The following is the text of a report, prepared for inclusion in this prospectus, received from the independent reporting accountants, Deloitte Touche Tohmatsu, Certified Public Accountants, Hong Kong.

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30 December 2011

The Directors
Allied Cement Holdings Limited
Altus Capital Limited

Dear Sirs,

We set out below our report on the financial information (the "Financial Information") regarding Allied Cement Holdings Limited (the "Company") and its subsidiaries (hereinafter collectively referred to as the "Group") for each of the three years ended 31 December 2010 and the six months ended 30 June 2011 (the "Relevant Periods") for inclusion in the prospectus of the Company dated 30 December 2011 (the "Prospectus") issued in connection with the listing of the Company's shares on the Main Board of The Stock Exchange of Hong Kong Limited (the "Listing").

The Company was incorporated as an exempted company and registered in the Cayman Islands with limited liability under the Companies Law, Cap. 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands on 21 March 2011. Pursuant to a corporate reorganisation ("Corporate Reorganisation"), as more fully explained in the section headed "Corporate reorganisation" in Appendix V to the Prospectus, the Company became the holding company of the companies comprising the Group on 20 December 2011.

All the companies comprising the Group have adopted 31 December as their financial year end date.

Particular of the Company's subsidiaries during the Relevant Periods and at the date of report are as follows:

Name of subsidiary	Place and date of incorporation/ establishment	Issued and fully paid share capital/ registered capital	Effective equity interest attributable to the Group					Principal activities
			At 31 December			At 30 June	At date of this report	
			2008	2009	2010	2011		
			%	%	%	%	%	
AII-cement Limited	The British Virgin Islands ("BVI") 5 January 2001	Ordinary share US$1	100	100	100	100	100	Investment holding
AII-Shanghai Inc.	BVI 1 March 1993	Ordinary share US$15,376,500	83.3	83.3	83.3	83.3	83.3	Investment holding

Name of subsidiary	Place and date of incorporation/ establishment	Issued and fully paid share capital/ registered capital	Effective equity interest attributable to the Group At 31 December 2008	2009	2010	At 30 June 2011	At date of this report	Principal activities
			%	%	%	%	%	
SAC Intellectual Properties Limited	BVI 11 March 2010	Ordinary share US$1	—	—	100	100	100	Trademarks holding
山東上聯水泥發展有限公司 Shandong Shanghai Allied Cement Co., Ltd. ("Shandong SAC") *(note a)*	The People's Republic of China ("PRC") 8 June 2001	Registered capital US$1,000,000	100	100	100	100	100	Manufacture and sales of cement and clinker
上海聯合水泥有限公司 Shanghai Allied Cement Co., Ltd. ("Shanghai SAC") *(notes b & c)*	The PRC 31 December 1993	Registered capital US$24,000,000	50	50	50	50	50	Manufacture and sales of cement in 2008 and 2009, trading of cement in 2010
Shanghai Allied Cement Holdings Limited ("SACHL")	Hong Kong 21 May 2001	Ordinary share HK$10,000,000	100	100	100	100	100	Investment holding
山東聯合王晁水泥有限公司 Shandong Allied Wangchao Cement Limited ("Allied Wangchao") *(note a)*	The PRC 29 December 2003	Registered capital US$14,360,000	100	100	100	100	100	Manufacture and sales of cement and clinker
Splendid Link Limited	BVI 19 November 2010	Ordinary share US$1	—	—	100	100	100	Investment holding

Notes:

(a) Wholly foreign-owned enterprise registered in the PRC.

(b) Sino-foreign joint venture registered in the PRC.

(c) The 60% interest in Shanghai SAC is held by AII-Shanghai Inc., a subsidiary in which the Company has 83.3% equity interest as at 31 December 2008, 2009, 2010 and 30 June 2011. Shanghai SAC is indirectly controlled subsidiary of the Company. Therefore, the Company could exercise control over Shanghai SAC through AII-Shanghai Inc., though the effective beneficial interests attributable to the Company in Shanghai SAC is calculated at 50% based on the effective interest holding percentage.

Other than Splendid Link Limited which is wholly-owned directly by the Company, all other subsidiaries are indirectly held by the Company.

No audited financial statements have been prepared for the Company since its date of incorporation as it has not carried on any business since its date of incorporation other than the transactions related to the Corporate Reorganisation.

No audited financial statements have been prepared for Splendid Link Limited and SAC Intellectual Properties Limited as there is no statutory audit requirement in the BVI.

For the purpose of this report, we have, however, reviewed the relevant transactions of the Company, Splendid Link Limited and SAC Intellectual Properties Limited since their respective dates of incorporation and carried out such procedures as we considered necessary for inclusion of the financial information relating to these companies in this report.

We have audited the statutory financial statements of SACHL prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"), in accordance with Hong Kong Standards on Auditing issued by the HKICPA for each of the three years ended 31 December 2010. We have also audited the financial statements of AII-cement Limited and AII-Shanghai Inc. prepared in accordance with HKFRSs issued by the HKICPA in accordance with Hong Kong Standards on Auditing issued by the HKICPA for each of the three years ended 31 December 2010.

The statutory financial statements of the following subsidiaries established in the PRC were prepared in accordance with the relevant accounting principles and financial regulations applicable to enterprises established in the PRC. They were audited by the following certified public accountants registered in the PRC.

Name of subsidiary	Financial year	Name of auditor
Shandong SAC	Each of three years ended 31 December 2010	棗莊安信會計師事務所有限公司
Allied Wangchao	Each of three years ended 31 December 2010	棗莊安信會計師事務所有限公司
Shanghai SAC	Each of three years ended 31 December 2010	德勤華永會計師事務所有限公司

For the purpose of this report, the directors of Splendid Link Limited have prepared the consolidated financial statements of Splendid Link Limited, the then holding company, and its subsidiaries for the Relevant Periods in accordance with HKFRSs issued by the HKICPA (the "HKFRSs Financial Statements"). We have undertaken an independent audit on the HKFRSs Financial Statements in accordance with Hong Kong Standards on Auditing issued by the HKICPA.

The Financial Information of the Group for the Relevant Periods set out in this report has been prepared from the HKFRSs Financial Statements or, where appropriate, management accounts of the Company from its date of incorporation (collectively referred to "Underlying Financial Statements") on the basis set out in note 1 of Section A below. No adjustment has been made by us to the Underlying Financial Statements in preparing our report for inclusion in the Prospectus.

We have examined the Underlying Financial Statements in accordance with the Auditing Guideline 3.340 "Prospectuses and the Reporting Accountant" as recommended by the HKICPA.

The Underlying Financial Statements are the responsibility of the directors of the companies who approve their issue. The directors of the Company are responsible for the contents of the Prospectus in which this report is included. It is our responsibilities to compile the Financial Information set out in this report from the Underlying Financial Statements, to form an independent opinion on the Financial Information and to report our opinion to you.

In our opinion, on the basis of presentation set out in note 1 of Section A below, the Financial Information gives, for the purpose of this report, a true and fair view of the state of affairs of the Company as at 30 June 2011 and of the Group as at 31 December 2008, 2009, 2010 and 30 June 2011 and of the combined results and combined cash flows of the Group for the Relevant Periods.

The comparative combined statement of comprehensive income, combined statement of cash flows and combined statement of changes in equity of the Group for the six months ended 30 June 2010 together with the notes thereon have been extracted from the Group's unaudited combined financial information for the same period (the "Interim Financial Information") which was prepared by the directors of the Company solely for the purpose of this report. We conducted our review of the Interim Financial Information in accordance with the Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the HKICPA. Our review of the Interim Financial Information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion on the Interim Financial Information. Based on our review, nothing has come to our attention that causes us to believe that the Interim Financial Information is not prepared, in all material respects, in accordance with the accounting policies consistent with those used in the preparation of the Financial Information, which conform with HKFRSs.

A. FINANCIAL INFORMATION

Combined Statements of Comprehensive Income

	Notes	Year ended 31 December			Six months ended 30 June	
		2008	2009	2010	2010	2011
		HK$'000	HK$'000	HK$'000	HK$'000 (Unaudited)	HK$'000
Revenue	*7*	555,915	490,116	451,444	161,849	391,659
Cost of sales		(509,121)	(459,058)	(399,596)	(157,532)	(329,694)
Gross profit		46,794	31,058	51,848	4,317	61,965
Other income	*9*	29,368	17,944	12,914	5,938	10,854
Net foreign exchange gain		25,633	—	13,146	—	9,559
Fair value gains on financial assets designated as at fair value through profit or loss		—	—	5,538	5,171	4,332
Gain on land resumption exercise	*27*	—	—	528,396	528,396	5,766
Distribution and selling expenses		(6,642)	(6,600)	(4,529)	(2,943)	(1,636)
Administrative expenses		(25,711)	(24,503)	(17,753)	(6,067)	(15,015)
Other expenses	*10*	—	—	—	—	(3,606)
Reversal of (allowance for) bad and doubtful debts		541	820	292	(3)	16
Goodwill written off	*18*	—	—	(69,479)	(69,479)	—
Finance costs	*11*	(12,398)	(9,232)	(4,882)	(1,068)	(2,163)
Profit before taxation		57,585	9,487	515,491	464,262	70,072
Taxation	*13*	(4,503)	535	(140,976)	(132,260)	(16,797)
Profit for the year/period	*14*	53,082	10,022	374,515	332,002	53,275
Other comprehensive income						
Exchange difference arising on translation to presentation currency		12,700	—	19,373	(4,504)	17,086
Total comprehensive income for the year/period		65,782	10,022	393,888	327,498	70,361
Profit for the year/period attributable to:						
Owners of the Company		45,206	6,709	168,332	129,930	47,840
Non-controlling interests		7,876	3,313	206,183	202,072	5,435
		53,082	10,022	374,515	332,002	53,275
Total comprehensive income attributable to:						
Owners of the Company		45,388	6,709	176,513	127,679	54,756
Non-controlling interests		20,394	3,313	217,375	199,819	15,605
		65,782	10,022	393,888	327,498	70,361
		HK cents	HK cents	HK cents	HK cents	HK cents
Earnings per share	*15*					
Basic		12.82	1.90	47.73	36.84	13.56

Combined Statements of Financial Position

		At 31 December			At 30 June
		2008	2009	2010	2011
	Notes	HK$'000	HK$'000	HK$'000	HK$'000
Non-current assets					
Property, plant and equipment	*16*	471,155	228,472	346,526	366,529
Prepaid lease payments on land use rights	*17*	16,510	7,423	7,501	7,588
Goodwill	*18*	69,479	69,479	—	—
Mining right	*19*	7,770	7,597	7,686	7,781
Deposits for acquisition of property, plant and equipment		—	14,606	—	—
		564,914	327,577	361,713	381,898
Current assets					
Properties held for sale	*20*	1,333	1,333	1,380	1,042
Inventories	*21*	47,996	38,196	41,143	35,380
Trade and bills receivables	*22*	216,369	186,353	191,873	328,198
Other receivables, deposits and prepayments	*23*	26,583	28,886	89,046	98,857
Amounts due from related parties	*39*	29,257	—	47,252	48,193
Financial assets designated as at fair value through profit or loss	*24*	—	—	35,608	325,040
Loan receivable	*25*	—	—	60,482	—
Prepaid lease payments on land use rights	*17*	439	177	184	188
Tax recoverable		721	—	—	—
Pledged short-term bank deposits	*26*	13,636	—	45,882	124,096
Time deposits	*26*	—	—	282,353	217,139
Bank balances and cash	*26*	59,161	506,011	269,619	70,098
		395,495	760,956	1,064,822	1,248,231
Assets classified as held for sale	*27*	—	260,059	—	—
		395,495	1,021,015	1,064,822	1,248,231
Current liabilities					
Trade and bills payables	*28*	47,908	23,588	92,818	173,440
Other payables and deposit received	*29*	31,041	22,442	49,694	56,875
Deposit received on land resumption	*30*	—	568,382	—	—
Amounts due to related parties	*39*	326,433	304,175	362,808	372,646
Tax liabilities		33	1,629	142,666	151,224
Borrowings due within one year	*31*	203,058	27,357	17,647	49,757
		608,473	947,573	665,633	803,942
Net current (liabilities) assets		(212,978)	73,442	399,189	444,289
Total assets less current liabilities		351,936	401,019	760,902	826,187

		At 31 December			At 30 June
		2008	2009	2010	2011
	Notes	HK$'000	HK$'000	HK$'000	HK$'000
Capital and reserves					
Share capital	*32*	10,000	10,000	—	—
Reserves		106,848	113,557	250,043	304,799
Equity attributable to owners of the Company		116,848	123,557	250,043	304,799
Non-controlling interests		192,732	187,229	396,808	412,413
Total equity		309,580	310,786	646,851	717,212
Non-current liabilities					
Amount due to a related party	*39*	450	475	—	—
Borrowings due after one year	*31*	10,341	59,582	85,582	77,801
Deferred taxation	*33*	31,565	30,176	28,469	31,174
		42,356	90,233	114,051	108,975
		351,936	401,019	760,902	826,187

