes Subscription Agreement (the “**Listing Deadline**”), but subject to the approval of IAM’s appointed director in the board of directors of Apex Wide. On August 30, 2010, a supplemental deed was entered into among Mr. Zhang, Apex Wide, CCAM, CIG and CCB International Capital Limited (as security agent only), pursuant to which the parties agreed to extend the Listing Deadline for a further 180 days. As such, Mr. Zhang will only be required to charge the shares in Apex Wide as well as the Shares held by himself in favour of CCAM and CIG in the event that the Listing fails to be completed on or before February 22, 2011. As at the Latest Practicable Date, no share charge has been created by Mr. Zhang in favour of CCAM and CIG in this regard.

(ii) *October 2010 Supplemental Deed*

On October 29, 2010, Mr. Zhang, Apex Wide, CCAM, CIG and CCB International Capital Limited (as security agent only) entered into a second supplemental deed (the “**October 2010 Supplemental Deed**”) to ensure that (i) Mr. Zhang will not cease to be the Controlling Shareholder as a result of the adjustments based on the performance of our Company as set out above in the paragraph headed “(i) November 2009 Notes Subscription Agreement and 2009 Exchangeable Notes” under this sub-section; and (ii) there is no guaranteed discount for the exchange price of the November 2009 Exchangeable Notes as compared to the Offer Price.

Pursuant to the October 2010 Supplemental Deed, the provisions relating to the Performance Target Adjustment Right were amended as follows:

- (a) if the requested transfer of the Additional Exchange Shares to CCAM and/or CIG in accordance with the terms and conditions of the November 2009 Exchangeable Notes would result in Mr. Zhang immediately after such transfer owning less than 30% of the total issued share capital of our Company for the time being and/or ceasing to be the Controlling Shareholder, the maximum number of additional Exchange Shares that CCAM and/or CIG shall be entitled to shall not exceed the difference between the number of Shares held by Mr. Zhang and the number of Shares representing 30% of the total issued share capital of our Company on the completion date of such requested transfer; and
- (b) Apex Wide shall pay cash for any shortfall between the Additional Exchange Shares for CCAM (and/or CIG) and the number of additional Exchange Shares to be transferred to CCAM (and/or CIG) as calculated by applying the formula in relation to the performance cash settlement set out in the terms and conditions of the November 2009 Exchangeable Notes.

In addition, pursuant to the October 2010 Supplemental Deed, CCAM and CIG agreed to give up the right to receive the Additional Post-IPO Shares or cash

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equivalent as disclosed above in the paragraph headed “(i) November 2009 Notes Subscription Agreement and 2009 Exchangeable Notes” in this sub-section with effect from the date thereof.

Subject to the grant of the Listing approval, CCAM will exercise the rights attaching to HK\$80,000,000 worth of November 2009 Exchangeable Notes on December 10, 2010 (being the Business Day immediately preceding the Listing Date), pursuant to which certain number of Shares will be transferred by Apex Wide to CCAM, representing approximately 6% of the issued share capital of our Company as enlarged by the Shares to be allotted and issued pursuant to the Global Offering and the Capitalization Issue (without taking into account any Shares which may be allotted and issued pursuant to the exercise of the Over-allotment Option).

### *(iii) Investors’ rights agreement*

In conjunction with the November 2009 Notes Subscription Agreement, an investors’ rights agreement was entered into among Apex Wide, Mr. Zhang, CCAM and the Exit Investors on November 30, 2009 pursuant to which each of CCAM and the Exit Investors has been granted (without limitation):

- the right to receive annual, half-yearly, quarterly and monthly consolidated financial statements of Apex Wide;
- the right of first offer for any future sales of shares, or securities convertible into or exercisable for any shares of Apex Wide, our Company or any member of the Group;
- the right to visit and inspect Apex Wide’s properties (including our Group), to examine the books and account of Apex Wide and to discuss the affairs, finances and accounts of Apex Wide with its officers;
- the right to participate, together with other selling shareholders, in selling its Shares at the Global Offering on a pro-rata basis;
- (for Exit Investor 1 only) the right to appoint one director to the board of directors of each of Apex Wide and our Company; and
- the right to receive management letters of accountants, written notification of default or breach of material agreement(s), material legal, regulatory or governmental proceeding, investigations, orders, decisions and rulings, relating to our Group.

Additionally, the investors’ rights agreement has specified certain matters (applicable to both Apex Wide and our Group) which would require affirmative vote of the director appointed by Exit Investor 1, including (without limitation) related party transactions, dividend payments, budgets and significant expenditure, share buy-backs, group restructurings, change of scope or nature of business, change of auditors or accounting rules and selected material business

related undertakings (for example, acquisition and disposal of material assets and/or equity interests, significant increase in indebtedness and/or exposure to liabilities, etc.). It is also provided in the investors' rights agreement that certain matters (applicable to both Apex Wide and our Group) that would reasonably be expected to have material adverse impact on CCAM or either of the Exit Investors must be subject to unanimous vote of all directors, including (without limitation) alteration of constitutional documents, reorganization of share/registered capital and grant of options or rights on equity interests, corporate merger/amalgamation/consolidation, winding-up or liquidation and increase in size of board of directors. The investors' rights agreement will lapse and be automatically terminated upon Listing.

*(iv) Non-participation Agreement*

On August 16, 2010, Apex Wide, Mr. Zhang, CCAM, CIG, CCB International Capital Limited and the Exit Investors entered into a non-participation agreement (the "**Non-Participation Agreement**"), pursuant to which, (i) the Exit Investors would cease to be a party to each of the November 2009 Notes Subscription Agreement and the corresponding ancillary transaction documents; (ii) the Exit Investors will not subscribe for any of the November 2009 Exchangeable Notes; (iii) all rights and obligations of each of Exit Investors under the November 2009 Notes Subscription Agreement and the corresponding ancillary transaction documents shall be terminated forthwith effective from the "Effective Date" as defined in the Non-Participation Agreement, including the rights of giving consent to the introduction of new investors, the rights of giving consent for Mr. Zhang to lower the 59% Minimum Shareholding and the rights of appointing a director to the board of directors of Apex Wide and our Company, together with the consent/veto rights attaching thereto; (iv) Apex Wide shall pay to Exit Investor 1 HK\$1.0 million as termination fee and reimburse Exit Investor 1 for all legal and other professional fees incurred in accordance with the terms of the November 2009 Notes Subscription Agreement; and (v) the terms and conditions of the November 2009 Notes Subscription Agreement and the corresponding ancillary transaction documents shall remain unchanged and shall continue to be in full force and effect as among Apex Wide, Mr. Zhang, CCAM, CIG and CCB International Capital Limited. However, no compensation or other amount was payable by Apex Wide and/or our Group to Exit Investor 2 in accordance with the terms of the November 2009 Notes Subscription Agreement and the Non-Participation Agreement. Up to the date on which the Non-Participation Agreement was entered into, no November 2009 Exchangeable Note was issued to the Exit Investors.

As provided in the November 2009 Notes Subscription Agreement, Exit Investor 1 is entitled to terminate the November 2009 Notes Subscription Agreement and receive from Apex Wide HK\$1.0 million as termination fee in the event of non-fulfillment of any conditions precedent which is due to any reason attributable to Apex Wide or Mr. Zhang. As Apex Wide was unable to fulfill one of the conditions precedent, that it shall obtain a written confirmation from the Previous Potential Investor confirming that, among others, all the present, future, actual or contingent rights, liabilities, obligations, disputes, proceedings or claims in relation to its proposed investment have been fully terminated and/or released, Apex Wide was obliged to pay the termination fee of HK\$1.0 million to Exit Investor 1 as mentioned in the previous paragraph.

(v) *Termination of special rights upon Listing*

Save for the Performance Target Adjustment Right as disclosed in the paragraph headed “(i) November 2009 Notes Subscription Agreement and 2009 Exchangeable Notes” in this sub-section, all other special rights granted to CCAM will be terminated upon Listing.

**CIG**

CIG is a company incorporated in the BVI on February 26, 2010 and is wholly owned by Ms. Cai Yunye. Ms. Cai is the sole director of Chinaland Investment. She was the business manager of finance department and deputy manager of development strategy department of China Guangxi Mobile Communications Company Limited.

(i) *November 2009 Notes Subscription Agreement, Amendment Agreement and 2009 Exchangeable Notes*

On March 25, 2010, the Amendment Agreement (as defined in the sub-section headed “CCAM” above) was entered into among Mr. Zhang, Apex Wide, CCAM, the Exit Investors, CIG and CCB International Capital Limited (as security agent only) pursuant to which the parties agreed that CIG shall subscribe for HK\$40,000,000 of the November 2009 Exchangeable Notes (details of which are set out under the sub-paragraph headed “CCAM” above) while Exit Investor 1 shall reduce its subscription from HK\$70,000,000 to HK\$30,000,000; and that various amendments shall be made to the November 2009 Notes Subscription Agreement and the corresponding ancillary transaction documents to the effect that CIG shall be included as a party to the November 2009 Notes Subscription Agreement and each of the corresponding ancillary transaction documents and all references to CCAM and the Exit Investors as investors or noteholders (as the case may be) in the November 2009 Notes Subscription Agreement and the corresponding ancillary transaction documents shall include CIG. On the same date, a deed was entered into among Mr. Zhang, Apex Wide and CIG pursuant to which the parties agreed that a premium in the sum of HK\$10,000,000 will be paid by CIG to Apex Wide in connection with its investment in the November 2009 Exchangeable Notes. It is further agreed that the principal amount of the November 2009 Exchangeable Notes to be subscribed for by CIG shall remain as HK\$40,000,000 in exchange for 4% Shares pursuant to the terms and conditions of the November 2009 Notes Subscription Agreement and the Amendment Agreement. On March 19, 2010, CIG paid an aggregate prepayment of HK\$50,000,000 to Apex Wide prior to the entering of the Amendment Agreement, which represented the principal amount of HK\$40,000,000 worth of November 2009 Exchangeable Notes issued to CIG and the premium in the sum of HK\$10,000,000 in connection with CIG’s investment in the November 2009 Exchangeable Notes.

As one of the investors or noteholders (as the case may be) under the November 2009 Subscription Agreement and each of the corresponding ancillary transaction documents, CIG shall be entitled to all rights and obligations of CCAM and the Exit Investors thereunder (save and except the rights conferred only upon Exit Investor 1) as set out in the sub-section headed “CCAM” above. For a summary of the principal terms of the November 2009 Exchangeable Notes, please also refer to the sub-section headed “CCAM” above.

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Subject to the grant of the Listing approval, CIG will exercise the rights attaching to HK\$40,000,000 worth of November 2009 Exchangeable Notes on December 10, 2010 (being the Business Day immediately preceding the Listing Date), pursuant to which certain number of Shares will be transferred by Apex Wide to CIG, representing approximately 3% of the issued share capital of our Company as enlarged by the Shares to be allotted and issued pursuant to the Global Offering and the Capitalization Issue (without taking into account any Shares which may be allotted and issued pursuant to the exercise of the Over-allotment Option).

### *(ii) CIG SPA*

On May 12, 2010, a further sale and purchase agreement (the “CIG SPA”) was entered between Apex Wide and CIG pursuant to which Apex Wide agreed to sell, and CIG agreed to purchase, a certain number of Shares held by Apex Wide (which shall represent 2% of all the issued share capital of our Company as at the date of completion) at a consideration of HK\$25,000,000, determined after arm’s length negotiation between the relevant parties, on and subject to the terms and conditions set out in the CIG SPA. On the same date, two (2) Shares, representing 2% of the then issued share capital of our Company were transferred to CIG from Apex Wide at a cash consideration of HK\$25,000,000.

The aggregate amount of HK\$75,000,000 paid by CIG under the November 2009 Notes Subscription Agreement and the CIG SPA was paid in full on March 19, 2010 and May 17, 2010, respectively, and fully injected into our Group by way of shareholder’s loan. HK\$5 million out of the total investment was injected into Mint World and used for administrative and listing expenses, while the remaining portion was used for paying up the registered capital of Dongying Shengli and Full Win New Material.

### *(iii) Termination of special rights upon Listing*

Save for the Performance Target Adjustment Right as disclosed in the sub-section headed “CCAM” in this section, all other special rights granted to CIG will be terminated upon Listing.

### *China Angel*

China Angel is an investment holding company incorporated in the BVI on April 4, 2006. It is wholly owned by Mr. Jiang Qi Hang. Mr. Jiang is a director of China Angel Fund, an exempted company with limited liability incorporated in the Cayman Islands on March 28, 2008 engaged in investing mainly in companies listed in certain recognized markets such as Hong Kong, Taiwan and Singapore, etc, and companies listed in other emerging markets. Mr. Jiang has more than 13 years experience in financial and investment industry. He has worked for Credit Lyonnais Securities (Asia) Ltd, and was the director of securities sales in BNP Paribas Peregrine Securities Limited and the executive director in the Retail Brokerage Department of BOCI Securities (Hong Kong) Ltd.

## HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

A sale and purchase agreement as supplemented by a supplemental agreement (together the “**First China Angel SPA**”) were entered into between Apex Wide and China Angel on April 25, 2010 and April 29, 2010 respectively pursuant to which Apex Wide agreed to sell, and China Angel agreed to purchase, a certain number of Shares held by Apex Wide (which shall represent 3% of all the issued share capital of our Company as at the date of completion) at a consideration of HK\$37,500,000, determined after arm’s length negotiation between the relevant parties, on and subject to the terms and conditions set out in the First China Angel SPA. On April 30, 2010, three (3) Shares representing 3% of the issued share capital of our Company were transferred to China Angel from Apex Wide at a cash consideration of HK\$37,500,000.

On May 12, 2010, Apex Wide entered into another sale and purchase agreement (the “**Second China Angel SPA**”) with China Angel pursuant to which Apex Wide agreed to sell, and China Angel agreed to purchase, a certain number of Shares held by Apex Wide (which shall represent 1% of all the issued share capital of our Company as at the date of completion) at a consideration of HK\$12,500,000, determined after arm’s length negotiation between the relevant parties, on and subject to the terms and conditions set out in the Second China Angel SPA. On the same date, one (1) Share representing 1% of the issued share capital of our Company was transferred to China Angel from Apex Wide at a cash consideration of HK\$12,500,000.

The total consideration of HK\$50,000,000 paid by China Angel pursuant to the First China Angel SPA and the Second China Angel SPA was paid in full on May 27, 2010 and fully injected into our Group by way of shareholder’s loan. Out of the total consideration, HK\$3.2 million was injected into Mint World for general working capital purposes and the remaining portion was injected into Full Win New Material for paying up its registered capital and for general working capital purposes.

No special right has been granted to China Angel under the First China Angel SPA and the Second China Angel SPA.

### *Sun Ascent*

Sun Ascent is an investment holding company incorporated in the BVI on January 22, 2003, which is wholly owned by Mr. Qin Kebo, a non-executive Director. Mr. Qin Kebo is the chairman of China Sun Fund Management Co., Ltd\*(中國陽光投資基金管理有限公司).

On November 16, 2009, Apex Wide entered into a sale and purchase agreement (the “**Sun Ascent SPA**”) with Sun Ascent, pursuant to which Apex Wide agreed to sell, and Sun Ascent agreed to purchase, a certain number of Shares held by Apex Wide (which shall represent 9% of all the issued share capital of our Company as at the date of completion) (the “**Sun Ascent Consideration Shares**”) at a consideration of HK\$90,000,000, determined after arm’s length negotiation between the parties, on and subject to the terms and conditions set out in the Sun Ascent SPA. On August 11, 2010, nine (9) Shares representing 9% of the then issued share capital of our Company was transferred to Sun Ascent from Apex Wide at a cash consideration of Renminbi equivalence of HK\$90,000,000.

## HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

The total consideration of Renminbi equivalence of HK\$90,000,000 paid by Sun Ascent pursuant to the Sun Ascent SPA was paid in full on July 28, 2010 and retained by Mr. Zhang for his personal use and will not be injected into our Group.

On October 29, 2010, Apex Wide entered into a deed (the “**Sun Ascent Deed**”) with Sun Ascent, pursuant to which the parties thereto agreed that (i) the Sun Ascent Consideration Shares shall be revaluated according to the highest end of the then preliminary indicative offer price range (being HK\$2.86) and the consideration therefor shall be adjusted upwards from HK\$90,000,000 to HK\$225,868,500 (the “**Adjusted Value (Sun Ascent Consideration Shares)**”); (ii) Sun Ascent shall pay to Apex Wide the difference between the Adjusted Value (Sun Ascent Consideration Shares) and the paid consideration under the Sun Ascent SPA (the “**Sun Ascent Balance**”), being HK\$135,868,500 on or before November 4, 2010; and (iii) if the Offer Price is higher than HK\$2.86, the Adjusted Value (Sun Ascent Consideration Shares) shall be further adjusted upwards to the Offer Price and Sun Ascent shall pay the shortfall to Apex Wide before the Listing Date; and if the Offer Price is lower than HK\$2.86, the Adjusted Value (Sun Ascent Consideration Shares) shall be adjusted downwards and Apex Wide shall return the difference to Sun Ascent before the Listing Date.

The Sun Ascent Balance was paid in full by Sun Ascent on October 29, 2010. Out of the Sun Ascent Balance paid by Sun Ascent, HK\$48,000,000 was injected into our Group for paying up the registered capital of Full Win New Material. The remaining portion was retained by Mr. Zhang for his personal use and will not be injected into our Group.

No special right has been granted to Sun Ascent under the Sun Ascent SPA.

### *Blue Skies*

Blue Skies is an investment holding company incorporated in the BVI on February 28, 2008, which is wholly owned by Mr. Suo Lang Duo Ji. Mr. Suo Lang is the chairman, a non-executive director and controlling shareholder of Lumena Resources Corp. (stock code: 67), a company whose shares are listed on the Hong Kong Stock Exchange. Lumena Resources Corp. is principally engaged in the mining, processing and manufacturing of natural thenardite products.

On August 12, 2010, Apex Wide entered into a sale and purchase agreement (the “**Blue Skies SPA**”) with Blue Skies, pursuant to which Apex Wide agreed to sell, and Blue Skies agreed to purchase, a certain number of Shares held by Apex Wide (which shall represent 5% of all the issued share capital of our Company as at the date of completion) (the “**Blue Skies Consideration Shares**”) at a consideration of HK\$70,000,000, determined after arm’s length negotiation between the parties, on and subject to the terms and conditions set out in the Blue Skies SPA. Upon full settlement of the consideration of HK\$70,000,000 by Blue Skies on August 12, 2010, five (5) Shares representing 5% of the then issued share capital of our Company was transferred to Blue Skies from Apex Wide.

## HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

According to the Blue Skies SPA, in the event that the Global Offering fails to take place within 2 years after August 12, 2010, Apex Wide shall redeem the Blue Skies Consideration Shares on the 2<sup>nd</sup> anniversary of the date of the Blue Skies SPA (i.e. August 12, 2012) at the redemption amount determined by the following formula:

$$\text{Redemption amount} = \text{HK\$70,000,000} \times 110\% \times 110\%$$

Save for the aforesaid redemption right, no other special right has been granted to Blue Skies and such redemption right was subsequently terminated pursuant to the Blue Skies Deed (as defined below).

Out of the total consideration of HK\$70,000,000 paid by Blue Skies pursuant to the Blue Skies SPA, HK\$45.6 million was injected into our Group by way of shareholder's loan as to HK\$2.3 million to Mint World for administrative and listing expenses, and HK\$43.3 million for paying up the registered capital of Dongying Shengli. The remaining HK\$24.4 million out of the total consideration was retained by Mr. Zhang for his personal use.

On October 29, 2010, Apex Wide entered into a deed (the "**Blue Skies Deed**") with Blue Skies, pursuant to which the parties thereto agreed that (i) the Blue Skies Consideration Shares shall be revaluated according to the highest end of the then preliminary indicative offer price range (being HK\$2.86) and the consideration therefor shall be adjusted upwards from HK\$70,000,000 to HK\$125,482,500 (the "**Adjusted Value (Blue Skies Consideration Shares)**"); (ii) Blue Skies shall pay to Apex Wide the difference between the Adjusted Value (Blue Skies Consideration Shares) and the paid consideration under the Blue Skies SPA (the "**Blue Skies Balance**"), being HK\$55,482,500 on or before the date of the Blue Skies Deed; and (iii) if the Offer Price is higher than HK\$2.86, the Adjusted Value (Blue Skies Consideration Shares) shall be further adjusted upwards to the Offer Price and Blue Skies shall pay any shortfall to Apex Wide before the Listing Date; and if the Offer Price is lower than HK\$2.86, the Adjusted Value (Blue Skies Consideration Shares) shall be adjusted downwards and Apex Wide shall return the difference to Blue Skies before the Listing Date.

The Blue Skies Balance was paid in full by Blue Skies on October 29, 2010. The Blue Skies Balance paid by Blue Skies was retained by Mr. Zhang for his personal use and will not be injected into our Group.

In addition, pursuant to the Blue Skies Deed, Blue Skies agreed to give up its redemption right under the Blue Skies SPA with effect from the date thereof.

### **Additional information on the pre-IPO investments**

To the best of the knowledge of our Directors, Mr. Zhang became acquainted with IAM at an occasion in or around July 2009, and became acquainted with CCAM through the referral of Exit Investor 1. Mr. Zhang became acquainted with Sun Ascent through several promotion conferences organized by the government of Zibo city and thereafter, Mr. Qin Kebo (the sole beneficial owner of Sun Ascent) introduced CIG and China Angel to Mr. Zhang. On the other hand, Mr. Zhang became acquainted with Blue Skies by the referral of an Independent Third Party. Save as disclosed in this paragraph headed

## HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

“Pre-IPO Investors”, as at the Latest Practicable Date, none of the Pre-IPO Investors have any other relationship with our Group, our Shareholders, our Directors, our senior management, any of their respective associates, or any relationship among themselves.

To the best of the knowledge of our Directors, the Pre-IPO Investors mainly took into account the following circumstances when considering their respective investment into our Group: (i) the potential and prospects of our existing business in the manufacture and sale of BDO and our intended business venture into the manufacture and sale of PBS and PBS copolymers; and (ii) the experience of our management in the chemical industry and our track record in related business developments.

The following table sets forth the initial investment cost per Share of each of the Pre-IPO Investors:

|                |                  | Number of<br>Shares<br>held upon<br>Listing | Investment cost<br>per Share<br>(HK\$) | Discount<br>from mid-<br>point of<br>the Offer<br>Price<br>Range |
|----------------|------------------|---|--|--|
| IAM            | 120,000,000      | 122,850,000                                 | 0.98                                   | 65.4%  |
| CCAM           | 80,000,000       | 70,200,000                                  | 1.14                                   | 59.7%  |
| CIG            | 75,000,000       | 52,650,000                                  | 1.42                                   | 49.8%  |
| China<br>Angel | 50,000,000       | 35,100,000                                  | 1.42                                   | 49.8%  |
| Sun Ascent     | To be determined | 78,975,000                                  | At Offer Price                         | N/A  |
| Blue Skies     | To be determined | <u>43,875,000</u>                           | At Offer Price                         | N/A  |
|                |                  | <u><u>403,650,000</u></u>                   |  |  |

All Shares held by the Pre-IPO Investors shall be subject to a lock-up period commencing on the date of this prospectus and ending on the date which is six months from the Listing Date. As IAM will be a substantial Shareholder and accordingly a connected person of our Company for the purpose of the Listing Rules, the Shares to be held by it will not form part of the public float after Listing. Additionally, as Sun Ascent is an associate of Mr. Qin Kebo (a non-executive Director) and accordingly a connected person for the purpose of the Listing Rules, the Shares held by it will not form part of the public float after Listing. All Shares held/to be held by the remaining Pre-IPO Investors, namely CCAM, CIG, China Angel and Blue Skies, will be counted towards the public float after Listing.

### DISCONTINUED PRE-IPO INVESTMENT

Mr. Zhang, our Controlling Shareholder, was introduced to the Previous Potential Investor in 2007. During the period from August to October 2007, a series of agreements (the “**2007 Agreements**”) were entered into among the Previous Potential Investor, Mr. Zhang, Full Smart and Dongying Shengli for the purpose of a potential pre-IPO investment into our Group, pursuant to which it was conditionally agreed among the parties that (i) the Previous Potential Investor would, for a consideration of HK\$100 million, subscribe for 20% of the issued share capital of Full Smart as enlarged by the subscription (the “**Proposed Subscription**”); and (ii) the shares of Full Smart and the equity interest of Dongying Shengli would be charged or mortgaged to the Previous Potential Investor as security for the Proposed Subscription.

Pursuant to the Proposed Subscription, the Previous Potential Investor advanced a total of HK\$50 million (the “**Investment Deposit**”) to our Group during the period from August to September 2007 as deposit for the Proposed Subscription pending fulfillment of certain conditions precedent as stipulated in the 2007 Agreements. In November 2007, the charge on the equity interest of Dongying Shengli (the “**Dongying Shengli Charge**”) was registered with Dongying AIC with an effective period of one year. However, in or around December 2007, the Previous Potential Investor decided not to proceed with the Proposed Subscription and demanded refund of the Investment Deposit in full with interest. During the period between December 24, 2007 to March 13, 2008, Mr. Zhang and/or our Group refunded a total of HK\$34,501,150 to the Previous Potential Investor. According to an affidavit executed by Mr. Zhang on August 13, 2010, a meeting was held between Mr. Zhang and the Previous Potential Investor in March 2008 to discuss about, among other things, payment of the remaining balance of the Investment Deposit and interest. As confirmed by Mr. Zhang, during the meeting, it was verbally agreed that against payment of a balance of HK\$24,400,000, the Previous Potential Investor would procure for the release of the charge and/or mortgage over the shares of Full Smart and the equity interest of Dongying Shengli Charge (the “**Verbal Settlement Agreement**”). The agreed balance payment was accordingly effected on the same day of the said meeting, as a result of which a total of HK\$58,901,150, comprising the Investment Deposit plus interest, was refunded in full to the Previous Potential Investor.

Subsequently, on November 24, 2008 following expiry of the registration of the Dongying Shengli Charge, Dongying Shengli filed with Dongying AIC for the de-registration of the Dongying Shengli Charge and was accordingly accepted by Dongying AIC. On April 15, 2009, the directors of Full Smart passed a resolution approving the removal of the remarks in the register of members of Full Smart in respect of the charge and/or mortgage over Mr. Zhang’s shares of Full Smart. The legal advisers as to Samoa law confirmed that, having regard to the acceptance of evidence by the directors of Full Smart that the Investment Deposit has been repaid, a resolution of directors of Full Smart acknowledging that fact and that there can be no charge over Mr. Zhang’s shares of Full Smart should release Mr. Zhang from any obligation over his shares. The Samoa legal advisers further confirmed that as at March 16, 2010, no charge over the shares of Full Smart was registered at the Registry of International Companies of Samoa. Considering that Full Smart is a company incorporated in Samoa and the Samoa legal adviser is a registered law firm duly qualified to practice law in Samoa, our Directors

believe that the Samoa legal adviser is the appropriate professional party to provide its views and confirmations on the abovementioned issues relating to Full Smart. Our Directors confirmed that at all material times up to the Latest Practicable Date, the voting rights and beneficial interests of the subject 20% issued share capital of Full Smart were controlled by Mr. Zhang.

In or about January 2010, the Previous Potential Investor filed an administrative action (the “**PRC Action**”) with Shandong Province Dongying City Intermediate People’s Court (“**Dongying People’s Court**”) against Dongying AIC (as defendant) and Dongying Shengli (as third party) for wrongful grant of de-registration of the Dongying Shengli Charge and non-compliance with procedures then in effect, on the basis that the Measures for Equity Interests Pledges Registration with Administration of Industry and Commerce (《工商行政管理機關股權出質登記辦法》), which took effect from October 1, 2008, required that registration and/or de-registration of charges of equity interests would require a “registration” procedure instead of a “filing” procedure as previously required. Based on an administrative ruling issued by the Dongying People’s Court on April 13, 2010, the Previous Potential Investor voluntarily withdrew the PRC Action on the basis that Dongying AIC agreed with the position of the Previous Potential Investor that the Dongying Shengli Charge was not de-registered as at the date thereof. In light of the above, our Group proceeded to rectify the de-registration of the Dongying Shengli Charge and on September 15, 2010 obtained the Notice of Equity Charge De-registration (the “**De-registration Notice**”) issued by Dongying AIC announcing that the Dongying Shengli Charge was officially released as of the same date. Our PRC legal advisers advised that the Dongying Shengli Charge was duly released on September 15, 2010 in compliance with applicable PRC laws and regulations. In order to preempt any regulatory challenges on the transfer of entire equity interest of Dongying from Shengli Full Smart to King General as part of the Reorganisation (the “**1st Dongying Shengli Equity Transfer**”) which was completed prior to the issuance of the De-registration Notice, Full Smart and King General re-executed the transfer of the entire equity interest of Dongying Shengli on November 26, 2010 (the “**2nd Dongying Shengli Equity Transfer**”), on the same terms as the 1st Dongying Shengli Equity Transfer. The 2nd Dongying Shengli Equity Transfer was approved by Bureau of Commerce of Dongying City (東營市商務局) and registered with Dongying AIC on November 26 2010. Our PRC legal advisers advised that the 2nd Dongying Shengli Equity Transfer was duly completed in compliance with the applicable PRC laws and regulations and the above non-compliance had been fully rectified.

On February 4, 2010, a writ of summons with an indorsement of claim (the “**Unserved Writ**”) was issued from the High Court of Hong Kong against Full Smart, Mr. Zhang and Dongying Shengli (together the “**Alleged Defendants**”) for unspecified damages and declaratory relief (the “**HK Action**”). Since its issuance, the Unserved Writ has not been served on any of the Alleged Defendants, nor has the Previous Potential Investor served and/or put forward any statement of claim, whether in draft form or otherwise. The precise basis of the claim is unknown. In view of this, the Alleged Defendants have sought advice from the Counsel who advised, *inter alia*, that (i) it is more likely than not the security interest of the Previous Potential Investor over Mr. Zhang’s shares in Full Smart was that of an equitable mortgage; (ii) it is likely that the payment of the sum of HK\$58,901,150 (being refund of the Investment Deposit with interest) under the Verbal Settlement Agreement would result in the discharge of the Previous Potential

## HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

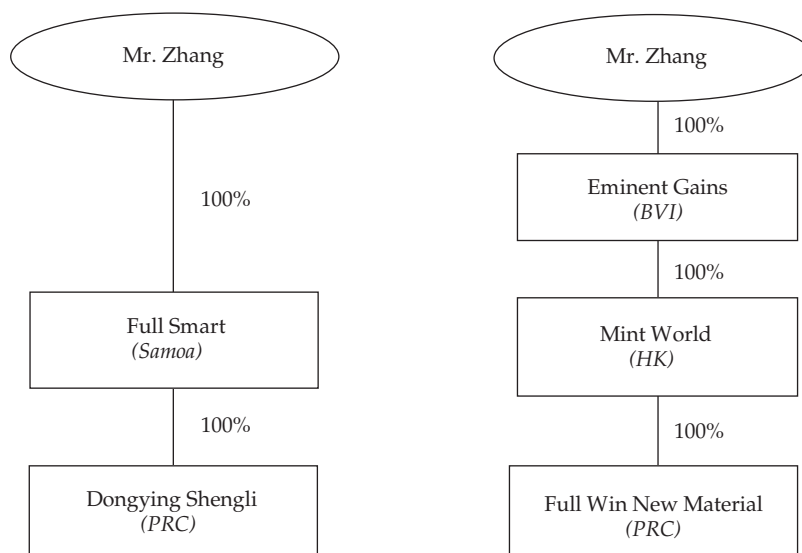
Investor's security interest over the shares of Full Smart; and (iii) since there can be no further underlying basis for the existence of such security when all relevant underlying obligations have been performed, the mere performance of the underlying obligations (that is, the full payments pursuant to the Verbal Settlement Agreement) is sufficient to put an end to the security interest over the shares of Full Smart. The Counsel further advised that the Alleged Defendants have no legal obligation to accede to the jurisdiction of the courts of Hong Kong for the HK Action. Acting out of prudence, the Alleged Defendants have engaged Hong Kong legal advisers including the Counsel to advise and handle the HK Action. Legal documentation for, *inter alia*, compelling the Previous Potential Investor to serve the Unserved Writ and, if the Previous Potential Investor fails to do so, an application for the dismissal of the HK Action have been prepared and are ready to be served if so instructed by the Alleged Defendants. In any event, Mr. Zhang has undertaken to indemnify our Group against all damages, losses, expenses or liabilities which may arise as a result of, relating to or in connection with the HK Action, should the purported claim in the Action become materialized.

For the risks which may arise from the abovementioned discontinued pre-IPO investment by the Previous Potential Investor, please refer to the paragraph headed "Mr. Zhang and certain members of our Group may be subject to potential legal proceeding which, if materializes, may result in a material and adverse impact on the assets and financial results attributable to our Company and our Shareholders." under the section headed "Risk factors" in this prospectus.

### CORPORATE STRUCTURE

In anticipation of the Global Offering, we underwent the Reorganization as a result of which our Company became the holding company of other members of our Group, and Mr. Zhang's direct and indirect shareholding interests in each of the companies comprising our Group were held through Apex Wide.

The following was our corporate structure immediately before the Reorganization and the pre-IPO investments (more particulars of which are set out in the paragraph headed "Pre-IPO Investors" in this section):



### The Reorganization

On July 20, 2009, Apex Wide was incorporated in the BVI with an authorized share capital of US\$50,000 divided into 50,000 shares of US\$1 each. On August 10, 2009, Apex Wide allotted and issued one share to Mr. Zhang at par value. Upon completion of the share allotment and issue, Mr. Zhang held the only issued share of Apex Wide.

On August 18, 2009, King General was incorporated as an investment holding company in Hong Kong with an authorized share capital of HK\$10,000 divided into 10,000 shares of a nominal value of HK\$1 each. On the same date, King General allotted and issued one unpaid share to the initial subscriber.

On August 27, 2009, our Company was incorporated in the Cayman Islands with an authorized share capital of HK\$1,000,000 divided into 100,000,000 Shares of HK\$0.01 each. On the same date, one nil-paid Share was allotted and issued to Codan Trust Company (Cayman) Limited as subscriber who then transferred the same to Apex Wide at par value on the same date. On April 30, 2010, 99 Shares were allotted and issued to Apex Wide at par value. Upon completion of the said share allotment, issue and transfer, Apex Wide held all the issued Shares.

On September 23, 2009, Full Smart acquired the only issued share of King General from the initial subscriber at par value, after which King General became a wholly-owned subsidiary of Full Smart.

On September 25, 2009, Mr. Zhang transferred his 100 shares of Full Smart to our Company at par value. Upon completion of the share transfer, the entire issued share capital of Full Smart was held by our Company and Dongying Shengli became an indirect wholly owned subsidiary of our Company.

On September 25, 2009, Mr. Zhang transferred his one share of Eminent Gains to our Company at par value. Upon completion of the share transfer, the entire issued share capital of Eminent Gains was held by our Company and Full Win New Material became an indirect wholly owned subsidiary of our Company.

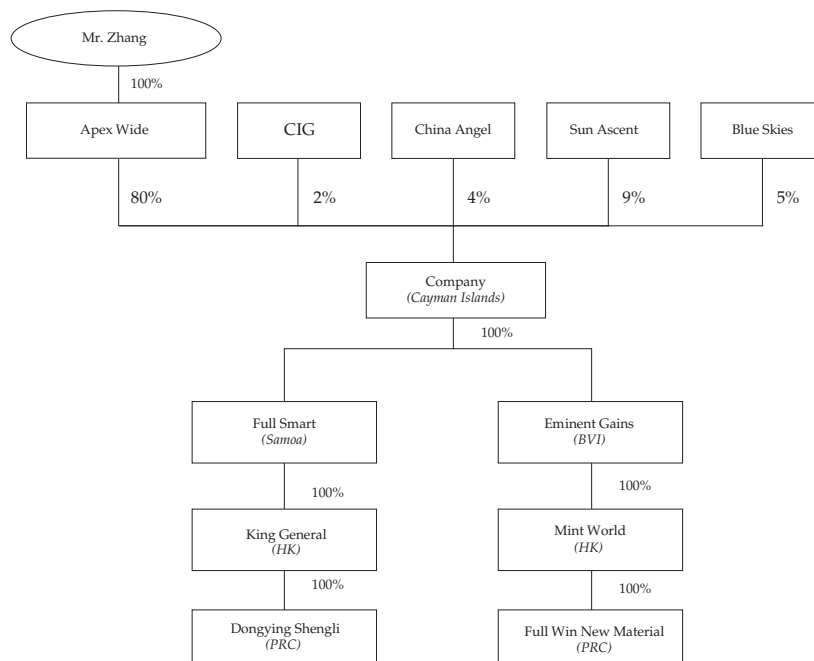
On March 23, 2010, Full Smart entered into an equity transfer agreement to transfer the entire registered capital of Dongying Shengli to King General at a consideration of US\$1. The said change of equity owner was approved by the Bureau of Commerce of Dongying City (東營市商務局) on March 25, 2010 and the corresponding revised approval certificate and business licence were issued on March 25, 2010 and April 12, 2010 respectively. However, in or about January 2010, the Previous Potential Investor filed the PRC Action with Dongying People's Court against Dongying AIC for wrongful grant of de-registration and non-compliance with procedures then in effect, on the basis that the National Administration of Industry and Commerce Equity Interests Pledges Registration Measures (《國家工商局股權出質登記辦法》) had taken effect on October 1, 2008, pursuant to which registration and/or de-registration of charges of PRC assets would require a "registration" procedure instead of a "filing" procedure as previously required. Based on an administrative ruling issued by the Dongying People's Court on April 13, 2010, the Previous Potential Investor voluntarily withdrew the PRC Action on the basis that

## HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

Dongying AIC agreed with the position of the Previous Potential Investor that the Dongying Shengli Charge was not de-registered as at the date thereof. In response to the change of position of Dongying AIC on the de-registration of the Dongying Shengli Charge, the Company proceeded to rectify the de-registration of the Dongying Shengli Charge and on September 15, 2010 obtained the De-registration Notice issued by Dongying AIC announcing that the Dongying Shengli Charge was officially released as of the same date. In order to preempt any regulatory challenges on the 1st Dongying Shengli Equity Transfer which was completed prior to the issue of the De-registration Notice dated September 15, 2010, Full Smart and King General re-executed the 2nd Dongying Shengli Equity Transfer on the same terms as the 1st Dongying Shengli Equity Transfer on November 26, 2010. The 2nd Dongying Shengli Equity Transfer was approved by the Bureau of Commerce of Dongying City (東營市商務局) and registered with Dongying AIC on the same day. Upon completion of the 2nd Dongying Shengli Equity Transfer, King General became the direct holding company of Dongying Shengli and our Company held the entire registered capital of Dongying Shengli through Full Smart and King General.

Our PRC legal advisers have confirmed that our Group has obtained all the required approvals from relevant PRC government authorities for the Reorganization, in particular, the approval from the Bureau of Commerce of Dongying City (東營市商務局) in respect of the 2nd Dongying Shengli Equity Transfer.

Our corporate structure as at the date of this prospectus was as follows:



# HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

## Global Offering

Our corporate structure upon completion of the Global Offering, the Capitalization Issue, the exchange of the September 2009 Exchangeable Notes by IAM and the exchange of the November 2009 Exchangeable Notes by CCAM and CIG (without taking into account any Shares which may be allotted and issued pursuant to the exercise of the Over-allotment Option and any options that may be granted under the Share Option Scheme) shall be as follows:

