You should consider carefully all the information set out in this document, including the risks and uncertainties described below. Our Company's business, results of operations, financial condition or prospects could be materially and adversely affected by any of these risks. The risks described below are those that we believe are material, but these may not be the only risks and uncertainties that we face. Additional risks we have not identified, or which we currently deem immaterial, may nevertheless have a material adverse effect on our business, results of operations or financial condition.

RISKS RELATING TO OUR BUSINESS

We may not be able to continue grow at a rate comparable to our historical growth rates, or we may have difficulty managing any future growth.

Our turnover and net profit from our continuing operations have grown significantly during the Track Record Period. For the years ended December 31, 2006, 2007 and 2008, our turnover from continuing operations was HK$2,111.7 million, HK$3,743.2 million and HK$5,781.3 million, respectively, representing a CAGR of 65.5%, and our net profit from continuing operations for the same periods was HK$82.6 million, HK$358.8 million and HK$783.7 million, respectively, representing a CAGR of 208.0%. Our turnover and net profit from our continuing operations for the six months ended June 30, 2009 were HK$2,738.7 million and HK$369.6 million, respectively. The significant increase in our turnover and net profit from continuing operations was mainly due to the growth in the demand for our products and the expansion of our production capacity, which in turn were attributable to the expansion of the Southern China regional economy where we operate primarily.

We may not be able to grow, either in terms of turnover or net profit, at a rate comparable to our historical growth rates, or at all. For example, our plan to expand capacity in certain markets may involve our construction of additional production lines and acquisitions of other companies, which in turn may strain our managerial, operational, technical support and financial resources. As a result, we may not be able to manage such growth cost effectively. Failure to effectively manage our growth could have a material adverse effect on our business, results of operations and financial condition, and could jeopardize our ability to achieve our business strategies and maintain our market position.

Our business depends significantly on the market conditions in the construction industry in China and Hong Kong.

Cement and concrete are basic construction materials and are therefore affected by the demand for construction activities and macroeconomic movements. Demand for our products depends on the condition and growth of the construction industry in China and Hong Kong, which in turn depends on macroeconomic factors such as interest rates, inflation, unemployment levels, demographic trends and consumer confidence. We cannot assure you that demand for construction activities will continue to grow or even remain at the current level. In the past, the PRC Government has implemented measures to curtail the overheating of the real estate sector. More recently, however, the PRC Government has introduced measures to moderate the effects of the global economic downturn on the PRC's economy. Such measures include a RMB4 trillion general stimulus plan that includes initiatives to promote infrastructure development, tax breaks for home buyers, lower down-payment requirements for home purchases and a RMB400 billion package to build affordable homes. The Hong Kong Government has also introduced a number of major infrastructure projects to stimulate its economy. However, there can be no assurance as to the effectiveness of the PRC and Hong Kong Governments' stimulus measures. The values of properties in China and Hong Kong have been volatile since the global financial crisis began. It is difficult to determine the net effect of the global financial crisis on the construction industry in China and Hong Kong. If the global economic downturn continues or adversely affects China and Hong Kong, demand for our products may decrease, which in turn would have a material and adverse effect on our business, results of operations and financial condition.

The current global market fluctuations and economic downturn could materially and adversely affect our business, results of operations and financial condition.

The global capital and credit markets have been experiencing extreme volatility and disruption in recent periods. Concerns over inflation or deflation, energy costs, geopolitical issues, the availability and cost of credit, the US mortgage market and a declining residential real estate market in the United States and elsewhere have contributed to market volatility and diminished expectations for the global economy and the capital and consumer markets in the future. These factors, combined with volatile oil prices, declining business activities and consumer confidence and increased unemployment, have precipitated an economic slowdown and a possible prolonged global recession. These events have led to a slowdown in the PRC economy which a number of economists predict could be significant and protracted, which could materially and adversely affect the building and infrastructure industry in China. As a result, consumer demand for our products may significantly decrease, thereby materially and adversely affecting our business, results of operations and financial condition.

We rely heavily on the Xijiang River to transport coal to our production sites and our finished products to our customers; any interruption to this means of transportation could disrupt or delay our production schedule and our delivery to our customers.

The coal we use in our production processes and our finished products are mainly transported to and from our production sites by ships through the Xijiang River. Delivery disruptions may occur for reasons beyond our control, including accidents, supply shortages, fluctuations in the Xijiang River's water level and natural disasters that would suspend transportation on the Xijiang River. Delays in coal deliveries to our production sites would disrupt our production schedule. If our products are not delivered on time, we may have to compensate our customers and organize alternative transport which, even if available, would increase our cost of transportation. Any significant failure to resolve transportation disruption promptly could damage our reputation and cause us to lose business, which in turn could materially and adversely affect our business, results of operations and financial condition.

Our business and results of operations may be adversely affected by increases in coal or electricity prices or shortages of coal and electricity supplies.

We use a substantial amount of coal and electricity in our production processes, and any shortage or interruption could disrupt our operations and increase our costs of sales. The pricing for coal in our supply agreements is directly linked to market prices, so we bear the risk of coal price fluctuations. The prices of coal and electricity have increased during the Track Record Period mainly due to the general increase of energy demand in China. For the years ended December 31, 2006, 2007 and 2008 and the six months ended June 30, 2009, our cost of coal as a percentage of turnover was 19.2%, 18.4%, 28.6% and 25.2%, respectively. According to China Coal Transport and Distribution Association (中國煤炭運銷協會), the price per ton of coal in China experienced a general increase from December 2007 to December 2008, from a range of RMB520 to RMB530 per ton to a range of RMB590 to RMB610 per ton. Subsequently, the price of coal per ton in June 2009 ranged from RMB560 per ton to RMB570 per ton. The range in price reflects different quality levels and different burning efficiencies. The price of coal may again increase as a result of a removal of price caps on thermal coal in 2009, as announced by the NDRC in December 2008. We cannot predict future price trends for coal, or the degree of any volatility, and an increase in the price of coal could have a material adverse effect on our business, results of operations and financial condition.