Combined Statements of Changes in Equity

	Attributable to owners of the Company							Non-controlling interests	Total
	Share capital	Translation reserve	Special reserve	Capital reserve	Other reserves	Retained profits	Total		
	HK$'000	HK$'000	HK$'000 (Note a)	HK$'000	HK$'000 (Note b)	HK$'000	HK$'000	HK$'000	HK$'000
At 1 January 2008	10,000	2,512	—	824	14,108	44,016	71,460	185,299	256,759
Profit for the year	—	—	—	—	—	45,206	45,206	7,876	53,082
Exchange difference arising on translation to presentation currency	—	182	—	—	—	—	182	12,518	12,700
Total comprehensive income for the year	—	182	—	—	—	45,206	45,388	20,394	65,782
Transfer to other reserve	—	—	—	—	1,017	(1,017)	—	—	—
Acquisition of additional interest in a subsidiary	—	—	—	—	—	—	—	(5,230)	(5,230)
Dividends paid to a non-controlling interest	—	—	—	—	—	—	—	(7,731)	(7,731)
At 31 December 2008	10,000	2,694	—	824	15,125	88,205	116,848	192,732	309,580
Profit for the year and total comprehensive income for the year	—	—	—	—	—	6,709	6,709	3,313	10,022
Dividends paid to non-controlling interests	—	—	—	—	—	—	—	(8,816)	(8,816)
At 31 December 2009	10,000	2,694	—	824	15,125	94,914	123,557	187,229	310,786
Profit for the year	—	—	—	—	—	168,332	168,332	206,183	374,515
Exchange difference arising on translation to presentation currency	—	8,181	—	—	—	—	8,181	11,192	19,373
Total comprehensive income for the year	—	8,181	—	—	—	168,332	176,513	217,375	393,888
Special reserve arising from group reorganisation	(10,000)	—	(40,027)	—	—	—	(50,027)	—	(50,027)
Dividends paid to non-controlling interests	—	—	—	—	—	—	—	(7,796)	(7,796)
At 31 December 2010	—	10,875	(40,027)	824	15,125	263,246	250,043	396,808	646,851
Profit for the period	—	—	—	—	—	47,840	47,840	5,435	53,275
Exchange difference arising on translation to presentation currency	—	6,916	—	—	—	—	6,916	10,170	17,086
Total comprehensive income for the period	—	6,916	—	—	—	47,840	54,756	15,605	70,361
At 30 June 2011	—	17,791	(40,027)	824	15,125	311,086	304,799	412,413	717,212
Unaudited									
At 1 January 2010	10,000	2,694	—	824	15,125	94,914	123,557	187,229	310,786
Profit for the period and total comprehensive income for the period	—	—	—	—	—	129,930	129,930	202,072	332,002
Exchange different arising on translation to presentation currency	—	(2,251)	—	—	—	—	(2,251)	(2,253)	(4,504)
Total comprehensive income for the period	—	(2,251)	—	—	—	129,930	127,679	199,819	327,498
Dividends paid to non-controlling interests	—	—	—	—	—	—	—	(5,089)	(5,089)
At 30 June 2010	10,000	443	—	824	15,125	224,844	251,236	381,959	633,195

Notes:

(a) The special reserve of the Group represents the difference between the nominal amount of the share capital of SACHL and SAC Intellectual Properties Limited at the date on which they were acquired by Splendid Link Limited at a consideration of HK$50,027,000 and US$1 respectively under the reorganisations.

(b) Other reserves as at 31 December 2008, 2009, 2010 and 30 June 2011 comprise reserve fund of HK$10,423,000 and enterprise expansion fund of HK$4,702,000 of Shanghai SAC and Shandong SAC. The reserve fund is to be used to expand the enterprise's working capital. When the enterprise suffers losses, the reserve fund may be used to make up unrecovered losses under special circumstances. The enterprise expansion fund is to be used for business expansion and, if approved, can also be used to increase capital.

The remittance of retained profits of the subsidiaries established in the PRC outside the PRC is subject to approval of the local authorities and the availability of foreign currencies generated and retained by these subsidiaries.

Combined Statements of Cash Flows

	Year ended 31 December			Six months ended 30 June	
	2008	2009	2010	2010	2011
	HK$'000	HK$'000	HK$'000	HK$'000 (Unaudited)	HK$'000
OPERATING ACTIVITIES					
Profit before taxation	57,585	9,487	515,491	464,262	70,072
Adjustments for:					
Depreciation and amortisation	28,222	27,414	12,197	5,972	9,485
Release of prepaid lease payments on land use rights	439	416	179	89	94
(Reversal of) allowance for bad and doubtful debts	(541)	(820)	(292)	3	(16)
Overprovision of staff compensation in land resumption exercise	—	—	—	—	(5,766)
Finance costs	12,398	9,232	4,882	1,068	2,163
Interest income from loan receivable	—	—	(2,179)	(1,157)	(404)
Interest income on bank deposits and receivable	(1,022)	(995)	(8,273)	(3,126)	(6,297)
Loss on disposal and write off of property, plant and equipment	23	160	3,194	2,597	221
Goodwill written off	—	—	69,479	69,479	—
Gain on land resumption exercise	—	—	(528,396)	(528,396)	—
Fair value gains on financial assets designated as at fair value through profit or loss	—	—	(5,538)	(5,171)	(4,332)
Operating cash inflow before movements in working capital	97,104	44,894	60,744	5,620	65,220
(Increase) decrease in inventories	(6,818)	9,800	(21,807)	(13,326)	6,754
Decrease (increase) in trade and bills receivables	33,021	30,836	1,356	3,470	(131,685)
(Increase) decrease in other receivables, deposits and prepayments	(9,041)	(2,303)	4,020	1,554	(4,675)
Decrease in amount due from a non-controlling interest	1,368	—	—	—	—
(Decrease) increase in trade and bills payables	(39,300)	(24,320)	68,397	65,557	78,385
(Decrease) increase in other payables and deposits received	(16,719)	(5,455)	8,984	3,976	1,626
Increase (decrease) in amount due to ultimate holding company	767	(12,834)	—	—	—
Increase (decrease) in amount due to a former related company	1,453	(2,283)	—	—	—
Cash generated from operations	61,835	38,335	121,694	66,851	15,625
Income tax (paid) refund	(6,241)	1,463	(5,889)	(3,612)	(9,556)
NET CASH FROM OPERATING ACTIVITIES	55,594	39,798	115,805	63,239	6,069

	Year ended 31 December			Six months ended 30 June	
	2008	2009	2010	2010	2011
	HK$'000	HK$'000	HK$'000	HK$'000 (Unaudited)	HK$'000
INVESTING ACTIVITIES					
Deposits paid for acquisition of property, plant and equipment	—	(14,606)	—	—	—
Proceeds from disposal of property, plant and equipment	1,948	251	248	—	214
Purchase of property, plant and equipment	(17,177)	(26,049)	(99,711)	(51,937)	(10,960)
Advance to fellow subsidiaries	—	—	(47,252)	—	—
Advance to former fellow subsidiaries	(5,918)	(33,527)	—	—	—
Repayment from former fellow subsidiaries	20,609	62,784	—	—	—
Purchase of financial assets designated as at fair value through profit or loss	—	—	(335,294)	(289,773)	(551,807)
Loan receivable advanced	—	—	(317,648)	(306,818)	—
Proceeds from redemption of financial assets designated as at fair value through profit or loss	—	—	305,354	—	267,566
Proceeds from redemption of loan receivable	—	—	258,825	250,000	60,240
Proceeds from land resumption exercise	—	568,382	287,038	287,038	—
Payment of costs for land resumption exercise	—	(13,190)	(99,710)	(75,943)	—
Placement of pledged short-term bank deposits	(13,636)	—	(45,882)	(30,682)	(77,108)
Withdrawal of pledged short-term bank deposits	27,273	13,636	—	—	—
Placement of time deposits	—	—	(547,059)	(329,546)	(42,440)
Withdrawal of time deposits	—	—	264,706	—	114,458
Interest received	1,022	995	4,500	2,712	5,607
NET CASH FROM (USED IN) INVESTING ACTIVITIES	14,121	558,676	(371,885)	(544,949)	(234,230)
FINANCING ACTIVITIES					
Interest paid	(12,030)	(10,667)	(3,749)	(2,418)	(2,163)
New loans raised	108,309	58,990	49,529	45,681	35,079
Repayments of loans	(120,071)	(183,990)	(34,660)	(26,311)	(10,837)
Dividends paid to non-controlling interests	(8,469)	(8,816)	(5,146)	(5,089)	—
Acquisition of additional interest in a subsidiary	(5,230)	—	—	—	—
Advance from immediate holding company	—	284,739	7,369	2,054	11,386
Advance from former immediate holding company	1,315	44,571	—	—	—
Repayment to former immediate holding company	(17,095)	(334,201)	—	—	—
Advance from a fellow subsidiary	—	13,284	—	—	—
Advance from former fellow subsidiaries	—	3,506	—	—	—
Repayment to former fellow subsidiaries	(370)	(18,509)	—	—	—
Advance from non-controlling interests	65,383	63,532	1,753	520	—
Repayment to non-controlling interests	(60,507)	(64,063)	(6,968)	—	(1,925)
NET CASH (USED IN) FROM FINANCING ACTIVITIES	(48,765)	(151,624)	8,128	14,437	31,540
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	20,950	446,850	(247,952)	(467,273)	(196,621)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR/PERIOD	35,772	59,161	506,011	506,011	269,619
Effect of foreign exchange rate changes	2,439	—	11,560	—	(2,900)
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR/PERIOD, represented by bank balances and cash	59,161	506,011	269,619	38,738	70,098

Notes to Financial Information

1. BASIS OF PRESENTATION OF FINANCIAL INFORMATION

Pursuant to the Corporate Reorganisation, which was completed by incorporating the Company and Splendid Link Limited as the parent of SACHL and SAC Intellectual Properties Limited, the Company became the holding company of the companies now comprising the Group on 20 December 2011. The Company and its subsidiaries resulting from this Corporate Reorganisation is regarded as a continuing entity.

The combined statements of comprehensive income, combined statements of changes in equity and combined statements of cash flows of the Group for the Relevant Periods have been prepared as if the current group structure had been in existence throughout the Relevant Periods, or since the respective dates of incorporation or establishment of the relevant entity, where this is a shorter period. The combined statements of financial position as at 31 December 2008, 2009, 2010 and 30 June 2011 present the assets and liabilities of the entities comprising the Group which had been incorporated/established as at the end of each relevant reporting period and as if the current group structure had been in existence at the end of those reporting periods.

The Financial Information is presented in Hong Kong dollar ("HK$") which is different from the functional currency of the Company, Renminbi ("RMB"), as the directors of the Company consider that HK$ is a more appropriate presentation currency in view of its place of listing is in Hong Kong.

2. APPLICATION OF HONG KONG FINANCIAL REPORTING STANDARDS

The HKICPA has issued a number of new and revised Hong Kong Accounting Standards ("HKAS(s)"), Hong Kong Financial Reporting Standards ("HKFRS(s)"), amendments and interpretations (hereinafter collectively referred to as the "New HKFRSs") which are effective for the Group's financial year beginning on 1 January 2011. For the purposes of preparing and presenting the Financial Information of the Relevant Periods, the Group has consistently adopted all these New HKFRSs throughout the Relevant Periods, except for HKFRS 3 (revised 2008) *Business Combinations*, which has been applied for business combination for which the acquisition date is on or after 1 January 2010 and HKAS 27 (revised 2008) *Consolidated and Separate Financial Statements* which has been applied for accounting period beginning on 1 January 2010.

At the date of this report, the HKICPA has issued the following new and revised standards, amendments and interpretation that are not yet effective. The Group has not early applied these standards or amendments.

HKFRS 1 (Amendments)	Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters[1]
HKFRS 7 (Amendments)	Disclosures — Transfers of Financial Assets[1]
HKFRS 9	Financial Instruments[3]
HKFRS 10	Consolidated Financial Statements[3]
HKFRS 11	Joint Arrangements[3]
HKFRS 12	Disclosure of Interests in Other Entities[3]
HKFRS 13	Fair Value Measurement[3]
HKAS 1 (Amendments)	Presentation of Items of Other Comprehensive Income[4]
HKAS 12 (Amendments)	Deferred Tax: Recovery of Underlying Assets[2]
HKAS 19 (Revised 2011)	Employee Benefits[3]
HKAS 27 (Revised 2011)	Separate Financial Statements[3]
HKAS 28 (Revised 2011)	Investments in Associates and Joint Ventures[3]
HK (IFRIC)-Int 20	Stripping Costs in the Production Phase of a Surface Mine[3]

1 Effective for annual periods beginning on or after 1 July 2011.
2 Effective for annual periods beginning on or after 1 January 2012.
3 Effective for annual periods beginning on or after 1 January 2013.
4 Effective for annual periods beginning on or after 1 July 2012.

HKFRS 9 *Financial Instruments* (as issued in November 2009) introduces new requirements for the classification and measurement of financial assets. HKFRS 9 *Financial Instruments* (as revised in November 2010) adds requirements for financial liabilities and for derecognition.

- Under HKFRS 9, all recognised financial assets that are within the scope of HKAS 39 *Financial Instruments: Recognition and Measurement* are subsequently measured at either amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. All other debt investments and equity investments are measured at their fair values at the end of subsequent accounting periods.

- In relation to financial liabilities, the significant change relates to financial liabilities that are designated as at fair value through profit or loss. Specifically, under HKFRS 9, for financial liabilities that are designated as at fair value through profit or loss, the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the presentation of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value attributable to a financial liability's credit risk are not subsequently reclassified to profit or loss. Under HKAS 39, the entire amount of the change in the fair value of the financial liability designated as at fair value through profit or loss was presented in profit or loss.

HKFRS 9 is effective for annual periods beginning on or after 1 January 2013, with earlier application permitted.

HKFRS 10 replaces the parts of HKAS 27 "*Consolidated and Separate Financial Statements*" that deal with consolidated financial statements. Under HKFRS 10, there is only one basis for consolidation, that is control. In addition, HKFRS 10 includes a new definition of control that contains three elements: (a) power over an investee; (b) exposure, or rights, to variable returns from its involvement with the investee; and (c) ability to use its power over the investee to affect the amount of the investor's returns. Extensive guidance has been added in HKFRS 10 to deal with complex scenarios. Overall, the application of HKFRS 10 requires a lot of judgement. The application of HKFRS 10 might result in the Group no longer consolidating some of its investees, and consolidating investees that were not previously consolidated.

The five new or revised standards on consolidation, joint arrangements and disclosures including HKFRS 10, HKFRS 11, HKFRS 12, HKAS 27 (Revised 2011) and HKAS 28 (Revised 2011) were issued by the HKICPA in June 2011 and are effective for annual periods beginning on or after 1 January 2013. Earlier application is permitted provided that all of these five new or revised standards are applied early at the same time. The directors of the Company anticipate that these new or revised standards will be adopted by the Group for the financial year ending 31 December 2013.

The Group is in the process of assessing the potential impact of the new and revised standards, amendments or interpretation. The Group is not yet in a position to determine the impact of these new and revised standards, amendments or interpretation on the results and financial position of the Group. These new and revised standards, amendments or interpretation may result in changes in the results and financial position of the Group.

3. SIGNIFICANT ACCOUNTING POLICIES

The Financial Information has been prepared on the historical cost basis except for certain financial instruments that are measured at fair values, and in accordance with the accounting policies set out below which conform with HKFRSs issued by the HKICPA.

