Potential investors should consider carefully all of the information set out in this prospectus and, in particular, should consider the following risks and special considerations associated with an investment in the Company before making any investment decision in relation to the Company. You should pay particular attention to the fact that the Company is incorporated in the Cayman Islands and a significant part of our Group's operations are conducted in the PRC and are governed by legal and regulatory environments which in some respects may differ from that in Hong Kong. Any of the risks and uncertainties described below could have a material adverse effect on our business, results of operations, financial condition or the trading price of the Shares, and could cause you to lose all or part of your investment.

We believe that there are certain risks involved in our operations. Many of these risks are beyond our control and can be categorised into: (i) risks relating to our business; (ii) risks relating to the cement industry in the PRC; (iii) risks relating to the PRC; (iv) risks relating to ownership of Shares; and (v) risks relating to the Share Offer.

RISKS RELATING TO OUR BUSINESS

Our business depends significantly on the market conditions in the construction industry in China

Cement is the basic material for building works, and is therefore dependent on the demand for construction activities and the aggregate growth of the economy. Since 2006, the GDP and FAI in China have maintained consistently high growth rates. From 2006 to 2010, the CAGR of China's GDP amounted to 16.5% and that of FAI amounted to 26.1%. The PRC government also initiated a RMB4 trillion economic stimulus package in 2008, commenced the constructions of high-speed railways, development of West China, urbanisation of rural areas and expanded the constructions of government-subsidized housing which boosted the infrastructure development in the country. These all signified strong growth in the construction industry in China, which drove a CAGR of 11.0% in cement consumption. Nevertheless, in view of the overheated economy in the PRC, the PRC government has been formulating and implementing various fiscal policies to stabilise the economic development of the PRC. For example, on 28 January 2011, the PRC government has announced a property tax ranging from 0.4% to 1.2% to be charged on the property price for those properties with transaction price higher than the average market selling price. Shanghai and Chongqing are the first two trial cities for the implementation of such policy. Such tightening policy may lower the demand for real estate property which in turn may influence the construction industry in the PRC and we cannot assure you that the PRC government will not expand the coverage of regions and/or increase the property tax of the abovementioned property tax policy in the future. Therefore there is no assurance as to whether there will be a continuous growth in the construction industry and the economy in China as a whole in the future.

Our financial operating results experienced significant fluctuations during the Track Record Period. The significant increase in the Group's net profit for the year ended 31 December 2010 was mainly contributed by the gain on land resumption exercise which is non-recurring in nature. We may not be able to stabilise our operating results, or we may have difficulties in managing our future growth

We recorded significant fluctuations in our revenue and net profit during the three years ended 31 December 2010. For the years ended 31 December 2008, 2009 and 2010, our revenue was approximately HK$555.9 million, HK$490.1 million and HK$451.4 million respectively, representing a CAGR of -9.9%, and our net profit for the same periods was approximately HK$53.1 million, HK$10.0 million and HK$374.5 million respectively, representing a CAGR of 165.6%. The decrease in our revenue was mainly due to the cessation of production in our Shanghai plant since December 2009. Our Shanghai operations currently engage in trading of cement only, while revenue from our plants in Shandong Province has been increasing during these respective periods due to the growth in the demand for our products stimulated by the growth of the general economy and the overall construction industry in the PRC. Meanwhile, there was a significant increase in our net profit for the year ended 31 December 2010 which was mainly the result of the gain on land resumption exercise totalling approximately HK$528.4 million. As part of city planning and to facilitate the organisation of the World Expo 2010 in Shanghai, a land resumption compensation agreement regarding the Premises Vacation was entered into between our Group and Shanghai Xuhui Binjiang, a local government entity, for land resumption on 27 November 2009. In connection with the Premises Vacation, we are entitled to a total compensation of RMB799.9 million, of which RMB749.9 million had been received by 30 June 2011, which resulted in a gain upon completion of deregistering the land use right certificates and completing the site demolition.

The significant increase in the Group's net profit for the year ended 31 December 2010 was mainly contributed by the gain on land resumption exercise which is non-recurring in nature. The adjusted profit attributable to owners of our Company excluding the non-recurring items in relation to the Premises Vacation will be approximately HK$39.7 million. Reconciliation of profit to adjusted profit for the year attributable to owners of our Company excluding the non-recurring items in relation to the Premises Vacation is presented in the paragraph headed "Selected combined statements of comprehensive income — net profit margin" under the section headed "Financial information".

By taking into account the non-recurring items in relation to the Premises Vacation, mainly including a gain on land resumption exercise amounting to approximately HK$528.4 million, there were significant differences in the profit attributable to owners of the Company as set out in the aforementioned reconciliation. Potential investors should note that net profit of our Group may fluctuate due to any non-recurring events to our Group. Details of the Premises Vacation are disclosed in the sub-paragraph headed "Our facilities — The Premises Vacation" under the section headed "Business".

Comparing with the six months ended 30 June 2010, our revenue for six months ended 30 June 2011 increased from HK$161.8 million to HK$391.7 million and our net profit for the same periods was approximately HK$332.0 million and HK$53.3 million respectively. Adjusted for the gain on land resumption exercise of approximately HK$528.4 million for the six months ended 30 June 2010, our net profit margin for the six months ended 30 June 2011 was actually higher. Details of which are set out in the paragraph headed "Net profit margin" under the section headed "Financial information".

Our Group had invested in investment products to enhance the return on our Group's cash holdings after receiving the abovementioned land resumption compensation and accordingly fair value gains of HK$5.5 million and HK$4.3 million on investments in principal protected-structured deposits with banks had been recognised by our Group for the year ended 31 December 2010 and for the six months ended 30 June 2011 respectively. In addition, our inventory, debtors' and creditors' turnover days had increased for the year ended 31 December 2010 and for the six months ended 30 June 2011 compared with those for the years ended 31 December 2008 and 2009 with the commencement of trading activities of our Shanghai operations. Details of which are set out in the paragraph headed "Gains on investment products" and "Changes in inventory, debtors' and creditors' turnover days" under the section headed "Financial information".

We may not be able to stabilise our operating results taking into account the material changes to our production facilities, in terms of revenue, net profit and inventory, debtors' and creditors' turnover days. Any 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 as well as financial and human resources. As a result, we may not be able to manage such expansion in a cost effective manner. Failure to effectively manage our expansion could have a material adverse effect on our business, financial condition and results of operations, and could impair our ability to achieve our business strategies and maintain our market position.

There are uncertainties on the Bailonggang Project, in which case we may have to rely solely on our cement production lines in Shandong Province

Prior to the Premises Vacation, we had three plants, one of which was situated in Shanghai and two in Shandong Province. As described in the paragraph above, the operations of our production line in Shanghai ceased completely in December 2009. Upon the Premises Vacation, the raw mixture and cement grinding systems were shifted from our Shanghai plant to our Allied Wangchao plant. Thereafter, our Shanghai operations has been engaged in trading of cement only. Since then, our cement productions rely solely on the production lines in Shandong Province.

