
INDUSTRY OVERVIEW

This industry overview section contains some information and statistics concerning the national and some regional PRC cement industries that we have derived partly from official government and industry sources. The information in such sources may not be consistent with information compiled or available from other sources within or outside the PRC. Due to the inherent time-lag involved in collecting any industry and economic data, some or all of the data contained in this section may only represent the state of affairs at the time such data was collected. As such, you should also take into account subsequent movements in our industry and the PRC economy when you evaluate the information contained in this section.

We believe that the sources of such information are appropriate sources and have taken reasonable care in extracting and reproducing such information. We have no reason to believe that such information is false or misleading or that any fact has been omitted that would render such information false or misleading. The information has not been independently verified by us, the Sole Sponsor, the Sole Global Coordinator, the Underwriters or any of their respective affiliates and advisors, nor any other parties involved in this Global Offering have independently verified such information or statistics. No representation is given as to the accuracy of such information.

PRODUCTION

Cement is a hydraulic binder and construction material derived from grinding limestone with clay to produce a fine powder which can then be mixed with water to form a paste and poured to set as a solid mass and harden by means of hydration reactions. After hardening, cement retains its strength and stability. Cement possesses adhesive properties and acts as a binding agent when mixed with water and aggregate such as sand, rock and gravel.

Cement is the most active and essential constituent of mortar and concrete. Mortar is made by mixing cement, fine aggregate and water. It is used for joining structural blocks, brickwork and plastering. Concrete is made by mixing cement and coarse and fine aggregate. When mixed with water it can be placed in situ or cast in moulds such as concrete blocks. It is a highly versatile building material valued for its high compressive strength, fire resistance, mouldability, impermeability and durability. Both mortar and concrete are vital construction materials for the construction and civil engineering industries.

In construction, cement is either non-hydraulic or hydraulic. Non-hydraulic cement is characterized by not binding with water and thus must be kept dry to retain its durability. Hydraulic cement is characterized by hardening when hydrated. The anhydrous cement powder when mixed with water creates a chemical reaction that produces hydrates that are non-water soluble. Hydraulic cement can thus harden even when under water or constantly exposed to wet weather conditions. The most common type of hydraulic cement is Portland cement which is graded and categorized on the basis of its compressive strength as measured in kg per cm². Depending upon the specific application required such as the nature of work, local environment and method of construction, different types of Portland cement with varying degrees of compressive strength can be used in the construction industry.

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The cement industry in the PRC is governed by various laws and regulations promulgated in connection with cement production, mineral resources and environmental protection and safety. For a detailed introduction of such laws and regulations, please refer to the section headed “Regulatory Overview” in this prospectus.

Types of Portland Cement

In accordance with the national standard of the PRC, implemented on 1 June 2008, and issued on the 9 November 2007 by the General Administration of Quality Supervision, Inspection and quarantine of the PRC CNS Management committee, common Portland cement includes Portland cement, ordinary Portland cement, Slag Portland cement, Portland-Pozzolana cement, Fly-ash Portland cement and Composite Portland cement.

The strength of Portland cements of different classifications and different strength levels at different ages should comply with specifications below.

Unit as MPa

Classification	Strength level	compressive strength		flexural strength	
		3 days	28 days	3 days	28 days
Portland Cement	42.5	≥17.0	≥42.5	≥3.5	≥6.5
	42.5R	≥22.0		≥4.0	
	52.5	≥23.0	≥52.5	≥4.0	≥7.0
	52.5R	≥27.0		≥5.0	
	62.5	≥28.0	≥62.5	≥5.0	≥8.0
	62.5R	≥32.0		≥5.5	
Ordinary Portland Cement	42.5	≥17.0	≥42.5	≥3.5	≥6.5
	42.5R	≥22.0		≥4.0	
	52.5	≥23.0	≥52.5	≥4.0	≥7.0
	52.5R	≥27.0		≥5.0	
Slag Portland cement	32.5	≥10.0	≥32.5	≥2.5	≥5.5
	32.5R	≥15.0		≥3.5	
Portland-Pozzolana Cement	42.5	≥15.0	≥42.5	≥3.5	≥6.5
	42.5R	≥19.0		≥4.0	
Fly-ash Portland Cement	52.5	≥21.0	≥52.5	≥4.0	≥7.0
	52.5R	≥23.0		≥4.5	
Composite Portland cement	42.5	≥15.0	≥42.5	≥3.5	≥6.5
	42.5R	≥19.0		≥4.0	
Composite Portland cement	52.5	≥21.0	≥52.5	≥4.0	≥7.0
	52.5R	≥23.0		≥4.5	

The most common types of cement are Ordinary Portland Cement (PO), Slag Portland Cement (PS) and Composite Portland Cement (PC).

Ordinary Portland Cement is a quick hardening cement with relatively strong initial compressive strength.

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Slag Portland Cement is produced by mixing clinker with blast furnace slag and other additives. Slag Portland Cement has lower initial strength and less stable coagulate time than Ordinary Portland Cement. It has better heat resistance and good adhesion with steel bars.

Composite Portland Cement is made of Ordinary Portland Cement Clinker along with 15% to 50% of aggregates, such as flyash, which is waste material derived from power stations. Composite Portland Cement is less expensive than Ordinary Portland Cement and Slag Portland Cement. It also has a lower compressive strength than Ordinary Portland Cement.

Properties of Portland Cement

The proportions of raw materials and the production process can be varied to produce different cements with a different range of properties.

Portland cement contains four main compounds:

- (a) Tricalcium silicate – this reacts rapidly with water producing relatively large amounts of heat to form calcium silicate hydrate. It has high strength and is the main contributor to the early strength of cement hydrate.
- (b) Dicalcium silicate – this reacts slowly with water to form the same product as Tricalcium silicate. Due to the slow reaction, the heat evolved is dissipated before significant increase in temperature occur. It increasingly contributes to strength at later stages.
- (c) Tricalcium Aluminate – this compound reacts rapidly with water, evolving a relatively large amount of heat and with a rapid set. This reaction is retarded by the addition of gypsum during the grinding stage.
- (d) Tetracalcium aluminoferrite – this compound reacts rapidly with water but does not produce much heat or strength.

FACTORS INFLUENCING CEMENT INDUSTRY IN THE PRC

The cement market in the PRC is significantly influenced by the following factors:

Urbanization, infrastructure construction and FAI

Cement is the most essential constituent of mortar and concrete and thus the most important construction material consumed in the course of urbanization and infrastructure construction. Therefore, faster rates of urbanization and/or large scale infrastructure construction typically generates an increased demand for cement.

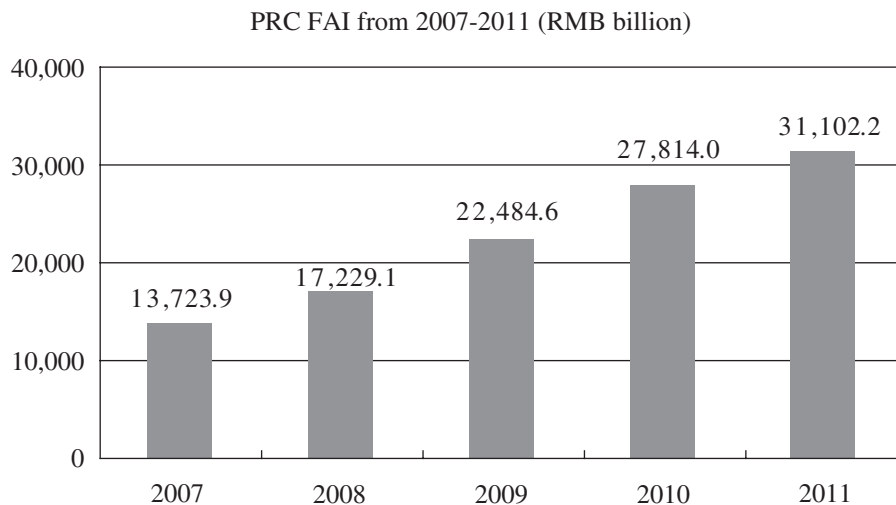
The Twelfth-Five Year Plan placed an emphasis on creating sustainable growth and increasing domestic consumption.

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Amongst the government's economic development initiatives is the plan to invest extensively in social housing. The government plans to build 10 million units in 2011-2012 and 36 million units during the entire Twelfth-Five Year Plan. As the demand for cement can be linked to the growth of FAI, it is anticipated that cement demand will be boosted in order to achieve the government's unit construction target. To achieve this target of 36 million units the government has budgeted RMB1.3 trillion.

Urbanization in the PRC is expected to sustain high levels of construction activities, especially for water conservancy and infrastructure upgrades. Urbanization should remain the major growth driver for cement demand, off-setting any slowdown in the property market. To achieve meeting targets for the construction of water projects, the government has budgeted the sum of RMB400 billion per year for the next ten years. The budget for the construction of high-speed railways throughout the Twelfth-Five Year plan is RMB3.5 trillion.

The FAI of PRC has increased from RMB13,723.9 billion in 2007 to RMB31,102.2 billion in 2011, representing a CAGR of 22.7% for the same period. Set out below is a chart illustrating the total FAI in the PRC from 2007-2011:



Source: PRC National Statistics Bureau

Transportation

The low value-to-weight ratio of cement's raw materials and finished products deters long distance transportation. It is generally accepted by the industry that the maximum economically justifiable road transportation radius for cement is no more than 200 km. Water way transportation, on the other hand, is much more inexpensive as compared to other transportation methods and thereby may extend the maximum transportation radius to approximately 500 km.

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Industry participants in the region

Due to the relatively high transportation costs, cement industry participants are normally exclusively competing against each other within a 200 km radius. Therefore, aside from market demand, the competition of a region is significantly determined by the number, location and production capacity of the industry participants in the region.

Regulatory and policy control

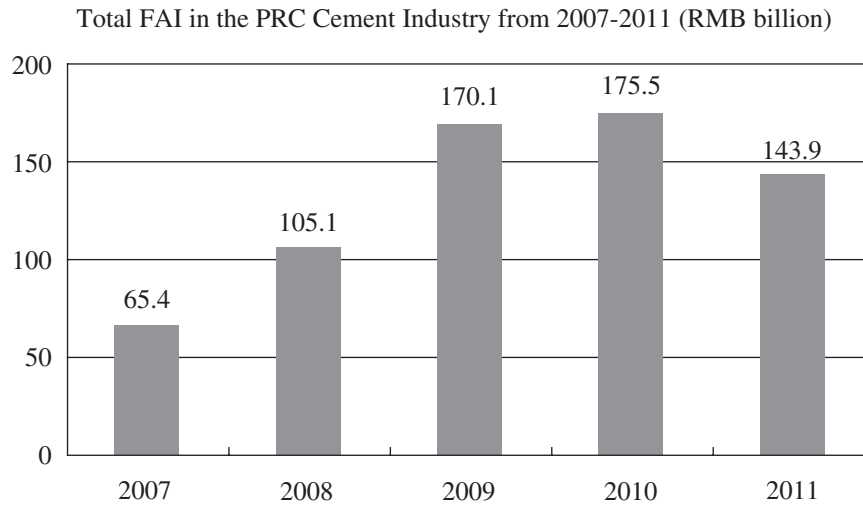
As a high energy intensive industry, the cement industry is heavily regulated by various laws, regulations and policies. Currently, the PRC central and local governments are promulgating four major cement policies, namely (1) the continued phasing out of vertical kilns, (2) curbing overcapacity, (3) promoting environmentally responsible technologies and practices and (4) continued industry consolidation.

The policy concerning phasing out of vertical kilns follows a national trend that was initiated in 2007 through the Notice Regarding Replacement of Obsolete Cement Production Capability (關於做好淘汰落後水泥生產能力有關工作的通知) issued on 18 February 2007 and Policies on the Development of the Cement Industry (水泥工業產業發展政策) issued on 17 October 2006, when the National Development and Reform Commission of the PRC mandated that all production facilities using less advanced technologies, including dry hollow kilns and wet kilns, should be replaced. The government also promoted the use of NSP technology. Whilst the policy of achieving 70% NSP cement output by 2010 as set out in the Policies on the Development of Cement Industry has largely been successful, i.e. approximately 81% of clinker was produced by NSP technology in 2010, approximately 19% of clinker in the PRC was produced by other production technologies, such as vertical kiln production technology. It is anticipated that most of these non-NSP cement technologies will continue to be gradually phased out.

In respect to curbing overcapacity, the Ministry of Industry and Information Technology (MIIT) has accelerated plans to eliminate obsolete cement capacity within the industry. The entry barriers set for new cement production companies entering into the industry remains high. Under the State Council's Notice Approving the NDRC's Guidelines on Redundant Construction, Curbing Overcapacity in Certain Industries and the Healthy Development of Industries (國務院批轉發展改革委等部門關於抑制部分行業產能過剩和重複建設引導產業健康發展若干意見的通知) issued by the State Council on 26 September 2009, and the Criteria for Entry to Cement Industry (水泥行業准入條件) issued by the Ministry of Industry and Information Technology on 16 November 2010, the government imposed stringent entry-barriers for new cement production companies. These increased entry-barriers included higher requirements for capital and experience in the industry. Under the central government's Twelfth-Five Year Plan passed on the 14 March 2011, this trend is set to continue. The central government will not relax the criteria for approvals for new cement production lines thus restricting growth for at least the next two to three years.

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Set out below is a chart illustrating the total FAI in the PRC cement industry from 2007-2011:



Source: *Digital Cement*

- Note: (1) The above chart denotes the total amount of FAI in the PRC cement industry for the years ended 31 December 2007, 2008, 2009 and 2010. For the purposes of preparing the above chart, only individual FAI exceeding RMB0.5 million were taken into account by *Digital Cement*.
- (2) The above chart denotes the total amount of FAI in the PRC cement industry for the year ended 31 December 2011. For the purposes of preparing the above chart, only individual FAI exceeding RMB5 million were taken into account by *Digital Cement*.

The central government continues to promote environmentally responsible practices in cement production in the PRC. This has taken the form of continuing to promote the use of NSP technology and rotary kilns and promoting a decrease in energy consumption by advocating the use of the residual heat recovery systems and environmentally sustainable practices, such as recycling.

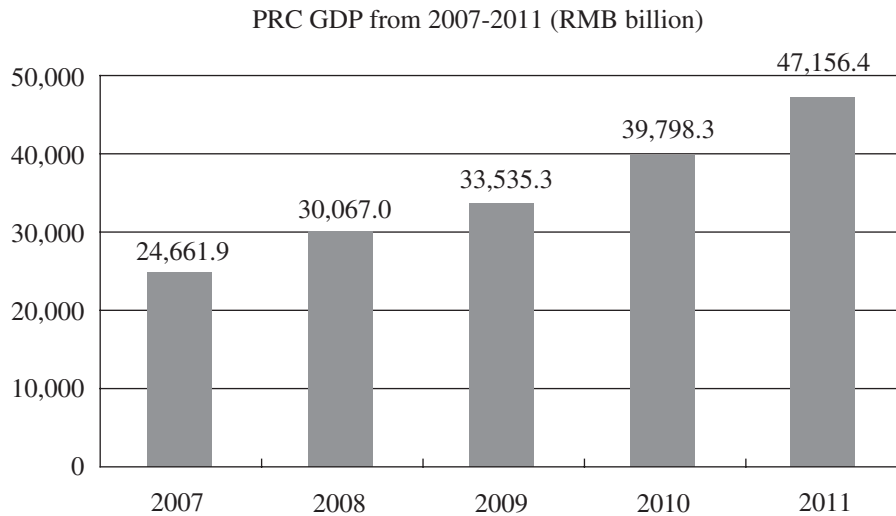
On 31 December 2006, the NDRC, the Ministry of Land and Resources and the PBOC jointly issued the “Notice of List of Large-scale Enterprises (group) in relation to Adjustment of Structure of Cement Industry supported by the State” (關於公佈國家重點支援水泥工業結構調整大型企業(集團)名單的通知) (the “Notice”). It is stated that when seeking project investments or mergers and acquisitions, government support and priority with respect to project approvals, land use right grants and credit approvals will be given to 12 national and 48 local cement companies listed on the Notice. Dongwu Cement is not listed in the Notice and thus will not receive the government support as set out therein.

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PRC MARKET OVERVIEW

Since 2010, the PRC has ranked as the second largest economy in the world. It is the fastest growing major economy with consistent growth rates of approximately 9% to 10% over the past 30 years. In 2011, the GDP of the PRC was RMB47.2 trillion with a GDP growth of 9.2%.

Set out below is the chart illustrating GDP of the PRC from 2007-2011:

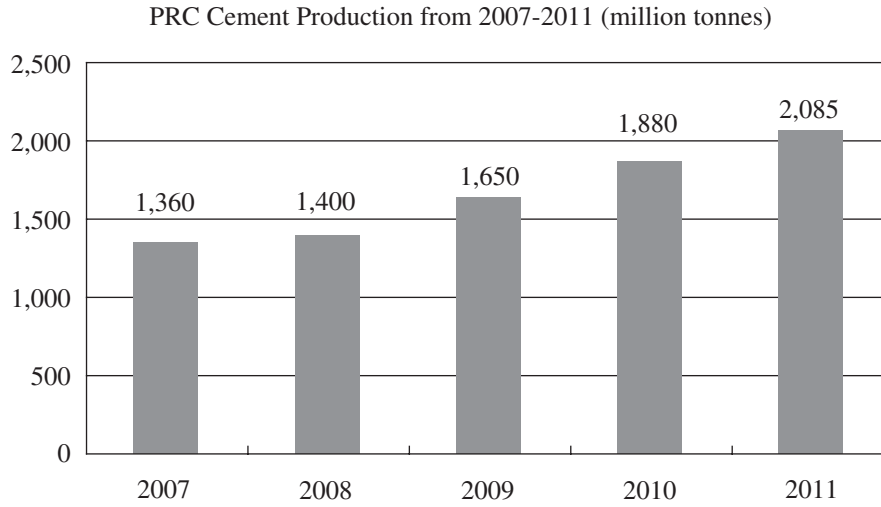


Source: PRC National Statistics Bureau

The cement production industry in the PRC is presently the largest in the world. The secondary industry accounts for approximately 46.8% of the GDP of the PRC for the year ended 31 December 2011. According to the Digital Cement, the PRC produced 2,085 million tonnes of cement in 2011, representing an increase of approximately 16.1% compared to 2010. In 2011, the output of clinker rose 15.1% year on year to nearly 1,281.4 million tonnes.

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Set out below is the chart illustrating the cement production volume in the PRC from 2007-2011:



Source: Digital Cement

CEMENT INDUSTRY IN THE YANGTZE RIVER DELTA REGION

Our current business covers the Yangtze River Delta Region, with a primary focus on Wujiang City, Jiangsu Province.

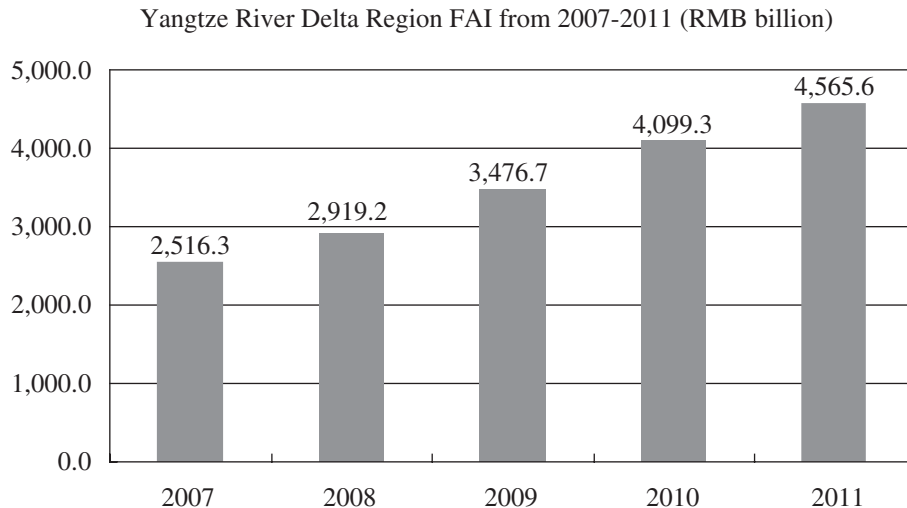


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The GDP in Yangtze River Delta Region has increased from approximately RMB5.6 trillion in 2007 to a approximately RMB10.0 trillion in 2011, representing CAGR of 15.6% for the same period.

At the end of 2010, the Yangtze River Delta Region possessed a resident population of 156.1 million, or approximately 11.7% of the PRC total population. The FAI in Yangtze River Delta Region reached RMB4.6 trillion in 2011, or 14.7% of the PRC total FAI for the same period.

The following chart illustrates the FAI of the Yangtze River Delta Region from 2007-2011:



Source: Jiangsu Statistics Bureau, Zhejiang Statistics Bureau and Shanghai Statistics Bureau

For the years ended 31 December 2007, 2008, 2009, 2010 and 2011, the cement production volume in Yangtze River Delta Region has constituted approximately 17.0%, 17.4%, 15.3%, 14.8% and 13.3% of the PRC's total cement production volume, according to Digital Cement.

Cement Price Movement in Yangtze River Delta Region

The movement of cement price is influenced by market demand and supply. In 2010, the demand and supply balance in Yangtze River Delta Region cement market has been broken. The cement supply has reduced significantly due to the electricity supply restriction imposed against the cement industry by the PRC government, as part of its energy consumption and pollutant emission control policy ^{note 1}, as well as the phasing out policy against some small scale cement producers employing less advanced technology. By the end of 2010, the price of PO 42.5 cement ^{note 2} in Jiangsu Province (Nanjing City, capital of Jiangsu Province), Zhejiang Province (Hangzhou City, capital of Zhejiang Province) and Shanghai Municipality has climbed to its peak at RMB540 per tonne, RMB500 per tonne and RMB600 per tonne respectively from RMB280 per tonne, RMB310 per tonne and RMB325 per tonne respective in January 2010. The cement price gradually fell back with the relief of electricity supply shortage in 2011. However, since some small scale cement producers had been phased out in 2010 which resulted in the reduction in cement supply, the cement price did not fall back to the level of early 2010.

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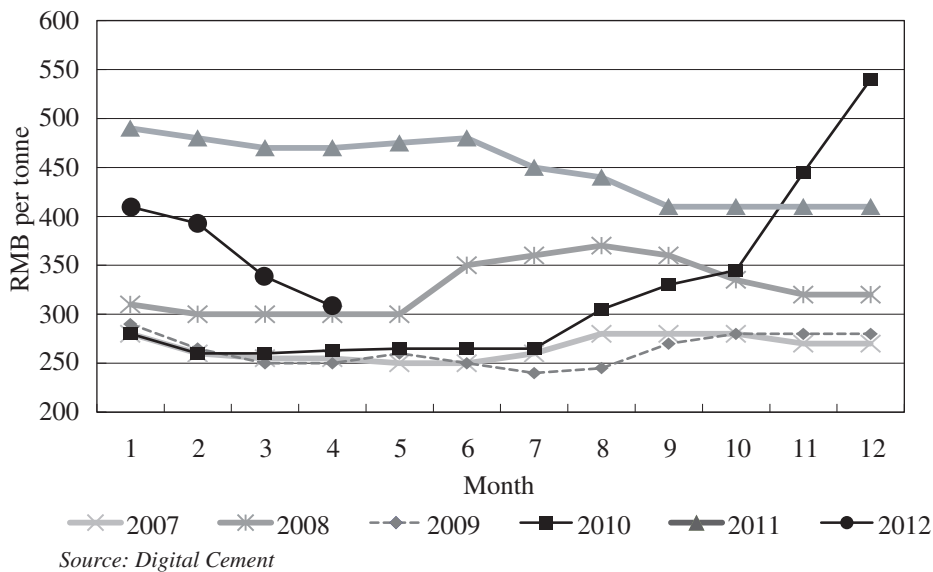
From January 2012 to April 2012, the market price of PO 42.5 cement declined from RMB410 per tonne to RMB310 per tonne in Jiangsu Province (Nanjing City, capital city of Jiangsu Province), from RMB430 per tonne to RMB350 per tonne in Zhejiang Province (Hangzhou City, capital city of Zhejiang Province) and from RMB430 per tonne to RMB330 per tonne in Shanghai Municipality. Such decline in PO 42.5 cement price is attributable to the increasingly intensified competition in those markets.

Notes:

- 1 Such policy is typically aimed to ensure the achievement of energy consumption and pollutant emission control targets as set forth in the Eleventh Five-year Plan. According to the Notice of Strengthening Energy Consumption and Pollutant Control to Ensure the Achievement of 2010 Energy Consumption and Pollutant Emission Control Targets of Jiangsu Provincial Government (省政府關於進一步加大工作力度確保實現2010年節能減排目標的通知) issued in May 2010, the Jiangsu Provincial Government intended to, amongst others, reduce the energy consumption level by 2 million tonnes of standard coal in 2010.
- 2 Since (i) only the price trend of PO 42.5 cement is available in the market, and (ii) the factors influencing the production cost for other classes of cement would be similar to those factors influencing the production cost for PO 42.5 cement, our Directors are of the view that disclosure of the PO 42.5 price trend in this prospectus is sufficient to give a fair and representative price movement of cement in the region.

Set out below is a chart illustrating the movement of indicative cement price for Jiangsu Province during the period from January 2007 to April 2012:

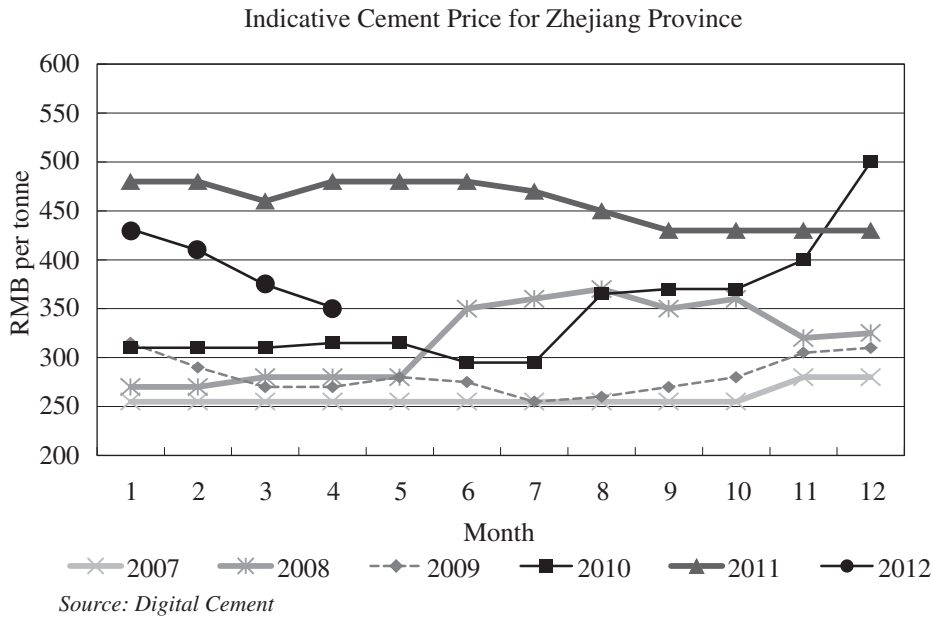
Indicative Cement Price for Jiangsu Province



Note: The indicative cement price is the average monthly market price for PO 42.5 cement in Nanjing City, the capital of Jiangsu Province.

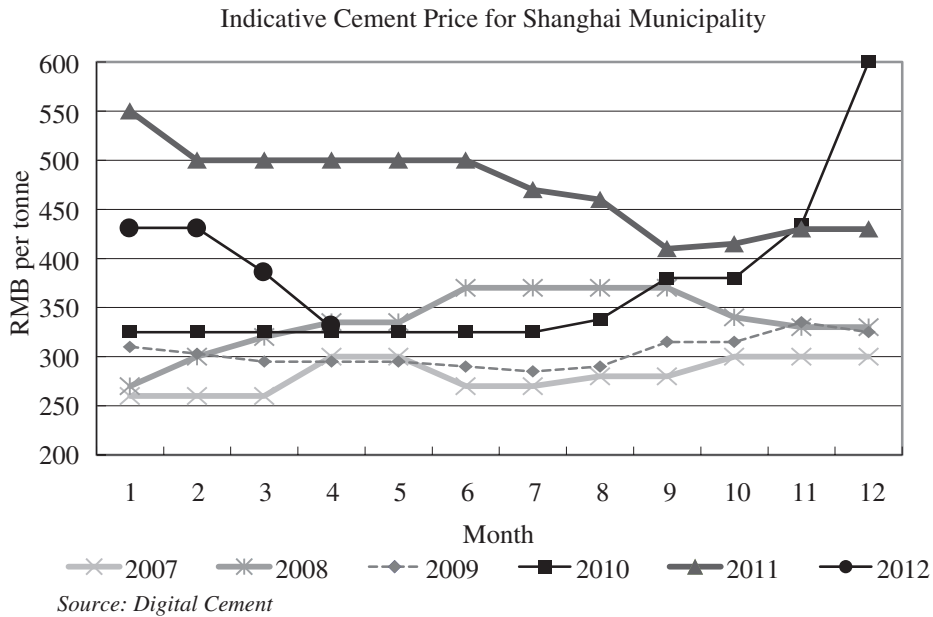
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Set out below is a chart illustrating the movement of indicative cement price for Zhejiang Province during the period from January 2007 to April 2012:



Note: The indicative cement price is the average monthly market price for PO 42.5 cement in Hangzhou City, the capital of Zhejiang Province.

Set out below is a chart illustrating the movement of indicative cement price for Shanghai Municipality during the period from January 2007 to April 2012:



Note: The indicative cement price is the average monthly market price for PO 42.5 cement.

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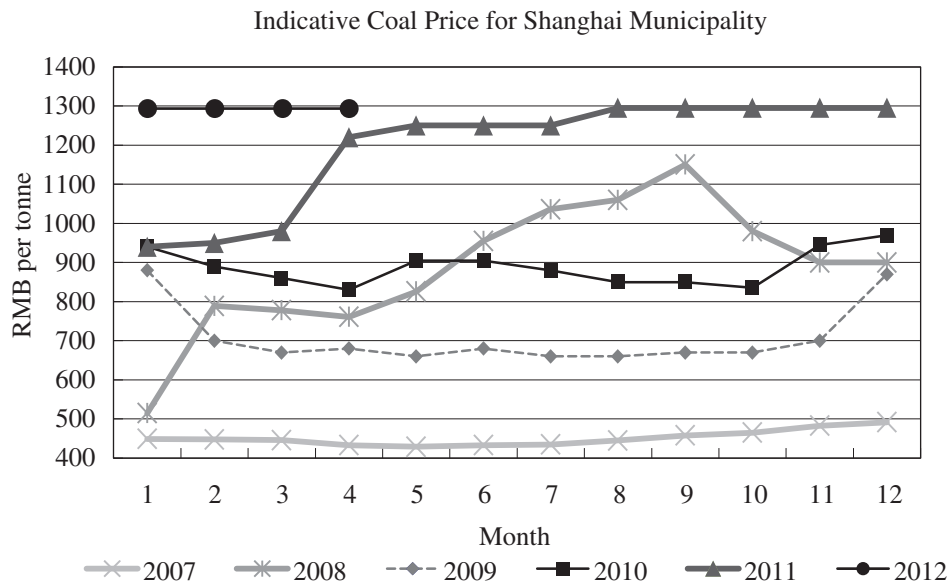
Price fluctuation of raw materials and energy supply

Apart from market demand and supply, the fluctuation of raw materials and energy supply price is another important factor influencing the cement price movement. In particular, the price fluctuations of limestone, coal and electricity supply, which are the principal raw materials and energy supply in cement production process, have the most significant influence over the cement price movement.

Our limestones are typically procured from Anji county and Changxing county in Huzhou City, Zhejiang Province and Guangde county in Xuancheng City, Anhui Province. To the best knowledge of our Directors, the market prices of limestones in these regions were relatively stable during the period from 2007 to 2010. In 2011, the market price for limestone experienced a material increase, which we believe is mainly attributable to the change of market demand and supply relationship.

The coal prices of Shanghai Municipality and Ningbo sub-provincial City of Zhejiang Province are typically regarded as indicative prices in Yangtze River Delta Region.

Set out below is a chart illustrating the indicative coal price fluctuation in Shanghai Municipality during the period from January 2007 to April 2012:

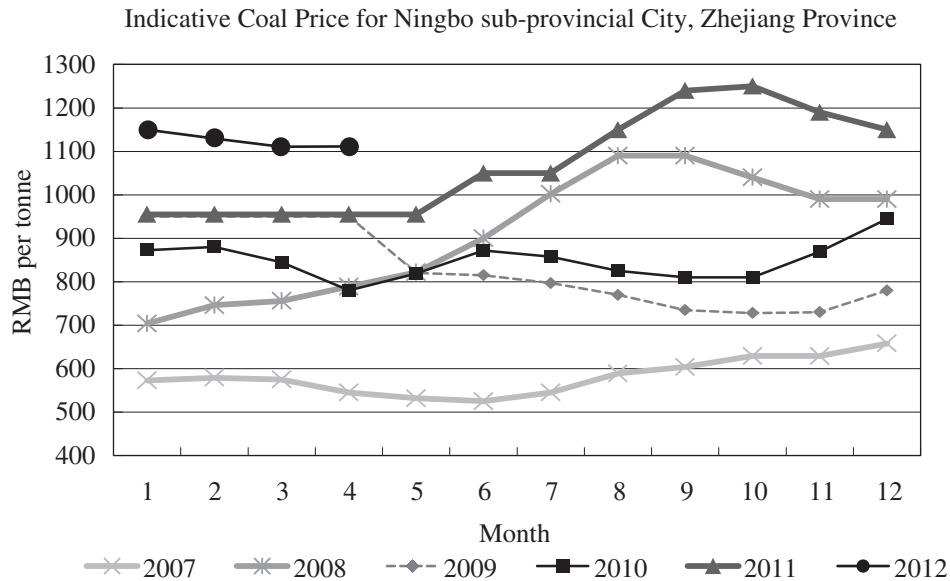


Source: Digital Cement

Note: The indicative coal price for Shanghai Municipality is the market price for bituminous coal with calorific values at 5,500 Kcal per kilogram.

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Set out below is a chart illustrating the indicative coal price fluctuation in Ningbo sub-provincial level city during the period from January 2007 to April 2012:



Source: Digital Cement

Note: The indicative coal price for Ningbo sub-provincial City, Zhejiang Province is the market price for bituminous coal with calorific values at 5,600 Kcal per kilogram.

The fluctuation of coal price is primarily influenced by market demand and supply.

The electricity price is heavily regulated by the PRC government. The NDRC has the power to adjust the price of electricity from time to time.

In June 2008, November 2009 and December 2011, the average electricity price in:

- Jiangsu Province has increased by RMB0.03, RMB0.031 and RMB0.0354 per KWH respectively;
- Zhejiang Province has increased by RMB0.032, RMB0.029 and RMB0.034 per KWH respectively; and
- Shanghai Municipality has increased by RMB0.03, RMB0.036 and RMB0.035 per KWH respectively.

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JIANGSU PROVINCE

Macroeconomic Information

Jiangsu Province is one of the leading economic centers of the PRC. With an area of 102,600 square km, Jiangsu borders the East China Sea to the east, Anhui to the west, Shandong Province in the north and Zhejiang Province and Shanghai in the south. Jiangsu Province lies within the lower reaches of the Yangtze River. The Province has a coastline of 954 km.

There are 13 municipalities under the jurisdiction of the provincial government, namely, Nanjing, Wuxi, Xuzhou, Changzhou, Suzhou, Nantong, Lianyungang, Huai'an, Yancheng, Yangzhou, Zhenjiang, Taizhou and Suqian. Under these municipalities, there are 52 counties or county-level cities. The capital of the Province is Nanjing.

By the end of 2011, the number of Jiangsu Province's permanent residents grew to approximately 79.0 million. Jiangsu Province has the highest population density in the PRC, outside the municipalities of Shanghai, Beijing and Tianjin.

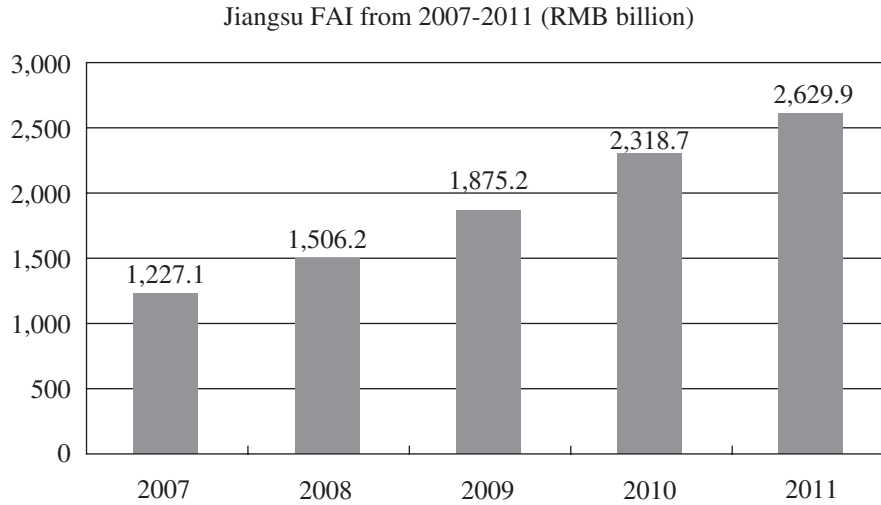
In 2011, Jiangsu Province led the economic growth in the Yangtze River Delta Region with a GDP growth rate of 11%. The GDP of Jiangsu Province stood at RMB4,860.4 billion. The total trade volume stood at US\$539.8 billion, representing an increase of 15.9% over the previous year. The GDP per capita of Jiangsu in 2011 was RMB61,649. In 2011, disposable income of Jiangsu residents increased by 14.8% in urban areas to reach RMB26,341 and in rural areas, disposable income increased by 18.5% to reach RMB10,805.

FAI

By the end of 2011, the Jiangsu Province possessed a resident population of 79.0 million or 5.9% of the PRC total population. The FAI in Jiangsu reached RMB2,629.9 billion in 2011 from RMB1,227.1 billion in 2007, representing a CAGR of 21.0%.

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Set out below is a chart illustrating the total FAI in Jiangsu Province from 2007-2011:

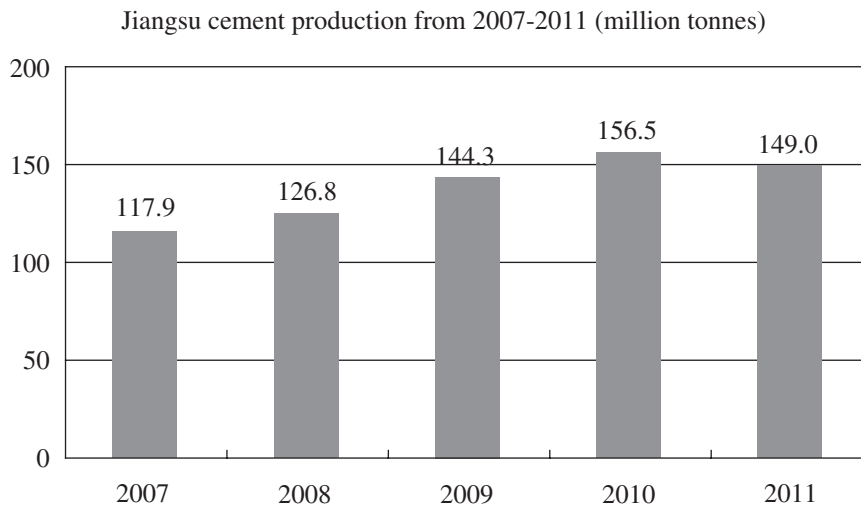


Source: Jiangsu Statistics Bureau

Cement Production in Jiangsu Province

According to information disclosed on the Digital Cement, Jiangsu Province ranked number one in terms of cement production volume amongst all Provinces, municipalities and autonomous regions of the PRC in 2010.

Set out below is a chart illustrating the cement production volume in Jiangsu Province from 2007-2011:

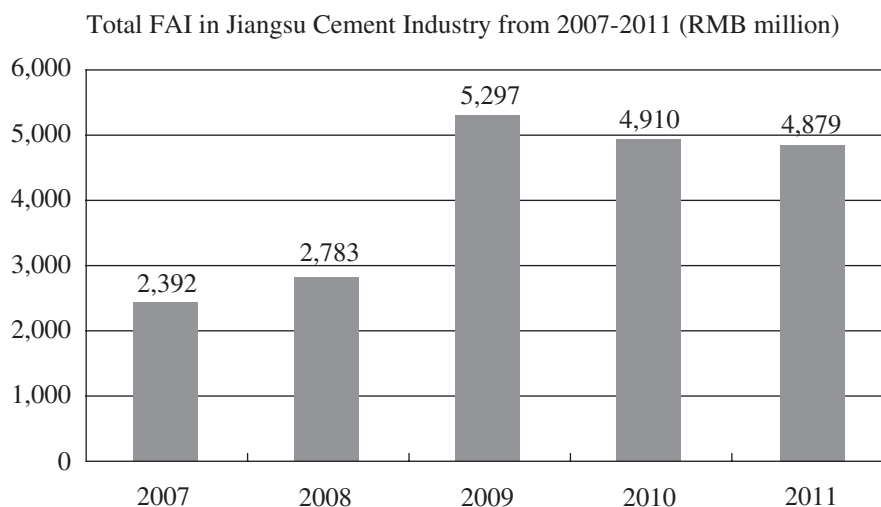


Source: Digital Cement

Contrasted with speedy FAI growth and influenced by high entrance barriers, FAI in the cement industry recorded 7.3% reduction in 2010.

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Set out below is a table illustrating the total FAI in the cement industry in Jiangsu Province from 2007-2011:



Source: *Digital Cement*

- Note: (1) The above chart denotes the total amount of FAI in the Jiangsu cement industry for the years ended 31 December 2007, 2008, 2009 and 2010. For the purposes of preparing the above chart, only individual FAI exceeding RMB0.5 million were taken into account by *Digital Cement*.
- (2) The above chart denotes the total amount of FAI in the Jiangsu cement industry for the year ended 31 December 2011. For the purposes of preparing the above chart, only individual FAI exceeding RMB5 million were taken into account by *Digital Cement*.

Major Cement Producers in Jiangsu Province

By the end of 2011, there were 216 cement producers in Jiangsu Province with a total cement production volume of approximately 149.0 million tonnes for the year ended 31 December 2011.

According to information disclosed on the Digital Cement, the annual cement production volume of the top 5 cement producers in Jiangsu Province accounted for approximately 19.4% of total cement production volume in Jiangsu Province for the year ended 31 December 2011. Among these top 5 cement producers, Jiangsu Leida Corporation Limited (江蘇磊達股份有限公司) and China United Cement (Huihai) Company Limited (淮海中聯水泥有限公司) are the largest cement producers in term of cement production volume, which produced approximately 7.9 million tonnes and 5.6 million tonnes of cement respectively, representing approximately 5.3% and 3.8% of total cement production volume of Jiangsu Province for the year ended 31 December 2011.

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SUZHOU PREFECTURE

According to Suzhou Cement Industry Association, as at 31 December 2011, there were 18 cement enterprises in Suzhou Prefecture. The cement production volume in Suzhou Prefecture was 12.0 million tonnes for the year ended 31 December 2011.

Conch Cement (Zhangjiagang) Company Limited (張家港海螺水泥有限公司) was the largest cement producer in Suzhou Prefecture in term of cement production volume in 2011. Dongwu Cement ranked the 3rd among these 18 cement producers in terms of cement production volume, which accounted for approximately 11.9% of total cement production volume in Suzhou Prefecture.

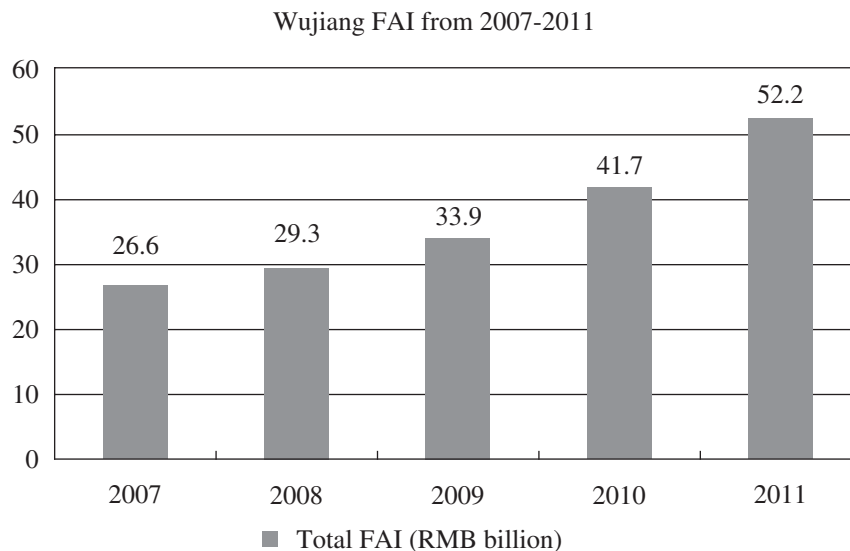
WUJIANG CITY

Overview

Wujiang City is a county level city of Suzhou Prefecture. Situated at the golden triangle intersection of Jiangsu Province, Zhejiang Province and Shanghai, the city stretches approximately 1,176 square kilometers and possesses a population of approximately eight hundred thousand.

According to the China Institute of City Competitiveness (中國城市競爭力研究會), Wujiang ranked the 5th among all PRC county level cities in terms of “comprehensive competitive strength” (城市綜合競爭力) and “development potential” (城市成長競爭力) in 2011. In 2011, Wujiang’s GDP reached approximately RMB119.2 billion in total, or RMB93,417 per capita.

The FAI in Wujiang City experienced significant growth from RMB26.6 billion in 2007 to RMB52.2 billion in 2011, representing a CAGR of 18.4%. Set out below is a table illustrating FAI of Wujiang City from 2007-2011:



Source: Wujiang Statistics Bureau

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Waterway Networks and Road Transportation

Wujiang City is criss-crossed by rivers, canals and lakes including Lake Tai (太湖) and Taipu River (太浦河). The Taipu River, a 57.2 km-long river that flows through fifteen counties and towns in Jiangsu Province, Shanghai and Zhejiang Province respectively. The Taipu River is an upper tributary to the Huangpu river (黃浦江). The Huangpu river has historically played a significant logistical role in the commercial activities between Shanghai and the rest of the Yangtze River Delta Region. Flowed into East China Sea, the Huangpu river also makes it possible to transport materials from Wujiang to many coastal cities of the PRC, including Zhoushan prefecture, Taizhou prefecture, and the provincial level city of Ningbo in Zhejiang Province, via water way. We are also connected via the Taipu River to the Jiangnan canal (江南運河) the southernmost section of the Beijing-Hangzhou Grand Canal (京杭大運河), which is the longest canal in the world which stretches from Beijing to Hangzhou via the provinces of Tianjin, Hebei, Shandong, Jiangsu and Zhejiang.

Wujiang City is also covered by extensive road transportation networks, including Sujiahang (Suzhou-Jiaxing-Hangzhou) Expressway and the Husuzhe (Shanghai-Suzhou-Zhejiang) Expressway. The developed highway system connects Wujiang with Shanghai, Suzhou Downtown (蘇州市區) and Jiaxing.

Twelfth Five-year Plan

The Wujiang Twelfth Five-year Plan focused on the further urbanization, living environment improvement, transportation facility enhancement, the development of new residential areas and scenic spots development, infrastructure construction and social welfare system improvement. In particular, the Twelfth Five-year Plan of Wujiang City discussed the following matters:

Transportation Facilities Construction

In the Twelfth Five-year Plan, the Wujiang government is planning the construction of the following major transportation facilities:

- Suzhou-Jiaxing inter city railway (通蘇嘉城際鐵路);
- Huzhou-Suzhou-Shanghai inter city railway (湖蘇滬城際鐵路);
- Songling light railway extension project (松陵輕軌延伸工程); and
- East-West major Express Way (東西快速幹線).

The transportation facilities construction planned to be completed during the twelfth five year plan include:

- Suzhou-Jiaxing-Ningbo Express Way (蘇嘉甬高速公路);
- South section of Suzhou-Zhenze-Taoyuan first class high way (蘇震桃一級公路南段);
- Suzhou-Songling road transportation networks integration project (松陵城區對接蘇州道路工程); and
- Great Canal Wujiang section third class waterway improvement project (京杭大運河三級航道整治工程).

INDUSTRY OVERVIEW

According to Wujiang Roadway Network Twelfth Five Year Plan (吳江公路網十二五規劃), the aggregate length of roadway network in Wujiang City is expected to reach 2,511 km in 2015.

Construction of other Infrastructure Projects

It is planned that during the twelfth five year period, various infrastructure projects will be initiated, including the construction of domestic sewage water plants, gas and electricity transmission facilities.

To improve the social welfare coverage of Wujiang City, the Wujiang government plans to open more education facilities, hospitals and health centers, museums, exhibition centers, gymnasiums, stadiums, nursing homes and disaster prevention facilities. For instance, it is expected that by the end of 2015, the average gymnasium area per capita will increase to 2.5 sq.m., from 1.5 sq.m. in the end of 2010. The average recreational area per capita will increase from 0.14 sq.m. to 0.18 sq.m. during the five years.

Lakeside New District (濱湖新城) Development

Strategically located at the bank of Taihu Lake, the Lakeside New District is positioned as the future commercial center, leisure and tourist center and residential center of Wujiang City. In November 2011, a commercial-residential neighbourhood construction project has started in the Lakeside New district. The total investment in such project is estimated to be approximately RMB12 billion.

Urbanization and Rural Development

According to the Twelfth Five-year plan, the Wujiang City's urbanization rate should increase from 57.8% to 62% during the twelfth five-year plan period. Accompanied with rapid urbanization and in order to improve the living standards in rural areas of Wujiang cities, the Wujiang government is planning to increase the speed for construction of farmers' residential apartments.

Cement Industry in Wujiang City

By the end of 2011, there were seven cement producers in Wujiang City producing approximately 3.5 million tonnes of cement in aggregate during the year ended 31 December 2011. According to the Suzhou Cement Association, apart from Dongwu Cement, all the cement producers are grinding stations which do not have the capacity to produce clinker.

INDUSTRY OVERVIEW

According to Wujiang New Construction Materials Association (吳江新型建材協會), Dongwu Cement is the largest cement producer in Wujiang City, the production volume of which accounts for approximately 40.9% of the total cement produced in Wujiang in 2011 or approximately 0.07% of the total cement production volume in the PRC for the same period. Set out below is the table illustrating the production volume of each of the seven cement producers in Wujiang City in 2011:

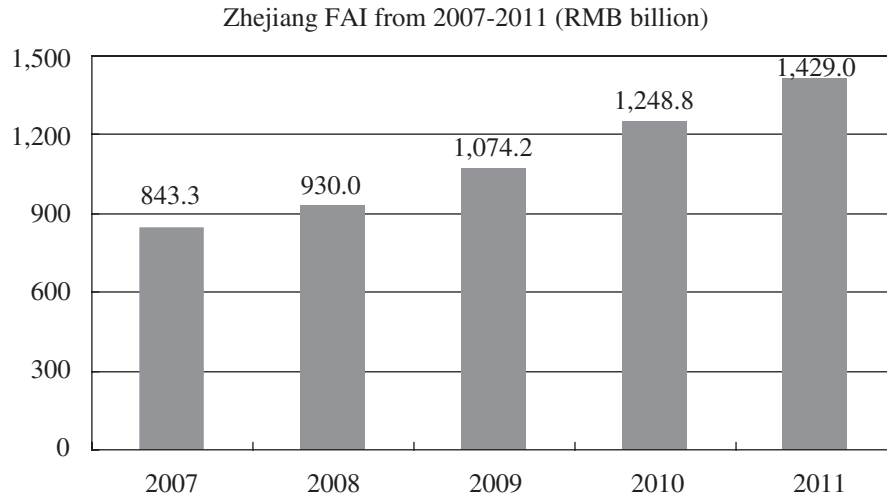
Name	Production volume <i>thousand tonnes</i>	% of total cement production volume in Wujiang in 2011
Dongwu Cement	1,428.1	40.9
Wujiang Minggang Road and Bridge Ltd., Co. (吳江市明港道橋工程有限公司)	994.5	28.5
Wujiang Sanshi Cement Ltd., Co. (吳江市三獅水泥有限公司)	445.2	12.7
Wujiang Xingyuan Cement Ltd., Co. (吳江市興源水泥有限公司)	350.2	10.0
Other three cement producers in aggregate	273.8	7.8
Total	3,491.8	100.0

ZHEJIANG PROVINCE

Zhejiang is one of the most affluent provinces in the PRC. The per capita disposable income of urbanites in Zhejiang reached RMB30,971 in 2011, representing an annual real growth of 7.5% and has been ranked 3rd in the PRC for the last 11 years. The per capita income of rural residents stood at RMB13,071, representing a real growth of 9.5% year-on-year and has been ranked 1st in the PRC for the last 27 years. Zhejiang's GDP for 2011 was RMB3.2 trillion with a GDP per capita of RMB58,665. In 2011, Zhejiang's primary, secondary, and tertiary industries were worth RMB158.1 billion, RMB1.6 trillion and RMB1.4 trillion respectively. Zhejiang had a resident population of 54.6 million by the end of 2011.

INDUSTRY OVERVIEW

Strongly supported by its economic development, the FAI of Zhejiang Province has increased from RMB843.3 billion in 2007 to RMB1.429 trillion in 2011, representing a CAGR of 14.1%. Set out below is a chart illustrating the total FAI in Zhejiang Province from 2007-2011:



Source: Zhejiang Statistics Bureau

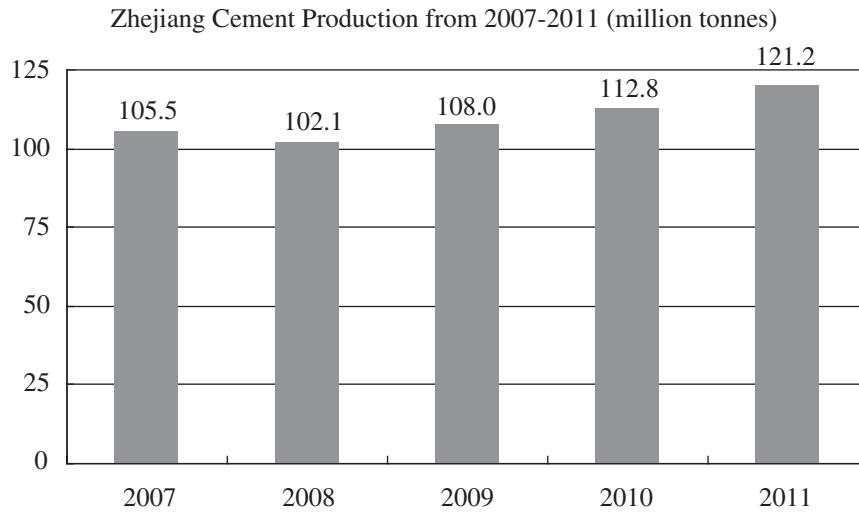
Zhejiang is a province covered by extensive waterways as well as an developed highway system. Amongst its 11 prefecture or sub-provincial level cities, Ningbo sub-provincial city, Zhoushan prefecture, Taizhou prefecture, Wenzhou prefecture and Shaoxing prefecture are accessible via the East China sea.

Cement Production in Zhejiang Province

According to Digital Cement, in the eleven months ended 30 November 2011, Zhejiang ranked the 7th in terms of cement production volume amongst all provinces, municipalities and autonomous regions of the PRC.

INDUSTRY OVERVIEW

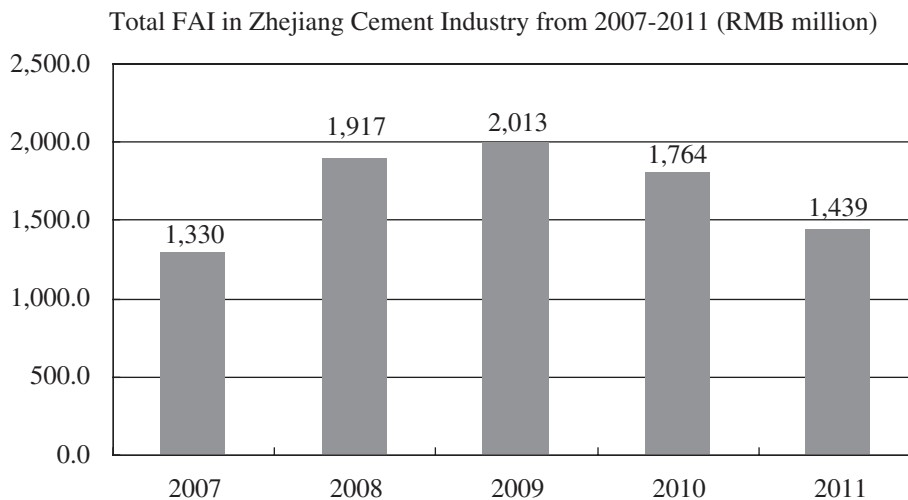
Set out below is a chart illustrating the cement production volume in Zhejiang Province from 2007-2011:



Source: *Digital Cement*

Similar to Jiangsu Province, the FAI for Zhejiang Province has also encountered a reduction for the year 2010.

Set out below is a table illustrating the total FAI in cement industry in Zhejiang Province from 2007-2011:



Source: *Digital Cement*

- Note: (1) The above chart denotes the total amount of FAI in the Zhejiang cement industry for the years ended 31 December 2007, 2008, 2009 and 2010. For the purposes of preparing the above chart, only individual FAI exceeding RMB0.5 million were taken into account by *Digital Cement*.
- (2) The above chart denotes the total amount of FAI in the Zhejiang cement industry for the year ended 31 December 2011. For the purposes of preparing the above chart, only individual FAI exceeding RMB5 million were taken into account by *Digital Cement*.

INDUSTRY OVERVIEW

Major Cement Producers in Zhejiang Province

By the end of 2011, there were 170 cement producers in Zhejiang Province with a total cement production volume of approximately 121.2 million tonnes for the year ended 31 December 2011.

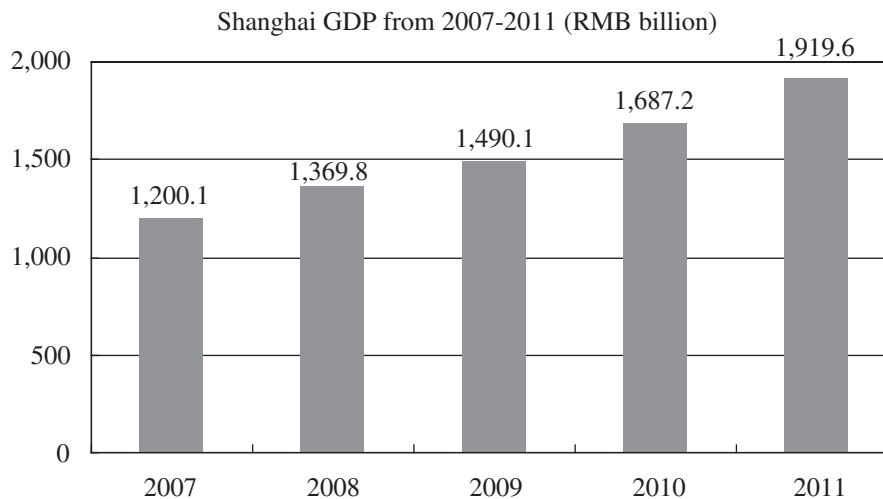
According to information disclosed on the Digital Cement, the annual cement production volume of the top 5 cement producers in Zhejiang Province accounted for approximately 13.7% of total cement production volume in Zhejiang Province for the year ended 31 December 2011. Among these top 5 cement producers, Zhejiang Hongshi Cement Corporation Limited (浙江紅獅水泥股份有限公司) and Jiangshan South Cement Company Limited (江山南方水泥有限公司) are the largest cement producers in term of cement production volume, which produced approximately of 3.7 million tonnes and 3.66 million tonnes of cement respectively, representing approximately 3.1% and 3.0% of total cement production volume of Zhejiang Province for the year ended 31 December 2011 respectively.

SHANGHAI MUNICIPALITY

By the end of 2011, Shanghai had a resident population of approximately 23.5 million.

Shanghai is the most important financial center in the PRC with a GDP of over RMB1.9 trillion in 2011. As one of the most urbanized cities in the PRC, Shanghai's urbanization rate has reached 89.3% at the end of 2010. The high urbanization rate has generated an increase on FAI. The FAI in Shanghai has increased from RMB445.9 billion in 2007 to RMB506.7 billion in 2011, representing a CAGR of 3.3%.

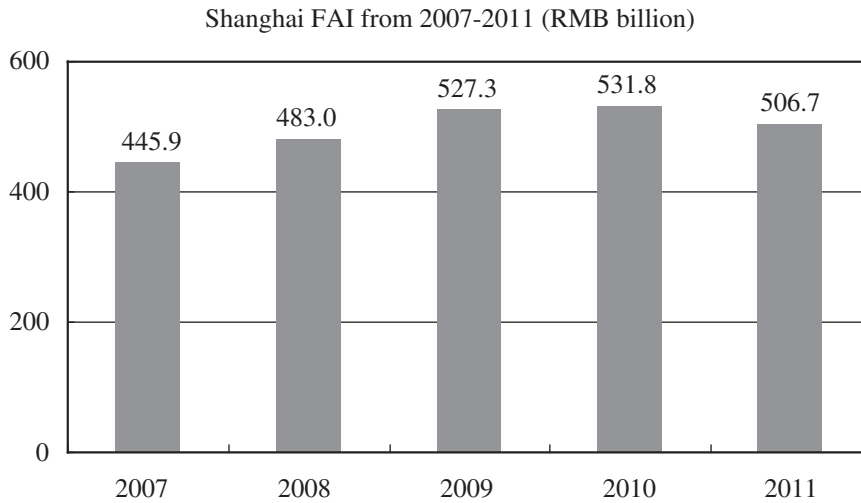
Set out below is the table illustrating the GDP of Shanghai from 2007-2011:



Source: Shanghai Statistics Bureau

INDUSTRY OVERVIEW

Set out below is the chart illustrating Shanghai FAI from 2007-2011:



Source: Shanghai Statistics Bureau

Twelfth Five Year Plan

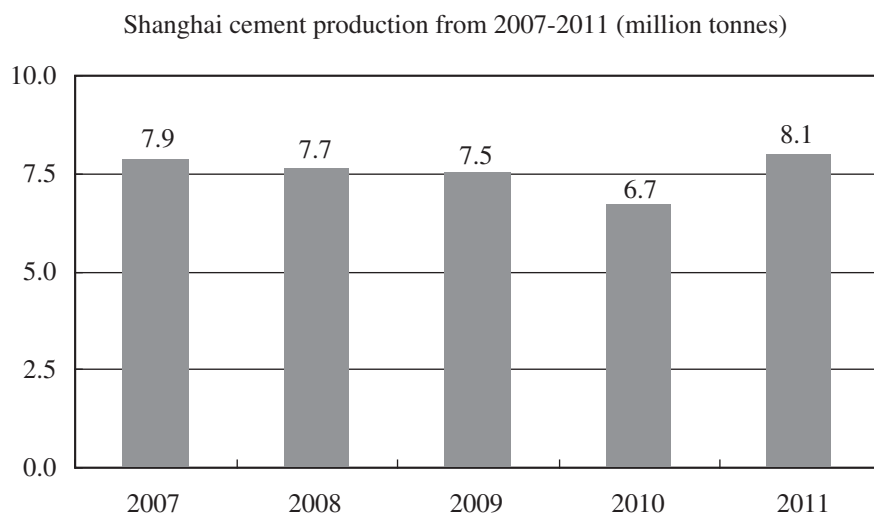
The Shanghai government has planned to construct one million social housing units during the twelfth five year plan period.

The Shanghai government has also indicated her plan to upgrade the city's transportation system. It is planned that the Pudong International Airport will employ a fourth runway during the twelfth five year period. Moreover, the construction of massive transportation network system, including the Yangshan Port phase four, G40 expressway, S26 expressway, Shanghai-Tongzhou high speed railway (滬通高鐵), Shanghai-Zhapu railway (滬乍鐵路) are planned for the twelfth five year period.

INDUSTRY OVERVIEW

Cement Industry in Shanghai

Notwithstanding the high urbanization rate and rapid FAI growth, Shanghai's cement production volume is relatively modest. For the years ended 2007, 2008, 2009, 2010 and 2011, Shanghai's cement production volume accounted for 0.58%, 0.55%, 0.46%, 0.36% and 0.39% of the PRC's total cement production. The cement production volume per capita in Shanghai was only approximately 0.3 tonnes in 2010, less than one fourth of national average of 1.4 tonnes. Set out below is a chart illustrating cement production volume in Shanghai from 2007-2011:



Source: Digital Cement

The demand for cement can not be satisfied by local cement producers only. Shanghai relies heavily on external cement supplies.

Major Cement Producers in Shanghai Municipality

By the end of 2011, there were 8 cement producers in Shanghai Municipality with a total cement production volume of approximately 8.1 million tonnes for the year ended 31 December 2011.

According to information disclosed on the Digital Cement, the annual cement production volume of the top 5 cement producers in Shanghai Municipality accounted for approximately 81.4% of total cement production volume in Shanghai Municipality for the year ended 31 December 2011. Among these top 5 cement producers, Shanghai Juerong Industry Company Limited (上海崛榮實業有限公司) and Shanghai Building Materials Group Cement Company Limited (上海建築材料集團水泥有限公司) are the largest cement producers in term of cement production volume, which produced approximately 1.59 million tonnes and 1.55 million tonnes of cement respectively, representing approximately 19.8% and 19.3% of total cement production volume of Shanghai Municipality for the year ended 31 December 2011 respectively.