In addition, the Financial Information includes applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and by the Hong Kong Companies Ordinance. The principal accounting policies adopted are as follows:

Basis of combination

The Financial Information incorporates the financial statements of the Company and entities controlled by the Company (its subsidiaries). Control is achieved where the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

The results of subsidiaries acquired or disposed of during the year/period are included in the combined statement of comprehensive income from the effective date of acquisition or up to the effective date of disposal, as appropriate.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by the Group.

All intra-group transactions, balances, income and expenses are eliminated on combination.

Non-controlling interests in subsidiaries are presented separately from the Group's equity therein.

Allocation of total comprehensive income to non-controlling interests

Total comprehensive income and expense of a subsidiary is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance. Prior to 1 January 2010, losses applicable to the non-controlling interests in excess of the non-controlling interests in the subsidiary's equity were allocated against the interests of the Group except to the extent that the non-controlling interests had a binding obligation and were able to make an additional investment to cover the losses.

Changes in the Group's ownership interests in existing subsidiaries prior to 1 January 2010

The cost of the acquisition of additional interest in a subsidiary is measured at the consideration paid for the additional interest. The goodwill is calculated as the difference between the consideration paid and the carrying amount of the net assets of the subsidiary attributable to the additional interest acquired.

Changes in the Group's ownership interests in existing subsidiaries on or after 1 January 2010

Changes in the Group's ownership interests in subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

When the Group loses control of a subsidiary, the profit or loss on disposal is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill) and liabilities of the subsidiary and any non-controlling interests. Where certain assets of the subsidiary are measured at revalued amounts or fair values and the related cumulative gain or loss has been recognised in other comprehensive income and accumulated in equity, the amounts previously recognised in other comprehensive income and accumulated in equity are accounted for as if the Group had directly disposed of the related assets (i.e. reclassified to profit or loss or transferred directly to retained profits). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under HKAS 39 or, when applicable, the cost on initial recognition of an investment in an associate or a jointly controlled entity.

Business combinations

Business combination that took place prior to 1 January 2010

The acquisition of businesses is accounted for using the purchase method. The cost of the acquisition is measured at the aggregate of the fair values, at the date of exchange, of assets given, liabilities incurred or assumed, and equity instruments issued by the Group in exchange for control of the acquiree, plus any costs directly attributable to the business combination. The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under HKFRS 3 *Business combinations* are recognised at their fair values at the acquisition date.

Goodwill arising on acquisition is recognised as an asset and initially measured at cost, being the excess of the cost of the business combination over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities recognised. If, after reassessment, the Group's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities exceeds the cost of the business combination, the excess is recognised immediately in profit or loss.

The interest of minority shareholders in the acquiree is initially measured at the minority's proportion of the net fair value of the assets, liabilities and contingent liabilities recognised.

Goodwill

Goodwill arising on an acquisition of a business is carried at cost less any accumulated impairment losses, if any, and is presented separately in the combined statement of financial position.

For the purposes of impairment testing, goodwill is allocated to each of the cash-generating units (or groups of cash-generating units) that is expected to benefit from the synergies of the combination.

A cash-generating unit to which goodwill has been allocated is tested for impairment annually, or more frequently whenever there is indication that the unit may be impaired. For goodwill arising on an acquisition in a reporting period, the cash-generating unit to which goodwill has been allocated is tested for impairment before the end of that reporting period. If the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro rata on the basis of the carrying amount of each asset in the unit. Any impairment loss for goodwill is recognised directly in profit or loss in the combined statement of comprehensive income. An impairment loss recognised for goodwill is not reversed in subsequent periods.

On disposal of the relevant cash-generating unit, the attributable amount of goodwill is included in the determination of the amount of profit or loss on disposal.

Non-current assets held for sale

Non-current assets and disposal groups are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the non-current asset (or disposal group) is available for immediate sale in its present condition. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

Non-current assets (and disposal groups) classified as held for sale are measured at the lower of their previous carrying amount and fair value less costs to sell.

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods and services provided in the normal course of business, net of discounts and sales related taxes.

Revenue from sale of properties held for sale is recognised when the respective properties have been delivered to the buyers. Deposits and instalments received from purchasers prior to meeting the above criteria for revenue recognition are included in the combined statement of financial position under current liabilities.

Revenue from sales of goods is recognised when goods are delivered and title has passed.

Technical services income is recognised when services are provided.

Interest income from a financial asset is accrued on a time basis by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

Property, plant and equipment

Property, plant and equipment, including buildings held for use in production or supply of goods or services, or for administrative purpose other than construction in progress, are stated at cost less subsequent accumulated depreciation and accumulated impairment losses.

Depreciation is provided to write off the cost of property, plant and equipment, other than construction in progress, over their estimated useful lives and after taking into account their estimated residual values, using the straight-line method.

Construction in progress includes property, plant and equipment in the course of construction for production or for its own use purposes. Construction in progress is carried at cost less any recognised impairment loss. Construction in progress is classified to the appropriate category of property, plant and equipment when completed and ready for intended use. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in profit or loss in the period in which the item is derecognised.

Mining right

On initial recognition, mining right acquired separately is recognised at cost. After initial recognition, mining right is carried at costs less accumulated amortisation and any accumulated impairment losses.

Gain or loss arising from derecognition of mining right is measured at the difference between the net disposal proceeds and the carrying amount of the asset and is recognised in profit or loss when the asset is derecognised.

Impairment of tangible assets and mining right

At the end of the reporting period, the Group reviews the carrying amounts of its tangible assets and mining right to determine whether there is any indication that those assets have suffered an impairment loss. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, such that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised as income immediately.

Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

The Group as lessee

Operating lease payments are recognised as an expense on a straight-line basis over the term of the relevant lease. Benefits received and receivable as an incentive to enter into an operating lease are recognised as a liability and release as a reduction of rental expense over the lease term on a straight-line basis.

Leasehold land and building

When a lease includes both land and building elements, the Group assesses the classification of each element as a finance or an operating lease separately based on the assessment as to whether substantially all the risks and rewards incidental to ownership of each element have been transferred to the Group. Specifically, the minimum lease payments (including any lump-sum upfront payments) are allocated between the land and the building elements in proportion to the relative fair values of the leasehold interests in the land element and building element of the lease at the inception of the lease.

To the extent the allocation of the lease payments can be made reliably, interest in leasehold land that is accounted for as an operating lease is presented as "prepaid lease payments on land use rights" in the combined statement of financial position and is amortised over the lease term on a straight-line basis. When the lease payments cannot be allocated reliably between the land and building elements, the entire lease is generally classified as a finance lease and accounted for as property, plant and equipment unless it is clear that both elements are operating lease, in which case the entire lease is classified as an operating lease.

Properties held for sale

Properties held for sale are stated at the lower of cost and net realisable value.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost comprises direct materials and, where applicable, direct labour costs and those overheads that have been incurred in bringing the inventories to their present location and condition. Cost is computed on a weighted average method. Net realisable value represents the estimated selling price less all estimated cost of completion and costs to be incurred in marketing, selling and distribution.

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year/period. Taxable profit differs from the profit as reported in the combined statement of comprehensive income because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items of income or expense that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted at the end of the reporting period.

Deferred tax is recognised on differences between the carrying amounts of assets and liabilities in the Financial Information and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities. Deferred tax is recognised to profit or loss, except when it relates to items recognised in other comprehensive income or directly in equity, in which case the deferred tax is also recognised in other comprehensive income or directly in equity respectively.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale are added to the cost of those assets until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recorded in the respective functional currency (i.e. the currency of the primary economic environment in which the entity operates) at the rates of exchanges prevailing on the dates of the transactions. At the end of the reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are recognised in profit or loss in the period in which they arise.

For the purposes of presenting the Financial Information, the assets and liabilities of the Group's entities are translated into the presentation currency of the Group (i.e. HK$) at the rate of exchange prevailing at the end of the reporting period, and their income and expenses are translated at the average exchange rates for the year/period, unless exchange rates fluctuate significantly during the period, in which case, the exchange rates prevailing at the dates of transactions are used. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity (the translation reserve).

Government grants

Government grants are not recognised until there is reasonable assurance that the Group will comply with the conditions attaching to them and that the grants will be received.

Government grants are recognised in profit or loss on a systematic basis over the periods in which the Group recognises as expenses the related costs for which the grants are intended to compensate. Grants related to refund of value added tax from tax authorities and subsidy income from government are recognised in profit or loss when received or receivable.

Retirement benefit costs

Payments to defined contribution retirement benefit plans are charged as an expense when employees have rendered service entitling them to the contributions. Payments made to state-managed retirement benefit schemes are dealt with as payments to defined contribution plans where the Group's obligations under the plans are equivalent to those arising in a defined contribution retirement benefit plan.

Financial instruments

Financial assets and financial liabilities are recognised on the combined statement of financial position when a group entity becomes a party to the contractual provisions of the instrument. Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets or liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately to profit or loss.

Financial assets

The Group's financial assets are classified as financial assets at fair value through profit or loss ("FVTPL") and loans and receivables.

All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset, or, where appropriate, a shorter period to the net carrying amount on initial recognition.

Interest income is recognised on an effective interest basis for debt instruments.

Financial assets at fair value through profit or loss

The Group's financial assets at FVTPL are those designated as at FVTPL on initial recognition.

A financial asset may be designated as at FVTPL upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or

- the financial asset forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or

- it forms part of a contract containing one or more embedded derivatives, and HKAS 39 permits the entire combined contract (asset or liability) to be designated as at FVTPL.

Financial assets at FVTPL are measured at fair value, with changes in fair value arising from remeasurement recognised directly in profit or loss in the period in which they arise. The net gain or loss recognised in profit or loss includes any dividend or interest earned on the financial assets.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. At each end of the reporting period subsequent to initial recognition, loans and receivables (including trade and bills receivables, other receivables, amounts due from related parties, loan receivable, pledged short-term bank deposits, time deposits and bank balances and cash) are carried at amortised cost using the effective interest method, less any identified impairment losses. The accounting policy on impairment loss of financial assets is set out below.

Impairment of financial assets

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at the end of the reporting period. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the loans and receivables, the estimated future cash flows of the financial assets have been impacted.

Objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or

- default or delinquency in interest or principal payments; or

- it becoming probable that the borrower will enter bankruptcy or financial re-organisation; or

- the disappearance of an active market for that financial asset because of financial difficulties.

For certain categories of financial assets, such as trade receivables, assets that are assessed not to be impaired individually are subsequently assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the credit period, observable changes in national or local economic conditions that correlate with default on receivables.

For financial assets carried at amortised cost, an impairment loss is recognised in profit or loss when there is objective evidence that the asset is impaired, and is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate.

The carrying amount is reduced by the impairment loss directly for all financial assets with the exception of trade and other receivables, where the carrying amount is reduced through the use of an allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss. When the trade and other receivables are considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited to profit or loss.

For financial assets measured at amortised cost, if, in a subsequent period, the amount of impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment loss was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

Financial liabilities and equity instruments

Financial liabilities and equity instruments issued by a group entity are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument.

An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or, where appropriate, a shorter period to the net carrying amount on initial recognition.

Interest expense is recognised on an effective interest basis.

Financial liabilities

Financial liabilities (including trade and bills payables, other payables, amounts due to related parties and borrowings) are subsequently measured at amortised cost, using the effective interest method.

Equity instruments

Equity instruments issued by the group entities are recorded at the proceeds received, net of direct issue costs.

Embedded derivatives

Derivatives embedded in non-derivative host contracts are treated as separate derivatives when their risks and characteristics are not closely related to those of the host contracts and the host contracts are not measured at fair value with changes in fair value recognised in profit or loss.

Derecognition

Financial assets are derecognised when the rights to receive cash flows from the assets expire or, the financial assets are transferred and the Group has transferred substantially all the risks and rewards of ownership of the financial assets.

On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised in other comprehensive income and accumulated in equity is recognised in profit or loss.

Financial liabilities are derecognised when the obligation specified in the relevant contract is discharged, cancelled or expires. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

4. KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in note 3, the management is required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

Estimated allowance for bad and doubtful debts

The policy of allowance for bad and doubtful debts of the Group is based on the evaluation of collectability and aged analysis of accounts and on management's judgment. A considerable amount of judgment is required in assessing the ultimate realisation of these receivables, including the current creditworthiness and the past collection history of each customer. If the financial conditions of the counterparties were to deteriorate, resulting in an impairment of their ability to make payments, additional allowance may be required.

Valuation of inventories of properties

Inventories of properties are stated at the lower of the cost and net realisable value. The estimated net realisable value is estimated selling price less estimated selling expenses and estimated cost of completion (if any), which are estimated based on best available information.

Estimated useful lives of property, plant and equipment

In applying the accounting policy on property, plant and equipment with respect to depreciation, management estimates the useful lives of various categories of property, plant and equipment according to the industrial experiences over the usage of property, plant and equipment and also by reference to the relevant industrial norm. If the actual useful lives of property, plant and equipment is less than the original estimate useful lives due to changes in commercial and technological environment, such difference will impact the depreciation charge for the remaining period.

Estimated impairment of goodwill

Determining whether goodwill amounting to HK$69,479,000 as at 31 December 2008 is impaired requires an estimation of the value in use calculation of the cash-generating unit to which goodwill has been allocated. The value in use calculation requires the Group to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate the present value. Details of the recoverable amount calculation are disclosed in note 18.

5. CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to owners of the Company through the optimisation of the debt and equity balance. The Group's overall strategy remains unchanged throughout the Relevant Periods.

The capital structure of the Group consists of debts, which mainly includes the borrowings disclosed in note 31 and equity attributable to owners of the Company, comprising share capital, reserves and retained profits. The management reviews the capital structure on an annual basis. As part of this review, the management considers the cost of capital and the risks associated with each class of capital. Based on recommendations of the management, the Group will balance its overall capital structure through issuance of new shares and share buy-back as well as the issuance of new debts or the redemption of existing debts.