For the years ended December 31, 2006, 2007 and 2008 and the six months ended June 30, 2009, our cost of electricity as a percentage of turnover was 15.3%, 12.7%, 11.3% and 12.0%, respectively. Provincial governments in China regulate electricity prices for industrial enterprises. According to Guangxi Power, the price per kilowatt hour of electricity in Guangxi, where we produce a significant portion of our cement, rose from a range of RMB0.44 to RMB0.57 in 2006 to a range of RMB0.47 to RMB0.59 in 2008. This price range reflects fluctuations throughout the year. We cannot predict future price trends for electricity, or the degree of any volatility. Any significant increase in the prices of coal or electricity or any shortage or interruption in their supply could increase our costs of coal and electricity and/or cause disruptions to our operations, which in turn could have a material adverse effect on our business, results of operations and financial condition.

The prices of raw materials may continue to rise, and we may be unable to pass on some or all of the increases to our customers.

Our production also depends on reliable sources of large quantities of other raw materials such as sand, aggregate, gypsum and clay. Our raw materials are subject to price volatility caused by external conditions, such as commodity price fluctuations and changes in governmental policies. For the years ended December 31, 2006, 2007 and 2008 and the six months ended June 30, 2009, our top five raw material suppliers accounted for approximately 18.9%, 18.7%, 9.2%, and 13.4%, respectively, of our total purchases of raw materials. We cannot assure you that our key suppliers will continue to provide us with raw materials at reasonable prices, or that our raw materials prices will remain stable in the future.

In addition, we may not be able to transfer some or all of the incremental cost increases in our raw materials to our customers. As a result, any increase or material fluctuation in the prices of our raw materials could have a material adverse effect on our business, results of operations and financial condition.

We cannot assure you that we will be able to renew our existing mining rights, or secure additional mining rights.

Under the Mineral Resources Law of the PRC (《中華人民共和國礦產資源法》), all mineral resources in China are owned by the State. We must obtain mining rights before undertaking any mining activities, and the mining rights are limited to a specific area and licensing period. We have obtained mining rights to limestone quarries that are located near our production facilities in Pingnan, Guigang, Binyang, Fengkai and Nanning. We are also in the process of applying for mining rights for certain other mines. We cannot assure you that we will be able to renew our existing mining rights once such rights expire or secure other mining rights on favorable terms, or at all. Please see the section headed “Business — Raw Materials” of this document for details of our existing mining rights and current applications.

Furthermore, our mining rights are subject to annual review by the relevant government departments governing land and resources in the areas where we operate. Although we have passed the annual reviews without penalty in the past, we cannot assure you that we will pass the annual reviews or avoid any penalties in the future. Our operations and expansion could be adversely affected if we were to fail to renew our existing mining rights or secure additional mining rights.

We recorded net current liabilities during the Track Record Period, and we may continue to maintain a net current liabilities position in the future, which may adversely affect our liquidity.

As at December 31, 2006, 2007 and 2008 and June 30, 2009, we had net current liabilities of HK$1,204.6 million, HK$2,221.3 million, HK$2,632.3 million and HK$1,952.0 million, respectively. We used a significant amount of loans to finance the construction of our production facilities and to purchase relevant equipment. We normally recorded such assets as non-current assets rather than current assets. Our cash used in the acquisition of fixed assets, which we used mainly to construct new production lines, was HK$955.8 million, HK$1,210.2 million, HK$2,585.9 million and HK$2,487.4 million for the years ended December 31, 2006, 2007 and 2008 and the six months ended June 30, 2009, respectively.

We expect that we will continue to record net current liabilities in the foreseeable future. Our net current liabilities position exposes us to liquidity risk. Our future liquidity, the payment of trade and other payables and the repayment of our outstanding debt obligations as and when they become due will depend primarily on our ability to maintain adequate cash inflows from operating activities. As at the Latest Practicable Date, we had not experienced any liquidity problems in settling our payables or rolling over our short-term bank loans in the ordinary course of business when they fell due. However, we cannot assure you that we will always be able to raise the necessary funding to refinance our short-term borrowings upon maturity and finance our capital commitments. The global capital markets and credit markets have been volatile since the second half of 2007. In some cases, the markets have restricted the availability of liquidity and credit capacity. The amount of our unutilized banking facilities was HK$2,815.7 million as at July 31, 2009. The continuing availability of financing is subject to a variety of factors such as market conditions, the overall availability of credit to the cement industry, our credit capacity as well as consumer and lender sentiment. If we were unable to refinance these short-term borrowings or obtain sufficient alternative funding on reasonable terms from banks, we would have to repay these borrowings and we cannot assure you that our business will generate sufficient cash flow to do so. In such circumstances, our business operations, liquidity, financial position and prospects may be materially and adversely affected.

We are highly leveraged, and our business, results of operations and financial condition could be materially and adversely affected by our indebtedness.

We have relied on cash generated from our operations, short-term and long-term loans, loans from our related parties and convertible bonds to fund our capital requirements in the past, and we expect to continue to derive funding from cash generated from our operations and bank loans in the future. For the years ended December 31, 2006, 2007 and 2008 and the six months ended June 30, 2009, our total short-term and long-term bank loans were HK$2,887.9 million, HK$2,004.3 million, HK$4,497.6 million and HK$8,708.9 million, respectively. Our level of indebtedness could materially and adversely affect us. For example, it could:

- require us to allocate a higher portion of our cash flow from operations to fund repayments of our debt, thereby reducing the availability of our cash flow to fund working capital, capital expenditure and other general corporate purposes;
- increase our vulnerability to adverse economic or industry conditions;
- limit our flexibility in planning for, or reacting to, changes in our business or the industry in which we operate;
- potentially restrict us from pursuing strategic business opportunities; and
- increase our exposure to interest rate fluctuations.