Our Group recorded a gain on land resumption exercise of approximately HK$528.4 million from the relocation compensation agreement during 2010 and a new plant is proposed to be built on a site negotiated with the relevant government at the suburb Bailonggang (白龍港), Pudong, Shanghai. As at the Latest Practicable Date, we had not obtained the legal title to the Bailonggang site and the development plan of the new plant is to be submitted to the National Development and Reform Commission ("NDRC") (國家發展與改革委員會). There is no assurance that the Bailonggang Project will materialise and that the construction plan will be approved by the relevant government authorities, or that the new plant will be successfully constructed at the proposed site within the proposed time frame. In particular, bidding may be required for the replacement site and if bidding is required, there is no guarantee that the Group will be successful in the bidding process. Any impediment to our construction of the new plant, including but not limited to the rejection or delay in approval by the government on the development plan and attainment of the Bailonggang site, increased costs of construction due to a surge in workers' wages and raw material prices, extreme climatic and weather conditions, fires, natural disasters, epidemics, raw material supply shortages, equipment and system failures and labour force shortages, may have a negative impact on our plan, which in turn may adversely affect our business, financial condition and results of operations. If such a case happens, our cement manufacturing business will solely depend on the production lines in Shandong Province.

We may not be able to retain our customers in Shanghai after the cessation of production

As described above, after the cessation of cement production in Shanghai, our Shanghai operations currently engage in trading of cement only, whereby we resell the cement we purchased from other cement producers to our existing customers. Despite having been able to retain many of our customers in Shanghai as at the Latest Practicable Date through trading of cement, there is no assurance that these customers will continue the business relationships with us in the foreseeable future and/or after the commencement of operations of the new plant in Bailonggang, of which its construction is expected to commence by late 2012, if there is no impediment to the application for necessary approval and permit by the relevant government authorities and other unforeseen difficulties. We may face more intense competitions for customers with the existence of more financially potent cement enterprises. Failure to compete successfully with those competitors may adversely affect our business, financial condition and results of operations.

Our financial operating results may experience significant fluctuations along with the fluctuations of the selling price of our products

During the Track Record Period and up to the Latest Practicable Date, we derived our revenue mainly from manufacture and sale of cement and clinker and trading of cement. There is no government price control on cement and clinker products, and the average selling price of our cement and clinker fluctuates along with the market demand and supply of cement, clinker and concrete in the regions we operate. In line with industry practice, we are typically not able to fix the price of our products with our customers until the placing of purchase order.

For our cement trading business in Shanghai, our selling price of cement is also correlated to the prevailing market price. Generally, our customers may source cement from other suppliers if their prices are more competitive. In the event that we are not able to supply cement at a competitive price, our revenue from trading of cement may decrease, which in turn will adversely affect our profitability and financial performance.

For reference, a sensitivity analysis on price fluctuations of our major products during the Track Record Period is set out as follow, which shows the effect on the increase or decrease of our revenue with 34% increase or decrease of the selling prices of our products, representing the maximum fluctuation of the selling price of our products during the Track Record Period.

	% change in selling price	Increase or decrease in revenue of Shanghai plant		Increase or decrease in revenue of Shandong SAC plant and Allied Wangchao plant		Total increase or decrease in the Group's revenue
		Cement	Clinker	Cement	Clinker	
		RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
For the year ended 31 December						
2008	+/– 34%	+/– 96,577	+/– 6	+/– 22,570	+/– 46,259	+/– 165,412
2009	+/– 34%	+/– 72,496	N/A	+/– 43,318	+/– 30,829	+/– 146,643
2010	+/– 34%	+/– 45,666	N/A	+/– 50,440	+/– 37,208	+/–133,314
For the six months ended 30 June						
2011	+/– 34%	+/– 49,270	N/A	+/– 52,575	+/– 8,681	+/– 110,526

During the Track Record Period, the average selling price of our cement products in Shanghai was approximately RMB289.4, RMB246.4, RMB294.8 and RMB387.0 per ton, respectively; the average selling price of our cement products in Shandong were approximately RMB207.9, RMB197.8, RMB211.7 and RMB278.3 per ton, respectively; and the average selling price of our clinker products in Shandong were approximately RMB212.7, RMB177.5, RMB221.9, RMB297.1 per ton, respectively.

Our business, financial condition and results of operations may be adversely affected by increases in coal or electricity prices, shortages of coal and electricity supply or government's policy on coal and electricity supply

Prices

We use a substantial amount of coal and electricity in our production. As a result, increase in coal and electricity prices will in turn increase our costs of sales. The pricing for coal in our letters of intent with coal suppliers is directly linked to market prices, so we bear the risk of coal price fluctuations which are dependent upon factors such as the overall market demand, weather conditions and seasonal factors, and possible government's intervention. Coal price has been increasing generally in 2010 and the first half of 2011 due to higher transportation costs and increase in demand as a result of the recovery of the global economy. Coal is essential for heating up the kilns during the calcination process of raw materials for the production of clinker. Our cost of coal constitutes approximately 42.1%, 35.3%, 28.4%, 33.6% and 18.4% of our total cost of sales for the years ended 31 December 2008, 2009 and 2010 and the six months ended 30 June 2010 and 2011 respectively. Future price trends and price volatility of coal could therefore have material pressure on our costs of production.

Electricity, which is critical to our production for the operations of the raw mixture and cement powder grinding systems, constitutes approximately 17.9%, 21.3%, 13.3%, 16.5% and 9.3% of our total cost of sales for the three years ended 31 December 2008, 2009 and 2010 and the six months ended 30 June 2010 and 2011, respectively. During the Track Record Period, our average electricity purchase price amounted to RMB0.6 per KWh. Generally, the electricity prices for industrial enterprises are regulated by provincial governments in China and therefore the prices are affected by government's control and pricing policies.

Supply

We use a substantial amount of coal and electricity in our production, and any shortage or interruption in the supply of coal or electricity could disrupt our operations.

Under the National Standard of the PRC GB/T7563-2000 on Technical Condition of Coal for Cement Rotary Kiln, the PRC Government has, for example, stipulated certain requirements relating to using coal in cement production, and imposed restrictions on the utilisation of certain low quality coal due to environmental concerns. For our cement production, we use coal with heating value above 5,000 cal/kg which meets the stipulated standards. While the policy above is not expected to affect our production process, the restrictions above may result in higher demand for higher quality coal which in turn may result in their shortages. The Directors have also noted instances where supply of coal was affected by temporary closures of coal mines as a result of industrial accidents at these mines.

In respect of electricity supply, the PRC Government's policy on reducing pollution and energy consumption by 2010 has led to limitation on electricity supply in Yangtze River Delta regions, for example during the fourth quarter of 2010. Such control on electricity supply may result in stoppages in our production process and therefore we may not be able to produce sufficient amount of cement to satisfy our customers' demand.

For reference, a sensitivity analysis on fluctuations of the coal and electricity costs during the Track Record Period is set out as follow, which shows the effect on the decrease or increase of our cost of sales with 33% increase or decrease of the cost of coal, representing the maximum fluctuation of the cost of coal during the Track Record Period and up to the end of November 2011; and with 9% increase or decrease of the cost of electricity, representing the maximum fluctuation of the cost of electricity during the Track Record Period.

	% change in cost of coal	**Increase or decrease in cost of sales**	**% change in cost of electricity**	**Increase or decrease in cost of sales**	**Total increase or decrease in the Group's cost of sales**
		RMB'000		**RMB'000**	**RMB'000**
For the year ended 31 December					
2008	+/– 33%	+/– 62,171	+/– 9%	+/– 7,205	+/– 69,376
2009	+/– 33%	+/– 47,105	+/– 9%	+/– 7,734	+/– 54,839
2010	+/– 33%	+/– 32,587	+/– 9%	+/– 4,168	+/– 36,755
For the six months ended 30 June					
2011	+/– 33%	+/– 16,644	+/– 9%	+/– 2,297	+/– 18,941

During the Track Record Period, the cost of coal was approximately RMB97.1, RMB70.7, RMB82.7, and RMB78.6 per ton of our products sold, respectively, and the cost of electricity was approximately RMB41.2, RMB42.5, RMB38.8 and RMB39.8 per ton of our products sold, respectively.