6. FINANCIAL INSTRUMENTS

Categories of financial instruments

	At 31 December			At 30 June
	2008	**2009**	**2010**	**2011**
	HK$'000	**HK$'000**	**HK$'000**	**HK$'000**
Financial assets				
Financial assets designated as at fair value through profit or loss	—	—	35,608	325,040
Loans and receivables (including cash and cash equivalents)	324,270	696,399	962,635	859,122
Financial liabilities				
Amortised cost	605,163	428,927	584,050	709,631

Financial risk management objectives and policies

The Group's major financial instruments include financial assets designated as at fair value through profit or loss, trade and bills receivables, other receivables, amounts due from related parties, loan receivable, pledged short-term bank deposits, time deposits, bank balances and cash, trade and bills payables, other payables, amounts due to related parties and borrowings. Details of these financial instruments are disclosed in the respective notes. The risks associated with these financial instruments include market risk (interest rate risk and foreign currency risk), credit risk and liquidity risk. The policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented in a timely and effective manner.

Market risk

Interest rate risk

The Group's fair value interest rate risk relates primarily to certain fixed-rate pledged short-term bank deposits, time deposits, amount due from a fellow subsidiary, loan receivable and borrowings (see note 31 for details of these borrowings).

The Group's cash flow interest rate risk primarily relates to variable-rate bank balances and borrowings (see note 31 for details of these borrowings).

The Group has not used any interest rate swaps to mitigate its exposure associated with interest rate risk. However, management monitors interest rate exposure and will consider necessary actions when significant interest rate exposure is anticipated.

The Group's exposures to interest rates on financial liabilities are detailed in the liquidity risk. The Group's cash flow interest rate risk is mainly concentrated on the fluctuation of Hong Kong Interbank Offered Rate and the interest rates quoted by the People's Bank of China arising from the Group's borrowings.

Sensitivity analysis

The sensitivity analyses below have been determined based on the exposure to interest rate for non-derivative instruments relating to bank balances and floating-rate borrowings at 31 December 2008, 2009, 2010 and 30 June 2011. The analysis is prepared assuming the amount of assets and liabilities outstanding at the end of the reporting period was outstanding for the whole year/period. A 200 basis point increase or decrease for borrowings and a 50 basis point increase for bank balances represent management's assessment of the reasonably possible change in interest rates. It is expected that the interest rate for bank balances will not decrease in the next twelve months from end of the reporting period.

If interest rates had been increased/decreased by 200 basis points in respect of borrowings and all other variables were held constant, the Group's profit for the years ended 31 December 2008, 2009, 2010 and the six months ended 30 June 2011 would decrease/increase by approximately HK$1,620,000, HK$1,036,000, HK$1,595,000 and HK$1,943,000 respectively.

In addition, if interest rates had been increased by 50 basis points in respective of bank balances and all other variables were held constant, the Group's profit for the years ended 31 December 2008, 2009, 2010 and the six months ended 30 June 2011 would increase by approximately HK$224,000, HK$1,898,000, HK$1,011,000 and HK$263,000 respectively.

Foreign currency risk

Foreign currency risk is the risk that the value of a financial instrument will fluctuate because of changes in foreign exchange rate. The Group's operations are mainly in the PRC other than Hong Kong. As at 31 December 2008, 2009, 2010 and 30 June 2011, the Group had bank balances, amounts due from and due to related parties and borrowings denominated in HK$ which is the currency other than the functional currency of the respective group entities. The Group currently does not have a foreign currency hedging policy. However, the management monitors foreign exchange exposure closely and will consider hedging significant foreign currency exposure should the need arises.

The carrying amount of monetary assets and monetary liabilities that are denominated in HK$, which is a currency other than the functional currency of the respective group entities are as follows:

	At 31 December			At 30 June
	2008	2009	2010	2011
	HK$'000	HK$'000	HK$'000	HK$'000
Assets	15,347	10	39	794
Liabilities	372,770	348,916	446,758	451,903

The following table details the Group's sensitivity to a 5% increase and decrease in RMB against HK$. 5% sensitivity rate represents management's assessment of the reasonably possible change in foreign exchange rate. The sensitivity analysis includes the financial assets and financial liabilities denominated in HK$, and adjusts their translation at the end of the reporting period for a 5% change in foreign currency rate. A positive number below indicates an increase in profit for the year/period where RMB strengthen 5% against HK$. For a 5% weakening of RMB against in HK$, there would be an equal and opposite impact on the profit for the year/period, and the balance below would be negative.

	At 31 December			At 30 June
	2008	2009	2010	2011
	HK$'000	HK$'000	HK$'000	HK$'000
Profit for the year/period	17,871	17,445	22,336	22,555

Other price risk

The Group is exposed to other price risk through its financial assets designated as at fair value through profit or loss, which are principal protected-structured deposits and their interest varies depending on the movement of exchange rate between the United Stated Dollars and Euro or of the Shanghai Interbank Offered Rate. The sensitivity analysis has been determined based on the exposure to the fluctuation of exchange rate between the United Stated Dollars and Euro or of the Shanghai Interbank Offered Rate. Based on the terms of the principal protected-structured deposits, the interest would be adjusted only when there is 26% or above increase or decrease in the United Stated Dollars against Euro or at least a 580 basis point increase or decrease in the Shanghai Interbank Offered Rate. The management consider that the opportunity for such movement is remote based on current market situation and there is no significant change on the profit for the year ended 31 December 2010 and the six month ended 30 June 2011.

Credit risk

The Group's credit risk is primarily attributable to trade and bills and other receivables, amounts due from related parties, financial assets designated as at fair value through profit or loss, loan receivable, pledged short-term bank deposits, time deposits and bank balances.

The Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties or financial guarantees provided by the Group is represented by the carrying amount of the respective recognised financial assets as stated in the combined statements of financial position and the amount of contingent liabilities disclosed in note 38.

In order to minimise credit risk, management has delegated a team to be responsible for the determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, management reviews the recoverable amount of each individual trade debt, other receivables and amounts due from related parties regularly to ensure that adequate impairment losses are recognised for irrecoverable amounts. With respect to financial guarantees provided to banks to secure the banking facilities granted to the former immediate holding company as at 31 December 2008, the management considered the credit risk was limited because the former immediate holding company had strong financial positions. In this regard, management considers that the Group's credit risk is significantly reduced.

The credit risk on financial assets designated as at fair value through profit or loss and loan receivable are limited because they are principal protected structured deposits and unlisted debt securities which are deposited in or issued by reputable banks in the PRC.

The credit risk on liquid funds is limited because the Group's pledged short-term bank deposits, time deposits and bank balances are deposited with banks of high credit ratings in Hong Kong and the PRC.

The Group has concentration of credit risk on receivable on land resumption compensation as at 31 December 2010 and 30 June 2011 but considered the risk is limited because the counterparty is a state-owned enterprise with high credit rating in PRC. In addition, the Group has concentration of credit risk for an amount due from a fellow subsidiary at HK$47,252,000 and HK$48,193,000 as at 31 December 2010 and 30 June 2011 respectively. The amount was subsequently settled in July 2011.

Other than concentration of credit risk on liquid funds which are deposited with several banks with high credit ratings and on balances mentioned above, the Group does not have significant concentration of credit risk on trade and other receivables as the exposure spread over a number of counterparties and customers.

Liquidity risk

In the management of the liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance the Group's operations and mitigate the effects of fluctuations in cash flows. The Group relies on bank and other borrowings as a significant source of liquidity. Management monitors the utilisation of bank and other borrowings.

The following tables detail the Group's contractual maturity for its financial liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. The tables include both interest and principal cash flows. To the extent that interest flows are floating rate, the undiscounted amount is derived from interest rate at the end of each reporting period.

Liquidity and interest risk tables

	Weighted average effective interest rate	Less than 1 month	1–3 months	3 months to 1 year	1–5 years	5+ years	Total undiscounted cash flows	Carrying amount
	%	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
At 31 December 2008								
Trade and bills payables and other payables	—	19,315	6,392	39,174	—	—	64,881	64,881
Amounts due to former fellow subsidiaries	—	15,003	—	—	—	—	15,003	15,003
Amount due to former immediate holding company	—	289,630	—	—	—	—	289,630	289,630
Amount due to ultimate holding company	—	14,641	—	—	—	—	14,641	14,641
Amount due to a former related company	—	2,283	—	—	—	—	2,283	2,283
Borrowings — fixed rate	6.64	—	—	117,346	—	—	117,346	113,422
Borrowings — variable rate	5.23	71,022	1,847	17,454	11,596	—	101,919	99,977
Amounts due to non-controlling interests	5.58	4,876	—	—	—	3,181	8,057	5,326
Financial guarantee contract	15	—	—	282,188	—	—	282,188	—
		416,770	8,239	456,162	11,596	3,181	895,948	605,163
At 31 December 2009								
Trade and bills payables and other payables	—	37,338	—	—	—	—	37,338	37,338
Amount due to a fellow subsidiary	—	13,284	—	—	—	—	13,284	13,284
Amount due to immediate holding company	—	284,739	—	—	—	—	284,739	284,739
Amount due to ultimate holding company	—	1,807	—	—	—	—	1,807	1,807
Borrowings — fixed rate	3.88	—	—	25,375	—	—	25,375	24,899
Borrowings — variable rate	2.36	—	—	3,920	62,392	—	66,312	62,040
Amounts due to non-controlling interests	5.58	4,345	—	—	—	3,181	7,526	4,820
		341,513	—	29,295	62,392	3,181	436,381	428,927

	Weighted average effective interest rate	Less than 1 month	1–3 months	3 months to 1 year	1–5 years	5+ years	Total undiscounted cash flows	Carrying amount
	%	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
At 31 December 2010								
Trade and bills payables and other payables	—	100,366	17,647	—	—	—	118,013	118,013
Dividends payable to a non-controlling interest	—	2,650	—	—	—	—	2,650	2,650
Amount due to immediate holding company	—	342,135	—	—	—	—	342,135	342,135
Amount due to a fellow subsidiary	—	13,753	—	—	—	—	13,753	13,753
Amount due to ultimate holding company	—	1,807	—	—	—	—	1,807	1,807
Amounts due to non-controlling interests	—	2,463	—	—	—	—	2,463	2,463
Borrowings — fixed rate	4.84	—	—	3,706	—	—	3,706	3,647
Borrowings — variable rate	2.58	—	—	16,565	87,788	—	104,353	99,582
		463,174	17,647	20,271	87,788	—	588,880	584,050
At 30 June 2011								
Trade and bills payables and other payables	—	88,778	63,773	56,876	—	—	209,427	209,427
Dividends payable to a non-controlling interest	—	2,650	—	—	—	—	2,650	2,650
Amount due to immediate holding company	—	353,521	—	—	—	—	353,521	353,521
Amount due to a fellow subsidiary	—	14,084	—	—	—	—	14,084	14,084
Amount due to ultimate holding company	—	1,807	—	—	—	—	1,807	1,807
Amounts due to non-controlling interests	—	584	—	—	—	—	584	584
Borrowings — fixed rate	7.80	—	—	4,325	—	—	4,325	4,217
Borrowings — variable rate	3.68	—	—	50,084	79,770	—	129,854	123,341
		461,424	63,773	111,285	79,770	—	716,252	709,631

The amounts included above for variable interest rate instruments for non-derivative financial liabilities are subject to change, if changes in variable interest rates differ to those estimates of interest rates determined at the end of each reporting period.

Fair values

The fair value of financial assets and liabilities are determined as follows:

- The fair value of financial assets designated as at fair value through profit or loss is determined in accordance with generally accepted pricing model based on quoted exchange rate of the relevant foreign currencies and interest rate matching maturity of the instrument as input.

- The fair value of other financial assets and financial liabilities is determined in accordance with generally accepted pricing models based on discounted cash flow analysis.

Fair value measurements recognised in the statement of financial position

The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 based on the degree to which the fair value is observable.

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active market for identical assets or liabilities.
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

	At 31 December 2010	At 30 June 2011
	Level 2	Level 2
	HK$'000	HK$'000
Financial assets designated at fair value through profit or loss — structured deposits	35,608	325,040

There were no transfers between Level 1 and 2 during the year ended 31 December 2010 and the six months ended 30 June 2011.

7. REVENUE

Revenue represents the sales amount from the manufacturing and sales of cement and clinker, trading of cement and provision of technical services income net of discount and sales related tax.

	Year ended 31 December			Six months ended 30 June	
	2008	2009	2010	2010	2011
	HK$'000	HK$'000	HK$'000	HK$'000 (Unaudited)	HK$'000
Manufacture and sales of cement and clinker	552,847	490,116	296,309	118,261	217,065
Trading of cement	—	—	154,380	43,588	174,594
Technical services income	3,068	—	755	—	—
	555,915	490,116	451,444	161,849	391,659

8. OPERATING SEGMENT

HKFRS 8 *Operating Segments* requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the chief operating decision maker (the chief executive officer of SACHL) in order to allocate resources to the segment and to assess its performance.

For management purpose, the Group operates in one business unit based on their products and service, and has one operating segment: manufacture and sales of cement and clinker, trading of cement and provision of technical service. The chief operating decision maker monitors the revenue, results, assets and liabilities of its business unit as a whole based on the monthly sales reports, monthly delivery reports and monthly management accounts, and considers the segment assets and segment liabilities of the Group included all assets and liabilities as stated in the combined statements of financial position respectively, and considers the segment revenue and segment results of the Group represented all revenue and profit for the year/period as stated in the combined statements of comprehensive income respectively.

Information about major products

The revenue of the major products is analysed as follows:

	Year ended 31 December			Six months ended 30 June	
	2008	2009	2010	2010	2011
	HK$'000	HK$'000	HK$'000	HK$'000 (Unaudited)	HK$'000
Manufacture and sales and trading of:					
Cement	398,043	387,078	324,902	112,960	360,898
Clinker	154,804	103,038	125,787	48,889	30,761
	552,847	490,116	450,689	161,849	391,659

Information about major customers

No revenue from transaction with single external customer is amounted to 10% or more of the Group's revenue for the year ended 31 December 2008, 2009, 2010 and the six months ended 30 June 2010.

Revenue from one customer for the sales of cement amounting to HK$58,084,000 for the six months ended 30 June 2011 contributes over 10% of the total sales of the Group.

Geographical information

As all the Group's revenue is derived from customers located in the PRC and all the Group's identifiable non-current assets are principally located in the PRC, no geographical segment information is presented.