Although we had unutilized bank facilities of HK$2,815.7 million as at July 31, 2009 and we have not experienced a reduction or withdrawal of credits or banking facilities by our lenders as of the Latest Practicable Date, we cannot assure you that we will be able to continue to refinance our bank loans when they become due. We may not have sufficient funds available to repay our bank loans, particularly our short-term loans, upon maturity. Failure to service our debts or comply with the terms, conditions and covenants of our facility agreements could result in imposition of penalties, including among other things, increases in our interest rates, accelerated repayment of loans and interest, termination of facilities and legal action against us by our creditors, any of which could have a material and adverse effect on our business, results of operations and financial condition. Furthermore, our liquidity depends on the amount of cash we generate from operations and our access to further financial resources to fulfill our short-term payment obligations, which will be affected by our future operating performance, prevailing economic conditions and other factors, many of which are beyond our control.

Our business depends on our ability to manage our working capital successfully.

Our operating activities and short-term bank loans generate working capital that we depend on for our corporate operations and capital expenditures. Our future success depends on our ability to continue to secure and successfully manage sufficient amounts of such working capital. Such successful management involves (i) timely payments of, or rolling over of, our short-term indebtedness and securing new loans on favorable terms, (ii) timely payments or re-negotiation of our payment terms for our trade payables, (iii) efficiently utilizing banking facilities, (iv) timely collection of trade receivables and (v) establishing and executing accurate and feasible budgets for our business operations. If we cannot manage our working capital successfully, our business, results of operations and financial condition could be materially and adversely affected.

Fluctuations in the exchange rate of the Renminbi against the Hong Kong Dollar will have an effect on our potential exchange gain or loss, finance cost, depreciation expense, other comprehensive income and profitability.

For the period up to December 2007, our Directors considered the Hong Kong Dollar to be our functional currency. In December 2007, we entered into agreements to dispose of our entire equity interests in certain subsidiaries with principal operations in Hong Kong. As a result of such disposals and the majority of our operating assets and liabilities are located in China, our Directors were of the view that our functional currency has changed to the Renminbi. According to the Hong Kong Accounting Standard 21, monetary items denominated in foreign currencies should be translated at the exchange rates prevailing on the consolidated statements of financial position dates. Exchange differences arising on the settlement of monetary items, and on the translation of monetary items, are recognized as profit or loss in the year/period in which they arise. Some of our bank borrowings and the amount due to our immediate holding company are denominated in Hong Kong Dollars. Due to appreciation of the Renminbi against the Hong Kong Dollar, we recognized an exchange gain of HK$183.6 million in 2008 as we required fewer Renminbi to repay these monetary liabilities that we originally borrowed in Hong Kong Dollar. This exchange gain was a non-cash item, and we recognized it as part of our other income in 2008. It represented approximately 23.4% of our profit for the year from our continuing operations in 2008. Of the HK$183.6 million of exchange gain, HK$121.8 million was attributable to the exchange gain arising from the amount due to our immediate holding company. Please see the section headed "Financial Information — Other income" of this document for details on the exchange gain. We repaid this amount in June 2008 and the exchange gain arising from this transaction will therefore not re-occur. In addition, we recognized certain comprehensive income arising from exchange difference arising on translation of foreign operations in the amount of HK$67.4 million, HK$220.1 million, HK$171.2 million and a loss of HK$5.0 million for 2006, 2007, 2008 and the six months ended June 30, 2009, respectively. These amounts represent the translation of our financial information from our functional currency of Renminbi into our presentation currency of Hong Kong Dollars. Whether we will incur an exchange gain or loss from our bank borrowings or comprehensive income associated with exchange difference arising on translation of foreign operation in the future will depend on the movements of the exchange rate of the Renminbi against the Hong Kong Dollar and other foreign currencies and the amount of our bank borrowing denominated in such foreign currencies. For example, if the Renminbi depreciates against the Hong Kong Dollar, we may experience an exchange loss as we will need to recognize the difference of the Renminbi and the Hong Kong Dollar based on the Hong Kong Accounting Standard 21. Fluctuations in the exchange rate of the Renminbi will have a direct impact on our finance cost, depreciation expense, other comprehensive income or profitability. As a result, we cannot assure you that we will continue to derive income from our exchange gain, and any exchanges losses could have a material and adverse effect on our business, results of operations and financial condition.

Exchange rate fluctuations of the Renminbi may affect our results of operations.

The exchange rates between the Renminbi and the Hong Kong Dollar, the US Dollar and other foreign currencies are affected by, among other things, changes in China's political and economic conditions. On

July 21, 2005, the PRC Government changed its decade-old policy of pegging the value of the Renminbi to the US Dollar. Under the new policy, the Renminbi is pegged against a basket of currencies, determined by the PBOC, against which it can rise or fall by as much as 0.5% each day. This change in policy has resulted in the value of the Renminbi appreciating against the US Dollar by approximately 18.7% between July 21, 2005 and June 30, 2009. Furthermore, we will need to convert the proceeds from future financing in foreign currencies into the Renminbi for our operational use.

Appreciation of the Renminbi against the relevant foreign currencies would have an adverse effect on the Renminbi amount we receive following conversion. Very limited hedging transactions are available in China to reduce our exposure to exchange rate fluctuations. To date, we have not entered into any hedging transactions to reduce our exposure to foreign currency exchange risk. While we may decide to enter into hedging transactions in the future, the availability and effectiveness of these transactions may be limited, and we may not be able to successfully hedge our exposure at all. In addition, our currency exchange losses may be magnified by PRC exchange control regulations that restrict our ability to convert Renminbi into foreign currencies. As a result, any significant revaluation of the Renminbi may have a material and adverse effect on our cash flow, results of operation and financial position.