For illustrative purposes, sensitivity analysis, which shows the effects on the decrease or increase of our cost of sales with 40%, 45% and 50% increase or decrease of the cost of coal respectively, in the event of fluctuations in coal prices due to the implementation of the aforementioned rules and restrictions on coal supply, is set out as follow:

	% change in cost of coal	Increase or decrease in cost of sales	% change in cost of electricity	Increase or decrease in cost of sales	Total increase or decrease in the Group's cost of sales
		RMB'000		RMB'000	RMB'000
For the year ended 31 December					
2008	+/– 40%	+/– 75,359	+/– 9%	+/– 7,205	+/– 82,564
2009	+/– 40%	+/– 57,097	+/– 9%	+/– 7,734	+/– 64,831
2010	+/– 40%	+/– 39,499	+/– 9%	+/– 4,168	+/– 43,667
For the six months ended 30 June					
2011	+/– 40%	+/– 20,174	+/– 9%	+/– 2,297	+/– 22,471

	% change in cost of coal	Increase or decrease in cost of sales	% change in cost of electricity	Increase or decrease in cost of sales	Total increase or decrease in the Group's cost of sales
		RMB'000		RMB'000	RMB'000
For the year ended 31 December					
2008	+/– 45%	+/– 84,779	+/– 9%	+/– 7,205	+/– 91,984
2009	+/– 45%	+/– 64,234	+/– 9%	+/– 7,734	+/– 71,968
2010	+/– 45%	+/– 44,437	+/– 9%	+/– 4,168	+/– 48,605
For the six months ended 30 June					
2011	+/– 45%	+/– 22,696	+/– 9%	+/– 2,297	+/– 24,993

	% change in cost of coal	Increase or decrease in cost of sales	% change in cost of electricity	Increase or decrease in cost of sales	Total increase or decrease in the Group's cost of sales
		RMB'000		RMB'000	RMB'000
For the year ended 31 December					
2008	+/– 50%	+/– 94,199	+/– 9%	+/– 7,205	+/– 101,404
2009	+/– 50%	+/– 71,371	+/– 9%	+/– 7,734	+/– 79,105
2010	+/– 50%	+/– 49,374	+/– 9%	+/– 4,168	+/– 53,542
For the six months ended 30 June					
2011	+/– 50%	+/– 25,218	+/– 9%	+/– 2,297	+/– 27,515

Any significant increase in the prices of coal or electricity or any shortage or interruption in their supply could increase our cost of sales and/or cause disruptions to our operations, which could have a material adverse effect on our business, financial condition and results of operations.

We operate in a competitive market and, if we are unable to compete successfully, our business, financial condition and results of operations may be adversely affected

The cement industry is highly competitive in China, including our regional markets of the provinces of Shandong, Jiangsu and Anhui as well as Shanghai. Information on major cement companies which are listed on the Stock Exchange and have presence in the markets which we operate in, is set out in the paragraph headed "Competition" under the section headed "Business". Some of these are conglomerates under the control of State-owned Assets Supervision and Administration Commission (國務院國有資產監督管理委員會) and therefore able to operate at much larger scale in comparison with our Group. In addition, some larger cement companies have expanded their operations in Shandong Province and therefore our Group will be facing more intense and direct competition in the region.

We compete with such and other competitors for customers, raw materials, energy resources, distribution network and skilled labour force. Our current and potential competitors may have better competitive advantages over brand recognition in local markets, economy of scale, pricing and/or financial, technical or marketing resources than us. We compete primarily on the basis of pricing of our products, our service, variety of product offerings, access to resources, sales and marketing, network, production efficiency and brand image. Failure to compete successfully with the existing and/or potential competitors may adversely affect our business, financial condition and results of operations.

We may not be able to renew our existing mining rights or secure additional mining rights, the resource tax we pay to local governments may increase, and we may exhaust our existing mine reserves

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 are required to obtain mining rights before undertaking any mining activities, and the mining rights are limited to a specific area during a fixed license period. We are also required to pay a resource tax of RMB2.0 for every ton of limestone excavated to the local government where our quarry situated. For the years ended 31 December 2008, 2009 and 2010 and the six months ended 30 June 2010 and 2011, we paid approximately RMB2.03 million, RMB1.87 million, RMB1.83 million, RMB0.9 million and RMB0.9 million resource tax for the limestone excavated from our quarry, respectively. The amount of this resource tax may increase in the future, which could have a negative impact on our profitability and our results of operations.

As of the Latest Practicable Date, we owned a mining license for the limestone quarry at Langshan (狼山) in Taierzhuang District, Shandong Province which is due to expire in September 2020. While our PRC legal advisers advised that they are not aware of any legal impediment as to the future renewal of the mining licence, we cannot assure you that such mining license will be renewed upon expiration, or, if renewed, on terms that are commercially reasonable. The total limestone reserves at Langshan quarry amounted to approximately 60 million tons in 2004 and approximately 54 million tons in 2010. It is estimated that there will be approximately 53 million tons remaining reserves at the year ending 31 December 2011 based on the calculation that approximately 1 million tons reserves per year on average have had been excavated from 2004 to 2010. If we are unable to renew this license or renew this license at a reasonable cost, or if we exhaust our existing mine reserves, we may have to seek alternative sources of limestone that may be farther away from our production facilities which will result in higher transportation costs.

Limestone is the principal raw material in our production of clinker and cement. If we are unable to find alternative sources of limestone, we may not be able to continue our operations, in which case our business, financial condition and results of operations will be materially and adversely affected. As part of our growth strategy, we may have to acquire additional limestone reserves. However, we cannot assure you that we will be able to acquire suitable limestone reserves in the future and obtain the mining rights for them. If we are unable to secure additional mining rights, our operations and growth prospects may be materially and adversely affected. Our financial performance and results of operations could also be adversely affected if we fail to pass on any increase in the cost of limestone excavation and purchases to our customers.

We rely on one single third-party contractor to excavate limestone from our limestone quarry and we may be liable for its failure to comply with applicable laws and regulations or its contractual obligations

We engage one single third-party contractor to excavate limestone from our Langshan quarry in Shandong Province for which we have acquired the mining right. The agreement will expire in September 2014. We are not able to guarantee that this third-party contractor would continue to provide the limestone excavation services to us and, if it ceases to provide such services or it fails to perform to our satisfaction, whether we would be able to locate suitable replacement to ensure a continuous supply of limestone for our production of cement products, in which case we may have to engage other third party contractors at possibly higher cost and our results of operation and financial performance could be adversely affected. Currently, we are paying RMB11.88 to the contractor for every ton of limestone excavated and delivered to our production facilities. We cannot predict whether a higher excavating fee would be applicable upon expiry of the current agreement.

We ensure that our contractor is in compliance with the relevant PRC laws and regulations by requiring them to provide us with the applicable licenses and renewed certificates as well as conduct safety inspections at the quarry on a regular basis. However, we may still be held liable by the authorities if our contractor failed to comply with relevant PRC laws and regulations and we may be subject to fine or other penalty and as a result our results of operation and financial performance may be adversely affected.