9. OTHER INCOME

	Year ended 31 December			Six months ended 30 June	
	2008	2009	2010	2010	2011
	HK$'000	HK$'000	HK$'000	HK$'000 (Unaudited)	HK$'000
Interest income from banks and a fellow subsidiary	1,022	995	8,273	3,126	6,297
Subsidy income	3,653	916	943	762	—
Refund of value-added tax	19,711	13,875	—	—	—
Interest income from loan receivable	—	—	2,179	1,157	404
Sundry income	4,982	2,158	1,519	893	4,153
	29,368	17,944	12,914	5,938	10,854

10. OTHER EXPENSES

The amount represents professional fees and other expenses related to the listing of shares of the Company. Pursuant to HKAS 32 Financial Instruments: Presentation, the transaction costs of an equity transaction are accounted for as a deduction from equity to the extent they are directly attributable to the issuing of new shares. The remaining costs are recognised as an expense when incurred.

11. FINANCE COSTS

	Year ended 31 December			Six months ended 30 June	
	2008	2009	2010	2010	2011
	HK$'000	HK$'000	HK$'000	HK$'000 (Unaudited)	HK$'000
Interest on:					
Bank loans wholly repayable within five years	11,206	8,276	4,291	2,418	2,163
Other loans	1,141	931	—	—	—
Imputed interest on interest-free amount due to a non-controlling interest	51	25	6	6	—
Loss on early repayment of interest-free amount due to a non-controlling interest (note 39(e)(iii))	—	—	2,699	—	—
Total finance costs	12,398	9,232	6,996	2,424	2,163
Less: Amount capitalised in construction in progress	—	—	(2,114)	(1,356)	—
	12,398	9,232	4,882	1,068	2,163

12. DIRECTORS' AND EMPLOYEES' EMOLUMENTS

The remuneration paid or payable to the directors of the Company for the Relevant Periods was as follows:

	Mr. Ng Qing Hai	Mr. Li Chi Kong	Mr. Yu Zhong	Total
	HK$'000	HK$'000	HK$'000	HK$'000
Year ended 31 December 2008				
Directors' fees	—	—	—	—
Salaries and other benefits	1,056	—	367	1,423
Retirement benefit scheme contributions	—	—	20	20
Total remuneration	1,056	—	387	1,443

	Mr. Ng Qing Hai	Mr. Li Chi Kong	Mr. Yu Zhong	Total
	HK$'000	HK$'000	HK$'000	HK$'000
Year ended 31 December 2009				
Directors' fees	—	—	—	—
Salaries and other benefits	1,056	—	252	1,308
Performance related bonuses	246	—	188	434
Retirement benefit scheme contributions	—	—	28	28
Total remuneration	1,302	—	468	1,770

	Mr. Ng Qing Hai	Mr. Li Chi Kong	Mr. Yu Zhong	Total
	HK$'000	HK$'000	HK$'000	HK$'000
Year ended 31 December 2010				
Directors' fees	—	—	—	—
Salaries and other benefits	1,071	—	277	1,348
Performance related bonuses	2,407	—	43	2,450
Retirement benefit scheme contributions	—	—	31	31
Total remuneration	3,478	—	351	3,829

	Mr. Ng Qing Hai	Mr. Li Chi Kong	Mr. Yu Zhong	Total
	HK$'000	HK$'000	HK$'000	HK$'000
Six months ended 30 June 2010 (unaudited)				
Directors' fees	—	—	—	—
Salaries and other benefits	581	—	139	720
Performance related bonuses	81	—	31	112
Retirement benefit scheme contributions	—	—	21	21
Total remuneration	662	—	191	853

	Mr. Ng Qing Hai	Mr. Li Chi Kong	Mr. Yu Zhong	Total
	HK$'000	HK$'000	HK$'000	HK$'000
Six months ended 30 June 2011				
Directors' fees	—	—	—	—
Salaries and other benefits	603	—	152	755
Performance related bonuses	16	—	14	30
Retirement benefit scheme contributions	—	—	29	29
Total remuneration	619	—	195	814

None of the directors waived any emoluments during the Relevant Periods.

Employees' emoluments

Of the five individuals with the highest emoluments in the Group, two were the directors of the Company for the years ended 31 December 2008, 2009, 2010 and the six months ended 30 June 2010 and 2011 respectively and whose emoluments are included in the disclosure above. The emoluments of the remaining three highest paid individuals for the years ended 31 December 2008, 2009, 2010 and the six months ended 30 June 2010 and 2011 which were individually less than HK$1,000,000 were as follows:

	Year ended 31 December			Six months ended 30 June	
	2008	2009	2010	2010	2011
	HK$'000	HK$'000	HK$'000	HK$'000 (Unaudited)	HK$'000
Salaries and other benefits	1,468	1,123	1,066	510	583
Performance related bonuses	—	539	1,475	131	159
Contributions to retirement benefit schemes	20	28	62	42	29
	1,488	1,690	2,603	683	771

During the Relevant Periods, no emoluments were paid by the Group to the five highest paid individuals as an inducement to join or upon joining the Group.

The performance related bonuses are incentive scheme adopted by Shanghai SAC, Allied Wangchao and Shandong SAC. Criterion on the incentive scheme are:

a. Amount of profits

b. Average cost of production

c. Quantities of cement and clinker produced

d. Electricity consumption

e. Coal consumption

f. Aggregate amount of aging debts

g. Sales volume

Each company bases on its annual budgeted performance to set out its targets. If pre-set targets are achieved in a particular month, all staff will entitle to performance related bonus as illustrated in each target level as well as on individual's assessed performance during subject month.

13. TAXATION

	Year ended 31 December			Six months ended 30 June	
	2008	**2009**	**2010**	**2010**	**2011**
	HK$'000	**HK$'000**	**HK$'000**	**HK$'000 (Unaudited)**	**HK$'000**
The (charge) credit comprises:					
PRC Enterprise Income Tax					
— Current year/period	(6,576)	(3,068)	(140,760)	(133,769)	(12,448)
— Overprovision (underprovision) in prior years/periods	2,976	2,214	(2,801)	(2,750)	(2,229)
	(3,600)	(854)	(143,561)	(136,519)	(14,677)
Deferred tax *(note 33)*	(903)	1,389	2,585	4,259	(2,120)
	(4,503)	535	(140,976)	(132,260)	(16,797)

The PRC Enterprise Income Tax is calculated at the rates applicable to respective subsidiaries. In accordance with the tax legislations applicable to foreign investment enterprises, Allied Wangchao is entitled to exemption from the PRC Enterprise Income Tax for the two years commencing from the first profit-making year of operation in 2007 and thereafter, entitled to a 50% relief from the PRC Enterprise Income Tax for the following three years (''Tax Holiday''). Allied Wangchao can continue to entitle such tax concession according to the Law of the PRC on Enterprise Income Tax promulgated on 16 March 2007 and the charge of PRC Enterprise Income Tax for the Relevant Periods has been provided for after taking these tax incentives into account. Shanghai SAC was entitled a preferential enterprise income tax rate of 15% for years 2008 and 2009 for being an advance new technology enterprise as recognised by the PRC government. The applicable tax rate for Shanghai SAC from 1 January 2010 onwards is 25%. The PRC Enterprise Income Tax for SACHL is calculated at the withholding tax rate prevailing in the PRC on the interest income from lendings.

No provision for Hong Kong Profits Tax has been made as the Group had no assessable profits arising in Hong Kong during the Relevant Periods.

The taxation for the year/period can be reconciled to the profit before taxation per the combined statements of comprehensive income as follows:

	Year ended 31 December			Six months ended 30 June	
	2008	2009	2010	2010	2011
	HK$'000	HK$'000	HK$'000	HK$'000 (Unaudited)	HK$'000
Profit before taxation	57,585	9,487	515,491	464,262	70,072
Taxation at the domestic income tax rate of 25%	(14,396)	(2,372)	(128,873)	(116,066)	(17,518)
Tax effect of expenses not deductible for tax purpose	(1,242)	(2,556)	(19,415)	(17,927)	(5)
Tax effect of income not taxable for tax purpose	4,616	4,578	6,925	2,830	1,848
Tax effect of tax loss not recognised	(759)	(3,342)	(609)	(303)	(1,197)
Tax effect of utilisation of tax losses previously not recognised	61	1,597	826	381	174
Effect of Tax Holiday granted to a PRC subsidiary	6,077	823	4,739	94	5,906
Effect of different tax rates of subsidiaries operating in other jurisdictions	1,179	425	2,487	1,234	198
Withholding tax on undistributed earnings	(2,646)	1,149	(2,729)	199	(1,631)
PRC withholding tax paid	—	(2,093)	(772)	(763)	(2,287)
Overprovision (underprovision) in prior years	2,976	2,214	(2,801)	(2,750)	(2,229)
Others	(369)	112	(754)	811	(56)
Taxation (charge) credit for the year/period	(4,503)	535	(140,976)	(132,260)	(16,797)

The domestic income tax rate represents the statutory tax rate of the major group companies operating in the PRC.

The expenses not deductible for tax purpose for the year ended 31 December 2010 and the six months ended 30 June 2010 mainly include goodwill written off amounting to HK$69,479,000.

14. PROFIT FOR THE YEAR/PERIOD

	Year ended 31 December			Six months ended 30 June	
	2008	2009	2010	2010	2011
	HK$'000	HK$'000	HK$'000	HK$'000 (Unaudited)	HK$'000
Profit for the year/period has been arrived at after charging:					
Staff costs					
Directors' remuneration *(note 12)*	1,443	1,770	3,829	853	814
Other staff costs:					
Salaries and wages	21,669	21,146	24,223	12,059	7,538
Contributions to retirement benefit schemes	5,047	5,116	4,729	2,293	1,140
	28,159	28,032	32,781	15,205	9,492
Auditor's remuneration	1,067	971	741	164	399
Cost of inventories recognised as an expense	509,121	459,058	399,176	157,532	(329,694)
Amortisation of mining right (included in administrative expenses)	173	173	175	86	92
Depreciation of property, plant and equipment	28,049	27,241	12,022	5,886	9,393
Total amortisation and depreciation	28,222	27,414	12,197	5,972	9,485
Release of prepaid lease payments on land use rights	439	416	179	89	94
Loss on disposal and write-off of property, plant and equipment	23	160	3,194	2,597	221
Operating lease rentals in respect of:					
Premises	790	706	932	684	59
Plant and machinery	777	—	—	—	—
	1,567	706	932	684	59

During the year ended 31 December 2010 and the six months period ended 30 June 2011, the Group paid HK$309,000 and HK$163,000 services fee respectively to a personnel services company which providing temporary labours to the Group. Such amounts are excluded from the total staffs costs as mentioned on above.

15. EARNINGS PER SHARE

The calculations of basic earnings per share for the Relevant Periods are based on the profit for each of the three years ended 31 December 2010 and the six months ended 30 June 2010 and 2011 of HK$45,206,000, HK$6,709,000, HK$168,332,000, HK$129,930,000 (unaudited) and HK$47,840,000 respectively attributable to owners of the Company and on the basis of 352,707,833 ordinary shares issued on the assumption that the Corporate Reorganisation have become effective on 1 January 2008.

No diluted earnings per share has been presented for the Relevant Periods as there was no outstanding potential ordinary share during the Relevant Periods and at the end of the reporting periods.

16. PROPERTY, PLANT AND EQUIPMENT

	Buildings and structures	Leasehold improvements	Plant and machinery	Construction in progress	Furniture, fixtures and equipment	Motor vehicles	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
COST							
At 1 January 2008	269,246	459	467,233	1,360	3,340	8,109	749,747
Effect of exchange adjustments	18,358	31	31,949	93	228	553	51,212
Additions	2,861	—	3,399	10,225	74	618	17,177
Disposals and write-off	(162)	—	(1,966)	—	(28)	(323)	(2,479)
Reclassification	1,598	—	10,074	(11,678)	6	—	—
At 31 December 2008	291,901	490	510,689	—	3,620	8,957	815,657
Additions	419	—	1,984	19,596	241	665	22,905
Reclassified as assets held for sale	(192,652)	—	(357,280)	—	(826)	(52)	(550,810)
Disposals and write-off	—	—	—	—	(14)	(886)	(900)
Reclassification	70	—	1,370	(1,440)	—	—	—
At 31 December 2009	99,738	490	156,763	18,156	3,021	8,684	286,852
Effect of exchange adjustments	3,520	17	5,581	641	107	306	10,172
Additions	23,333	—	1,684	97,206	564	2,908	125,695
Disposals and write-off	(4,451)	—	—	—	(316)	(3,410)	(8,177)
Reclassification	—	—	924	(924)	—	—	—
At 31 December 2010	122,140	507	164,952	115,079	3,376	8,488	414,542
Effect of exchange adjustments	2,943	12	4,007	2,773	81	205	10,021
Additions	975	—	763	18,226	196	924	21,084
Disposals and write-off	—	—	(292)	—	(9)	(749)	(1,050)
Reclassification	58,080	3,382	71,928	(133,507)	117	—	—
Transfer from properties held for sale	370	—	—	—	—	—	370
At 30 June 2011	184,508	3,901	241,358	2,571	3,761	8,868	444,967
DEPRECIATION							
At 1 January 2008	77,895	404	212,006	—	2,359	4,062	296,726
Effect of exchange adjustments	5,311	28	14,458	—	161	277	20,235
Provided for the year	8,667	40	18,320	—	283	739	28,049
Eliminated on disposals and write-off	(10)	—	(317)	—	(22)	(159)	(508)
At 31 December 2008	91,863	472	244,467	—	2,781	4,919	344,502
Provided for the year	8,328	—	17,898	—	201	814	27,241
Reclassified as assets held for sale	(87,360)	—	(224,728)	—	(735)	(51)	(312,874)
Eliminated on disposals and write-off	—	—	—	—	(12)	(477)	(489)

	Buildings and structures	Leasehold improvements	Plant and machinery	Construction in progress	Furniture, fixtures and equipment	Motor vehicles	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
At 31 December 2009	12,831	472	37,637	—	2,235	5,205	58,380
Effect of exchange adjustments	515	17	1,528	—	83	206	2,349
Provided for the year	2,643	—	8,245	—	187	947	12,022
Eliminated on disposals and write-off	(1,803)	—	—	—	(270)	(2,662)	(4,735)
At 31 December 2010	14,186	489	47,410	—	2,235	3,696	68,016
Effect of exchange adjustments	340	11	1,148	—	54	91	1,644
Provided for the period	2,499	—	6,218	—	129	547	9,393
Eliminated on disposals and write-off	—	—	(17)	—	(1)	(597)	(615)
At 30 June 2011	17,025	500	54,759	—	2,417	3,737	78,438
CARRYING VALUES							
At 31 December 2008	200,038	18	266,222	—	839	4,038	471,155
At 31 December 2009	86,907	18	119,126	18,156	786	3,479	228,472
At 31 December 2010	107,954	18	117,542	115,079	1,141	4,792	346,526
At 30 June 2011	167,483	3,401	186,599	2,571	1,344	5,131	366,529

The above property, plant and equipment are depreciated on a straight-line basis at the following rates per annum after taking into account the estimated residual values:

Buildings and structures	2.5%–9%
Leasehold improvements	4.5%–18%
Plant and machinery	5%–9%
Furniture, fixtures and equipment	9%–18%
Motor vehicles	18%

The buildings of the Group are situated on the leasehold land in the PRC under medium-term leases.