We rely on our network of distributors, and to the extent that any distributor for any particular market ceases to cooperate with us for any reason, we may lose significant business in that market.

We rely on our network of distributors in local markets to sell our cement products to end users. Our relationship with these distributors may or may not continue, which could cause interruptions to the supply of our products to end users. For the years ended December 31, 2006, 2007 and 2008 and the six months ended June 30, 2009, we used 80, 123, 168 and 98 distributors, respectively, for our cement products. In respect of our continuing operations, our turnover from these distributors for the years ended December 31, 2006, 2007 and 2008 and the six months ended June 30, 2009, was HK$357.3 million, HK$893.4 million, HK$1,725.2 million and HK$633.8 million respectively, representing 32.2%, 41.0%, 46.2% and 35.5% respectively, of our total cement sales for the same periods.

If a distributor for any particular market ceases to cooperate with us for any reason and we cannot promptly replace such distributor, we may lose significant business in the relevant market, which in turn could have a material and adverse effect on our business, results of operations and financial condition.

We do not possess valid legal title or the right to lease with respect to certain properties that we occupy.

Neither we nor our landlords have obtained all valid title certificates to certain properties that we occupy. We may not be able to freely transfer title to those properties, or use them freely. For our owned properties, as at June 30, 2009, we had not obtained proper land use right certificates and building ownership certificates for 13 parcels of land with an aggregate area of approximately 950,000 square meters and 65 buildings with an aggregate gross floor area of approximately 62,000 square meters, respectively. For our leased properties, as at June 30, 2009, our landlords had not obtained or produced to us proper land use right certificates and building ownership certificates for 11 parcels of land with an aggregate area of approximately 2,800,000 square meters and seven buildings with an aggregate gross floor area of approximately 2,800 square meters, respectively. We use these properties for various purposes, including offices and ancillary facilities such as warehouses and staff quarters. In addition, we have not obtained the relevant government approvals in respect of the short term leases for seven parcels of land occupied by our batching plants with an aggregate area of approximately 105,000 square meters. The percentage of our turnover we derived from production facilities located on properties with defective title or leasehold interest for the years ended December 31, 2006, 2007 and 2008 and the six months ended June 30, 2009 was 19.1%, 16.0%, 11.6% and 8.5%, respectively, of our turnover from continuing operations for the same periods, with contribution to net profit from continuing operations amounting to 45.4%, 8.4%, 2.3% and 3.6%, respectively, for the same periods. The operations we conduct on or from these properties may be adversely affected as a result of the absence of valid legal title or right to lease these properties. For example, we may be required to relocate such operations temporarily or permanently, and such business interruption could materially and adversely affect our business, results of operations and financial condition.

Our controlling shareholder has significant influence over our management, and the interests of our controlling shareholder may not be aligned with our interests or the interests of other shareholders.

We are wholly-owned by Smooth Concept, which in turn is approximately 99.99% owned by China Resources Holdings. The interests of our controlling shareholder may conflict with the interests of our other Shareholders. China Resources Holdings and Smooth Concept have, and will continue to have, significant influence over us, including on matters relating to mergers, consolidations and sale of all or substantially all of our assets, the election of directors, and other significant corporate actions. This concentration of ownership may discourage, delay or prevent a change in control of us, which could deprive our Shareholders of opportunities to receive a premium for their Shares as part of a sale of us or our assets. Due to Smooth Concept's significant shareholding position in our Shares, these actions may be taken even if they are opposed by our other Shareholders.

Our business depends substantially on the continuing efforts of our executive directors, senior management, key personnel, and our ability to maintain a skilled labor force.

Our future success depends, to a large extent, on the continued service of our executive directors, senior management and key personnel, specifically Madam ZHOU Junqing, Mr. ZHOU Longshan and members of our senior management team. We depend on such persons' expertise in corporate and financial management, strategic development, sales and marketing and the cement industry for the success of our day to day operations. If one or more of our executive directors or senior management were unable or unwilling to continue in their present positions, we may be unable to identify and recruit suitable replacements in a timely manner, or at all. In addition, if any member of our senior management were to join a competitor or forms a competing company, we may lose some of our know-how and customers.

Furthermore, recruiting and retaining capable personnel, particularly experienced engineers and technicians familiar with our production processes, are vital to maintaining the quality of our products, continuously improving our production processes and supporting the expansion of our production capacity. There is substantial competition for qualified personnel in the cement and concrete industries, and we cannot assure you that we will be able to attract or retain qualified personnel. If we are unable to attract and retain qualified employees, key personnel and senior management, our business, results of operations and financial condition may be materially and adversely affected.

Any failure to maintain an effective quality control system at our production facilities could have a material and adverse effect on our business, results of operations and financial condition.

The quality of our products is critical to the success of our business. This significantly depends on the effectiveness of our quality control system, which in turn depends on a number of factors, including the design of the system, the quality control training program, and our ability to ensure that our employees adhere to our quality control policies and guidelines. Any significant failure or deterioration of our quality control system could result in the production of defective or substandard products, which in turn may result in delays in the delivery of our products, the need to replace defective or substandard products and damage our reputation. Accordingly, this could have a material and adverse effect on our business, results of operations and financial condition.

We have limited insurance coverage and may be subject to liabilities resulting from potential operation risks and losses that may not be covered by our insurance policies.

Our business and operations are exposed to the risk of liability for personal injury and loss of life, and damage to or destruction of property, plant and equipment. In the event of any accident, we could be liable for loss of life or damage to property, medical expenses, medical leave payments, fines or penalties for violation of applicable PRC laws and regulations, and we may be subject to business interruptions caused by equipment shutdowns or suspension of operations due to government investigation or the requirement to implement additional safety measures. We maintain insurance coverage in amounts and against such risks that we believe to be appropriate in accordance with industry practice. If we were to incur substantial losses or liabilities and our insurance coverage were unavailable or inadequate to cover such losses or liabilities, our business, results of operation and financial condition could be materially and adversely affected.