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

Apart from limestone, certain raw materials are used in our production, such as gypsum, fly ash, pyrite cinder and slag. All these raw materials are subject to price volatility caused by external conditions, including commodity price fluctuations and changes in governmental policies. For the years ended 31 December 2008, 2009 and 2010 and the six months ended 30 June 2010 and 2011, our cost of raw materials accounted for approximately 26.2%, 27.8%, 12.8%, 14.4% and 13.1% of our total costs of sales, respectively.

Except for limestone which is excavated from our own quarry and certain slag produced at the Shandong SAC plant for our own use, most of our raw materials are purchased from suppliers which are Independent Third Parties through tenders or negotiations. 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, our bargaining power on purchasing raw materials in the future is uncertain due to the growth of more financially potent cement enterprises. If we are not able to transfer some or all of the increase in costs in our raw materials to our customers, any increase or material fluctuation in the prices of our raw materials could have a material adverse effect on our business, financial condition and results of operations.

The profit of our Group may rely on certain PRC Government incentives we previously enjoyed. Without these incentives, our business, financial condition and results of operations could be adversely affected

The PRC government is currently offering VAT refunds to cement producers that are able to demonstrate at least 30% Recycling Rate, pursuant to the *Notice regarding Policies relating to Value-Added Tax on Products Made Through Comprehensive Utilization of Resources and Certain Other Products* promulgated by the Ministry of Finance and the State Administration of Taxation (財政部、國家稅務總局關於部分資源綜合利用及其他產品增值稅政策問題的通知). Therefore, we enjoyed VAT rebates for cement products by virtue of 30% Recycling Rate by our previous Shanghai plant before the Premises Vacation, as we utilized slag and fly ash as raw materials and replacing natural gypsum with desulfurization gypsum. In addition, we enjoyed a preferential enterprise income tax rate of 15% at our Shanghai plant compared with the regular national enterprise income tax rate of 25% for being recognised by the PRC government as an advanced technology enterprise. Following the cessation of cement and clinker production of our Shanghai plant, there has been no preferential tax treatment to our Group.

Our Group's financial performance has relied partly on such government incentives in the Track Record Period. For the years ended 31 December 2008 and 2009, we received VAT refunds amounted to HK$19.7 million and HK$13.9 million, respectively. There were no VAT refunds for the year ended 31 December 2010 and for the six months ended 30 June 2011 due to the cessation of cement and clinker production of our Shanghai plant. Therefore, discontinuance of these benefits may have impact on the profitability and sustainability of our Group. We are not aware of any intention of the PRC government to discontinue such tax refund policy and preferential tax treatments. Nevertheless, following the Premises Vacation with the cessation of cement production in Shanghai, we can no longer enjoy the abovementioned VAT refund and preferential tax treatments as it was the Shanghai plant which was qualified for such government incentives during the Track Record Period. The absence of these preferential treatments and incentives in the future may adversely affect our business, financial condition and results of operations.

Shandong SAC had not renewed its National Industrial Products Production Permit (the "Permit") upon its expiration in August 2008. There is no assurance that any changes in government policies would not impose retrospective actions on us

Under Trial Regulations on Manufacturing License for Industrial Products (1984) and Cement Production Permit Replacement (Issuance) Implementation Details (水泥生產許可證換（發）證實施細則(2000年)), Shandong SAC is prohibited to manufacture cement products without the Permit.

For the purpose of development of local economy and maintenance of stable livelihood, the local government requested Shandong SAC to continue carrying out manufacturing activity.

A certificate had also been issued on 2 April 2011 by Bureau of Quality and Technical Supervision of Taierzhuang District, Zaozhuang City (棗莊市質量技術監督局台兒莊分局), the relevant government department overseeing cement production companies, confirming that it has continued carrying out routine sample checking as well as ordinary supervision over the Shandong SAC plant and facility since August 2008. It is confirmed that the cements manufactured during the period without the Permit was under their due supervision in respect of national standard on cement quality and that Shandong SAC had not been involved in any incidents caused by substandard cement. No penalty has been imposed by the government on Shandong SAC due to any non-compliance of production laws, rules and regulations. On this basis, it will not pursue any action against the fact that Shandong SAC has operated without the Permit. The PRC legal advisers have confirmed that this bureau is a competent authority to supervise, inspect, and decide administrative penalties and to issue the relevant certificate. Based on the above, the PRC legal advisers confirm that the risk of Shandong SAC being penalised is low.

Shandong SAC plant had ceased to produce cement since April 2011 and the Group confirmed that it currently has no plan to resume cement production at the Shandong SAC plant. Currently, the grinding systems at the Shandong SAC plant are being used for the production of slag. The PRC legal advisers have confirmed that the Group is not required to obtain any production permit for the production of slag.

Nevertheless, we cannot assure you that the interpretation and implementation of the relevant government authorities' policies on the Permit will remain consistent in the future. If there is any change in rules and regulations with retrospective effect, any future changes in the interpretation and implementation regarding the policies on the Permit which are adverse to us or any claims against us for conducting production without the Permit could have a material and adverse impact on our business, financial condition and results of operations.

We have not obtained the project establishment approval (立項批准) from the PRC government for the construction of the dock currently in use

We operate a self-built dock on a piece of land next to our production facilities in Taierzhuang District. The construction costs of the dock was approximately RMB10.0 million. We entered into a leasing agreement with Zaozhuang City Taierzhuang District Dundong Village (棗莊市台兒莊區頓東村). While we have complied with the construction requirements and the final acceptance (竣工驗收) of the dock has been obtained, we have not obtained the project establishment approval (立項批准) from the PRC government for the dock construction. We have been operating the dock since December 2004 and there has been no dispute or challenge over the use of the piece of land and we have been paying the annual rental regularly. The dock enables us to ship our products to our target markets in Jiangsu Province and Shanghai at competitive costs giving us a competitive advantage. The dock is important to our operation to the extent that an alternative delivery choice could be offered to our customers.

However, there is no assurance that the government's policy will not become more stringent, requesting the attainment of project establishment approval (立項批准). In such event, our dock may have to be demolished and we may have to rely on road transportation for delivery of products and raw materials, which could possibly result in higher cost and our results of operation and financial performance could be adversely affected. The PRC legal adviser confirmed that the maximum penalty in monetary term for not obtaining project establishment approval is RMB10,000 pursuant to Regulation of River Course Management (河道管理條例). During the six months period ended 30 June 2011, approximately 17% of the sales of our Shandong operations had been delivered via river transportation through our dock. In the event of demolition, we may lose these customers which require river transportation.

We have submitted the application for the relevant approval in April 2011 and it is expected that the relevant approval can be obtained from Shandong Development and Reform Commission (山東省發展和改革委員會) by the end of 2012.

The PRC legal advisers noted from our Directors that Allied Wangchao had missed the initial step of application of project establishment approval from Shandong Development and Reform Commission after we obtained approval from the government authority which is responsible for the management of rivers and canals, and it was unintentional. The PRC legal advisers confirmed that we have carried out reasonable steps in rectifying this non-compliance properly and confirmed that they are not aware of any legal impediments as at the Latest Practicable Date in obtaining the relevant approval. The PRC legal advisers confirmed that given rectification measures have been appropriately conducted, the risk of demolition being ordered is low.

