
RELATIONSHIP WITH CONTROLLING SHAREHOLDERS

Immediately following completion of the Global Offering and the Capitalization Issue (taking no account of any Shares which may be issued pursuant to the exercise of the Over-allotment Option and any options that may be granted under the Share Option Scheme), Goldview, which is wholly-owned by Mr. Tseung, will be interested in 59.5% of the issued share capital of our Company. Hence, Mr. Tseung and Goldview will be our Controlling Shareholders within the meaning of the Listing Rules. Goldview was incorporated in the BVI on 16 March 2004 and is an investment holding company, whose only asset is its interest in our Company.

COMPETING INTERESTS

As confirmed by our Directors, our Controlling Shareholders and their respective associates do not have any interests in any business apart from the business operated by members of our Group that competes or is likely to compete, directly or indirectly, with our business.

DEED OF NON-COMPETITION

To better safeguard our Group from any potential competition, each of our Controlling Shareholders, Mr. Jin and Concord, as Covenantors, has entered into a deed of non-competition with our Company whereby each of the Covenantors jointly and severally, irrevocably and unconditionally, undertakes with our Company that with effect from the Listing Date and for as long as the Shares remain listed on the Stock Exchange and the Covenantors, individually or collectively (whether or not with their respective associates), are, directly or indirectly, interested in not less than 30% of the Shares in issue (or such other percentage as may from time to time be specified in the Takeovers Code as being the level for triggering a mandatory general offer as required thereunder), or control the composition of a majority of the Board, or the Covenantors or their respective associates remain as a director or senior management of any member of our Group, subject to the terms therein, subject to the terms therein, the Covenantors shall, and shall procure that their respective associates shall, among others:

- (a) directly or indirectly, either on their own account, in conjunction with, on behalf of, or through any person, firm or company, among other things, carry on, participate or be interested, engaged or otherwise involved in or acquire or hold (in each case whether as a shareholder, partner, agent or otherwise and whether for profit, reward or otherwise)
 - (i) the current and potential business engaged or to be engaged by our Group, including but not limited to manufacture and sales of cement, clinker, concrete and mortar products and/or
 - (ii) any other new business that our Group may undertake from time to time after the Listing (collectively, the “Restricted Business”) and where they become aware of such engagement of the Restricted Business they shall notify our Company forthwith;
- (b) solicit or procure any of the suppliers and/or the customers of our Group from time to time to terminate their business relationships or otherwise reduce the amount of business with our Group;
- (c) solicit or procure any of the directors, senior management or other employees of our Group from time to time to resign or otherwise cease providing services to our Group; and/or

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- (d) unless with the prior written consent of our Company, disclose any confidential information of our Group to any other third parties, including but not limited to, customers list and supplier list.

In addition, each of the Covenantors hereby jointly and severally, irrevocably and unconditionally, undertakes that if any new business opportunity relating to any products and/or services of our Group (the “**Business Opportunity**”) is made available to any of the Covenantors or their respective associates (other than members of our Group), he/it will direct or procure the relevant associate to direct such Business Opportunity to our Group with such required information to enable our Group to evaluate the merits of the Business Opportunity.

The relevant Covenantor shall provide or procure the relevant associate to provide all such reasonable assistance to enable our Group to secure the Business Opportunity. None of the Covenantors and their respective associates (other than members of our Group) will pursue the Business Opportunity until our Company decides not to pursue the Business Opportunity because of commercial reasons. Any decision of our Company will have to be approved by the independent non-executive Directors (with those independent non-executive Directors who are interested in such Business Opportunity and their associates abstained from voting) taking into consideration the prevailing business and financial resources of our Group, the financial resources required for the Business Opportunity and any expert opinion on the commercial viability of the Business Opportunity. If a Business Opportunity is rejected by our Company under the right of first refusal clause in the deed of non-competition, our Company will disclose the background of the Business Opportunity and the basis of rejection in our latest annual or interim reports.

Each of the Covenantors further jointly and severally, irrevocably and unconditionally, undertakes that he/it will (i) provide to our Group all information necessary for the enforcement of the undertakings contained in the deed of non-competition; and (ii) confirm to our Company on an annual basis as to whether he/it has complied with such undertakings.

CORPORATE GOVERNANCE MEASURES

We will adopt the following measures to manage the conflict of interests arising from competing business and to safeguard the interests of our Shareholders:

- (a) our independent non-executive Directors will review on an annual basis the compliance with the non-competition undertaking by the Covenantors under the deed of non-competition;
- (b) the Covenantors undertake to provide to us all information necessary for the annual review by our independent non-executive Directors and the enforcement of the deed of non-competition;
- (c) our Company will disclose decisions on matters reviewed by our independent non-executive Directors relating to the compliance and enforcement of the non-competition undertaking of the Covenantors under the deed of non-competition in our annual report; and

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- (d) the Covenantors will make an annual statement on compliance with their undertaking under the deed of non-competition in our annual report.

INDEPENDENCE FROM THE CONTROLLING SHAREHOLDERS

Having taken into account the following factors, our Directors are satisfied that we can carry on our business independently of our Controlling Shareholders following the Listing:

Management independence

Our management and operational decisions are made by the Board and a team of senior management. The Board consists of seven members, comprising three executive Directors, one non-executive Director and three independent non-executive Directors. Each of the Directors is aware of his or her fiduciary duties as a Director of our Company which requires, among other things, that he or she acts for the benefit and in the best interests of our Company and does not allow any conflict between his or her duties as a Director and his or her personal interest. In the event that there is a potential conflict of interest arising out of any transaction to be entered into between our Group and the Directors or their respective associates, the interested Director(s) shall abstain from voting at the relevant board meetings of our Company in respect of such transactions and shall not be counted in the quorum. Further, the independent non-executive Directors will bring independent judgment to the decision making process of the Board. In addition, members of our senior management, who are responsible to take charge of our daily operations, except for Mr. Wu Junxian who is the nephew of Mr. Tseung, are independent from the Controlling Shareholders and their associates. Our senior management team possesses in-depth experience and understanding of the industry in which we are engaged. In this regard, the Directors are of the view that our Group can be managed independently notwithstanding that Mr. Tseung, being a Controlling Shareholder, is a non-executive Director and do not participate in day-to-day management and operation of the Company.

Operational Independence

Our organizational structure is made up of a number of departments, comprising management department, engineers and production department, quality control department, procurement department, sales and marketing department and finance department. Each department takes a specific role in our operations. There are internal control procedures to ensure effective operation of our business. Furthermore, we have our own production lines and our own sources of suppliers and customers, which are all Independent Third Parties. Accordingly, we can carry out our business operations independently.

Financial Independence

Our Directors are of the view that we do not unduly rely on the advances from our Controlling Shareholders and related parties for our business operations. As at 31 December 2009, 2010 and 2011, we did not maintain any balances due to our Controlling Shareholders and their associates. The personal guarantee provided by Mr. Tseung for our bank borrowings of RMB34.3 million, RMB30.3 million and RMB28 million as at 31 December 2009, 2010 and 2011 respectively will be released

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upon Listing and replaced by corporate guarantees of the Group. Our Directors believe that we are capable of obtaining financing from external sources without reliance on our Controlling Shareholders. Furthermore, we have established our own financial accounting system independent of our Controlling Shareholders. We have our own bank account, make our tax registrations and have employed a sufficient number of financial accounting personnel. Accordingly, our Directors consider that we are capable of operating independently from a financial perspective.

NON-DISPOSAL UNDERTAKINGS GIVEN BY THE CONTROLLING SHAREHOLDERS

Pursuant to Rule 10.07 of the Listing Rules, each of our Controlling Shareholders has, jointly and severally, undertaken with our Company and the Stock Exchange that each of them shall not and shall procure that the relevant registered holder(s) shall not:

- (a) in the period commencing on the date of this prospectus and ending on the date which is six months from the Listing Date (the “**First Six-Month Period**”), dispose of, nor enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of, any of the Shares in respect of which he or it is shown by this prospectus to be the beneficial owner(s); and
- (b) in the period of six months commencing on the date on which the First Six-Month Period expires, dispose of, nor enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of, any of the Shares if, immediately following such disposal or upon the exercise or enforcement of such options, rights, interests or encumbrances, the Controlling Shareholders would cease to be the Controlling Shareholders of our Company, i.e. they cease to control 30% or more of the voting power at general meetings of our Company.

Further, each of our Controlling Shareholders has, jointly and severally, undertaken with our Company and the Stock Exchange that within a period commencing from the Listing Date and ending on the date on which is the first anniversary of the Listing Date, he or it shall:

- (a) when he or it pledges or charges any securities beneficially owned by him or it in favour of an authorized institution (as defined under the Banking Ordinance (Chapter 155 of the Laws of Hong Kong)) for a bona fide commercial loan, immediately inform us of such pledge or charge together with the number of securities so pledged or charged; and
- (b) when he or it receives indications, either verbal or written, from the pledgee or chargee that any of the pledged or charged securities will be disposed of, immediately inform us of such indications.