Any unauthorized use or tarnishment of our brand names, trademarks and other intellectual property rights may materially and adversely affect our business, results of operations and financial condition.

We rely on the PRC intellectual property and competition laws and contractual restrictions to protect our brand names, trademarks and other intellectual property rights. Our brand name, trademarks and other intellectual property rights are important to our business. Our cement products are principally sold under the trademarks “華潤” (Huarun) and “紅水河” (Hongshuihe). Any unauthorized use of our brand names, trademarks, and other intellectual property rights by third parties or tarnishment of the same by other companies in the China Resources Holdings Group that also have the Chinese characters “華潤” (Huarun) in their corporate names could adversely affect our business, reputation and market position.

We cannot assure you that the measures we take to protect our brand names, trademarks and other intellectual property rights and to minimize the possibility of our key brand names and trademarks from being associated with products of inferior quality will be sufficient. In addition, the application and interpretation of the PRC laws governing intellectual property rights in China are uncertain, which undermine the level of legal protection such laws offer. If we are or China Resources Holdings is unable to adequately protect our brand names, trademarks and other intellectual property rights, our business, results of operations and financial condition could be adversely and materially affected.

Any significant product liability claims made against us, whether successful or not, could harm our business, results of operations and financial condition.

We are exposed to risks associated with product liability claims if the use of our cement and concrete products results in damage or injury. Our cement and concrete products are mainly used by our customers as construction materials for their building projects. While we seek to conform our products to meet a variety of contractual specifications and regulatory requirements, we cannot assure you that product liability claims against us will not arise, whether due to product malfunctions, defects, or other causes. We do not maintain product liability insurance. As a result, any dispute regarding the quality of our products may give rise to claims against us for losses and damages. Any such claims, regardless of whether they are ultimately successful, could cause us to incur litigation costs, harm our business reputation and disrupt our operations. Furthermore, we cannot assure you that we will be able to defend successfully against such claims. If any such claims were ultimately successful, we could be required to pay substantial damages, which could materially and adversely affect our business, results of operations and financial condition.

We rely principally on dividends and other distributions paid by our subsidiaries, and limitations on their ability to pay dividends to us could have a material adverse effect on our business, results of operations and financial condition.

We are a holding company incorporated in the Cayman Islands, and our business operations are primarily conducted through our PRC subsidiaries. We rely on dividends and other distributions paid by our PRC subsidiaries for our future cash needs which cannot be provided for by equity issuances or borrowings outside of China, including the funds necessary to pay dividends to our Shareholders, to service any debt we may incur and to pay our operating expenses.

As entities established in China, our PRC subsidiaries are subject to limitations with respect to dividend payments. Regulations in the PRC currently permit payment of dividends by PRC subsidiaries only out of accumulated profits as determined in accordance with the PRC GAAP. According to applicable PRC laws and regulations, each of our PRC subsidiaries is required to maintain a general reserve fund, a staff welfare fund and a bonus fund. Each of our PRC subsidiaries is also required to set aside at least 10% of its after-tax profit based on PRC GAAP, each year for general reserves until the cumulative amount of such reserves reaches 50% of its registered capital. These reserves are not distributable as dividends. Contributions to such reserves are made from each of our PRC subsidiaries' net profit after taxation. In addition, if any of our PRC subsidiaries incurs debt in the future, the instruments governing the debt may restrict its ability to pay dividends or make other distributions to us. As a result, each of our PRC subsidiaries is restricted in its ability to transfer its net profit to us in the form of dividends. If our PRC subsidiaries cannot pay dividends due to government policies or regulations, or because they cannot generate sufficient cash flow, we may not be able to pay dividends, service our debt or pay our expenses, which may have a material adverse effect on our business, results of operations and financial condition.

We currently enjoy certain PRC Government incentives. Expiration of, or changes to, these incentives could materially and adversely affect our business, results of operations and financial condition.

Certain of our subsidiaries in the PRC are entitled to government support in the form of priority with respect to project approvals, land use right grants, credit approvals when undertaking mergers, acquisitions and project investments. The PRC Government also offers cement producers certain government incentives and enterprise income tax exemptions that we enjoyed during the Track Record Period. For example, we received HK$44.1 million, HK$35.1 million, HK$52.1 million and HK$25.0 million of government incentives in 2006, 2007, 2008 and for the six months ended June 30, 2009, respectively. We cannot assure you that we will be able to continue to enjoy such preferential treatments, incentives and favorable support on the same terms, or at all, in the future. For example, the grant of our environmental-related development incentives is subject to the discretion of the relevant government authorities and may not be renewed. Furthermore, unfavorable changes to these preferential treatments and incentives in the future will adversely and materially affect our business, results of operations and financial condition.

Our operating results may fluctuate significantly as a result of some factors beyond our control.

Our operating results may fluctuate significantly as a result of some factors that are beyond our control. These factors include:

- disruptions of public infrastructure such as roads, ports or power grids; and

- natural disasters, earthquakes or catastrophic events.

In May 2008, Wenchuan County of Sichuan Province, a region that is approximately 360 kilometers away from Chongqing City, suffered an earthquake with an 8.0 magnitude on the Richter Scale (the "Sichuan Earthquake"). We believe the impact of the Sichuan Earthquake will be minimal on our Group, because our business and operations are principally located in Southern China. As at the Latest Practicable Date, we have not been informed of any loss of lives or injury or destruction of assets attributable to our products, or any other impact on production, sales or supply of raw materials of our Group, as a result of the Sichuan Earthquake. However, we cannot assure you that we will not suffer any losses in the future as a result of other incidents that are beyond our control in the future. As a result, the above factors and other factors may result in operational disruption, material unanticipated costs, lower turnover and net profit or losses. These factors may also cause our operating results to fluctuate significantly.