We may be subject to liabilities in connection with accidents arising from our business and operations. We may not have sufficient insurance coverage for such liabilities

Our business involves the operation of heavy machinery, which, if operated improperly, may result in physical injury or even death. We face various risks, including the risk of liability for personal injury and loss of life, damage to or destruction of facilities and equipment, transportation damages and delays, environmental pollution, and risks posed by natural disasters in connection with our business. Apart from one accident, the details of which can be found in the paragraph headed "Legal proceedings" under the section headed "Business", no material accidents have happened in the past due to improper operation of machinery, machinery malfunction or employee negligence. There can be no assurance that accidents will not happen in the future. We may be liable for medical and other payments to the employees and their families, and possible fines or penalties if accidents involving injuries and/or deaths of employees occur. Furthermore, we may be forced to shut down certain equipment or suspend our operations due to government investigation or government requirement to implement additional safety measures. Such business interruptions will result in loss of profit to us. We cannot assure you that all risks have been covered adequately by our existing insurance policy. If we incur substantial liabilities and they are not covered by our insurance policies, our business, financial condition and results of operations could be materially and adversely affected.

Our results of operations are subject to climatic and seasonal fluctuations

Demand for our products is subject to seasonal fluctuations during the year. We usually record lower sales during the period from January to March each year, especially in February, which is common in the cement industry, due to the Chinese New Year's holidays and cold weather in most of our markets which affect construction activities. Certain climate conditions, such as snow, storms and heavy or sustained rainfall, also negatively affect our sales because of the relatively lower level of activity in the construction industry under those conditions. We generally experience a higher sales volume of our products in the second and third quarters because of improved weather conditions, and the higher level of construction activities. Due to the global climatic change in recent years, we cannot assure you that our sales in future will not be adversely affected by the extreme or unfavourable weather conditions which may lead to material impact on our business, financial condition and results of operations.

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 an additional production plant in Shanghai, 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 China where the construction and infrastructure industries are growing rapidly. As a result, we expect to contribute significant capital to fund our future growth.

Notwithstanding our current significant cash balance and financial resources as a result of the gain on land resumption exercise, there is no assurance that our internally generated capital resources and available bank facilities will be sufficient to finance our capital expenditure and growth plans, and we may have 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 additional 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, financial condition and results of operation.

Our business depends substantially on the sustainability of certain major customers

We have a customer base in the provinces of Shandong, Jiangsu and Anhui as well as Shanghai. The customer base mainly comprises of construction companies, ready-mixed concrete stations, clinker or cement traders and downstream cement and cement products manufacturers. During the Track Record Period, our top five customers accounted for approximately 34.7%, 27.0%, 21.0% and 32.2% of the total turnover of our Group for the years ended 31 December 2008, 2009 and 2010 and the six months ended 30 June 2011 respectively. Also, there has been no material change in the customer base in Shanghai despite the Premises Vacation which resulted in the cessation of our production.

While we have a network of customers, contracts with these customers are usually of one-year term and therefore our business depends substantially on the sustainability of relationships with these customers. We cannot assure you that the Shanghai customers can be sustained after the Premises Vacation and the completion of the Bailonggang Project, should it materialise. In addition, there is no assurance that the relationships with the customers can be maintained and the loss of one or more major customers and/or delay or rejection of contract renewals from customers may adversely affect our business, financial condition and results of operations.

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

A team of experienced senior management and skilled labour is vital to the success of companies in the cement industry. We are dependent on the ability and expertise of our senior management for our daily business operations and formulating and implementing our business strategies. If one or more of our executive Directors or senior management in particular, Mr. Ng Qing Hai and Mr. Yu Zhong (both being executive Directors) are 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 essential to maintaining the quality of our products, continuously improving our production processes and supporting the expansion of our production capacity. There is intense competition for qualified personnel in the cement industry and with the surging labour wages in the PRC, we cannot assure you that we will be able to attract or retain qualified personnel at the same costs. If we are unable to attract and retain qualified employees, key personnel and senior management, our business, financial condition and results of operations may be materially and adversely affected.

Any unauthorised use of our brand names, trademarks and other intellectual property rights may adversely affect our business

It always takes time and is costly to establish a brand name or trademark in the market. We depend on the PRC intellectual property and competition laws and contractual restrictions to protect our brand names, trademarks and other intellectual property rights, which are vital to our business. Our cement products are principally sold under an established trademark "泰立" (Titan) which was registered by Shanghai SAC and the registration is valid until November 2016. We have also obtained various patents for our advanced production technologies applied in our cement production process and production facilities. As we are differentiated from other competitors by our high quality cement produced using more advanced production technologies, any unauthorised use of our brand name, trademark, and other intellectual property rights by third parties could adversely affect our reputation, business and market position.

We cannot assure you that the measures we take to protect our brand name, trademark and other intellectual property rights will be sufficient. In addition, the application and interpretation of the PRC laws governing intellectual property rights in China are uncertain and still evolving, which could expose us to substantial risks. Any failure to adequately protect our brand name, trademark and other intellectual property rights will put our business, financial condition and results of operations at risk.

Product liability claims may be brought against us and may materially and adversely harm our business, financial condition, and results of operations

We are exposed to risks associated with product liability claims if the use of our cement products results in damage or injury. Cement products must pass applicable industry tests and comply with contractual specifications and regulatory requirements. We cannot assure you that product liability claims against us will not arise in the future, whether due to product malfunctions, defects or other causes. We do not maintain product liability insurance, which the Directors confirm is consistent with general industry practice. 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. If any such claims were ultimately successful, we could be required to pay substantial damages, which could materially and adversely affect our business, financial condition and results of operations.

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

We focus on the consistency of the quality of our cement products as the product quality is essential to the success of our business. The quality of our products is dependent 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 failure of our quality control system could result in the production of defective or substandard products, which in turn may impair our reputation, result in delays in the delivery of our products and the need to replace defective or substandard products, which could have a material and adverse impact on our business, financial condition and results of operations.

Furthermore, smooth and consistent daily operations of our production facilities are highly crucial to our business. Regular repair and maintenance programs for our production facilities are scheduled by our production departments twice a year, once during the period within January to February and once within July to August and each of which takes approximately half a month to complete to ensure our production facilities are in good conditions. During the Track Record Period, there had been no material breakdown at our production facilities. There had been incidents where minor cracks on the kiln were detected by our staff during routine daily inspection during the Track Record Period which did not cause material impact on the operations of our production facilities. Although such inspections enable us to carry out necessary repairs and we have implemented regular repair and maintenance programs, we cannot assure you that we will discover all the faults and defects whenever they exist or occur so as to execute repair works or take appropriate measures before any harm be caused to our plant, staff or production. Furthermore, we cannot assure you that there will be no sudden malfunction or stoppage of our production facilities during our daily operations and if any breakdown or malfunctions of machinery happened, our business, financial condition and results of operations could be adversely impacted.

If we fail to identify suitable acquisition targets or complete the acquisitions, our growth and competitiveness may be materially and adversely affected

The cement industry in the PRC is highly fragmented. The government aims to promote corporate restructuring and consolidation at regional levels through gradual integration of operation and the optimization of resources allocation in order to concentrate the production effort and enhance competitiveness of cement producers generally. In recent years, major cement producers in the PRC have started the industry consolidation process in various parts of the PRC via mergers and acquisitions. The aim is to increase their market share and competitiveness. The PRC government intends to reduce the number of cement producers from 5,000 in 2006 to 2,000 in 2020. Cement producers in the eastern provinces of the PRC have already begun consolidating other cement producers of smaller scale and size and consolidations are expected to spread in the western provinces of the PRC in the coming few years.