At 31 December 2008, the Group pledged its buildings and structures with carrying amount of HK$80,991,000 to secure a portion of bank loan amounting to HK$15,227,000 out of HK$22,159,000 borrowed by a third party, who then lent a loan of HK$17,614,000 to the Group. The pledge was released upon the settlement of the other loan during the year ended 31 December 2009.

At 31 December 2010, the Group pledged its plant and machinery and construction in progress with aggregate carrying amount of HK$231,180,000 to secure for a bank loan of HK$40,000,000 and short-term bank facilities in respect of the issuance of bills payable to suppliers amounting to HK$17,647,000.

At 30 June 2011, the Group pledged its buildings and structures and plant and machinery with aggregate carrying amount of HK$247,212,000 to secure bank loan of HK$38,500,000 and short-term bank facilities in respect of the issuance of bills payable to suppliers amounting to HK$36,145,000.

The transfer of legal title of certain buildings to the Group with carrying amount of HK$2,765,000, HK$2,639,000, HK$25,635,000 and HK$2,664,000 as at 31 December 2008, 2009, 2010 and 30 June 2011 respectively were in progress.

17. PREPAID LEASE PAYMENTS ON LAND USE RIGHTS

	At 31 December			At 30 June
	2008	**2009**	**2010**	**2011**
	HK$'000	**HK$'000**	**HK$'000**	**HK$'000**
The prepaid lease payments on land use rights comprise:				
Leasehold land in the PRC under medium-term lease	16,949	7,600	7,685	7,776
Analysed for reporting purposes as:				
Non-current	16,510	7,423	7,501	7,588
Current	439	177	184	188
	16,949	7,600	7,685	7,776

The leasehold land is released on a straight-line basis over the remaining term of leases.

At 31 December 2008, the Group pledged its land use rights with carrying amount of HK$16,949,000 to secure for bank borrowings advanced to the Group of HK$77,273,000.

No land use rights were pledged as at 31 December 2009, 31 December 2010 and 30 June 2011.

18. GOODWILL AND IMPAIRMENT TEST ON GOODWILL

	HK$'000
COST	
At 1 January 2008, 31 December 2008 and 2009	83,618
Write-off	(83,618)
At 31 December 2010 and 30 June 2011	—
IMPAIRMENT	
At 1 January 2008, 31 December 2008 and 2009	14,139
Write-off	(14,139)
At 31 December 2010 and 30 June 2011	—
CARRYING VALUE	
At 1 January 2008, 31 December 2008 and 2009	69,479
At 31 December 2010 and 30 June 2011	—

Goodwill acquired in a business combination is allocated, at acquisition, to the cash-generating unit that is expected to benefit from that business combination. Before recognition of impairment losses, the carrying amount of goodwill of HK$83,618,000 was wholly allocated to cash-generating unit in manufacturing and sales of cement and clinker of a subsidiary (the "Unit").

Upon the application of HKFRS 3, the Group tests goodwill annually for impairment, or more frequently if there are indications that goodwill might be impaired.

The recoverable amount of the Unit as at 31 December 2008 is determined from value in use calculation. The key assumptions for the value in use calculation are those regarding the discount rate, growth rates and expected changes to selling prices and direct costs during the forecast period. Management estimates discount rate of 12.94% as at 31 December 2008, using pre-tax rates that reflect current market assessments of the time value of money and the risks specific to the Unit. Changes in selling prices and direct costs are based on past practices and expectations of future changes in the market.

The Group prepared cash flow projections derived from the most recent financial budgets approved by management covering a five-year period and extrapolated cash flows of the Unit for the following ten years using zero growth rate. Based on the results of the cash flow projection, management of the Group determined that there was no impairment should be recognised for the goodwill of the Unit for the year ended 31 December 2008.

The recoverable amount of the Unit as at 31 December 2009 is determined from fair value less costs to sell calculation. The calculation is based on the total compensation of RMB799,900,000 (equivalent to HK$941,059,000) pursuant to the Compensation Agreement (as defined in note 27), the carrying amounts of the Unit's assets and incremental costs that would be directly attributable to the land resumption. Based on the result of such calculation, management of the Group determined that there was no impairment should be recognised for the goodwill of the Unit for the year ended 31 December 2009.

During the year ended 31 December 2010, the operation of the Unit was discontinued upon the completion of land resumption, and the goodwill was fully written off accordingly.

19. MINING RIGHT

	HK$'000
COST	
At 1 January 2008	7,854
Effect on exchange adjustments	535
At 31 December 2008 and at 31 December 2009	8,389
Effect on exchange adjustments	296
At 31 December 2010	8,685
Effect on exchange adjustments	209
At 30 June 2011	8,894
AMORTISATION	
At 1 January 2008	418
Effect on exchange adjustments	28
Charge for the year	173
At 31 December 2008	619
Charge for the year	173
At 31 December 2009	792
Effect on exchange adjustments	32
Charge for the year	175
At 31 December 2010	999
Effect on exchange adjustments	22
Charge for the period	92
At 30 June 2011	1,113
CARRYING VALUES	
At 31 December 2008	7,770
At 31 December 2009	7,597
At 31 December 2010	7,686
At 30 June 2011	7,781

The licence period for the mining of limestone quarry located in the PRC is 10 years and renewable for another 10 years or more at minimal charges. The mining right is amortised on a straight-line basis over its estimated useful life of 50 years.

20. PROPERTIES HELD FOR SALE

The balance represents properties transferred from trade debtors of a subsidiary, Shanghai SAC, in lieu of cash settlement and registered in the name of Shanghai SAC in previous years.

The Certificate for Real Estate Ownership of the properties held for sales as at 31 December 2008, 2009, 2010 and 30 June 2011 were held in trust by management of the Group on behalf of the Group. The transfer of legal title of the properties held for sales were completed subsequently in August 2011.

21. INVENTORIES

	At 31 December			At 30 June
	2008	2009	2010	2011
	HK$'000	HK$'000	HK$'000	HK$'000
Inventories consist of the following:				
Raw materials	35,852	30,341	27,314	23,128
Work in progress	6,147	3,398	339	317
Finished goods	5,997	4,457	13,490	11,935
	47,996	38,196	41,143	35,380

22. TRADE AND BILLS RECEIVABLES

	At 31 December			At 30 June
	2008	2009	2010	2011
	HK$'000	HK$'000	HK$'000	HK$'000
Trade receivables	149,506	164,079	131,219	116,318
Less: Allowance for trade receivables	(32,198)	(30,900)	(5,521)	(4,778)
	117,308	133,179	125,698	111,540
Bills receivables	99,061	53,174	66,175	216,658
	216,369	186,353	191,873	328,198

The Group has a policy of allowing its trade customers credit periods normally ranging from 120 days to 1 year. The aged analysis of trade and bills receivables, net of allowance for bad and doubtful debts, is presented based on the invoice date at the end of the reporting period as follows:

	At 31 December			At 30 June
	2008	2009	2010	2011
	HK$'000	HK$'000	HK$'000	HK$'000
0-90 days	173,285	103,665	130,906	260,740
91-180 days	33,830	44,035	27,545	56,009
181-365 days	7,364	23,855	11,331	8,927
Over 1 year	1,890	14,798	22,091	2,522
	216,369	186,353	191,873	328,198

Discounted bills receivables with full recourse of approximately HK$32,740,000, HK$7,854,000, HK$3,647,000 and HK$4,217,000 were included in bills receivables as at 31 December 2008, 2009, 2010 and 30 June 2011 respectively. The advances obtained from discounted bills receivable have been recorded as unsecured bank loans (note 31).

Before accepting any new customer, the Group will assess the potential customer's credit quality and define credit limits by customer. Limits and scoring attributed to customers are reviewed twice a year. Approximately 99%, 92%, 88% and 99% of the trade and bills receivables were neither past due nor impaired. Management of the Group is of the opinion that the credit quality of the trade receivables balances that are neither past due nor impaired at the end of each reporting period is of good quality and these customers have long term relationship with the Group.

At 31 December 2008, 2009, 2010 and 30 June 2011, included in the Group's trade and bills receivables balances are debtors with aggregate carrying amount of approximately HK$1,890,000, HK$14,798,000, HK$22,091,000 and HK$2,522,000 respectively which are past due at the end of the reporting period for which the Group has not provided for impairment loss. The average age of these receivables is 518 days, 423 days, 472 days and 548 days at 31 December 2008, 2009, 2010 and 30 June 2011 respectively.

Ageing of trade and bills receivables which are past due but not impaired.

	At 31 December			At 30 June
	2008	2009	2010	2011
	HK$'000	HK$'000	HK$'000	HK$'000
Over 1 year	1,890	14,798	22,091	2,522

Movement in the allowance for bad and doubtful debts

	At 31 December			At 30 June
	2008	2009	2010	2011
	HK$'000	HK$'000	HK$'000	HK$'000
Balance at the beginning of the year	30,666	32,198	30,900	5,521
Exchange difference	2,073	—	1,056	133
Impairment losses recognised on receivables	244	478	4	—
Amounts recovered during the year	(785)	(1,298)	(296)	(16)
Amounts written off as uncollectible	—	(478)	(26,143)	(860)
Balance at the end of the reporting period	32,198	30,900	5,521	4,778

Included in the allowance for bad and doubtful debts are individually impaired trade receivables with an aggregate balance of HK$32,198,000, HK$30,900,000, HK$5,521,000 and HK$4,778,000 which have either been placed under liquidation or in severe financial difficulties at 31 December 2008, 2009, 2010 and 30 June 2011 respectively. The Group does not hold any collateral over these balances.

The carrying amount of trade receivable, which was pledged as security for the secured bank loan (note 31), was approximately HK$3,409,000 at 31 December 2008.

23. OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	At 31 December			At 30 June
	2008	2009	2010	2011
	HK$'000	HK$'000	HK$'000	HK$'000
Advance to suppliers	16,503	13,925	10,688	15,226
Deposits paid	1,307	3,945	4,091	4,310
Prepayments	1,402	3,532	1,964	3,620
Other receivables	3,299	2,309	2,006	3,718
Subsidy income receivable	2,548	1,726	—	—
VAT receivable	1,524	3,449	7,129	4,303
Land resumption compensation receivable	—	—	58,824	60,241
Bank interest income receivable	—	—	4,344	7,439
	26,583	28,886	89,046	98,857

24. FINANCIAL ASSETS DESIGNATED AS AT FAIR VALUE THROUGH PROFIT OR LOSS

	At 31 December			At 30 June
	2008	2009	2010	2011
	HK$'000	HK$'000	HK$'000	HK$'000
Structured deposits	—	—	35,608	325,040

During the year ended 31 December 2010, the Group had entered into with banks certain principal protected-structured deposits that are denominated in RMB with aggregated principal amounts of RMB285,000,000 (equivalent to HK$335,294,000) and with maturity periods ranging from approximately one month to nine months.

During the six months ended 30 June 2011, the Group had entered into principal protected-structured deposits that are denominated in RMB with the aggregate principal amounts of RMB458,000,000 (equivalent to HK$551,807,000) with banks with maturity periods ranging from three months to nine months.

Interest of the structured deposits vary depending on the movement of exchange rate between the United States Dollars and Euro or of the Shanghai Interbank Offered Rate. The entire structured deposits are designated as financial assets at fair value through profit or loss on initial recognition.

Structured deposits with aggregated principal amounts of RMB255,000,000 (equivalent to HK$300,123,000) and RMB220,000,000 (equivalent to HK$265,382,000) had matured during the year ended 31 December 2010 and the six months ended 30 June 2011 respectively and resulted fair value gains on financial assets designated as at fair value through profit or loss of RMB4,551,000 (equivalent to HK$5,231,000) and RMB1,813,000 (equivalent to HK$2,184,000) for the year ended 31 December 2010 and the six months ended 30 June 2011 respectively. The balance of financial assets designated as at fair value through profit or loss as at 31 December 2010 and 30 June 2011 represented structured deposits with maturity date in March 2011 and ranging from October 2011 to March 2012 respectively.

The fair value of structured deposits classified as financial assets designated as at fair value through profit or loss at the end of the reporting period are assessed by the management of the Group by reference to the discounted cash flow and applicable yield curve of foreign exchange rate changes or the Shanghai Interbank Offered Rate and resulted in fair value gains on financial assets designated as at fair value through profit or loss of RMB267,000 (equivalent to HK$307,000) and RMB1,783,000 (equivalent to HK$2,148,000) respectively for the year ended 31 December 2010 and the six months ended 30 June 2011.

The directors of the Company use their judgement in selecting an appropriate valuation technique for financial instruments not quoted in an active market. The structured deposits are valued using a discounted cash flow analysis based on assumptions supported, where possible, by observable market prices or rates.

