
COMPANY HISTORY AND REORGANIZATION

OVERVIEW

Our Company was incorporated in the Cayman Islands as an exempted company with limited liability on 29 November 2011 in anticipation of the Global Offering. We are an integrated cement and clinker producer in Wujiang City, Suzhou Prefecture. We operate our clinker and cement productions through our sole PRC subsidiary, Dongwu Cement. For details of our corporate structure, please refer to the paragraph headed “Our Corporate Structure” in this section below.

OUR BUSINESS DEVELOPMENT

Our Group traces its roots to 2003 when Dongwu Cement, our sole PRC operating subsidiary, was established in the PRC. The following is a summary of our Group’s key business development milestones:

- June 2003 : We established Dongwu Cement and commenced cement business operations in Jiangsu Province.
- December 2004 : Construction of our factories completed and commenced trial production.
- January 2005 : Formal production commenced.
- December 2006 : Cement production breakthrough of our Company, amounting to 800,000 tonnes.
- 2006-2009 : Our principal cement products, PO 42.5 and PC 32.5, have been awarded for the Certificate of Quality Inspection Exemption issued by General Administration of Quality Supervision, Inspection and Quarantine of PRC between 2006 and 2009 each year.
- June 2009 : Completion of construction and examination of the 4.5MW Low Temperature Electricity Generation Project and electricity generation commenced in July 2009.
- December 2011 : Reorganization took place.

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In 2003, Jiangsu Orient and Orient Expressway (HK) commenced discussions on their proposed investment in the PRC cement industry in light of the increasing demand for cement products and its sustainable development in the PRC. After considering the feasibility of such investment and further discussions, Jiangsu Orient and Orient Expressway (HK) reached consensus on realizing such investment plan by jointly setting up a company in the PRC as the investment and operating entity, which is Dongwu Cement.

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Dongwu Cement

Dongwu Cement was established in Wujiang City, Jiangsu Province on 5 June 2003 as a sino-foreign joint venture with a registered capital of US\$15 million and an approved total investment of US\$29.8 million. At the time of establishment, Jiangsu Orient and Orient Expressway (HK) held 75% and 25% equity interests, respectively, in Dongwu Cement. For more information on Jiangsu Orient and Orient Expressway (HK), please refer to the paragraph headed “Further information on the former shareholders of Dongwu Cement” below. According to the joint venture agreement signed by Jiangsu Orient and Orient Expressway (HK), the registered capital of Dongwu Cement shall be fully settled by 5 June 2006.

Between August 2003 and June 2004, Jiangsu Orient and Orient Expressway (HK) made five capital contributions totalling US\$15 million as registered capital of Dongwu Cement, details of which are as follows: (i) as at 11 August 2003, Jiangsu Orient and Orient Expressway (HK) had contributed US\$2,899,516.64 and US\$1,750,000 to Dongwu Cement respectively, totalling US\$4,649,516.64; (ii) as at 4 December 2003, Jiangsu Orient and Orient Expressway (HK) had contributed US\$3,793,563.59 and US\$3,750,000 to Dongwu Cement respectively, totalling US\$7,543,563.59; (iii) as at 31 March 2004, Jiangsu Orient and Orient Expressway (HK) had contributed US\$6,028,657.58 and US\$3,750,000 to Dongwu Cement respectively, totalling US\$9,778,657.58; (iv) as at 13 April 2004, Jiangsu Orient and Orient Expressway (HK) had contributed US\$7,297,233.15 and US\$3,750,000 to Dongwu Cement respectively, totalling US\$11,047,233.15; (v) as at 14 June 2004, Jiangsu Orient and Orient Expressway (HK) had contributed US\$11,250,000 and US\$3,750,000 to Dongwu Cement respectively, totalling US\$15,000,000.