The identification and completion of such acquisitions are dependent upon various factors, including prospective market conditions, geographic locations of the targets, mines for limestones and other resources in relation to our existing plants and customers, satisfactory completion of due diligence, negotiation of definitive agreements and our ability to compete with other entities to acquire attractive targets. We do not have any acquisition plan at present or in the near future. There can be no assurance that in the future we will be able to identify and acquire appropriate acquisition targets on commercially acceptable terms, if at all, or that we will have sufficient capital to fund such acquisitions. Failure to identify or acquire suitable acquisition targets in the future could materially and adversely affect our growth. Our bargaining power on purchases such as raw materials, energy, transportation services would be lower which in turn could adversely affect our competitiveness in the consolidation process of cement producers.

Our scale of operations is small relative to certain national and regional cement producers, and in the consolidation process of the cement industry, we may become a consolidatee

Consolidating the cement market is one of the main focuses of the PRC government as stated in the Policies on Cement Industry Development (水泥工業產業發展政策) issued in October 2006. Consolidation of the fragmented market through mergers and acquisitions by the larger and/or foreign cement producers is accelerating under the PRC government's aim to save energy and reduce pollutants emission. The goal is to reduce the number of cement producers from 5,000 in 2006 to 2,000 by 2020 as abovementioned.

During the process of this industry consolidation, there is no assurance that we will not become a consolidatee instead. In such event, our prospects will depend on the strengths and competitiveness of our acquirer; and investment return to our shareholders will depend on the price offered by these acquirers for our business. There is no assurance that our prospects will be enhanced if such consolidation occurs. The price offered by the acquirer in the event that our business is being acquired may be lower than our shareholders' original costs of investment.

We rely on third party transportation companies to take and deliver cement or clinker products to our customers and there is thus no assurance of their service quality, and we have had lapses in our logistic control

Sales of our cement or clinker products are normally conducted on the basis that our customers arrange for their transportation and deliveries. There are also exceptional cases that we may be requested by our customers to arrange transportation for delivery of cement or clinker products to their stipulated destination on their behalf, where transportation costs are included in our sale prices and we separately settle the costs with the transportation companies. Since we do not maintain our own transportation team and vehicles such as trucks and barges, such delivery will be undertaken by Independent Third Parties transportation companies. We do not maintain our own transportation team and vehicles as it is not cost effective. Our Directors also believe there are ample choices of transportation companies in the market which we can engage as and when necessary. We have been engaging the services of more than 20 transportation companies in Shanghai and Shandong for road and river transportations. Our working relationships with our main transportation companies range from 2 years to 3 years.

For the three years ended 31 December 2008, 2009 and 2010 and for the six months ended 30 June 2011, approximately 88.7%, 94.7%, 94.8% and 98.5% of our cement and clinker sales were conducted on the basis that our customers arranged for their own transportation and deliveries respectively.

Consequently, transportation costs amounted to approximately 0.7%, 0.6%, 2.3% and 0.5% of our cost of goods sold (excluding cost of purchase of cement products for trading) during the corresponding years/period.

Our Directors believe that given the competitive nature of road and river transportation companies, there is no indication that there will be material increases in transportation costs in Shanghai and Shandong. Notwithstanding the above, if there is an increase in customer requests for transportation costs to be included in our selling prices and if we are not able to transfer such costs fully to our customers, or if there are material increases in transportation costs, our financial performance may be adversely affected.

In December 2009, upon our customer's request and on its behalf, we engaged a third party transportation company to take delivery from a cement manufacturer for delivery to our customer. A staff of the cement manufacturer wrongly dispensed slag as cement into the truck while our customer's staff failed to examine the products upon delivery by the transportation company. For details of this incident, please refer to paragraph headed "Logistic control" under section headed "Business" of this prospectus. While we have taken measures to prevent recurrence of such incident, there is no assurance that similar incident or lapses in logistic control will not recur.

RISKS RELATING TO THE CEMENT INDUSTRY IN THE PRC

The cement industry is subject to significant regulations by the PRC government

We are subject to regulations from 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 ("GAQSIQ"), the Ministry of Commerce of the PRC, or MOFCOM, and the Ministry of Construction of the PRC. These authorities are empowered to issue and implement regulations governing different aspects of cement production and excavation activities of raw materials.

In order to engage in cement production and excavation activities, we are required to maintain certain licenses and permits such as National Industrial Products Production Permit and the production safety permit in China. Furthermore, our products are required to meet certain standards stipulated by various PRC government authorities. For example, GAQSIQ issued the GB175-2007 standards that govern certain aspects of the production and sales of cement products. All cement producers in the PRC must comply with these standards, and cement products that fail to meet the relevant quality standards may not be sold in the PRC. These standards provide strict guidelines regarding the composition and technical specifications for cement products. In addition, they standardize the testing methods for cement products and the types of packaging permitted. We may need to incur additional expenses to ensure compliance should there be any change to the existing requirements or new requirements applicable to our cement products and therefore 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, we may be subject to fines or penalties and our products may not be sold in the market which in turn may adversely and materially affect our business, financial condition and results of operations.

Traditionally, the cement industry has been subject to government control at the policy level in terms of production method and volume, product mix and environmental protection whereas the PRC Government's current policies are generally market oriented. The PRC government closely monitors the development of the cement industry and may regulate the industry by issuing and implementing new regulations and policies in a timely manner. For example, according to the *Notice Regarding Replacement of Obsolete Cement Production Capability* (關於做好淘汰落後水泥生產能力有關工作的通知) issued by the NDRC on 18 February 2007, local governments are required to gradually phase out cement producers with annual capacity of less than 200,000 tons and those with production methods that are less environmentally friendly. In addition, according to the *State Council's Notice Approving the NDRC's Guidelines on Redundant Construction, Curbing Overcapacity in Certain Industries and the Healthy Development of Industries* (國務院批轉發展改革委等部門關於抑制部分行業產能過剩和重複建設引導產業健康發展若干意見的通知) promulgated on 26 September 2009, the industrial policies on the cement industry in the PRC are, among others, to control newly added cement capacities and phase out obsolete cement production capacity. As at the Latest Practicable Date, our production line in the PRC has had an annual production capacity of over 200,000 tons, and they comply with the relevant environmental requirements. Our production facilities therefore meet the production scale and environmental requirements of the PRC government and therefore such policies implemented by the PRC government does not have any adverse impact on us.

In addition, projects involving significant capital investment are subject to approval or filing requirements at different levels of the PRC government. In order to comply with these government regulations and policies and efforts to obtain such approvals may result in significant deviations from our current or future development plans, increase our costs and divert our management resources, which may adversely affect our profitability and growth prospects.

Compliance with environmental regulations can be expensive, and any failure to comply with these regulations could result in adverse impact on our reputation, fines and suspension of our business operations

The PRC has been imposing various environmental regulations in the cement industry as this industry is categorized by the PRC Government as a high energy consumption industry. As a result, we are subject to a variety of national and local environmental protection law and regulations, such as the requirement to use the more environmentally friendly NSP production technology. Government requirements that affect our operations include those relating to noise, dust, air quality, solid waste management, and waste water treatment. Failure to comply with these regulations may result in the assessment of damages or imposition of penalties, fines, administrative sanctions, proceedings and/or suspension of production or cessation of our operations or revocation of our licenses or permits to conduct our business. As at the Latest Practicable Date, our production line in the PRC has adopted the NSP technology and therefore such requirement by the PRC government does not have any impact on us.

In response to the growing concerns of environmental protection issues, we anticipate that the PRC environmental regulatory framework will become increasingly stringent. The implementation of more stringent laws and regulations or stricter interpretation of the existing laws and regulations may require us to incur additional expenses for compliance purposes including but not limited to expenses in conducting research and development for environmentally friendly production technology and more frequent and detailed environmental protection checks for the cement production process. Such environmental protection related expenses can be costly and we cannot assure you that we will be able to comply with any additional environmental regulations in the future, or enhanced implementation of existing environmental regulations on a cost-effective basis, or at all. In such circumstances, our business, financial condition and results of operations 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 reputation and operations

Cement industry requires operations of heavy machinery of which improper operation or malfunction would result in serious consequences. We are required to comply with the applicable production safety standards related to our production processes. Our production plants and facilities are subject to regular inspections by the regulatory authorities for compliance with the Production Safety Law (安全生產法). Moreover, under the Labour Law (勞動法) and the Law on Prevention and Control 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 labour safety training and education, all necessary protective tools and facilities and regular health examinations for those who may be exposed to risks of occupational hazards. Any failure to meet the relevant legal requirements on production safety and labour safety could subject us to warnings from relevant governmental authorities and governmental orders to rectify such non-compliance within a specified time frame. We may be required to suspend our production temporarily or cease our operations permanently for significant non-compliance, which may in turn have a material adverse effect on our reputation, business, financial condition and results of operations.

RISKS RELATING TO THE PRC

Changes in the economic, political and social conditions in the PRC and the global market may materially and adversely affect our business, financial condition and results of operations

We derive our turnover from the sale of our products to customers in the PRC, in particular, the provinces of Shandong, Jiangsu and Anhui as well as Shanghai. As a result, our business developments, financial condition and results of operations are directly correlated to the economic, political and social developments in the PRC. Generally, the demand for our products is closely related to the level of activity and the growth in the construction industry of the PRC. Accordingly, the real estate policies, mortgage and interest rate levels, inflation rate, labour market conditions, GDP growth and consumer confidence also greatly influence the growth of the construction industry, which in turn, the demand for our products.

With an increasingly important position in the global market, the PRC government has been formulating and implementing various measures, reforms and policies to align the PRC with the pace of the international market in regards to the economic, political and social aspects. According to the National Bureau of Statistics of China, for the three years ended 31 December 2008, 2009 and 2010, the GDP reached RMB31,404.5 billion, RMB34,090.3 billion and RMB39,798.3 billion respectively, representing a real growth rate of 9.6%, 9.2% and 10.3% respectively over the corresponding prior year. The encouraging measures implemented by the PRC government have benefited the overall PRC economy, whereas some measures are put in place to soften the overly heated economy which may negatively affect the real estate market, which in turn impede the development of the construction industry. For example, on 28 January 2011, the PRC government has announced a residential property tax of 0.4% to 1.2% on the property price for the properties with transaction price higher than the average market selling price. Shanghai, one of our target regional markets and Chongqing are the first two trial cities for the implementation of such policy. This kind of tightening measure may lower the demand for the real estate properties in the PRC which may weaken the growth of the construction industry and therefore our business, financial condition and results of operations could be adversely affected.

Furthermore, the global capital and credit markets have been experiencing extreme volatility and disruption in recent periods. Declining residential real estate market in the United States and elsewhere, volatile oil prices and increased unemployment may contribute to global economic slowdown and/or a possible prolonged global recession, which may impair consumer confidence. The PRC, the economic condition of which is highly interdependent with the developments of the global economy, may be exposed to an increasingly volatile and fragile business environment. Any economical slowdown and/or global recession may materially affect our business, financial condition and results of operations.

PRC government policy may disrupt and materially affect our Group's operation

As described in the earlier paragraph, our Shanghai plant ceased production completely in December 2009. Although a new site is being negotiated for us to construct a new plant in Bailonggang and we will receive a total compensation of RMB799.9 million, it caused disruption and material effects to our operation the repercussions of which to our future development are not yet entirely certain.

Since our business operations are situated in the PRC, we may be subject to other unforeseen government policies which may materially and adversely affect our business, financial condition and results of operations. There is no assurance that we would be compensated under such other government policies similar to the Premises Vacation or at all.

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

Our business is conducted within China and is governed by PRC laws, rules and regulations. The PRC legal system is a civil law system based on written statutes and prior court decisions can only be used as reference. With a view to develop a comprehensive system of commercial law, the PRC government has promulgated laws and regulations with regards to economic matters such as foreign investment, corporate organisation and governance, commerce, taxation and trade since late 1970s. Nonetheless, the PRC has not yet developed a fully integrated and comprehensive legal system. The lack of an integrated legal system, combined with the limited volume of published cases available and the non-binding nature of prior court decisions, the interpretations of many recently enacted laws, rules and regulations involve a degree of uncertainty, inconsistency and unpredictability. Furthermore, the PRC legal system is based in part on government policies and administrative rules that may have a retroactive effect and consequently, we may not be aware of our violation of these rules and regulations until the promulgation of the relevant laws, rules or regulations. Moreover, we may only have limited legal protection under these laws, rules and regulations. Any litigation or regulatory enforcement action in China may be protracted and could incur significant costs and diversion of resources and management attention, which in turn may materially and adversely affect our business, financial condition and results of operations.

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, financial condition and results of operations

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 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, financial condition and results of operations.

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

According to the new PRC Enterprise Income Tax Law effective from 1 January 2008, enterprises established outside 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 announced implementation rules of this new tax law which defines "de facto management body" as an organisation that exercises substantial and overall management and control over an enterprise's manufacturing or business operation, finance and property. Furthermore, 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* (國家税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 22 April 2009 and has a retrospective effect since 1 January 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 and business operations are currently based in China, in particular, Shanghai and Shandong Province, 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 PRC Labour Contract Law, and our labour costs may increase

With the increasing concerns with labour protection, the PRC government has adopted the PRC Labour Contract Law, which has become effective on 1 January 2008, imposing requirements on employers concerning 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. In addition, the PRC Labour Contract Law requires the employer to contribute to social insurance and housing provident funds on behalf of its employees. Neither can we assure you that the PRC Labour Contract Law will not affect our current employment policies due to different interpretations and implementation policies by local bureaus nor can we assure you that our employment policies do not or will not violate the PRC Labour Contract Law and that we will not be subject to related penalties, fines or legal fees.

As a result of the PRC Labour Contract Law, together with the forecasted labour shortage in the coming years in the PRC, our labour costs may increase, which may in turn lead to an increase in our cost of sales. We may not be able to pass on the cost increments to our customers due to competitive pricing pressures. If we are subject to large penalties or fees related to the PRC Labour Contract Law or our labour costs increase, our business, financial condition and results of operations may be materially and adversely affected.

We may be subject to a fine for breach of General Rule on Lending

According to General Rule of Lending, granting of financial assistance to another corporation is prohibited. People's Bank of China may impose a maximum fine up to 5 times of the interest income derived from such financial assistance. The Group had, during the Track Record Period, granted financial assistance of RMB40 million to a related company, Tian An Shanghai, at an interest rate of 4% per annum. While the outstanding balance has been settled in full on 29 July 2011, there is still a risk that the General Rule of Lending may be enforced against our Group and a maximum fine of approximately RMB5.5 million (equivalent to approximately HK$6.6 million) may be imposed.

Government control of currency conversion may affect the value of your investment in our Shares and impede our effective utilisation of our cash

Under existing PRC foreign exchange regulations, payment 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, whereas payment of capital expenses which have to be remitted out of China, such as the repayment of loans denominated in foreign currencies, requires the approval from SAFE or its local branch. The PRC government may also at its discretion restrict access in the future to foreign currencies for current account transactions.

At present, RMB is not freely convertible to other currencies. Although our operations are based in China and that all our turnover and substantial portion of our daily transactions are denominated in Renminbi, we may have to convert a portion of our Renminbi revenue or profit to meet our foreign currency obligations, such as the payment of dividends, if declared. Moreover, any expansions, mergers and acquisitions or in other cases in the future may require us to satisfy foreign currency-denominated obligations, purchase goods and services outside the PRC or fund our business activities conducted in foreign currencies. We may be unable to pay dividends in foreign currencies to our Shareholders and/or unable to accomplish the foreign currency-denominated obligations if the restrictions from the PRC government prevent us from obtaining sufficient foreign currency, which in turn may materially or adversely affect the value of your investment in our Shares, our business, financial condition and results of operations.

The PRC government may allow free conversion of Renminbi in the future due to its increasing interdependent position with the global markets. Nonetheless, we cannot predict the timeline for its implementation or if implemented, the effectiveness of its execution and therefore there is no assurance that we will obtain sufficient foreign currency when it is in need and our results of operations and market position may be materially affected.

The appreciation, decline or fluctuation of Renminbi exchange rate may materially or adversely affect our business, financial condition and results of operations and the value of your investment in our Shares

Our Group's business operates principally in the PRC. As payment of dividends to the Shareholders will be made in Hong Kong dollars, such payment will be subject to fluctuation of the exchange rate. Although the exchange rate of Renminbi has appreciated against Hong Kong dollars during the recent years, the exchange rate may also decline or fluctuate against other currencies under factors including but not limited to the global economy, market conditions, PRC government policy, and international politics. The appreciation, decline or fluctuation of Renminbi exchange rate may impact on the PRC economy and materially and adversely affect our business, financial condition and results of operations and the value of your investment in our Shares.

You may experience difficulties in effecting service of legal process and enforcing judgment against us and our management

Our Company was incorporated in the Cayman Islands. Our production line and a majority of our executive Directors are based in the PRC. Our assets are almost entirely situated in the PRC. Accordingly, it may not be possible for you to effect service of legal process upon us or our Directors or management in the PRC. The PRC has not yet developed an integrated comprehensive legal system and treaties providing for reciprocal recognition and enforcement of judgments of courts with Hong Kong, the US, the United Kingdom or most other western countries. As a result, you may experience difficulties in enforcing against us and our Directors or management in the PRC any judgments obtained from non-PRC courts.

Our results of operations and the trading price of our Shares may be adversely affected by the occurrence of an epidemic or health related factors

With the advent of increasing globalisation, the world health problems attributable to urbanisation, poverty, environmental degradation and inadequate public health infrastructures are threatening different parts of the world, including China, which has been getting increasingly industrialised. A threatened or actual outbreak of any widespread public health problem in China, such as severe acute respiratory syndrome, avian influenza, swine influenza or other infectious diseases, could negatively affect our results of operations and the trading price of our Shares. Our operations may be affected by a number of health-related factors, including but not limited to quarantines or closure 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.

RISKS RELATING TO OWNERSHIP OF SHARES

The trading price of the Shares may be volatile which could result in substantial losses for investors in the Share Offer

Following the Share Offer, the market price of our Shares may fluctuate significantly as a result of, among other things, the following factors, some of which are beyond our control:

- variations in our business and financial performance;
- performance and fluctuation of the market prices of the competitors with their securities listed in Hong Kong;
- level of liquidity of our Shares;
- changes in securities analysts' estimates of our financial performance;
- investors' perceptions of our Group and the general investment environment;
- changes in laws, regulations and taxation systems which affect our operations;
- success or failure of our efforts in implementing business and growth strategies;
- involvement in litigation;
- recruitment or departure of key personnel; and
- general economic and stock market conditions.

Save as described above, the stock markets in general may experience fluctuations in transaction price and volume regardless of our actual operating performance. As such, the volatility of our Share price may be beyond our control.

No prior market exists for our Shares and an active or liquid market for our Shares may not develop

Prior to the Share Offer, there has been no public market for our Shares. The Offer Price was determined between us and the Underwriter, and the Offer Price may differ significantly from the market price of our Shares following the Share Offer. The Stock Exchange will be the only market on which our Shares are listed. We are not able to assure investors that an active public market will develop or be sustained after this Share Offer. There is also no assurance that the market price of our Shares will not decline below the Offer Price. If an active trading market for our Shares does not develop or is not sustained after the Share Offer, the market price and liquidity of our Shares may be materially and adversely affected.

Future sale of the Shares or major divestment of Shares by any major shareholder could adversely affect the Share price

The sale of a significant number of Shares in the public market after the Share Offer, or the perception that these sales may occur, could adversely affect the market price of our Shares. There is no assurance that our major Shareholders would not dispose of their shareholdings. Any significant disposal of the Shares by any of the major Shareholders may materially affect the prevailing market price of the Shares. In addition, these disposals may induce more difficulties for us to issue new Shares in the future at a time and price we deem appropriate, thereby limiting our ability to raise further capital.

Investors in the Share Offer may experience dilution if we issue additional Shares in the future

In order to expand our business, we may consider issuing additional Shares in the future. Investors of our Shares may experience immediate dilution in the net tangible asset book value per Share of their Shares if we issue additional Shares in the future at a price which is lower than the then net tangible asset book value per Share.

The interest of our Controlling Shareholders may not always coincide with our interests and those of our other shareholders

Upon the completion of the Share Offer, our Controlling Shareholder will own 75.0% of our Shares. The Controlling Shareholder will be in a position which has significant influence over the operations and business strategy of our Company, and may have the ability to require us to effect corporate actions according to their own wills. The interests of our Controlling Shareholder may not always coincide with our or your best interests. If the interests of our Controlling Shareholder conflict with our and/or your interests, or if our Controlling Shareholder chooses to cause our business to pursue strategic objectives that conflict with our and/or your interests, our Company or those other Shareholders or investors may be adversely affected as a result.

RISKS RELATING TO THE SHARE OFFER

Certain facts, forecasts and other statistics with respect to the demographic information, economy and construction sectors in the PRC contained in this prospectus have not been independently verified

Facts, forecasts and other statistics in this prospectus relating to the PRC, the global and the PRC economy, the global and the PRC cement industry have been derived from various official government publications, press articles, other media or third party sources. These public sources included recognised cement industry associations in the PRC, major press in the PRC, government ministries and bureau such as National Bureau of Statistics of China. However, we cannot guarantee the quality or reliability of such source materials. While our Directors have taken reasonable care in extracting and reproducing such information and have no reason to believe that such information is false or misleading or that any fact has been omitted that would render such information false or misleading, they have not been prepared or independently verified by us, the Sponsor, the Underwriter or any of our or their respective affiliates, directors or advisers and, therefore, the aforementioned or parties involved in the Share Offer make no representation as to the accuracy of such facts, forecasts and statistics contained in such official government publications.

The facts and other statistics included in the sections headed "Risk factors", "Industry overview", and "Business". Due to possible 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 you should not place undue reliance on them. Further, we cannot assure you that they are stated or compiled on the same basis or with the same degree of accuracy as similar statistics presented elsewhere. In all cases, you should consider carefully how much weight or importance you should attach to or place on such facts or statistics.