25. LOAN RECEIVABLE

	At 31 December			At 30 June
	2008	**2009**	**2010**	**2011**
	HK$'000	**HK$'000**	**HK$'000**	**HK$'000**
Unlisted debt securities	—	—	60,482	—

During the year ended 31 December 2010, the Group acquired structured investment deposits with aggregate principal amounts of RMB270,000,000 (equivalent to HK$317,648,000) denominated in RMB and with maturity periods ranging from approximately one month to one year. Structured investment deposits with aggregated principal amounts of RMB220,000,000 (equivalent to HK$258,825,000) had matured during the year ended 31 December 2010.

The balance of the loan receivable as at 31 December 2010 represented the structured investment deposits with fixed interest of 3.50% and was matured in March 2011. Interest was received upon maturity. The structured investment deposits are neither past due nor impaired.

26. PLEDGED SHORT-TERM BANK DEPOSITS/TIME DEPOSITS/BANK BALANCES AND CASH

Bank deposits totalling HK$13,636,000, nil, HK$45,882,000 and HK$124,096,000 were pledged to banks as collateral to secure short-term banking facilities in respect of bills payables to suppliers at 31 December 2008, 2009, 2010 and 30 June 2011 respectively and were therefore classified as current assets.

The pledged short-term bank deposits carried fixed interest rates ranging from 0.81% to 3.42%, 1.91% to 3.30% and 2.8% to 3.33% per annum at 31 December 2008, 2010 and 30 June 2011 respectively.

Time deposits held by the Group comprised bank balances held by the Group with maturity of 1 year or less and carried fixed interest rates which ranged from 2.25% to 3.30% and 2.25% to 3.33% per annum at 31 December 2010 and 30 June 2011 respectively.

Bank balances and cash comprised cash and bank balances held by the Group with maturity of three months or less and carried interest at prevailing market deposit rates which ranged from 0.01% to 1.98%, 0.01% to 1.71%, 0.01% to 1.35% and 0.01% to 0.5% per annum for each of the three years ended 31 December 2008, 2009, 2010 and the six months ended 30 June 2011 respectively.

27. ASSETS CLASSIFIED AS HELD FOR SALE

On 27 November 2009, Shanghai SAC entered into a land resumption compensation agreement ("Compensation Agreement") with Shanghai Municipal Government. Pursuant to the Compensation Agreement, the total compensation to be payable to the Group by the Shanghai Municipal Government, as a result of the land resumption, shall be RMB799,900,000 (equivalent to HK$941,059,000). The land resumption was completed during the year ended 31 December 2010 upon the fulfillment of the compensation conditions of deregistering the land use right certificates and handover of land, which are stipulated in the Compensation Agreement. It resulted in a gain on land resumption exercise of HK$528,396,000 upon the fulfillment of conditions set out in the Compensation Agreement. The gain on land resumption exercise has been calculated taking into account of severance payment to the employees amounting to approximately HK$90,000,000 in which, HK$7,850,000 were paid to the key management personnel of the Group. Profit after tax attributable to the owners of the Company in respect of land resumption amounted to HK$198,069,000 for the year ended 31 December 2010.

The assets of Shanghai SAC attributable to the Compensation Agreement have been classified as assets held for sale as at 31 December 2009. The proceeds of the total compensation are expected to exceed the net carrying amount of the relevant assets and, accordingly, no impairment loss has been recognised on the classification of the Shanghai SAC's operation as held for sale.

Up to 31 December 2009, 2010 and 30 June 2011, the Group has received compensation of RMB500,177,000 (equivalent to HK$568,382,000), RMB749,900,000 (equivalent to HK$882,235,000) and RMB749,900,000 (equivalent to HK$903,494,000) respectively from Shanghai Municipal Government. The remaining balance of RMB50,000,000 (equivalent to HK$58,824,000) and RMB50,000,000 (equivalent to HK$60,241,000) is included in other receivables as at 31 December 2010 and 30 June 2011 respectively.

The major classes of assets of Shanghai SAC's operation classified as held for sale are as follows:

	At 31 December 2009
	HK$'000
Property, plant and equipment	237,936
Prepaid lease payments on land use rights	8,933
Other assets	13,190
	260,059

28. TRADE AND BILLS PAYABLES

An aged analysis of the Group's trade and bills payables at the end of each reporting period is as follows:

	At 31 December			At 30 June
	2008	2009	2010	2011
	HK$'000	HK$'000	HK$'000	HK$'000
0–90 days	15,300	16,173	82,310	129,582
91–180 days	29,505	4,095	6,832	38,370
181–365 days	1,177	1,217	521	2,632
Over 1 year	1,926	2,103	3,155	2,856
	47,908	23,588	92,818	173,440

29. OTHER PAYABLES AND DEPOSITS RECEIVED

	At 31 December			At 30 June
	2008	2009	2010	2011
	HK$'000	HK$'000	HK$'000	HK$'000
Payables for acquisition of property, plant and equipment	11,686	8,542	17,591	28,139
Receipt in advance from customers	7,901	3,909	11,901	13,900
Other tax payable	5,787	4,767	3,854	3,904
Other payables	1,896	2,068	3,377	3,578
Accrued cost in relation to land resumption	—	—	8,728	3,013
Other accrued operating expenses	3,391	3,140	4,227	4,270
Deposits received	380	16	16	71
	31,041	22,442	49,694	56,875

30. DEPOSIT RECEIVED ON LAND RESUMPTION

The amount represented the non-refundable deposit received from the Shanghai Municipal Government as at 31 December 2009 as a result of the land resumption pursuant to the Compensation Agreement entered into as disclosed in note 27. Gain or loss on the land resumption exercise was recognised upon the completion of the compensation conditions of deregistering the land use right certificates and completing the land resumption, which are stipulated in the Compensation Agreement.

During the six months ended 30 June 2010 and the year ended 31 December 2010, the transaction was completed and resulted in a gain of HK$528,396,000 (unaudited) and HK$528,396,000 respectively.

31. BORROWINGS

	At 31 December			At 30 June
	2008	2009	2010	2011
	HK$'000	HK$'000	HK$'000	HK$'000
Bank loans	195,785	86,939	103,229	127,558
Other loans	17,614	—	—	—
	213,399	86,939	103,229	127,558
Secured	98,296	—	40,000	38,500
Unsecured	115,103	86,939	63,229	89,058
	213,399	86,939	103,229	127,558
The maturity profile of the above borrowings is as follows:				
Within one year	203,058	27,357	17,647	49,757
More than one year, but not exceeding two years	—	9,500	56,082	77,801
More than two years but not exceeding five years	10,341	50,082	29,500	—
	213,399	86,939	103,229	127,558
Less: Amount repayable within one year and shown under current liabilities	(203,058)	(27,357)	(17,647)	(49,757)
Amount due after one year	10,341	59,582	85,582	77,801

Included in bank borrowings were proceeds from discounted bills receivables with full recourse of approximately HK$32,740,000, HK$7,854,000, HK$3,647,000 and HK$4,217,000 at 31 December 2008, 2009, 2010 and 30 June 2011 respectively.

At 31 December 2008, borrowings of approximately HK$169,296,000 were secured or guaranteed by:

(a) joint guarantees amounting to HK$71,000,000 provided by the ultimate holding company, Tian An China Investments Company Limited and the former immediate holding company;

(b) property, plant and equipment as disclosed in note 16 for a borrowing amounting to HK$17,614,000;

(c) land use rights as disclosed in note 17 for a borrowing amounting to HK$77,273,000; and

(d) trade receivables as disclosed in note 22 for a borrowing amounting to HK$3,409,000.

At 31 December 2009, included in borrowings of approximately HK$79,085,000 were guaranteed by:

(a) guarantee amounting to HK$62,040,000 provided by the ultimate holding company, Tian An China Investments Company Limited; and

(b) joint guarantees amounting to HK$17,045,000 provided by Shandong SAC and Shanghai SAC.

At 31 December 2010, borrowings of approximately HK$99,582,000 were secured and/or guaranteed by:

(a) guarantee amounting to HK$99,582,000 provided by the ultimate holding company, Tian An China Investments Company Limited; and

(b) property, plant and equipment as disclosed in note 16 for a borrowing amounting to HK$40,000,000.

At 30 June 2011, borrowings of approximately HK$123,341,000 were secured and/or guaranteed by:

(a) guarantee amounting to HK$93,341,000 provided by the ultimate holding company, Tian An China Investments Company Limited;

(b) property, plant and equipment as disclosed in note 16 for a borrowing amounting to HK$38,500,000; and

(c) guarantee amounting to HK$30,000,000 provided by SACHL.

Bank and other loans of HK$71,000,000, HK$62,040,000, HK$99,582,000, HK$93,341,000 were denominated in HK$ at 31 December 2008, 2009, 2010 and 30 June 2011, the currency other than the functional currency of the relevant group entities.

The exposures of the Group's fixed-rate and variable-rate borrowings are as follows:

	At 31 December			At 30 June
	2008	2009	2010	2011
	HK$'000	HK$'000	HK$'000	HK$'000
Fixed-rate borrowings:				
Bank loans repayable within one year	113,422	24,899	3,647	4,217
Variable-rate borrowings:				
Bank loans repayable within one year	82,363	2,458	14,000	45,540
Bank loans repayable in more than one year but not more than two years	—	9,500	56,082	77,801
Bank loans repayable in more than two years but not more than five years	—	50,082	29,500	—
Other loans repayable within one year	7,273	—	—	—
Other loans repayable in more than two years, but not more than five years	10,341	—	—	—
	99,977	62,040	99,582	123,341
	213,399	86,939	103,229	127,558

The variable-rate borrowings carry interest rate, which are repricing annually, as follows:

	At 31 December			At 30 June
	2008	2009	2010	2011
	HK$'000	HK$'000	HK$'000	HK$'000
Hong Kong Interbank Offered Rate plus 1.5%	71,000	—	—	—
Hong Kong Interbank Offered Rate plus 2.3%	—	62,040	99,582	93,341
1-year People's Bank of China benchmark interest rate multiplied by 160%	11,363	—	—	—
1-year People's Bank of China benchmark interest rate multiplied by 120%	—	—	—	30,000
3-year People's Bank of China benchmark interest rate multiplied by 120%	17,614	—	—	—
	99,977	62,040	99,582	123,341

The ranges of effective interest rates (which are also equal to contracted interest rates) on the Group's borrowings are as follows:

	2008	2009	2010	2011
Effective interest rate:				
Fixed-rate borrowings	4.83%–7.13%	2.60%–6.90%	4.80%–4.92%	7.8%
Variable-rate borrowings	4.08%–8.39%	2.36%	2.36%–2.72%	2.44%–7.27%

In respect of a bank loan with a carrying value of HK$71,000,000 as at 31 December 2008, the Group breached a term of the bank loan which related to the strictly compliance of debt-equity ratio of its former ultimate holding company. The directors of the former ultimate holding company have informed the lender and commenced a renegotiation of the terms of the loan with the relevant bank. At 31 December 2008, those negotiations, which might result in a waiver by the bank of the covenants, had not been concluded. The loan was originally repayable within one year and classified as current liability as at 31 December 2008. During the year ended 31 December 2009, the Group entered into an agreement with the bank to settle the outstanding amount of the bank loan.

32. SHARE CAPITAL

Share capital in the combined statements of financial position as at 1 January 2008, 31 December 2008 and 2009 represents the issued and paid-up share capital of SACHL of 10,000,000 shares of HK$1 each.

Share capital in the combined statement of financial position as at 31 December 2010 represents the issued and paid-up share capital of Splendid Link Limited comprising 1 share of US$1 each.

Share capital in the combined statement of financial position as at 30 June 2011 represents the issued and paid-up share capital of Splendid Link Limited and the Company comprising 1 share of US$1 each and 1 share of HK$0.01 each, respectively.

33. DEFERRED TAXATION

At the end of the reporting period and during the years/period, deferred tax liabilities (assets) were recognised in respect of the temporary differences attributable to the following:

	Accelerated tax depreciation	Allowance for doubtful debts	Withholding tax on undistributed earnings	Others	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
At 1 January 2008	32,932	(4,830)	—	644	28,746
Exchange differences	2,245	(329)	—	—	1,916
(Credit) charge to profit or loss for the year	(2,150)	369	2,646	38	903
At 31 December 2008	33,027	(4,790)	2,646	682	31,565
Credit to profit or loss for the year	(234)	—	(1,149)	(6)	(1,389)
At 31 December 2009	32,793	(4,790)	1,497	676	30,176
Exchange differences	995	(170)	53	—	878
(Credit) charge to profit or loss for the year	(4,694)	10	2,729	(630)	(2,585)
At 31 December 2010	29,094	(4,950)	4,279	46	28,469
Exchange differences	598	(118)	103	2	585
Charge to profit or loss for the period	—	—	1,631	489	2,120
At 30 June 2011	29,692	(5,068)	6,013	537	31,174

The Group had estimated unused tax losses of HK$16,722,000, HK$24,239,000, HK$19,718,000 and HK$23,863,000 at 31 December 2008, 2009, 2010 and 30 June 2011 respectively, which were available for offset against future profits. No deferred tax asset has been recognised due to the unpredictability of future profit streams. The Group had unused tax losses of HK$11,329,000, HK$9,072,000, HK$2,116,000 and HK1,472,000 at 31 December 2008, 2009, 2010 and 30 June 2011 respectively, which will gradually expire in 5 years and the remaining unused tax losses may be carried forward indefinitely.

During the years ended 31 December 2009 and 2010, and the six months ended 30 June 2010 and 2011, the Group had paid withholding tax on dividend declared amounting to HK$2,093,000, HK$772,000, HK$763,000 and HK$2,287,000 respectively, such amount was included in current year PRC Enterprise Income Tax.

34. SHARE OPTION SCHEME

On 28 April 2011, the Company adopted a share option scheme (the "Scheme"). The purpose of the Scheme is to provide incentives to participants to contribute to the Group and to enable the Group to recruit and retain high-calibre employees and attract and retain human resources that are valuable to the Group. Under the terms of the Scheme, which was adopted on 28 April 2011 and will be valid and effective for a period of ten years commencing on the date of the Listing, the board of directors may grant an option to any individual being an employee, officer, agent, consultant or representative of any members of the Group (including any executive, non-executive director of any member of the Group) based on his/her performance, years of service, working experience, knowledge in the industry and other relevant factors to subscribe for the shares in the Company (the "Shares"). The subscription price for the Shares on the exercise of options under the Scheme shall be at least the highest of: (a) the closing price of the Shares as stated in The Stock Exchange of Hong Kong Limited's daily quotations sheets on the date on which the option is granted, which must be a business day; (b) the average closing price of the Share as stated in The Stock Exchange of Hong Kong Limited's daily quotations sheets for the five business days immediately preceding the date on which the option is granted; and (c) the nominal value of the Shares.