On 17 November 2004, Jiangsu Orient pledged its 75% equity interest in Dongwu Cement to Industrial and Commercial Bank of China Limited (Hongqiao Branch), Shanghai city (“**ICBC**”) for loans in the sum of RMB45 million in favour of Shanghai Hesheng Enterprises Development Company Limited (上海合盛企業發展有限公司) (“**SH Hesheng**”) and Shanghai Dongchuang Industrial Investment Company Limited (上海東創實業投資有限公司) (“**SH Dongchuang**”) (now known as Orient Hengye Holdings Company Limited (東方恒業控股有限公司)). Due to the default in repayment of the loans by SH Hesheng and SH Dongchuang, ICBC requested Jiangsu Orient to perform its duties as a guarantor and the 75% equity interest in Dongwu Cement was put in public auction on 24 January 2006, during which Orient Expressway (HK) won the auction at the bidding price of RMB40,748,000. Accordingly, on 20 April 2006, Jiangsu Orient and Orient Expressway (HK) entered into an equity transfer agreement pursuant to which Jiangsu Orient transferred its 75% equity interest in Dongwu Cement to Orient Expressway (HK) at a consideration of RMB40,748,000, being the bidding price at the public auction held on 24 January 2006. Such consideration was settled by the internal resources of Orient Expressway (HK). The above equity transfer was approved by Wujiang Municipal Bureau of Foreign Trade and Economic Cooperation (吳江市對外貿易經濟合作局) on 24 April 2006. An updated business licence was granted to Dongwu Cement on 26 April 2006. Upon completion of this equity transfer, Jiangsu Orient ceased to hold any equity interest in Dongwu Cement and Dongwu Cement became a wholly-owned subsidiary of Orient Expressway (HK) and hence has transformed into a wholly foreign owned enterprise.

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Being the ultimate shareholders of each of Orient Expressway (HK) and Far East International with the same shareholding structure, Mr. Tseung and Mr. Jin would like to use Far East International as their main investment holding company in the PRC cement industry. On 9 January 2007, Orient Expressway (HK) and Far East International entered into an equity transfer agreement pursuant to which Orient Expressway (HK) transferred its 100% equity interest in Dongwu Cement to Far East International at a consideration of US\$15 million which was determined with reference to the then registered capital of Dongwu Cement. The above equity transfer was approved by Wujiang Municipal Bureau of Foreign Trade and Economic Cooperation (吳江市對外貿易經濟合作局) on 15 February 2007. An updated business licence was granted to Dongwu Cement on 6 March 2007. Upon completion of this equity transfer, Orient Expressway (HK) ceased to hold any equity interest in Dongwu Cement and Dongwu Cement became a wholly-owned subsidiary of Far East International. For more information on Far East International, please refer to the paragraph headed “Further information on the former shareholders of Dongwu Cement” below.

On 1 December 2008, Dongwu Cement resolved to increase its registered capital from US\$15 million to US\$25 million. In connection with this capital increase, Far East International, the then sole shareholder of Dongwu Cement, had contributed US\$2 million, US\$3 million, US\$2.5 million and US\$2.5 million on 24 December 2008, 28 April 2009, 3 July 2009 and 6 December 2010, respectively as its increased share capital.

On 26 December 2011, Far East International and Dongwu HK entered into the Reorganization Equity Transfer Agreement, pursuant to which Far East International transferred its 100% equity interest in Dongwu Cement to Dongwu HK at a consideration of US\$33 million, which was determined with reference to (i) the net assets value of Dongwu Cement as at 30 September 2011 and, (ii) the dividend of RMB42,930,000 paid on 21 December 2011 and its 10% withholding income tax of RMB4,770,000, totalling RMB47,700,000. The above equity transfer was approved by Wujiang Municipal Bureau of Commerce (吳江市商務局) on 27 December 2011. An updated business licence was granted to Dongwu Cement on 28 December 2011. Upon completion of this equity transfer, Far East International ceased to hold any equity interest in Dongwu Cement and Dongwu Cement became a wholly-owned subsidiary of Dongwu HK.

As at the Latest Practicable Date, Dongwu Cement had an approved business scope of “manufacture of clinker, cement and related products as well as sales of self-produced products”.

Further information on the former shareholders of Dongwu Cement

Since its establishment in 2003 and until the Reorganization in December 2011 (for further details, please refer to the paragraph headed “Our Reorganization” below), the shareholding structure of Dongwu Cement had undergone certain changes involving transfers of the equity interests therein among different entities, namely Jiangsu Orient, Orient Expressway (HK) and Far East International, the details of which are set out below.

Jiangsu Orient, a shareholder of Dongwu Cement since its establishment on 5 June 2003 and until 26 April 2006, is an investment holding company established in the PRC with limited liability. According to its Corporate Legal Person Business License, its business scope includes industrial investment; asset management; domestic trading; manufacture and sales of silk and fabrics, garment, clothing and bedclothes; printing and dyeing, sand wash processing; sales of machinery facilities, communication cables, bamboo and wood floorings, and home-use electric appliances.

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To the best knowledge of the Directors, as at the Latest Practicable Date, the shareholders of Jiangsu Orient and their respective shareholdings in Jiangsu Orient were as follows:

Ms. Zhou Jianhua (spouse of Mr. Tseung)	52.97%
Orient Hengye Holdings Company Limited	8.33%
Mr. Jin (a director of each of the Company and Dongwu Cement)	3%
Mr. Shan Huixing (a director of Dongwu Cement)	2.2%
Other Independent Third Parties (in aggregate)	33.5%
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	100%
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So far as is known to the Directors, as at the Latest Practicable Date, Orient Hengye Holdings Company Limited was beneficially owned by Mr. Tseung (35%), Ms. Xie Yingxia (3%) and other Independent Third Parties.

Orient Expressway (HK), an investment holding company incorporated in Hong Kong, had been a shareholder of Dongwu Cement since its establishment on 5 June 2003 and until 6 March 2007. Since 5 June 2003 and up to the Latest Practicable Date, Orient Expressway (HK) had been beneficially owned by Mr. Tseung and Mr. Jin as to 70% and 30%, respectively.

Far East International, the sole shareholder of Dongwu Cement since 6 March 2007 and until 28 December 2011, is an investment holding company incorporated in Samoa as an international company. Since 6 March 2007 and up to the Latest Practicable Date, the shareholders of Far East International were Goldview and Concord, which are beneficially owned by Mr. Tseung and Mr. Jin, respectively.

MANAGEMENT HISTORY OF DONGWU CEMENT

Set out below is a summary of the management history of Dongwu Cement.

Since its establishment on 5 June 2003 and until 10 January 2007, Dongwu Cement had been managed by Mr. Shen Jianxin, Mr. Wu Jinxiang, Mr. Shen Ronggen, Mr. Shen Sanmao, Mr. Tu Jianping and Mr. Xu Minghua, with the assistance of Mr. Hu Xiaowei.

Since 10 January 2007, Dongwu Cement had been managed by Mr. Jin, Mr. Shen Sanmao, Mr. Wu Jinxiang, Mr. Shen Ronggen and Mr. Xu Minghua, with the assistance of Mr. Hu Xiaowei. Mr. Shen Jianxin and Mr. Tu Jianping ceased to manage Dongwu Cement since then.

Since 2 July 2008, Dongwu Cement had been managed by Mr. Jin, Ms. Xie Yingxia, Mr. Wu Jinxiang, Mr. Zhou Jianwei and Mr. Hu Xiaowei. Mr. Shen Sanmao, Mr. Shen Ronggen and Mr. Xu Minghua ceased to manage Dongwu Cement since then.

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Since 11 March 2010 and as at the Latest Practicable Date, Dongwu Cement has been, and was still, managed by Mr. Jin, Ms. Xie Yingxia, Mr. Yang Bin, Mr. Shan Huixing and Mr. Hu Xiaowei, with the assistance of Mr. Zhu Qiwei, Mr. Han Fuliang and Mr. Wu Junxian. Mr. Wu Jinxiang and Mr. Zhou Jianwei ceased to manage Dongwu Cement since 11 March 2010.

OUR REORGANIZATION

The companies comprising our Group underwent a reorganization to rationalize our corporate structure in preparation for the Listing, and as a result, our Company became the holding company of our Group. The Reorganization involved the following steps:

- (a) On 25 October 2000, Concord was incorporated in the BVI. On 18 May 2004, Mr. Jin was registered as a sole shareholder of Concord and Concord has been wholly-owned by Mr. Jin since then.
- (b) On 16 March 2004, Goldview was incorporated in the BVI by Mr. Tseung as his wholly-owned investment holding company. At the time of its incorporation, Goldview was wholly-owned by Mr. Tseung.
- (c) On 29 November 2011, our Company was incorporated in the Cayman Islands with an authorized share capital of HK\$10,000 divided into 10,000 shares of HK\$1.00 each. At the time of its incorporation, the total number of issued shares of our Company was 100 shares, of which 70 shares were held by Goldview and 30 shares were held by Concord, representing 70% and 30% equity interests in our Company, respectively.
- (d) On 29 November 2011, Dongwu Investment was incorporated in BVI with limited liability. On the same date, our Company subscribed for one share in Dongwu Investment at par value. Upon completion of the share subscription, Dongwu Investment became a wholly-owned subsidiary of our Company.
- (e) On 16 December 2011, Dongwu HK was incorporated in Hong Kong with limited liability. Dongwu HK allotted and issued one share to the initial subscriber, Dongwu Investment at par value. Upon completion of the share subscription, Dongwu HK became a wholly-owned subsidiary of Dongwu Investment.
- (f) On 26 December 2011, Dongwu HK and Far East International entered into the Reorganization Equity Transfer Agreement), pursuant to which Far East International transferred its 100% equity interest in Dongwu Cement to Dongwu HK at a consideration of US\$33 million. Such equity transfer was completed on 28 December 2011 and Dongwu Cement became a wholly-owned subsidiary of Dongwu HK thereafter.

To settle the consideration of US\$33 million for the transfer of 100% equity interest in Dongwu Cement (the “**Dongwu Cement Transfer**”) from Far East International to Dongwu HK under the Reorganization Equity Transfer Agreement, Goldview and Concord have

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agreed to assume Dongwu HK's payment obligations under the Reorganization Equity Transfer Agreement by way of novation. In this regard, Far East International, Dongwu HK and our Company entered into the Dongwu HK Novation Deed on 27 December 2011, pursuant to which our Company has agreed to pay the consideration of US\$33 million for the Dongwu Cement Transfer payable under the Reorganization Equity Transfer Agreement for and on behalf of Dongwu HK to Far East International whilst Far East International has agreed to discharge Dongwu HK's payment obligations under the Reorganization Equity Transfer Agreement. Meanwhile, Far East International, our Company, Goldview and Concord entered into the Company Novation Deed on 27 December 2011, pursuant to which Goldview and Concord have agreed to pay, on behalf of our Company, the consideration of US\$33 million for the Dongwu Cement Transfer payable by our Company under the Dongwu HK Novation Deed to Far East International in proportion to their then respective shareholdings in our Company whilst Far East International has agreed to discharge our Company's payment obligations under the Dongwu HK Novation Deed. On the same date, Goldview and Concord have given written confirmations in relation to their unconditional and irrevocable waiver as to our Company's repayment obligation of US\$33 million to Goldview and Concord under the Company Novation Deed.

- (g) On 28 May 2012, the Shareholders resolved, among other things, to (i) sub-divide each authorized issued and unissued Share of par value of HK\$1.00 each in the share capital of the Company into 100 Shares of par value of HK\$0.01 each, and (ii) increase the authorized share capital from HK\$10,000 to HK\$100,000,000, divided into 10,000,000,000 Shares of par value of HK\$0.01 each by the creation of an additional of 9,999,000,000 Shares.

PRC legal compliance

On 21 October 2005, the State Administration of Foreign Exchange issued the "Notice on Relevant Issues Concerning Foreign Exchange Administration for Domestic Residents to Engage in Financing and Round-trip Investment via Overseas Special Purpose Vehicles" (《關於境內居民通過境外特殊目的公司融資及返程投資外匯管理有關問題的通知》) (Hui Fa [2005] No.75, which entered into force on 1 November 2005, hereinafter referred to as the "Notice No.75"). Pursuant to the Notice No.75, any domestic residents engaged in equity financing (including convertible bond financing) abroad with the assets or interests of domestic enterprises via overseas special purpose vehicles shall register with the local foreign exchange administration for relevant registration of overseas investments. Given that Mr. Tseung and Mr. Jin are not "domestic natural person residents" under the Notice No.75 and no round-trip investment is involved in the Listing, Mr. Tseung and Mr. Jin are not required to carry out foreign exchange registration for individuals conducting overseas investment in accordance with the Notice No.75.

On 8 August 2006, six ministries and commissions directly under the State Council of the PRC jointly promulgated the "Regulations on Mergers and Acquisitions of Domestic Enterprises by Foreign Investors" (《關於外國投資者併購境內企業的規定》) (which entered into force on 8 September 2006, hereinafter referred to as the "Order No.10"). Pursuant to the Order No. 10, where a domestic company or enterprise, or a domestic natural person, through an overseas company established or controlled by it/him, acquires a domestic company which is related to or connected with it/him, such acquisition is subject to approval from the MOFCOM. The Order No. 10 also stipulates that an offshore special

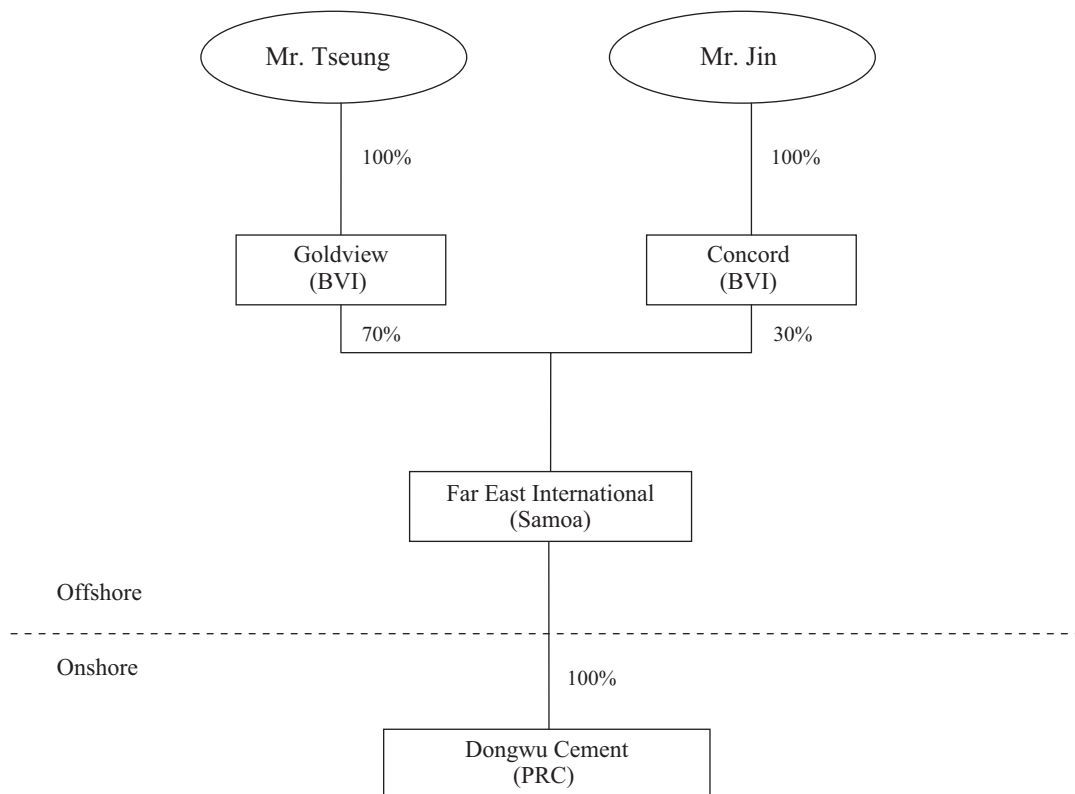
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purpose vehicle formed for listing purpose and controlled, directly or indirectly, by companies or individuals of the PRC shall obtain approval from the CSRC prior to the listing and trading of its securities on an overseas stock exchange. Given that Dongwu Cement has been a foreign-invested enterprise since its establishment in 2003 and Mr. Tseung, the de facto controller of the company, is a permanent resident of Hong Kong who holds a Hong Kong Permanent Identity Card, the Order No.10 is not applicable to the establishment and the previous changes in shareholding of Dongwu Cement. The Listing of the Shares is also not subject to the Order No.10.

Our PRC Legal Advisors have confirmed that, following the Reorganization and the Listing, the Company will hold the entire registered capital in Dongwu Cement (a company established in the PRC) indirectly through Dongwu Investment and Dongwu HK, which is in compliance with the relevant laws and regulations of the PRC, and thus is legitimate and valid.

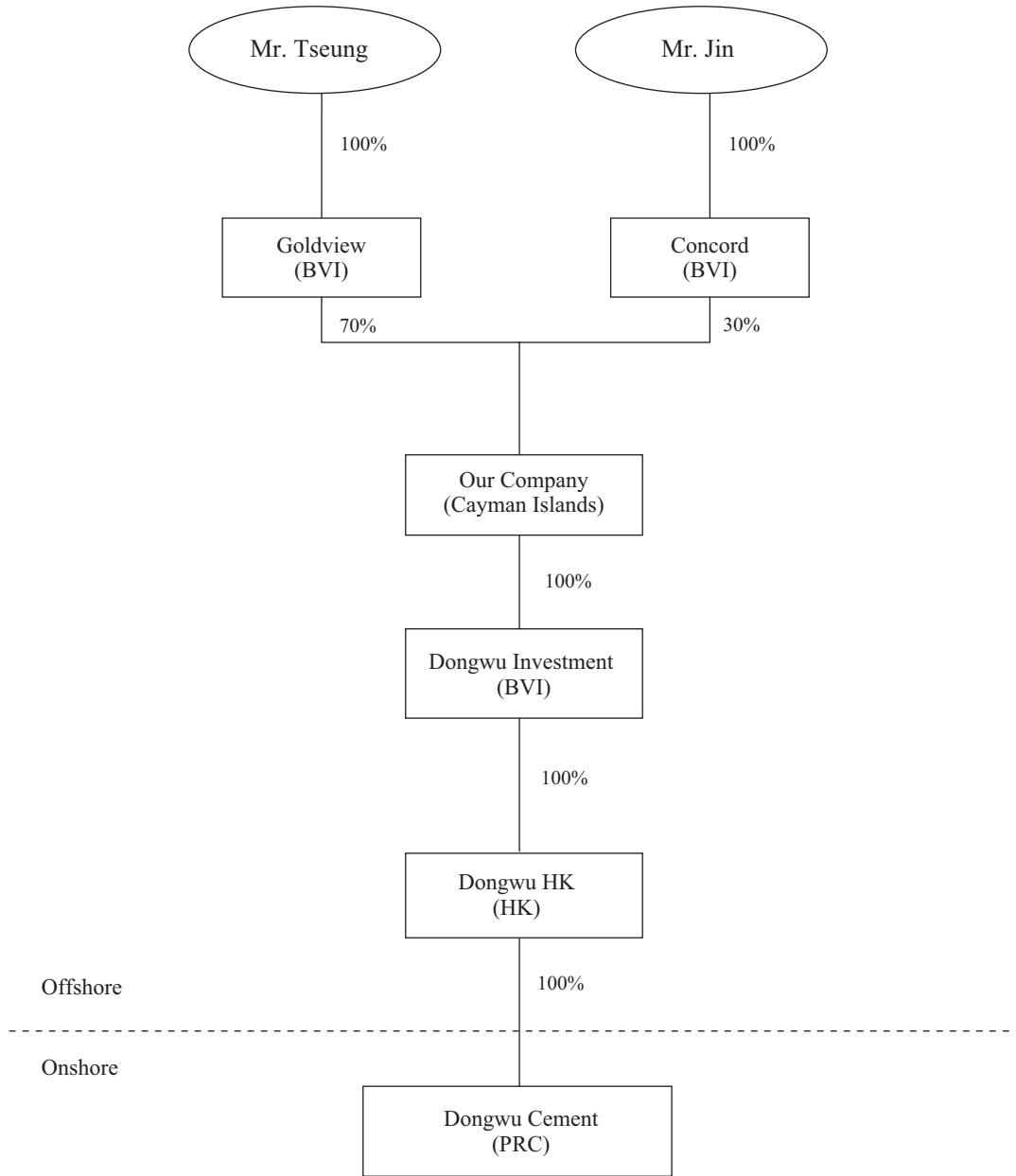
OUR CORPORATE STRUCTURE

Immediately prior to the Reorganization, the corporate structure and shareholding of our Group were as follows:



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Set forth below is the corporate structure and shareholding structure of our Group after completion of the Reorganization and immediately prior to the completion of the Global Offering:



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Immediately following the completion of the Global Offering and the Capitalization Issue (assuming that the Over-allotment Option and any options that may be granted under the Share Option Scheme have not been exercised), the corporate structure and approximate shareholding structure of our Group will be as follows:

