
REGULATORY OVERVIEW

THE LAWS AND REGULATIONS OF THE PRC

This section summarizes the principal laws and regulations of the PRC which are relevant to our business and operations. These include the laws and regulations relating to our production and sales of cement in the PRC and the relevant laws and regulations in relation to environmental protection, taxation, labor and foreign exchange. As this is a summary, it does not contain the detailed analysis of the PRC laws which are relevant to our business and operations.

THE PRC LAWS IN RELATION TO CEMENT INDUSTRY

Cement Production License

Pursuant to the “Regulations of the People’s Republic of China on the Administration of Production License for Industrial Products” (《中華人民共和國工業產品生產許可證管理條例》) promulgated by the State Council on 9 July 2005, which entered into force on 1 September 2005, the “Measures for the Implementation for the Regulations of the People’s Republic of China on the Administration of Production License for Industrial Products” (《中華人民共和國工業產品生產許可證管理條例實施辦法》) as amended by the General Administration of Quality Supervision, Inspection and Quarantine of the PRC on 21 April 2010, which became effective on 1 June 2010 and the “Implementation Rules for the Production License of Cement Products” (《水泥產品生產許可證實施細則》) which was promulgated by the National Office of Production License for Industrial Products and became effective on 4 April 2007, the PRC adopted a production license system for the enterprises producing cement products. The valid period for the production license shall be five years. The cement plants with the production licenses for general purpose cement products are permitted to produce and sell general purpose cement and Portland cement clinker. The clinker plants with production license for the clinker products are permitted to produce and sell Portland cement clinker. The Cement Grinding Stations and batching plants with cement production licenses are permitted to produce and sell general purpose cement. Any enterprise without a production license shall not produce cement products, and in the absence of production licenses, any unit or individual shall not sell or use any cement products in operating activities. The General Administration of Quality Supervision, Inspection and Quarantine of the PRC is responsible for the centralized administration of the production licenses for cement products. The local department in charge of the Production License for Industrial Products must conduct the supervision and inspection for industrial products, whether on a regular or irregular basis. The enterprises do not need to pay any consideration for the supervision and inspection.

Industry Policy

Pursuant to the “Interim Provisions on ‘Promoting Industrial Structure Adjustment’ for Implementation” (《國務院關於發佈實施<促進產業結構調整暫行規定>的決定》) promulgated by the State Council on 2 December 2005 and the “Guiding Catalog of Industrial Structure Adjustment (version 2011)” (《產業結構調整指導目錄(2011年本)》) promulgated by the NDRC on 27 March 2011, the following activities belong to the “encouraged” category of business: energy-saving renovations, including disposal of Industrial Waste Materials, urban sludge and household waste using the existing NSP Kiln with a daily production capacity of 2,000 tons and above, pure low temperature residual heat power generation and cement grinding system. The following activities belong to the “restricted”

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category of business: NSP clinker production lines with a daily production capacity of less than 2,000 tons and Cement Grinding Stations with an annual production capacity of less than 0.6 million tons. The following activities belong to the “eliminated” category of business: the Mechanical Vertical Kilns of 3 meters in diameter and above (2012), Dry Hollow Kilns (excluding those for producing special cement such as high alumina cement and sulphoaluminate cement), Lepol Kilns, Wet Process Kilns and cement grinding equipment of 3 meters in diameter or less.

According to the “Guidance Catalog of Industries for Foreign Investment” (revised 2007) (《外商投資產業指導目錄》(2007修訂)) which was jointly promulgated by the NDRC and the Ministry of Commerce on 31 October 2007 and became effective on 1 December 2007, cement production project is listed in the “permissible” category for foreign investment.

Pursuant to the “Policies on the Development of Cement Industry” (《水泥工業產業發展政策》) promulgated by the NDRC and became effective on 17 October 2006, the State encourages local governments and enterprises to eliminate obsolete production methods and develop NSP cement. The State also encourages and supports enterprises to develop circular economy by utilizing recycled exhaust gas residual heat of the NSP Kiln system and generating power from pure cryogenic exhaust gas residual heat. The government encourages foreign investment in the development of large scale NSP cement production facilities to optimize the utilization of foreign investment. The government encourages large enterprises to convert smaller enterprises into Cement Grinding Stations using advanced technology and equipment. The scale of the newly constructed Cement Grinding Stations should have an annual production capacity of not less than 600,000 tons. The State has restricted the construction of new NSP cement production lines with a daily production capacity of less than 2,000 tons. Local governments and enterprises are not permitted to construct new kilns and cement production lines with backward technology. By the end of 2008, cement manufacturers shall cease using obsolete production technologies and equipment, including all kinds of Dry Hollow Kilns and Wet Process Kilns; further reduce the production capacity of Vertical Kilns, and where possible, eliminate all Vertical Kilns. Local governments at all levels should close down and rationalize the production capacities of enterprises with annual production capacity of less than 200,000 tons and those which are not in compliance with environmental protection requirements or producing cement of substandard quality in accordance with the law.

Pursuant to the “Special Plan for the Development of Cement Industry” (《水泥工業發展專項規劃》) promulgated by the NDRC and became effective on 17 October 2006, the State encourages the promotion of technologies including energy-saving grinding, residual heat power generation as well as the disposal of industrial waste and classification of household waste in cement kilns to develop circular economy.

According to the “Notice on Further Strengthening the Elimination of Obsolete Production Capacities” (《關於進一步加強淘汰落後產能工作的通知》) issued by the State Council on 6 February 2010, cement is one of the key industries which are subject to the elimination of obsolete capacities in the short term. The specific target of the Notice is to eliminate obsolete cement production capacities including Mechanical Vertical Kiln production lines with a kiln diameter below 3.0 meters, Dry Hollow Kilns production line (excluding those for producing high alumina cement) with a kiln diameter below 2.5 meters and Wet Process Kiln cement production lines (excluding those mainly used for disposing

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sludge, carbide slag) with a kiln diameter below 2.5 meters, Cement Grinding Mills with a diameter below 3.0 meters (excluding those for producing special cement), cement earth kilns (egg-shape) and ordinary Vertical Kilns by the end of 2012.

Pursuant to “the Notice of State Council on Speeding up the Structural Adjustment to Industries with Surplus Production Capacity” (《國務院關於加快推進產能過剩行業結構調整的通知》) promulgated by the State Council on 12 March 2006, although the industries of cement, coal, electricity and textile have basically reached the balance between production and demand, potential overcapacity problem still exists given a large scale of construction in progress. The key to promote the structural adjustment to industries with surplus production capacity is to make the market function effectively in allocating resources and promoting competition to realize the survival of the fittest. The important measures to promote the structural adjustment to industries with surplus production capacity include: to effectively prevent a rebound in investment in fixed assets; to promote technological innovation; to strengthen the coordination of credit, land, construction, environmental protection and security policies with industrial policies; to deepen the reform of the administrative and investment systems and the price formation and market exit mechanisms; and to improve the industry information release system. The approval of newly-constructed projects should be strictly controlled and the access threshold should be raised. According to the applicable PRC laws, the construction of the projects which are not in conformity with the relevant national planning, industrial policy, land supply policy, environmental protection and production safety should be ceased. A number of small businesses which cause resource destruction and environmental pollution and do not have safe production conditions should be closed. Backward production capacity should be eliminated in stages and the wasted production equipment should be destroyed. All the PRC cement producers, whether state-owned or privately owned, are subject to the above Notice.

According to the “Access Requirements for Cement Industry” (《水泥行業准入條件》) promulgated by the Ministry of Industry and Information Technology on 16 November 2010 and which became effective on 1 January 2011, the access requirements for cement industry are as below: the construction of new cement (clinker) production line should be equipped with NSP Technology; the newly constructed cement (clinker) production line is required to facilitate cryogenic residual heat power generation; the annual cement production capacity of newly constructed Cement Grinding Station should be more than 600,000 tons; the newly constructed cement (clinker) should adopt advanced, mature, energy-saving and environmental-friendly technologies and equipment to ensure the safety, stability and sustainability of the system; evaluation documents on the effect to the environment of the newly constructed or transformed cement (clinker) production line project should be prepared in accordance with the regulations; the cement (clinker) production enterprises should get the production license of cement product in accordance with the “Implementation Rules for the Production License of Cement Products” and the product quality of the finished cement (clinker) should meet the relevant product standards; the production process of cement (clinker) should be in accordance with the laws and regulations of “Production Safety Law” (《安全生產法》), “Law on Safety in Mines” (《礦山安全法》) and the “Law on Prevention and Control of Occupational Diseases” (《職業病防治法》), to ensure production safety and prevention and control of occupational diseases, and set up and perfect the safe production responsibility system and other regulatory systems. The newly constructed or transformed cement (clinker) production projects must fulfill the above access requirements. The department in charge of investment and industrial development will not grant approval for those projects which are

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not in compliance with such entry requirements; the land department will not proceed with the land supply procedures; the environmental department will not grant approval on the valuation on the effect of environment; the quality inspection department will not issue the production license; the financial authority will not provide additional supporting loan; and the electricity supply department will terminate the supply of electricity.

Pursuant to the “12th Five-Year Plan for Comprehensive Working Program for Energy Conservation and Emissions Reduction” (《「十二五」節能減排綜合性工作方案》) issued by the State Council on 31 August 2011, the local people’s government at various levels shall actively raise capital to finance the elimination of obsolete capacity. Meanwhile, they shall focus on the promotion of energy conservation and emission reduction technologies such as energy gradient utilization and low temperature residual heat power generation.

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. The Notice does not constitute laws nor regulations and is for guidance only. Further, up to the Latest Practicable Date, there are no PRC laws nor regulations imposing compulsory consolidation obligations against cement companies in the PRC. Up to the Latest Practicable Date, the Notice and the list attached to the Notice have not been updated since its implementation.

Bulk Cement

Pursuant to the “Administrative Measures of Bulk Cement” (《散裝水泥管理辦法》) jointly promulgated by the MOFCOM, the Ministry of Finance, the Ministry of Construction, the Ministry of Railways, the Ministry of Transportation, the General Administration of Quality Supervision, Inspection and Quarantine, and the State Administration for Environmental Protection on 29 March 2004, the PRC government encourages and promotes the development of bulk cement. The design and construction for newly constructed, expanded and reconstructed cement production enterprises shall comply with the requirement that the bulk cement production capacity shall account for more than 70% of the total cement capacity, and the construction projects shall be put into operation as scheduled.

Pursuant to the “Administrative Measures of Bulk Cement Special Funds Collection and Usage” (《散裝水泥專項資金徵收和使用管理辦法》) issued by the Ministry of Finance and the State Economic and Trade Commission on 18 April 2004, bagged cement production enterprises and users shall pay bulk cement special funds. Cement production enterprises selling bagged cement (including paper bag, plastic compound bag and compound bag) shall pay bulk cement special funds on a maximum rate of RMB1 per ton, and entities using bagged cement shall pay bulk cement special funds on a maximum rate of RMB3 per ton.

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Residual Heat Recovery System

Pursuant to the “Guiding Catalog of Industrial Structure Adjustment (version 2011)” (《產業結構調整指導目錄(2011年本)》) issued by the NDRC on 27 March 2011, the “encouraged” category of industries shall include the application of existing NSP kilns with a daily capacity of 2,000 tons or above to dispose industrial waste, urban sludge and domestic waste, and the energy-saving renovation system using pure low-temperature residual heat for power generation.

Pursuant to the Implementation Proposal for the Promotion of the Pure Low-temperature Residual Heat Power Generation Technology in NSP Kilns (新型乾法水泥窯純低溫餘熱發電技術推廣實施方案) promulgated by the Ministry of Industry and Information Technology on 20 January 2010, the pure low-temperature residual heat power generation technology in NSP kilns refers to an energy-saving technology that transforms the residual heat of medium-and-low temperature waste gas discharged from the top and bottom of a kiln into electrical power. This technology will effectively improve energy utilization rate during cement production, reduce energy consumption and mitigate thermal pollution so as to fulfill the energy conservation and emission reduction goals in the cement industry. Pursuant to the proposal, efforts will be made to promote the pure low-temperature residual heat power generation technology in NSP kilns with a daily production capacity of 2,000 tons or above in four years from 2010 to 2013 so that 95% of NSP cement production lines with a daily production capacity of 2,000 tons or above will be equipped with residual heat power generation systems. The move will save the amount of energy generated by 4.27 million tons of standard coal, playing a proactive role in further reducing production costs and realizing energy conservation and consumption reduction for cement manufacturers in an increasingly competitive market. The subject equipment of cement manufacturers under this proposal shall be in compliance with the requirement under the “encouraged” category of Development Policies for Cement Industries (《水泥工業產業發展政策》), Specific Planning for the Development of Cement Industry (《水泥工業發展專項規劃》) and Guiding Catalog of Industrial Structure Adjustment (《產業結構調整指導目錄》) and Certain Opinion on the Acceleration of the Adjustment in the Structure of Cement Industry (《關於加快水泥工業結構調整的若干意見》).

THE PRC LAWS IN RELATION TO ENVIRONMENTAL PROTECTION

General

Pursuant to the “Environmental Protection Law of the People’s Republic of China” (《中華人民共和國環境保護法》) promulgated by the Standing Committee of the NPC and implemented on 16 December 1989, the competent administration for environmental protection of the State Council is empowered to formulate national environmental quality standards. For items which are not governed by the national environmental quality standards, the people’s governments of provinces, autonomous regions, and municipalities directly under the Central Government may formulate local standards and file the same with the competent administration for environmental protection of the State Council for records. Pursuant to the “Opinion on the Enforcement of the Environmental Protection Laws to Prevent Credit Risks” (《關於落實環保政策法規防範信貸風險的意見》) promulgated by Administration for Environmental Protection of the PRC, the PBOC and the CBRC on 12 July 2007, the financial institutions shall, on the basis of the administrative provisions of the PRC government on environmental protection

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in respect of construction projects and the information disclosed by the environmental protection authority, conduct their examination and approval, disbursement, and supervision and administration of loans stringently. No additional credit in whatever form shall be granted to any project which has not passed the environmental assessment examination or the environmental protection facilities inspection. Financial institutions shall, based on the industrial policies of the PRC government, further enhance credit risk management. Credit support shall be provided in a proactive manner to projects under encouraged category given the risks are under control; no credit support shall be provided to new projects under restricted and eliminated categories; continuous credit support may be provided in accordance with credit principles to existing production projects under restricted category and the PRC government has granted permission for such companies to take measures within a period of time to upgrade their production facilities; no additional credit support shall be provided to projects under eliminated category and measures shall be taken to recover the loans granted.

Environmental Impact Assessment

Pursuant to the “Environmental Impact Assessment Law of the People’s Republic of China” (《中華人民共和國環境影響評價法》) promulgated by the Standing Committee of the NPC on 28 October 2002 and implemented on 1 September 2003, the “Administrative Regulations for the Environmental Protection of Construction Projects” (《建設項目環境保護管理條例》) promulgated by the State Council on 29 November 1998 and implemented on the same day, and the “Administrative Measures for the Examination and Approval of Environmental Protection Facilities of Construction Projects” (《建設項目竣工環境保護驗收管理辦法》) promulgated by State Administration for Environmental Protection on 17 December 2001 and implemented on 1 February 2002, the PRC government implements a classification system in the management of the environmental impact appraisal of construction projects based on the degree of environmental impacts. Construction entities shall prepare environmental impact report, environmental impact report form or file environmental impact registration form in accordance with the relevant regulations. Among the environmental impact appraisal documents, the environmental impact report or environmental impact report form shall be prepared by the competent institutions with relevant qualifications for environmental impact appraisal.

Upon the completion of the subject of the construction project, its ancillary environmental protection facilities shall be put into production or operation in tandem with the subject. Where trial production is needed, the ancillary environmental protection facilities shall be put into trial operation in tandem with the subject. Upon the completion of the construction project, construction entities shall apply to the competent environmental protection authority for the environmental protection inspection acceptance for the completion of construction projects. A publication system is implemented in the PRC in respect of the environmental protection inspection acceptance for the completion of construction projects. Competent environmental protection authority shall announce the result of the environmental protection inspection acceptance for the completion of construction projects to the public on a regular basis. Construction projects without obtaining the approval for the application report for the environmental protection inspection acceptance for the completion of construction projects, the application form of the environmental protection inspection acceptance for the completion of construction projects or the registration card for the environmental protection inspection acceptance for the completion of construction projects shall not be officially put into production or use.

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Pursuant to the “Classification of Construction Project Lists for Environmental Impact Assessments” (《建設項目竣工環境影響評價分類管理名錄》) promulgated by the Ministry of Environmental Protection on 2 September 2008 and implemented on 1 October 2008, as cement manufacturing may cause significant environmental impact, cement manufacturers shall prepare an environmental impact report to fully evaluate the relevant environmental impact caused by their operations.

Discharge of Pollutants

Pursuant to the “Environmental Protection Law of the People’s Republic of China” (《中華人民共和國環境保護法》), new industrial companies and existing industrial enterprises under renovation shall deploy equipment and techniques that have a high resources utilization rate and low pollutant emissions, and adopt cost-effective comprehensive waste utilization technology and pollutant treatment technology; pollution prevention facilities of construction projects shall be designed, constructed and put into operation in tandem with the subject of the project. Construction projects shall not be put into production or use until the pollution prevention facilities pass the inspection and acceptance procedures conducted by the same competent environmental protection authority that reviews and approves the environmental impact report.

The competent environmental protection authority under the State Council is responsible for promulgating national standards for the discharge of pollutants based on the national environmental quality standard and the economic and technological conditions of the PRC. Provincial governments, local governments of autonomous regions under the direct jurisdiction of the PRC central government and municipalities may promulgate local standards for the discharge of pollutants on matters not clearly defined and regulated by national standards, and may promulgate more stringent standards than national ones for matters regulated by the national counterparts. Such local standards shall be filed with the relevant environmental protection administrative authorities under the State Council of the PRC for record. Enterprises and institutions discharging pollutants in excess of the prescribed national or local discharge standards shall pay a fee for excessive discharge according to state provisions and shall assume responsibility for pollution elimination and control. Where construction projects with pollution prevention facilities that are incomplete or fail to meet the requirement of national standards are put in production or use, the competent environmental protection administrative authority that approves the environmental impact report of the construction project shall order such companies to suspend production or use and may impose a penalty.

Pursuant to the “Law on the Prevention and Control of Water Pollution of the People’s Republic of China” (《中華人民共和國水污染防治法》) amended on 28 February 2008 by the Standing Committee of the NPC and implemented on 1 June 2008, newly constructed, reconstructed or expanded construction projects and other water facilities that discharge pollutants into the water directly or indirectly should conduct an environmental impact assessment in accordance with relevant laws. Institutions and enterprises which discharge industrial sewage directly or indirectly into water system should obtain pollutant discharge permits and report to and register with the environmental protection administrative department above county level in relation to the facilities owned by them for discharging water pollutants, as well as the types, quantities and concentrations of water pollutants discharged under normal operating conditions. These institutions and enterprises are also required to provide relevant technical information as to how to prevent and control water pollution.

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Pursuant to the “Law on Prevention and Control of Air Pollution of the People’s Republic of China” (《中華人民共和國大氣污染防治法》) amended on 29 April 2000 by the Standing Committee of the National People’s Congress and implemented on 1 September 2000, newly constructed, expanded or reconstructed projects which discharge pollutants into the atmosphere have to comply with certain national regulations relating to the management of environmental protection of construction projects. Entities that discharge pollutants into the atmosphere should report to the local environmental protection administrative department in relation to the facilities owned by them for the discharge of pollutants, as well as the types, quantities and concentrations of the pollutants discharged under normal operating conditions in accordance with the requirements of the competent environmental protection authority under the State Council. They are also required to provide relevant technical information as to how to prevent and control atmospheric pollution.

Pursuant to the “Law on Prevention and Control of Environmental Pollution Caused by Solid Waste of the People’s Republic of China” (《中華人民共和國固體廢物污染環境防治法》) amended on 29 December 2004 by the Standing Committee of the NPC and which became effective on 1 April 2005, enterprises and individuals producing industrial solid waste shall take measures to prevent or reduce environmental pollution caused by solid waste. Environmental impact assessment shall be carried out in accordance with relevant laws prior to the construction of projects producing solid waste and projects for the storage, utilization and disposal of solid waste, and such construction shall be in compliance with the relevant administrative requirements of environmental protection of construction projects in the PRC. In accordance with the relevant requirements of the competent environmental protection authority under the State Council, entities producing industrial solid waste must provide relevant information to the environmental protection administration under the local people’s government above the county level, where such information includes the type, quantity, flow, storage and treatment of the industrial solid waste.

Pursuant to the “Law on Prevention and Control of Environmental Noise Pollution of the People’s Republic of China” (《中華人民共和國環境噪聲污染防治法》) promulgated by the Standing Committee of the NPC, with effect from 1 March 1997, newly constructed, reconstructed or expanded projects shall comply with the relevant administrative requirements of environmental protection of construction projects in the PRC. Institutions and enterprises producing noise pollution shall maintain the normal operation of the facilities that prevent and control environmental noise pollution. Industrial enterprises producing noise pollution as a result of using their fixed facilities in industrial production shall report to the environmental protection administration under the local people’s government above the county level in relation to their facilities that produce noise pollution by category, quantity, and noise pollution level under normal operating conditions as well as the conditions of their noise pollution preventive facilities, together with the technical information on how to prevent and control noise pollution in accordance with the requirements of the competent environmental protection authority under the State Council. Industrial enterprises producing noise pollution shall adopt effective measures to mitigate the impact that the noise imposes on the living environment of the surrounding area.

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THE PRC LAWS IN RELATION TO TAXATION

Income Tax

Pursuant to the “Income Tax Law of the People’s Republic of China for Enterprises with Foreign Investment and Foreign Enterprises” (《中華人民共和國外商投資企業和外國企業所得稅法》), which took effect on 1 July 1991 and became invalid on 1 January 2008 when the PRC EIT Law entered into force, for foreign investment enterprises engaged in manufacturing, the enterprise income tax shall be exempted for the first two years starting from the first profit-making year and shall be reduced by half during the third to fifth years.

Pursuant to the PRC EIT Law which was promulgated by the NPC on 16 March 2007 and took effect on 1 January 2008, a unified income tax rate of 25% will be applied towards foreign investment enterprises and domestic enterprises in the PRC. Enterprises receiving preferential tax treatment which were approved to be established prior to the promulgation of the PRC EIT Law, in accordance with the requirements of the then applicable laws and administrative regulations on taxation were eligible for a five-year transition period to the unified income tax rate of 25% upon the implementation of the PRC EIT Law. Since 1 January 2008 enterprises originally enjoying fixed term preferential tax treatment like “full exemption for two years and 50% exemption for three years” (兩免三減半) and “full exemption for five years and 50% exemption for five years” (五免五減半) will continue to hold the preferential treatment in accordance with the original laws and administrative regulations on taxation and related documents after the implementation of the new tax law until the term expires. However, for enterprises which have not made any profits and thus do not enjoy such preferential treatments, the preferential term starts from 2008.

Pursuant to the PRC EIT Law and the “Implementation Regulations of the Enterprise Income Tax” (《企業所得稅法實施條例》) which was promulgated by the State Council on 6 December 2007 and came into effect on 1 January 2008, a resident enterprise is subject to enterprise income tax for the income derived from both inside and outside the territory of the PRC. An organization or establishment set up by a non-resident enterprise in the PRC is subject to enterprise income tax for the income derived from such organization or establishment in the PRC and the income derived from outside the PRC but with actual connection with such organization or establishment in the PRC. For a non-resident enterprise which has not set up an organization or establishment in the PRC, or has set up an organization or establishment but the income derived has no actual connection with such organization or establishment, its income derived in the PRC will be subject to enterprise income tax at the reduced rate of 10%.

Moreover, pursuant to the “Arrangement between the Mainland and the Hong Kong SAR for the Avoidance of Double Taxation and Tax Evasion on Income” (《內地和香港特別行政區關於對所得避免雙重徵稅和防止偷漏稅的安排》), where a Hong Kong enterprise directly holds at least 25% of the shareholding of a PRC enterprise, the withholding tax rate in respect to the dividend payment by such PRC enterprise to such Hong Kong enterprise is 5%. Otherwise, the withholding tax rate for the relevant dividends is 10%.

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Value Added Tax

Pursuant to the “Provisional Regulations on Value Added Tax of the People’s Republic of China” (《中華人民共和國增值稅暫行條例》) and its implementation regulations as amended on 5 November 2008 by the State Council and implemented since 1 January 2009, unless stated otherwise, for value added tax payers who are selling or importing goods, and providing processing, repairs and replacement services in the PRC, the tax rate shall be 17%.

Value Added Tax Benefits Regarding Comprehensive Utilization of Resources

Pursuant to the “Administrative Measures on the Recognition of Comprehensive Utilization of Resource Encouraged by the State” (《國家鼓勵的資源綜合利用認定管理辦法》), which was jointly issued on 7 September 2006 by the NDRC, the Ministry of Finance and the State Administration of Taxation, enterprises applying for certificates of comprehensive utilization of resources shall meet the following conditions: (1) production process, technology or products conform to the national industrial policies and relevant standards; (2) gains and losses of the products in connection with comprehensive utilization of resources can be calculated independently; (3) sources of raw materials (fuel) used are stable and reliable, with quantities and qualities in line with the relevant requirements, and the complementary conditions, such as water and electricity, are ascertained; (4) environmental protection requirements are satisfied, without secondary pollution. The products in connection with comprehensive utilization of resources or the enterprises that adopt the process and technology with respect to comprehensive utilization of resources are recognized and verified by the competent authority for comprehensive utilization of resources at the provincial level by issuing the Certificates of Comprehensive Utilization of Resources (《資源綜合利用認定證書》). They are entitled to enjoy the preferable policies on taxation and operation in accordance with the relevant requirements of the PRC. The Certificates of Comprehensive Utilization of Resources have a valid period of two years.

Pursuant to the “Notice on Value Added Tax Policy Regarding Comprehensive Utilization of Resources and Other Products” (《關於資源綜合利用及其他產品增值稅政策的通知》) and “Supplemental Notice” (《補充通知》) promulgated by the Ministry of Finance and the State Administration of Taxation on 9 December 2008 and 29 December 2009 respectively, the cement (including cement clinker) produced using rotary kiln process or cement produced with purchased cement clinker using grinding process, whose raw materials are mixed with no less than 30% of waste residue, is entitled to enjoy the VAT drawback policy.

THE PRC LAWS IN RELATION TO LABOR

Pursuant to the “Labor Law of the People’s Republic of China” (《中華人民共和國勞動法》) effective as of 1 January 1995 and the “Labor Contract Law of the People’s Republic of China” (《中華人民共和國勞動合同法》) effective as of 1 January 2008, labor relationships are established between employers and employees from the date when the employers start to put the employees to work. Employers shall enter into labor contracts with the employees in writing and shall prepare a roster of employees for inspection. Employers shall pay their employees the full amount of remuneration in a timely manner. In order to reduce occupational hazards, employers shall establish systems for labor safety and sanitation and educate their employees on labor safety and sanitation.

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Pursuant to the “Social Insurance Law of the People’s Republic of China” (《中華人民共和國社會保險法》), which was issued by the Standing Committee of the NPC on 28 October 2010 and became effective on 1 July 2011, the employers and individuals within the territory of the PRC shall pay their social insurance premiums in accordance with laws. Social insurance funds shall include basic endowment insurance, basic medical insurance, occupational injury insurance, unemployment insurance and maternity insurance. Employers shall declare and make full payment of the social insurance premiums on their own as scheduled and shall not delay or reduce the payment for reasons other than statutory causes such as force majeure. The social insurance premiums payable by employees shall be withheld and paid by their employers and the employers shall inform the employees of the detailed payment of social insurance premiums on a monthly basis.

THE PRC LAWS IN RELATION TO PRODUCTION SAFETY

Pursuant to the “Production Safety Law of the People’s Republic of China” (《中華人民共和國安全生產法》) which has been effective from 1 November 2002, production and operating enterprises should be provided with the safety conditions for production required by the Production Safety Law and other relevant laws, administrative regulations, national standards and industrial standards. Any entities that fail to provide such safety conditions will not be allowed to be engaged in any production or operation. The major persons-in-charge of the production and operation entities shall perform the following duties and responsibilities regarding the production safety of their own entity: (1) establishing and perfecting the accountability system relating to production safety; (2) formulating the rules of production safety and operational rules of the entity; (3) ensuring the effective implementation of efforts regarding the production safety of their entities; (4) monitoring and inspecting the production safety of their entities and eliminate any hidden safety problems in production timely; (5) formulating and executing plans for emergency response and relief of production safety misadventures of the entity; (6) reporting the safety incidents honestly and timely. Production and operation entities shall provide education and training to employees regarding production safety so as to ensure that employees have the necessary knowledge of production safety, are familiar with relevant rules and regulations for production safety as well as rules for safe operation, and master the skills for safe operation for their own positions. The design, manufacturing, installation, application, testing and checking, maintenance, reformation and abandonment of safety facilities are subject to the national standards or industrial standards.

THE PRC LAWS IN RELATION TO FOREIGN EXCHANGE

Pursuant to the “Foreign Exchange Administration Regulations of the People’s Republic of China” (《中華人民共和國外匯管理條例》), which was amended on 1 August 2008 and implemented on 5 August 2008 by the State Council, the management on foreign exchange can be divided into management on foreign exchange management under the current account and management on foreign exchange under the capital account including marketable securities, issue transaction of derivatives, overseas debts and external guarantees. The foreign currency receipts and remittances under the current account should have a genuine and legitimate basis. The foreign currency income under the current account may be retained or sold to the financial institution engaged in foreign exchange settlement and sale business in accordance with the relevant requirements of the State. Foreign

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exchange payment under the current account shall, in accordance with provisions relating to foreign exchange payments and purchases enacted by the foreign exchange administrative department under the State Council, be made out of the payer's own foreign exchange funds on the strength of valid invoices or be made with foreign exchange purchased from any financial institution engaged in foreign exchange settlement and sales business. As for the management of the foreign exchange under the capital account, it requires investors to complete the procedures of foreign exchange registration at the foreign exchange administrative department under the State Council. Transactions that require approval or acknowledgment in advance by the competent authority of the State must complete the necessary approval or acknowledgment procedures before registration of foreign exchange.

Pursuant to the "Notice on the Relevant operating Issues Concerning the Improvement of the Administration of the Payment and Settlement of Foreign Currency Capital of Foreign Investment" (《關於完善外商投資外匯資本金支付結匯管理有關業務操作問題的通知》) issued on 29 August 2008 by SAFE, unless otherwise approved by the PRC laws and regulations, the RMB capital that was exchanged from the foreign capital by foreign invested enterprises could only be used within the business scope approved by such foreign invested enterprise and could not be used in domestic equity investments or acquisitions.

THE PRC LAWS IN RELATION TO THE RETAINED PROFITS

Pursuant to the "Law of Foreign-funded Enterprises of the People's Republic of China" (《中華人民共和國外資企業法》) which was amended and implemented on 31 October 2000 by the Standing Committee of the NPC (全國人民代表大會常務委員會) and the Implementation Rules for the Law of Wholly Foreign-owned Enterprises of the People's Republic of China (《中華人民共和國外資企業法實施細則》) which was amended and implemented on 12 April 2001 by the State Council, the investments made by foreign investors within the PRC, together with the profits they obtained and other legal interests, are protected by the PRC laws. Foreign invested enterprises are required to retain certain amount of their profits after tax (paid according to the PRC tax law) as a reserve fund, a bonus and welfare fund for staff and workers. The rate of allocations to the reserve fund shall not be lower than 10% of the after-tax profits. Further allocations may not be made once the cumulative amount of allocations is equivalent to 50% of the registered capital of the enterprise. The rate of allocations to the bonus and welfare fund for staff and workers shall be determined by the foreign invested enterprise. Foreign invested enterprises shall not distribute profits until the losses from preceding accounting years have been made up. The undistributed profits of the preceding accounting years may be allocated together with the profits available for distribution in this accounting year.

THE PRC LAWS IN RELATION TO THE QUALITY OF PRODUCTS

Pursuant to the "Product Quality Law of the People's Republic of China" (《中華人民共和國產品質量法》) which was amended on 8 July 2000 and implemented on 1 September 2000 by the Standing Committee of the NPC (全國人民代表大會常務委員會), the producers and sellers shall establish a complete internal management system on product quality and strictly implement the quality standards of different positions, carry out the liability of quality and the relevant appraisal measures. The State also carries out a quality accreditation system for enterprises according to the

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quality management standard generally accepted in the world. Enterprises can apply, on voluntary basis, for the quality certificate from the accreditation institutions that are approved by the quality supervision division of the State Council or approved by the division authorized by the same. Upon passing of the accreditation, the accreditation organizations would grant a certification for enterprise quality system. The State also promotes the product quality accreditation system with reference to the international standards and technical requirements for advanced products. Enterprises may apply, on voluntary basis, the product quality accreditation at the accreditation institutions recognized by the product quality supervising department of or the department authorized by the same. Upon passing of the accreditation, the accreditation institutions will grant a product quality certificate and allow the awarded enterprise to attach the product quality certificate symbol onto its products or packages of its products.

Pursuant to the “Quality Management Procedures Of Cement Enterprise” (《水泥企業質量管理規程》) promulgated by the Ministry of Industry and Information Technology of the PRC (中華人民共和國工業和信息化部) which has become effective on 1 December 2010, a cement enterprise must conduct quality inspection for its products. The cement enterprise which has a daily capacity of 4,000 tons or above or produces the special (characteristic) cement must conduct the quality inspection at the National Cement Quality Supervision and Inspection Center. Other cement enterprise must conduct the quality inspection at the building materials (cement) quality inspection organization designated by the Provincial Building Materials Department or the Building Materials Industry Association which is authorized by the Provincial Building Materials Department. The cement enterprise which produces the ordinary cement must transfer one sample every two months and ensure that no less than 6 samples should be transferred to the quality inspection organization in one year. The cement enterprise should pay the consideration for the quality inspection.

THE LISTING RULES AMENDMENTS

In relation to the recent amendments to the Listing Rules which have become effective on 1 January 2012 and 1 April 2012 respectively, the Company will ensure compliance with all those applicable amendments as from the date of this prospectus.

OTHERS

Pursuant to the “Interim Provisions for Investment in China by Enterprises with Foreign Investment” (《關於外商投資企業境內投資的暫行規定》) promulgated on 25 July 2000 and became effective on 1 September 2000, “investment within China by foreign investment enterprises” means an act whereby a Sino-foreign equity joint venture, a Sino-foreign cooperative joint venture or a wholly foreign-owned enterprise legally established in China in the form of a limited liability company, or a company limited by shares with foreign investment, invests in and establishes an enterprise in China or purchases the equity interest of one or more investors in another enterprise (“Investee Company”) in China in its own name. Foreign investment enterprises may invest only if they meet the following conditions: (i) their registered capital has been fully paid in; (ii) they have become profitable; and (iii) they are operating legally and have no record of illegal operations.

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If foreign investment enterprise purchases equity interest of another investor in the Investee Company and the scope of business of the Investee Company belongs to the encouraged or permitted category, the foreign investment enterprise is only required to apply for the normal business registration other than any approval. If the scope of business belongs the restricted category, the foreign investment enterprise shall obtain the official approval which the Provincial Level Examination and Approval Authority states its agreement.

THE CONCRETE INDUSTRY

Pursuant to the “Provisions on the Administration of Qualifications of Construction Enterprises” (建築業企業資質管理規定) promulgated by the Ministry of Construction on 1 September 2007, and the “Level of Qualification Standards for Construction Enterprise”(建築業企業資質等級標準) promulgated by the Ministry of Construction, The Ministry of Railways, The Ministry of Communications, The Ministry of Water Resources, The Ministry of Information Industry and The Civil Aviation Administration of China on 1 July 2001, every construction enterprise engaging in the production and sale of ready mix concrete should obtain a qualification certificate of construction enterprise from the construction administration. Depending on the level of the registered capital involved, professionals, technical equipment and the construction engineering achievement of the construction enterprise, the levels of qualification is divided into four levels: special level, level I, level II and level III.