Compliance with environmental regulations can be expensive, and any failure to comply with these regulations could result in adverse publicity, potential significant monetary damages and fines and suspension of our business operations.

We are subject to national and local environmental protection laws and regulations. Failure to comply with these regulations may result in penalties, fines, administrative sanctions, proceedings and/or suspension or revocation of our licenses or permits to conduct our business. The PRC Government has adopted a series of environmental policies to reduce the adverse effects of the cement and concrete industries on the environment. With the increasing awareness of environmental protection issues, we anticipate that the PRC environmental regulatory framework will become increasingly stringent. Furthermore, in the past few years, the Hong Kong Government also has raised concerns over the environment, which prompt the Hong Kong Government or regulatory authorities to strengthen the relevant regulations. Governmental requirements that affect our operations include those relating to air quality, solid waste management and waste water treatment. These requirements are complex and subject to changes. We cannot assure you that the Hong Kong Government will not introduce new rules and regulations that impose more stringent controls over industrial pollution. We may be unable to comply with any additional environmental regulations which are implemented in the future on a cost-effective basis, if at all. In such an event, our business, results of operations and financial condition could be materially and adversely affected.

We are subject to safety and health laws and regulations in China, and any failure to comply could adversely affect our operations.

We are required to comply with the applicable production safety standards in relation to our production processes. Our production plants and the facilities we use are subject to regular inspections by the regulatory authorities for compliance with the Safe Production Law of the PRC (《中華人民共和國安全生產法》). Furthermore, under the PRC Labor Law and the PRC law on the Prevention and Treatment of Occupational Diseases (《中華人民共和國職業病防治法》), we must ensure that our facilities comply with PRC standards and requirements on occupational safety and health conditions for employees. We also provide our employees with labor safety education, necessary protective tools and facilities, and regular health examinations for those who are engaged in work involving risks of occupational hazards. Nevertheless, failure to meet the relevant legal requirements on production safety and labor safety could subject us to warnings from relevant governmental authorities, governmental orders to rectify such non-compliance within a specified time frame and maximum fines of up to RMB500,000. We may also be required to suspend our production temporarily or cease our operation permanently for significant non-compliance, which would have a material adverse effect on our business, results of operations and financial condition.

RISKS RELATING TO THE CEMENT AND CONCRETE INDUSTRY IN CHINA AND HONG KONG

The cement industry is highly capital intensive, and our future growth depends to a large extent on our ability to obtain external financing.

The cement industry in which we operate is capital intensive. We require a significant amount of capital to build our production and operation facilities, to purchase production equipment and to develop and implement new technologies. In addition, we are planning to construct additional production lines, and may pursue external expansion by acquiring suitable targets. We expect that this capacity expansion plan will allow us to capture additional market share in Southern China where the construction and infrastructure industries are growing rapidly. As a result, we expect to contribute significant capital to fund our future growth.

Our internally generated capital resources and available bank facilities may not be sufficient to finance our capital expenditure and growth plans, we plan to seek additional financing from third parties, including but not limited to banks, venture capitalists, joint-venture partners and other strategic investors. If we are unable to obtain financing in a timely manner, at a reasonable cost and on reasonable terms, we may be forced to delay our expansion plans, which may have a material and adverse effect on our business, results of operation and financial condition.

We face intense competition in the cement and concrete industries, which may reduce demand for our products.

The cement and concrete industries in which we operate are intensely competitive and price sensitive. According to the China Cement Association, there were more than 600 above-scale cement producers (i.e., state-owned enterprises and non-state-owned enterprises with an annual income of over RMB5.0 million) in Southern China in 2008. Our major competitors include national companies such as Anhui Conch Cement Company Limited ("Anhui Conch") as well as smaller scale regional producers in the markets where we operate. In the past several years, the PRC Government has encouraged the development of large-scale cement production and the use of advanced NSP technologies. Many small-scale cement companies using less advanced production technologies were forced to close down as a result.

Competition in the cement industry has also intensified due to the cross-province expansion undertaken by major cement companies and the entry of foreign cement companies. Some of our larger competitors such as Anhui Conch or TCC International Holdings Limited operate at a large scale and have cost advantages as a result of their economies of scale and their abilities to obtain volume discounts for their procurements. In addition, they may have better brand name recognition and larger customer bases than we do. In addition, the concrete industry in Hong Kong is also characterized by intense competition. There are nine major competitors to our concrete business in Hong Kong. We may lose business to competitors who underbid us. The competitive position of our concrete business in Hong Kong will largely depend on the locations and operational costs of our ready mixed concrete plants. Competitors that have lower operating costs than us or that have more financial resources will have a competitive advantage over us in winning contracts that are particularly price sensitive. Furthermore, competitors that have greater financial resources than us could invest in more mixer trucks, build plants in more strategic locations or engage in strategic acquisitions. As a result, our failure to compete successfully against our competitors could materially and adversely affect our business, results of operations and financial condition.

Our results of operations are subject to seasonal changes in demand for our cement and concrete products.

We usually experience a reduction in sales during the first quarter of each calendar year due to the holiday season. In addition, we typically experience a reduction in our sales due to climatic conditions, such as cold weather, snow, storms and heavy or sustained rainfall, which negatively affect the level of activity in the construction industry. We generally experience an increase in sales volume of our products in the fourth quarter of each year because of improved weather conditions and we generally increase the prices of our products during this period due to the higher level of construction activities. Our first-quarter sales of cement and concrete products for each of the years ended December 31, 2006, 2007 and 2008 represented 15%, 16% and 20%, respectively, of our total turnover from continuing operations for those years. In contrast, our fourth-quarter sales of cement and concrete products for each of the years ended December 31, 2006, 2007 and 2008 represented 35%, 36% and 29%, respectively, of our total turnover from continuing operations for those years.

The cement and concrete industries are subject to significant regulation by the PRC and Hong Kong Governments.

Various PRC Government authorities, including but not limited to the Ministry of Land and Resources, the State Environmental Protection Administration, the General Administration of Quality Supervision Inspection and Quarantine, MOFCOM and the Ministry of Construction of the PRC are empowered to issue and implement regulations governing various aspects of the cement and concrete production and excavation activities of raw materials. The concrete industry in Hong Kong is also regulated by the Hong Kong Government. Concrete producers in Hong Kong are subject to, among other things, general laws governing the operation of any plant facilities including Water Pollution Control Ordinance (Cap. 358 of the Laws of Hong Kong), Waste Disposal Ordinance (Cap. 354 of the Laws of Hong Kong), Air Pollution Ordinance (Cap. 311 of the Laws of Hong Kong) and Factories and Industries Undertaking Ordinance (Cap. 59 of the Laws of Hong Kong). In addition, the Hong Kong and PRC Governments have adopted regulations and guidelines governing product standards and capacity (such as Building Ordinance (Cap. 123 of Laws of Hong Kong)).

In addition, we are required to maintain certain licenses and permits for our excavation activities in China and our operations in both China and Hong Kong. If the interpretation of existing laws and regulations change or new regulations require us to obtain any additional licenses, permits or approvals, we cannot assure you that we will successfully obtain such licenses, permits or approvals in a timely manner, or at all. If we are not able to meet all the licensing conditions or the regulatory requirements, our business, results of operations and financial condition could be adversely and materially affected.

RISKS RELATING TO CHINA

Any slowdown in the PRC economy or changes in political and economic policies of the PRC Government could have an adverse effect on the overall growth in China, which could reduce the demand for our products and materially and adversely affect our business, results of operations and financial condition.

We derive a substantial portion of our turnover from China, in particular, Southern China. In 2008, we derived 93.0% of our turnover from continuing operations from the sale of our products to external customers in China. Accordingly, our business, results of operations and financial condition are significantly affected by economic, political and legal developments in China. Demand for our products is dependent on the pace of the economic growth in China and in particular the general level of activity and growth in the construction industry in Southern China where we operate. In addition, general national economic conditions, mortgage and interest rate levels, inflation, unemployment, demographic trends, GDP growth and consumer confidence also influence the performance and growth of the construction industry and, consequently, the demand for our products. A downturn in the construction industry in China or in any of the regional markets where we operate could materially and adversely affect our business, results of operations and financial condition.

The PRC Government has implemented various measures to encourage economic growth and guide the allocation of resources. Some of these measures, while benefiting the overall PRC economy, may have a negative effect on us. For example, efforts by the PRC Government to slow the pace of growth of the real estate industry in China may negatively affect the real estate market and consequently impede the growth of the construction industry. Policies and measures that were introduced and those that may be introduced by the PRC Government may lead to changes in market conditions, including price instability and an imbalance between the supply of, and demand for, properties in China. Any weakening in the PRC property sector in our target regional markets could adversely affect our financial condition and results of operations.

As a result, any adverse change in government policies or economic conditions in China could have a material adverse effect on the overall economic growth which in turn could lead to a reduction in the demand for our products and consequently have a material adverse effect on our business, financial position and results of operations.

Uncertainties with respect to the PRC legal system could have a material adverse effect on us.

A significant portion of our business and operations is conducted in China and governed by PRC laws, rules and regulations. Our PRC subsidiaries are generally subject to laws, rules and regulations applicable to foreign investments in China and, in particular, laws applicable to wholly foreign owned enterprises. The PRC legal system is a civil law system based on written statutes. Prior court decisions may be cited for reference but have limited precedential value. Since the late 1970s, the PRC Government has significantly enhanced PRC legislation and regulations to provide protections to various forms of foreign investments in China. However, China has not developed a fully integrated legal system, and recently-enacted laws and regulations may not sufficiently address all relevant aspects of economic activities in China. As many of these laws, rules and regulations are relatively new, and because of the limited volume of published decisions, the interpretation and enforcement of these laws, rules and regulations involve uncertainties and may not be as consistent or predictable as in other more developed jurisdictions. In addition, the PRC legal system is based in part on government policies and administrative rules that may have a retroactive effect. As a result, we may not be aware of our violation of these policies and rules until some time after the violation. Furthermore, the legal protection available to us under these laws, rules and regulations may be limited. Any litigation or regulatory enforcement action in China may be protracted and could result in substantial costs and diversion of resources and management attention, which could have a material and adverse effect on our business, results of operation and financial condition.

PRC regulation of direct investment and loans by offshore holding companies to PRC entities may delay or limit us from making additional capital contributions or loans to our PRC subsidiaries.

Any capital contributions or loans that we, as an offshore entity, make to our PRC subsidiaries, are subject to PRC regulations. For example, any of our loans to our PRC subsidiaries cannot exceed the difference between the total amount of investment each of our PRC subsidiaries is approved to make under relevant PRC laws and the registered capital of each of our PRC subsidiaries, and such loans must be registered with the local branch of SAFE. In addition, our capital contributions to each of our PRC subsidiaries must be approved by MOFCOM or its local counterpart. We cannot assure you that we will be able to obtain these approvals on a timely basis, or at all. If we fail to obtain such approvals, our ability to make equity contributions or provide loans to our PRC subsidiaries or to fund their operations may be negatively affected, which may adversely affect our PRC subsidiaries’ liquidity and ability to fund their working capital and expansion projects and meet their obligations and commitments.

We may be deemed a PRC resident enterprise under the new PRC Enterprise Income Tax Law and be subject to the PRC taxation on our worldwide income.

Under the new PRC Enterprise Income Tax Law that took effect on January 1, 2008, enterprises established outside of China whose “de facto management bodies” are located in China are considered “resident enterprises” and will generally be subject to the uniform 25% enterprise income tax rate on their worldwide income. The State Council of the PRC has promulgated implementation rules of this new tax law which defines “de facto management body” as an organization that exercises substantial and overall management and control over an enterprise’s manufacturing or business operation, finance and property. In addition, the “Notice of the SAT on Issues Relating to Determining the Resident Enterprise Status of Overseas Registered Chinese Holding Enterprises Based on the ‘de facto Management Bodies’ Standard” (國家稅務總局關於境外註冊中資控股企業依據實際管理機構標準認定為居民企業有關問題的通知), that was issued on April 22, 2009 and has a retrospective effect since January 1, 2008, provides specific tests regarding under what situations an enterprise’s “de facto management body” would be considered to be located in China. Although substantially all of our management is currently based in China, and we expect them to continue to be located in China for the foreseeable future, it is unclear when PRC tax authorities will start the determination process. In the event that we are treated as a "resident enterprise" for enterprise income tax purposes, our worldwide income, excluding dividends received from our China subsidiaries, will be subject to PRC income tax.

We may be subject to fines and penalties under the new PRC Labor Law, and our labor costs may increase.

The new PRC Labor Law imposes requirements concerning, among others, the types of contracts to be executed between an employer and an employee, and establishes time limits for probation periods and for fixed-term employment contracts. It also requires the employer to contribute to social insurance and housing funds on behalf of its employees. We are unsure whether the new PRC Labor Law will affect our current employment policies. We cannot assure you that our employment policies do not or will not violate the new PRC Labor Law and that we will not be subject to related penalties, fines or legal fees.

Furthermore, if labor costs increase in China, our production costs will increase and we may not be able to pass these increases on to our customers due to competitive pricing pressures. If we are subject to large penalties or fees related to the new PRC Labor Law or our labor costs increase, our business, results of operations and financial condition may be materially and adversely affected.

Government control over currency conversion may limit our ability to utilize our cash effectively.

In 2008, 93.0% of our turnover from continuing operations was denominated in Renminbi. The PRC Government imposes controls on the convertibility of the Renminbi into foreign currencies and, in certain cases, the remittance of currency out of China. Under existing PRC foreign exchange regulations, payments of current account items, including profit distributions, interest payments and expenditures from trade related transactions, can be made in foreign currencies without prior approval from SAFE, by complying with certain procedural requirements. However, approval from SAFE or its local branch is required where Renminbi is to be converted into foreign currency and remitted out of China to pay capital expenses such as the repayment of loans denominated in foreign currencies. The PRC Government may also at its discretion restrict access in the future to foreign currencies for current account transactions.

Under our current corporate structure, we derive a significant portion of our income from dividend payments from our PRC subsidiaries. Shortages in the availability of foreign currency may restrict the ability of our PRC subsidiaries to remit sufficient foreign currency to pay dividends or other payments to us, or otherwise satisfy their foreign currency-denominated obligations.

In addition, since a significant amount of our future cash flow from operations will be denominated in Renminbi, any existing and future restrictions on currency exchange may limit our ability to purchase goods and services outside of China or otherwise fund our business activities that are conducted in foreign currencies. This could affect the ability of our subsidiaries in China to obtain foreign exchange through debt or equity financing, including by means of loans or capital contributions from us, which could have a material and adverse effect on our business, results of operations and financial condition.

Our results of operations may be adversely affected by the occurrence of an epidemic.

A threatened or actual outbreak of any widespread public health problem in China, such as severe acute respiratory syndrome, avian influenza or swine influenza, could have a negative effect on our results of operations. Our operations may be affected by a number of health-related factors, including quarantines or closures of some of our offices and production facilities, travel restrictions, the sickness or death of our key officers and employees, import and export restrictions and a general slowdown in China's national and regional economy.

OTHER RISKS

Certain facts and other statistics with respect to China, the PRC economy and the PRC cement and concrete industries in this document are derived from various official government sources and third party sources may not be reliable.

Certain facts and other statistics in this document relating to China, the PRC economy and the PRC cement and concrete industries have been derived from various official government publications and third party sources. However, we cannot guarantee the quality or reliability of such sources. They have not been prepared or independently verified by us, or any of their respective affiliates or advisors and, therefore, we make no representation as to the accuracy of such facts and statistics, which may not be consistent with other information compiled within or outside China. Due to possibly flawed or ineffective collection methods or discrepancies between published information and market practice and other problems, the statistics herein may be inaccurate or may not be comparable to statistics produced for other economies and may not be reliable.

Furthermore, there is no assurance that they are stated or compiled on the same basis or with the same degree of accuracy as may be the case elsewhere in other countries. As a result, readers of this document should consider carefully how much weight or importance they should attach to or place on such facts or statistics.

You should read this entire document carefully and we strongly caution you not to place any reliance on any information contained in press articles or other media regarding us.

We strongly caution you not to place any reliance on any information contained in press articles or other media regarding us. Prior to the date of this document, there has been press and media coverage regarding us, particularly in the Infocast, on.cc, IRF Asia, Sing Pao, Wen Wei Po, Apple Daily, Ta Kung Pao, Hong Kong Commercial Daily, Hong Kong Daily News, South China Morning Post, Hong Kong Economic Times, Hong Kong Economic Journal, Ming Pao Daily and ET Net, which included certain financial information, financial projections, valuations, capital expenditure, acquisition plans and other information about us that do not appear in this document. We have not authorized the disclosure of any such information in the press or media. We do not accept any responsibility for any such press or media coverage or the accuracy or completeness of any such information. We make no representation as to the appropriateness, accuracy, completeness or reliability of any such information or publication. To the extent that any such information is inconsistent or conflicts with the information contained in this document, we disclaim responsibility for it. Accordingly, you should not rely on any such information.