The exercisable period will be determined by the Board and in any event must not be more than 10 years from the date of the grant of the option. The total number of the Shares issued and to be issued upon exercise of the options granted to each participant, together with all options granted and to be granted to him/her under any other share option scheme(s) of the Company within the 12-month period immediately preceding the proposed date of grant (including exercised, cancelled and outstanding options) shall not exceed 1% of the total number of the Shares in issue as at the proposed date of grant. Any further grant of options to a participant in excess of the 1% limit shall be subject to the shareholders' approval of the Company with such participant and his/her associates abstaining from voting.

The limit on the total number of the Shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Scheme and any other share option scheme(s) of the Company (excluding lapsed and cancelled options) must not exceed 30% of the total number of the Shares in issue from time to time. In addition, the total number of the Shares which may be issued upon exercise of all options to be granted under the Scheme, together with all options to be granted under any other share option scheme(s) of the Company (excluding lapsed options), must not represent more than 10% of the total number of the Shares in issue as at the date of commencement of the Listing.

No option has been granted since the adoption of the Scheme.

35. RETIREMENT BENEFIT SCHEME

The PRC employees of the Group are members of a state-managed retirement benefit scheme operated by the local government. The Group is required to contribute 15%–25% of their payroll costs to the retirement benefit scheme to fund the benefits. The only obligation of the Group with respect to the retirement benefit scheme is to make the specified contributions.

The Group made total contributions to the retirement benefit scheme of HK$5,067,000, HK$5,144,000, HK$4,760,000, HK$2,314,000 (unaudited) and HK$1,169,000 for the years ended 31 December 2008, 2009, 2010 and the six months ended 30 June 2010 and 2011 respectively.

36. OPERATING LEASE COMMITMENTS

In June 2001 and June 2002, the Group entered into arrangements with third parties in the PRC to lease plant and machinery and premises respectively as the production facilities for manufacture of cement with a term of twenty years. Remaining operating leases for rented premises are negotiated for term of ten years.

	Year ended 31 December			Six months ended 30 June	
	2008	2009	2010	2010	2011
	HK$'000	HK$'000	HK$'000	HK$'000 (unaudited)	HK$'000
Minimum lease payments under operating leases recognised as an expense in the year/period	1,567	706	932	684	59

At the end of each reporting period, the Group had commitments for future minimum lease payments under the above arrangement and other non-cancellable operating leases for premises and property, plant and equipment which fall due as follows:

	At 31 December			At 30 June
	2008	2009	2010	2011
	HK$'000	HK$'000	HK$'000	HK$'000
Not later than one year	1,648	909	1,012	136
Later than one year and not later than five years	6,591	3,636	3,806	4,798
Later than five years	12,277	5,890	5,157	4,317
	20,516	10,435	9,975	9,251

37. CAPITAL COMMITMENTS

The Group had the following capital commitments:

	At 31 December			At 30 June
	2008	2009	2010	2011
	HK$'000	HK$'000	HK$'000	HK$'000
Capital expenditure commitments in respect of the acquisition of property, plant and equipment contracted for but not provided in the Financial Information	6,801	33,601	—	—

38. CONTINGENT LIABILITIES

(a) SACHL and its former immediate holding company, ChinaVision Media Group Limited (formerly known as "Shanghai Allied Cement Limited"), have given joint guarantees to a financial institution to secure loan facilities (including both principal and interest incurred) granted to the former immediate holding company. SACHL did not receive any fee from its former immediate holding company for such guarantees provided. The aggregate amounts that could be required to be paid if the guarantee was called upon in entirety amounted to HK$262,500,000 at 31 December 2008. At the end of the reporting periods, the maximum loan facilities and being utilised by its former immediate holding company, which have not been recognised in the Group's combined statements of financial position as liabilities, were as follows:

	At 31 December			At 30 June
	2008	2009	2010	2011
	HK$'000	HK$'000	HK$'000	HK$'000
Facilities utilised by former immediate holding company	262,500	—	—	—

(b) A former constructor and material supplier of the Group has initiated legal proceeding in the PRC against subsidiaries of the Company during the year ended 31 December 2009 in relation to dispute over the outstanding construction and material supply costs plus compensation. The amount claimed by the former constructor and material supplier approximates HK$8,410,000. A total of approximately HK$4,307,000, HK$4,338,000 and HK$4,442,000 were recognised as trade and other payables as at 31 December 2009, 2010 and 30 June 2011 respectively in relation to the claim. The judgement of Zaozhuang City Intermediate People's Court was held in favour of the former constructor and material supplier. The Group had appealed in the Shandong High People's Court which had turned down the judgement of Zaozhuang City Intermediate People's Court and had ordered retrial to the case. As at 31 December 2009, 2010 and 30 June 2011, the case is still under trial by the court in the PRC. The Group has assessed the claim and obtained legal advice, and considers that the final outcome of the claim will not have material effect on the financial position of the Group.

39. RELATED PARTY TRANSACTIONS

(a) On 16 December 1995, a leasing agreement was entered into between Shanghai SAC, a subsidiary of the Group, and Shanghai Cement Factory ("SCF"), a non-controlling interest, which held a 40% equity interest in Shanghai SAC. According to the leasing agreement, Shanghai SAC should pay to SCF an annual leasing fee which consisted of (1) a fixed asset leasing fee mainly based on the depreciation of the property, plant and equipment leased under the leasing agreement plus a mark-up of about 10%; and (2) an usage fee mainly based on the volume of raw materials off-load and the applicable unit rate for the relevant raw materials agreed by the parties when the leasing agreement was signed. The underlying assets are also used by SCF. Shanghai SAC paid a total leasing fee of HK$6,747,000, HK$6,095,000, HK$57,000, HK$7,000 (unaudited) and nil to SCF during the years ended 31 December 2008, 2009, 2010 and the six months ended 30 June 2010 and 2011 respectively.

(b) In July 2002, ChinaVision Media Group Limited (formerly known as "Shanghai Allied Cement Limited"), the former immediate holding company, entered into a master agreement with Tian An China Investments Company Limited, the ultimate holding company, for a reciprocal arrangement of guarantee. Accordingly, the Group provides guarantees to secure certain borrowings of subsidiaries of the ultimate holding company in the PRC and the ultimate holding company provides guarantees to secure certain borrowings of the Group in the PRC. A guarantee fee of 1% per annum on the principal amount of the guarantees is chargeable between the relevant parties. The Master Agreement was expired during the year ended 31 December 2008. At 31 December 2008, 2009, 2010 and 30 June 2011, the Group did not provide any guarantees to secure borrowings of subsidiaries of the ultimate holding company in the PRC.

(c) The ultimate holding company, Tian An China Investments Company Limited and the former immediate holding company, ChinaVision Media Group Limited (formerly known as "Shanghai Allied Cement Limited"), provided joint guarantees to secure borrowing of approximately HK$71,000,000 of the Group at 31 December 2008.

(d) The ultimate holding company, Tian An China Investments Company Limited, provided guarantees to secure borrowings of approximately HK$62,040,000, HK$99,582,000 and HK$93,341,000 of the Group at 31 December 2009 and 2010 and 30 June 2011 respectively.

(e) In addition, the Group has entered into the following related party transactions:

	Year ended 31 December			Six months ended 30 June	
	2008	2009	2010	2010	2011
	HK$'000	HK$'000	HK$'000	HK$'000 (Unaudited)	HK$'000
(i) A subsidiary of a former substantial shareholder with significant influence over the Group					
Star Telecom Holding Limited — Administrative expenses	1,506	—	—	—	—
(ii) Intermediate holding company					
SAC Investments Limited — Management fee expenses	—	805	—	—	—
(iii) Fellow subsidiary					
天安(上海)投資有限公司 Tian An (Shanghai) Investments Co., Ltd. — Interest income	—	—	189	—	969
(iv) Non-controlling interests					
上海水泥廠 Shanghai Cement Factory — imputed interest expenses	51	25	6	6	—
Aso Corporation — Management fee expenses	—	330	254	—	—
(v) Ultimate holding company					
Tian An China Investments Company Limited — Guarantee fee expenses	806	451	—	—	—

(f) At the end of the reporting period, the Group has the following significant balances with related parties:

	Notes	At 31 December			At 30 June
		2008	2009	2010	2011
		HK$'000	HK$'000	HK$'000	HK$'000
(i) Current assets					
Amounts due from former fellow subsidiaries:					
SAC Enterprises Limited	*a*	10,241	—	—	—
SAC Building Material Holdings Limited	*a*	5,106	—	—	—
深圳市賽華順升建材有限公司	*a*	13,085	—	—	—
上海賽華順升建材有限公司	*a*	825	—	—	—
		29,257	—	—	—
Amount due from a fellow subsidiary					
天安(上海)投資有限公司 Tian An (Shanghai) Investments Co., Ltd.	*b*	—	—	47,252	48,193
		29,257	—	47,252	48,193
(ii) Current liabilities					
Dividends payable to a non-controlling interest					
Aso Corporation	*c, f*	—	—	2,650	2,650
Amount due to immediate holding company					
Sunwealth Holdings Limited	*c, g*	—	284,739	342,135	353,521
Amount due to former immediate holding company					
ChinaVision Media Group Limited (formerly known as "Shanghai Allied Cement Limited")	*c*	289,630	—	—	—
Amount due to ultimate holding company					
Tian An China Investments Company Limited	*c, g*	14,641	1,807	1,807	1,807
Amounts due to former fellow subsidiaries:					
SAC Enterprises Limited	*c*	1,530	—	—	—
SAC Finance Company Limited	*c*	13,470	—	—	—
SAC Secretarials Limited	*c*	3	—	—	—
		15,003	—	—	—

	Notes	At 31 December 2008 HK$'000	At 31 December 2009 HK$'000	At 31 December 2010 HK$'000	At 30 June 2011 HK$'000
Amount due to a fellow subsidiary					
天安(上海)投資有限公司 Tian An (Shanghai) Investments Co., Ltd.	c, h	—	13,284	13,753	14,084
Amounts due to non-controlling interests:					
上海水泥廠 Shanghai Cement Factory	c	4,876	4,015	1,879	—
Aso Corporation	c, f	—	330	584	584
		4,876	4,345	2,463	584
Amount due to a former related company:					
Star Telecom Holding Limited	c, d	2,283	—	—	—
		326,433	304,175	362,808	372,646
(iii) Non-current liabilities					
Amount due to a non-controlling interest: 上海水泥廠 Shanghai Cement Factory	e	450	475	—	—

Notes:

(a) The balance was unsecured, non-interest bearing and repaid during the year ended 31 December 2009.

(b) The balance was unsecured, carried interest at 4% per annum and is repayable on 25 November 2012. It contains a repayment on demand clause and has been classified as current asset. The balance was subsequently repaid in July 2011.

(c) The balance was unsecured, non-interest bearing and repayable on demand.

(d) The former related company was owned by a former substantial shareholder of the former immediate holding company. On 6 March 2009, the former substantial shareholder disposed of its shares in the former immediate holding company to an independent third party.

(e) The amount due to a non-controlling interest was unsecured, non-interest bearing and repayable by 2043. The effective interest rate of the amount is 5.58% per annum for each of the years ended 31 December 2008 and 2009. The amount was fully repaid during the year ended 31 December 2010.

(f) Pursuant to the details set out in the section headed "Connected Transactions" in the Prospectus, the Directors expected that the amount will be settled after the Listing.

(g) For the balances at 30 June 2011, approximately HK$227,305,000 was capitalised with details set out in section E and pursuant to the details set out in the section headed "Use of Proceeds" in the Prospectus, the Directors expected that the amount will be settled in full by the Group upon the receipt of the proceeds from the Listing.

(h) The balance was subsequently settled in July 2011.

B. IMMEDIATE AND ULTIMATE HOLDING COMPANY

At the date of this report, the directors of the Company consider that Autobest Holdings Limited, a limited company incorporated in the BVI, to be the immediate holding company of the Company and Tian An China Investments Company Limited, a public limited company incorporated in Hong Kong, to be the ultimate holding company of the Company.

C. FINANCIAL INFORMATION OF THE COMPANY

On 21 March 2011, the Company was incorporated in the Cayman Islands as an exempted company with limited liability with an authorised share capital of HK$380,000 divided into 38,000,000 shares of HK$0.01 each. On the same day, one subscriber share at par was transferred to Autobest Holdings Limited, a wholly owned subsidiary of Tian An China Investments Company Limited at par. As at 30 June 2011, the Company's asset and liability comprised of amount due from Autobest Holdings Limited and share capital of HK$0.01 respectively. Pursuant to the written resolutions of the sole shareholder passed on 20 December 2011, the authorised share capital was increased from HK$380,000 to HK$200,000,000 comprising 20,000,000,000 shares of HK$0.01 each by creation of 19,962,000,000 shares.

D. DIRECTORS' REMUNERATION

Under the arrangement currently in force, the aggregate amount of remuneration of the directors of the Company payable for the year ending 31 December 2011 is estimated to be approximately HK$1,646,000.

E. EVENTS SUBSEQUENT TO 30 JUNE 2011

The following transactions took place subsequent to 30 June 2011:

(a) Shareholders' loans with aggregate amount of approximately HK$227,305,000 were capitalised by the issue of 142,292,167 shares of the Company to Autobest Holdings Limited on 20 December 2011.

(b) On 20 December 2011, written resolutions of sole shareholder of the Company were passed to approve the matters set out in the paragraph headed "Written resolutions of sole Shareholder passed on 20 December 2011" in Appendix V to the Prospectus.

(c) On 20 December 2011, the companies comprising the Group underwent and completed the reorganisation in preparation for the listing of the Company's shares on the Main Board of The Stock Exchange of Hong Kong Limited. Further details of the Corporate Reorganisation are set out in the section headed "Corporate reorganisation" in Appendix V to the Prospectus.

F. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements of any of the companies in the Group have been prepared in respect of any period subsequent to 30 June 2011.

Yours faithfully,
Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong