The following is the text of a report received from the Company's reporting accountant, PricewaterhouseCoopers, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this prospectus. It is prepared and addressed to the directors of the Company and to the Sole Sponsor pursuant to the requirements of Auditing Guideline 3.340 "Prospectuses and the Reporting Accountant" issued by the Hong Kong Institute of Certified Public Accountants.

pwc 羅兵咸永道

1 June 2012

The Directors
Dongwu Cement International Limited

Guotai Junan Capital Limited

Dear Sirs,

We report on the financial information (the "Financial Information") of Dongwu Cement International Limited (the "Company") and its subsidiaries (together, the "Group"), which comprises the consolidated statements of financial position as at 31 December 2009, 2010 and 2011, the statement of financial position of the Company as at 31 December 2011, and the consolidated statements of comprehensive income, the consolidated statements of changes in equity and the consolidated statements of cash flows for each of the years ended 31 December 2009, 2010 and 2011 (the "Relevant Periods"), and a summary of significant accounting policies and other explanatory information. This Financial Information has been prepared by the directors of the Company and is set out in Sections I to III below for inclusion in Appendix I to the prospectus of the Company dated 1 June 2012 (the "Prospectus") in connection with the initial listing of shares of the Company on the Main Board of The Stock Exchange of Hong Kong Limited.

The Company was incorporated in the Cayman Islands on 29 November 2011 as an exempted company with limited liability under the Companies Law, Cap. 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands. Pursuant to a group reorganization as described in Note 1.1 of Section II headed "Group reorganization" below, which was completed on 28 December 2011, the Company became the holding company of the subsidiaries now comprising the Group (the "Reorganization").

As at the date of this report, the Company has direct and indirect interests in the subsidiaries as set out in Note 1.1 of Section II below. All of these companies are private companies or, if incorporated or established outside Hong Kong, have substantially the same characteristics as a Hong Kong incorporated private company.

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No audited financial statements have been prepared by the Company as it is newly incorporated and has not involved in any significant business transactions since its date of incorporation, other than the Reorganization. The audited financial statements of the other companies now comprising the Group as at the date of this report for which there are statutory audit requirements have been prepared in accordance with the relevant accounting principles generally accepted in their place of incorporation. The details of the statutory auditors of these companies are set out in Note 1.1 of Section II.

The directors of the Company have prepared the consolidated financial statements of the Group for the Relevant Periods, in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") (the "Underlying Financial Statements"). We have audited the Underlying Financial Statements in accordance with Hong Kong Standards on Auditing (the "HKSA") issued by the HKICPA pursuant to separate terms of engagement with the Company.

The directors of the Company are responsible for the preparation of the Underlying Financial Statements that gives a true and fair view in accordance with HKFRSs.

The Financial Information has been prepared based on the Underlying Financial Statements, with no adjustment made thereon.

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL INFORMATION

The directors of the Company are responsible for the preparation of the Financial Information that gives a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of Financial Information that is free from material misstatement, whether due to fraud or error.

REPORTING ACCOUNTANT'S RESPONSIBILITY

Our responsibility is to express an opinion on the Financial Information and to report our opinion to you. We carried out our procedures in accordance with the Auditing Guideline 3.340 "Prospectuses and the Reporting Accountant" issued by the HKICPA.

OPINION

In our opinion, the Financial Information gives, for the purpose of this report, a true and fair view of the state of affairs of the Company as at 31 December 2011 and of the state of affairs of the Group as at 31 December 2009, 2010 and 2011 and of the Group's results and cash flows for the Relevant Periods then ended.

I. FINANCIAL INFORMATION

The following is the financial information of the Group prepared by the directors of the Company as at 31 December 2009, 2010 and 2011 and for each of the years ended 31 December 2009, 2010 and 2011 (the "Financial Information").

(a) Consolidated Statements of Financial Position

		As at 31 December		
	Section II	**2009**	**2010**	**2011**
	Note	*RMB'000*	*RMB'000*	*RMB'000*
ASSETS				
Non-current assets				
Property, plant and equipment	*7*	223,742	201,980	174,156
Land use rights	*8*	14,257	13,942	17,957
Available-for-sale financial assets	*10*	23,068	27,054	–
Trade and other receivables	*12*	2,449	2,449	–
		263,516	245,425	192,113
Current assets				
Inventories	*11*	14,446	20,925	22,353
Trade and other receivables	*12*	135,362	180,877	146,258
Restricted bank deposits	*14*	15,000	–	5,000
Cash and cash equivalents	*15*	10,206	18,220	41,402
		175,014	220,022	215,013
Total assets		438,530	465,447	407,126
EQUITY				
Capital and reserves attributable to the equity holders of the Company				
Share capital	*16*	–	–	–
Other reserves	*17*	183,041	204,976	210,193
Retained earnings		45,869	74,002	29,749
Total equity		228,910	278,978	239,942

	Section II	As at 31 December		
		2009	2010	2011
	Note	*RMB'000*	*RMB'000*	*RMB'000*
LIABILITIES				
Non-current liabilities				
Borrowings	*20*	5,677	2,308	–
Deferred income tax liabilities	*18*	4,000	7,245	2,697
		9,677	9,553	2,697
Current liabilities				
Trade and other payables	*19*	159,861	102,853	71,709
Current income tax payable		1,292	1,394	2,400
Borrowings	*20*	38,790	72,669	90,378
		199,943	176,916	164,487
Total liabilities		209,620	186,469	167,184
Total equity and liabilities		438,530	465,447	407,126
Net current (liabilities)/assets		(24,929)	43,106	50,526
Total assets less current liabilities		238,587	288,531	242,639

(b) Statement of Financial Position of the Company

	Section II *Note*	As at 31 December 2011 *RMB'000*
ASSETS		
Non-current assets		
Investment in a subsidiary	*9*	208,245
Total assets		208,245
EQUITY		
Capital and reserves attributable to the Company's equity holders		
Share capital	*16*	–
Other reserves	*17*	207,930
Total equity		207,930
LIABILITIES		
Current liabilities		
Amount due to a subsidiary	*9*	315
Total liabilities		315
Total equity and liabilities		208,245
Net current assets		–
Total assets less current liabilities		208,245

(c) Consolidated Statements of Comprehensive Income

	Section II	Year ended 31 December		
		2009	2010	2011
	Note	*RMB'000*	*RMB'000*	*RMB'000*
Revenue	*6*	291,622	354,950	464,045
Cost of sales	*23*	(268,592)	(305,619)	(341,923)
Gross profit		23,030	49,331	122,122
Distribution costs	*23*	(3,265)	(2,016)	(2,416)
Administrative expenses	*23*	(12,779)	(14,204)	(16,284)
Other income	*21*	9,386	11,285	16,332
Other gains/(losses) – net	*22*	478	(32)	(3,187)
Operating profit		16,850	44,364	116,567
Finance income		78	59	134
Finance costs		(2,094)	(4,514)	(7,323)
Finance costs – net	*25*	(2,016)	(4,455)	(7,189)
Profit before income tax		14,834	39,909	109,378
Income tax expense	*26*	(3,034)	(8,123)	(22,434)
Profit for the year		11,800	31,786	86,944
Profit attributable to equity holders of the Company		11,800	31,786	86,944
Other comprehensive income				
– Fair value gains of available-for-sale financial assets (net of tax)		2,684	1,654	2,257
– Recycling of fair value gains in available-for-sale financial assets (net of tax)		–	–	(6,595)
Total comprehensive income for the year		14,484	33,440	82,606
Total comprehensive income attributable to equity holders of the Company		14,484	33,440	82,606
Earnings per share for profit attributable to equity holders of the Company for the year (expressed in RMB per share)				
– Basic and diluted earnings per share	*27*	1,180	3,180	8,694
Dividends	*28*	–	–	121,642

Note: The earnings per share as presented above has not taken into account the proposed capitalization issue pursuant to the shareholders' resolution dated 28 May 2012 (Note 34(c)) because the proposed capitalization issue has not become effective as at the date of this report.

(d) Consolidated Statements of Changes in Equity

	Section II Note	Share capital RMB'000	Other reserves RMB'000	Retained earnings RMB'000	Total RMB'000
		Attributable to the equity holders of the Company			
Balance at 1 January 2009		–	141,331	35,535	176,866
Comprehensive income					
Profit for the year		–	–	11,800	11,800
Other comprehensive income					
– Fair value gains of available-for-sale financial assets	*17*	–	3,068	–	3,068
– Tax effect on fair value gains of available-for-sale financial assets	*17*	–	(384)	–	(384)
Total comprehensive income		**–**	**2,684**	**11,800**	**14,484**
Transactions with owners					
Contribution to a subsidiary by its then equity holder		–	37,560	–	37,560
Transfer to statutory reserves	*17(a)*	–	1,466	(1,466)	–
As at 31 December 2009		**–**	**183,041**	**45,869**	**228,910**
Comprehensive income					
Profit for the year		–	–	31,786	31,786
Other comprehensive income					
– Fair value gains of available-for-sale financial assets	*17*		1,890		1,890
– Tax effect on fair value gains of available-for-sale financial assets	*17*	–	(236)	–	(236)
Total comprehensive income		**–**	**1,654**	**31,786**	**33,440**
Transactions with owners					
Contribution to a subsidiary by its then equity holder		–	16,628	–	16,628
Transfer to statutory reserves	*17(a)*	–	3,653	(3,653)	–
As at 31 December 2010		**–**	**204,976**	**74,002**	**278,978**
Comprehensive income					
Profit for the year		–	–	86,944	86,944
Other comprehensive income					
– Fair value gains of available-for-sale financial assets	*17*	–	2,580	–	2,580
– Tax effect on fair value gains of available-for-sale financial assets	*17*	–	(323)	–	(323)
– Recycling of fair value gains of available-for-sale financial assets to profit or loss upon disposal	*17*	–	(7,538)	–	(7,538)
– Recycling of tax effect on fair value gains of available-for-sale financial assets to profit or loss upon disposal	*17*	–	943	–	943
Total comprehensive income		**–**	**(4,338)**	**86,944**	**82,606**
Transactions with owners					
Dividends paid to the then equity holder	*28*	–	–	(121,642)	(121,642)
Transfer to statutory reserves	*17(a)*	–	9,555	(9,555)	–
Deemed distribution arising from Reorganization	*1.1(d)*	–	(207,930)	–	(207,930)
Deemed contribution from shareholders	*1.1(e)*	–	207,930	–	207,930
As at 31 December 2011		**–**	**210,193**	**29,749**	**239,942**

(e) Consolidated Statements of Cash Flows

	Section II Note	Year ended 31 December 2009 RMB'000	2010 RMB'000	2011 RMB'000
Cash flows from operating activities				
Cash (used in)/generated from operations	*30*	(10,790)	48,537	72,060
Interest paid		(2,094)	(4,514)	(7,323)
Income tax paid		–	(1,564)	(28,733)
Net cash (used in)/generated from operating activities		(12,884)	42,459	36,004
Cash flows from investing activities				
Interest received		78	59	134
Dividends received from available-for-sale financial assets	*21*	–	1,400	2,400
Acquisition of available-for-sale financial assets	*10*	–	(2,096)	–
Proceeds from disposal of available-for-sale financial assets	*10(d)*	–	–	8,400
Advances to related parties	*33(b)*	(25,220)	(159,466)	(75,532)
Repayments from related parties	*33(b)*	31,200	91,800	177,218
Purchase of property, plant and equipment	*7*	(35,636)	(3,280)	(689)
Proceeds from disposal of property, plant and equipment		241	–	596
Purchase of land use rights	*8*	(1,760)	–	(1,888)
Net cash (used in)/generated from investing activities		(31,097)	(71,583)	110,639
Cash flows from financing activities				
Proceeds from bank borrowings		35,000	64,000	73,070
Proceeds from other borrowing		10,000	15,000	15,000
Repayment of bank borrowings		(20,000)	(45,000)	(54,000)
Repayments of other borrowings		(1,033)	(3,490)	(18,669)
Repayment to a related party		(17,780)	(10,000)	(12,220)
Proceeds from capital contribution		37,560	16,628	–
Increase in restricted deposit in relation to financing activities		–	–	(5,000)
Dividends paid to the then equity holder	*28*	–	–	(121,642)
Net cash generated from/(used in) financing activities		43,747	37,138	(123,461)
Net (decrease)/increase in cash and cash equivalents		(234)	8,014	23,182
Cash and cash equivalents at beginning of the year	*15*	10,440	10,206	18,220
Cash and cash equivalents at end of the year	*15*	10,206	18,220	41,402

II. NOTES TO THE FINANCIAL INFORMATION

1. GENERAL INFORMATION

Dongwu Cement International Limited (the "Company") is a limited liability company incorporated in the Cayman Islands on 29 November 2011. The address of its registered office is at the offices of Codan Trust Company (Cayman) Limited, Cricket Square, Hutchins Drive, PO Box 2681, Grand Cayman, KY1-1111, Cayman Islands and the principal place of business is Fenhu Economic Development Zone, Wujiang, Jiangsu Province, the People's Republic of China (the "PRC").

The Company is an investing holding company. The Company and its subsidiaries are collectively referred to as the "Group". The Group is principally engaged in the production and sales of cement (the "Cement Business").

1.1 Group reorganization

In preparation of the initial listing of the Company's shares on the Main Board of The Stock Exchange of Hong Kong Limited (the "Listing"), the Group underwent the reorganization (the "Reorganization") which principally involved:

(a) On 29 November 2011, the Company was incorporated in the Cayman Islands with an authorized share capital of HK$10,000 divided into 10,000 shares of HK$1 each. At the time of its incorporation, the total number of issued shares of the Company was 100 shares, of which 70 shares were held by Goldview Development Limited ("Goldview"), a limited liability company which is wholly-owned by Mr. Tseung Hok Ming (the "Controlling Shareholder"), and the remaining 30 shares were held by Concord Ocean Limited ("Concord"), a limited liability company which is wholly-owned by Mr. Jin Chungen.

(b) On 29 November 2011, Dongwu International Investment Limited ("Dongwu Investment") was incorporated as a wholly-owned subsidiary of the Company.

(c) On 16 December 2011, Dongwu Cement (Hong Kong) Limited ("Dongwu HK") was incorporated as a wholly-owned subsidiary of Dongwu Investment.

(d) Immediately before the Reorganization, 蘇州東吳水泥有限公司 (Suzhou Cement Co., Ltd.*, "Dongwu Cement"), a company incorporated on 5 June 2003, was a wholly-owned subsidiary of Far East International Investment Company Limited ("Far East International"), which was incorporated in Samoa and owned as to 70% and 30% by Goldview and Concord. On 26 December 2011, Dongwu HK and Far East International entered into an equity transfer agreement (the "Equity Transfer Agreement"), pursuant to which Far East International transferred its 100% equity interest in Dongwu Cement to Dongwu HK at a consideration of USD33,000,000 (equivalent to RMB207,930,000). Such equity transfer was completed on 28 December 2011 and Dongwu Cement became a wholly-owned subsidiary of Dongwu HK thereafter.

(e) To settle the consideration of USD33,000,000 for the transfer of 100% equity interest in Dongwu Cement (the "Dongwu Cement Transfer") from Far East International to Dongwu HK under the Equity Transfer Agreement, Goldview and Concord have agreed to assume Dongwu HK's payment obligations under the Equity Transfer Agreement by way of novation. In this regard, Far East International, Dongwu HK and the Company entered into a novation deed (the "Dongwu HK Novation Deed") on 27 December 2011, pursuant to which the Company have agreed to pay the consideration of USD33,000,000 for the Dongwu Cement Transfer payable under the Equity Transfer Agreement for and on behalf of Dongwu HK to Far East International whilst Far East International has agreed to discharge Dongwu HK's payment obligations under the Equity Transfer

Agreement. Meanwhile, Far East International, the Company, Goldview and Concord entered into another novation deed (the "Company Novation Deed") on 27 December 2011, pursuant to which Goldview and Concord have agreed to pay, on behalf of the Company, the consideration of USD33,000,000 for the Dongwu Cement Transfer payable by the Company under the Dongwu HK Novation Deed to Far East International in proportion to their then respective shareholdings in the Company whilst Far East International has agreed to discharge the Company's payment obligations under the Dongwu HK Novation Deed. On the same date, Goldview and Concord have given written confirmations in relation to their unconditional and irrevocable waiver as to the Company's repayment obligation of USD33,000,000 to Goldview and Concord under the Company Novation Deed.

Upon completion of the Reorganization, the Company became the holding company of the Group. As at the date of this report, the Company has direct or indirect interests in the subsidiaries as set out below:

Name	Place and date of incorporation	Principal activities and type of entity	Particulars of issued/ paid-in capital	Equity interest held		*Notes*
				Direct	Indirect	
Dongwu Investment	British Virgin Islands ("BVI") 29 November 2011	Investment holding, a limited liability company	USD50,000	100%	–	*(i)*
Dongwu HK	Hong Kong 16 December 2011	Investment holding, a limited liability company	HK$10,000	–	100%	*(ii)*
Dongwu Cement	PRC 5 June 2003	Production and sales of cement, a limited liability company	USD25,000,000**	–	100%	*(iii)*

* The English translation of the entity name is for reference only. The official name of this entity is in Chinese.

** During the Relevant Periods, the registered capital of Dongwu Cement was USD25,000,000. The paid-in capital of Dongwu Cement contributed from its then equity holder was USD17,000,000 (equivalent to RMB137,823,000) as at 1 January 2009, USD22,500,000 (equivalent to RMB175,383,000) as at 31 December 2009, and USD25,000,000 (equivalent to RMB192,011,000) as at 31 December 2010 and 2011.

(i) No audited financial statements have been prepared for the Company and Dongwu Investment since their dates of incorporation as there are no statutory audit requirements in the Cayman Islands and the BVI.

(ii) Dongwu HK is not required to prepare audited financial statements as it was newly incorporated on 16 December 2011.

(iii) The statutory financial statements of Dongwu Cement for the years ended 31 December 2009, 2010 and 2011 were audited by 蘇州中達聯合會計師事務所 (Suzhou Zhongda United Certified Public Accountants Co., Ltd.).

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of the Financial Information are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

2.1 Basis of preparation

The Controlling Shareholder owned and controlled the companies now comprising the Group before the Reorganization and continues to own and control these companies after the Reorganization. Pursuant to the Reorganization, the Cement Business was transferred to and held by the Company. The Company has not been involved in any other business prior to the Reorganization and does not meet the definition of a business. The Reorganization is merely a reorganization of the Cement Business with no change in management of such business and the ultimate owners of the Cement Business remain the same. Accordingly, the consolidated financial information of the companies now comprising the Group is presented using the carrying values of the Cement Business for all periods presented.

The consolidated statements of financial position, the consolidated statements of comprehensive income, the consolidated statements of changes in equity and the consolidated statements of cash flows of the Group for the Relevant Periods have been prepared as if the current group structure had been in existence throughout the Relevant Periods.

The Financial Information has been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRS") and under the historical cost convention, as modified by the revaluation of available-for-sale financial assets, which are carried at fair value.

The preparation of the Financial Information in conformity with HKFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Group's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the Financial Information are disclosed in Note 4.

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

The Financial Information is presented in thousands of Renminbi ("RMB"), unless otherwise stated.

Up to the date of issuance of this report, the HKICPA has issued the following new standards, amendments and interpretations which are relevant to the Group's operation but not yet effective for the annual accounting period beginning 1 January 2012 and which have not been early adopted:

		Effective for annual periods beginning on or after
HKFRS 9 (Amendment)	'Financial instruments'	1 January 2015
HKAS 12 (Amendment)	'Income taxes'	1 January 2012
HKFRS 7 (Amendment)	'Disclosures-transfers of financial assets'	1 July 2011
HKAS 1 (Amendment)	'Presentation of financial statements'	1 July 2012
HKFRS 9	'Financial instruments'	1 January 2015
HKFRS 10	'Consolidated financial statements'	1 January 2013
HKFRS 11	'Joint arrangements'	1 January 2013
HKFRS 12	'Disclosure of interest in other entities'	1 January 2013
HKFRS 13	'Fair value measurements'	1 January 2013
HKAS 19	'Employee benefits'	1 January 2013
HKAS 27 (Revised 2011)	'Separate financial statements'	1 January 2013
HKAS 28 (Revised 2011)	'Associates and joint ventures'	1 January 2013
HKAS 32 (Amendment)	'Financial instruments: Presentation – Offsetting financial assets and financial liabilities'	1 January 2014
HKFRS 7 (Amendment)	'Financial instruments: Disclosures – Offsetting financial assets and financial liabilities'	1 January 2013

The management is in the process of assessing of the impact of these standards, amendments and interpretations on the Financial Information of the Group. The adoption of the above is not expected to have a material impact on Financial Information of the Group.

2.2 Subsidiaries

2.2.1 Consolidation

Subsidiaries are all entities (including special purpose entities) over which the Group has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the group controls another entity. The Group also assesses existence of control where it does not have more than 50% of the voting power but is able to govern the financial and operating policies by virtue of de-facto control. De-facto control may arise from circumstances such as enhanced minority rights or contractual terms between shareholders, etc.

Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

Inter-company transactions, balances, income and expenses on transactions between group companies are eliminated. Profits and losses resulting from inter-company transactions that are recognized in assets are also eliminated. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

(a) Business combinations

Except for the Reorganization which has been described in note 1.1 above, the Group applies the acquisition method to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. The Group recognizes any non-controlling interest in the acquiree on an acquisition-by-acquisition basis, either at fair value or at the non-controlling interest's proportionate share of the recognized amounts of acquiree's identifiable net assets.

Acquisition-related costs are expensed as incurred.

Goodwill is initially measured as the excess of the aggregate of the consideration transferred and the fair value of non-controlling interest over the net identifiable assets acquired and liabilities assumed. If this consideration is lower than the fair value of the net assets of the subsidiary acquired, the difference is recognized in profit or loss.

(b) Changes in ownership interests in subsidiaries without change of control

Transactions with non-controlling interests that do not result in loss of control are accounted for as equity transactions – that is, as transactions with the owners in their capacity as owners. The difference between fair value of any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

(c) Disposal of subsidiaries

When the Group ceases to have control, any retained interest in the entity is re-measured to its fair value at the date when control is lost, with the change in carrying amount recognized in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognized in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognized in other comprehensive income are reclassified to profit or loss.

2.2.2 Separate financial statements

Investments in subsidiaries are accounted for at cost less impairment. Cost is adjusted to reflect changes in consideration arising from contingent consideration amendments. Cost also includes direct attributable costs of investment. The results of subsidiaries are accounted for by the Company on the basis of dividend and receivable.

Impairment testing of the investments in subsidiaries is required upon receiving dividends from these investments if the dividend exceeds the total comprehensive income of the subsidiary in the period the dividend is declared or if the carrying amount of the investment in the separate financial statements exceeds the carrying amount in the consolidated financial statements of the investee's net assets including goodwill.

2.3 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Board of Directors (the "Board") that makes strategic decisions.

2.4 Foreign currency translation

(a) Functional and presentation currency

Items included in the Financial Information of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The Financial Information is presented in RMB, which is the Company's functional and the Group's presentation currency.

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in profit or loss, except when deferred in equity as qualifying cash flow hedges or qualifying net investment hedges.

Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in the statement of comprehensive income within "finance income" or "finance cost".

Translation differences on non-monetary financial assets and liabilities such as equities held at fair value through profit or loss are recognized in profit or loss as part of the fair value gain or loss. Translation differences on non-monetary financial assets, such as equities classified as available-for-sale, are included in other comprehensive income.

(c) Group companies

The results and financial position of all the Group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

(i) assets and liabilities for each statement of financial position presented are translated at the closing rate at the end of each reporting period;

(ii) income and expenses for each statement of comprehensive income are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions); and

(iii) all resulting exchange differences are recognized as a separate component of equity.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

2.5 Property, plant and equipment

Construction-in-progress represents properties under construction and is carried at cost, which includes development and construction expenditure incurred, less any accumulated impairment losses. Construction-in-progress is not depreciated until such time as the assets are completed and available for use. When the assets concerned are available for use, the costs are transferred to other property, plant and equipment and depreciated in accordance with the policy as stated below.

All other property, plant and equipment are stated at historical cost less depreciation and impairment losses. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognized. All other repairs and maintenance are charged to profit or loss during the financial period in which they are incurred.

Depreciation of property, plant and equipment is calculated using the straight-line method to allocate their costs to their residual values over their estimated useful lives, as follows:

	Useful lives
Properties and plant	20 years
Machinery	10 years
Motor vehicles	5 years
Furniture, fittings and equipment	5 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (Note 2.7).

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognized within "other gains/(losses)" in the statement of comprehensive income.

2.6 Land use rights

Land use rights represents prepaid operating lease payments. Payments made under operating leases (net of any incentives received from the lessor) are charged to profit or loss on a straight-line basis over the lease period of 50 years.

2.7 Impairment of non-financial assets

Assets that have an indefinite useful life are not subject to amortization and are tested annually for impairment. Assets that are subject to amortization are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

2.8 Financial assets

2.8.1 Classification

The Group classifies its financial assets in the following categories: loans and receivable and available-for-sale. The classification depends on the purposes for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

(a) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the end of each reporting period, which in such case they are classified as non-current assets. The Group's loans and receivables comprise "trade and other receivables", "restricted bank deposits" and "cash and cash equivalents" in the consolidated statements of financial position (Notes 2.10 and 2.11).

(b) Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless the investment matures or management intends to dispose of it within 12 months of the end of the reporting period.

2.8.2 Recognition and measurement

Regular purchases and sales of financial assets are recognized on the trade-date – the date on which the Group commits to purchase or sell the asset. Investments are initially recognized at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss is initially recognized at fair value, and transaction costs are expensed in profit or loss. Financial assets are derecognized when the rights to receive cash flows from the investments have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership. Changes in the fair value of financial assets classified as available-for-sale financial assets are recognized in other comprehensive income. Loans and receivables are subsequently carried at amortized cost using the effective interest method.

2.8.3 Impairment of financial assets

(a) Assets carried at amortized cost

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a "loss event") and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganization, and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

The amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced and the amount of the loss is recognized in profit or loss.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized (such as an improvement in the debtor's credit rating), the reversal of the previously recognized impairment loss is recognized in profit or loss.

(b) Assets classified as available-for-sale

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or a group of financial assets is impaired. For debt securities, the Group uses the criteria referred to in (a) above. In the case of equity investments classified as available-for-sale, a significant or prolonged decline in the fair value of the security below its cost is also evidence that the assets are impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognized in profit or loss – is removed from equity and recognized in profit or loss. Impairment losses recognized in the consolidated statements of comprehensive income on equity instruments are not reversed through profit or loss If, in a subsequent period, the fair value of a debt instrument classified as available-for-sale increases and the increase can be objectively related to an event occurring after the impairment loss was recognized in profit or loss, the impairment loss is reversed through the consolidated statement of comprehensive income.

2.9 Inventories

Inventories are stated at the lower of cost and net realizable value. Cost is determined using the weighted average method. The cost of finished goods and work in progress comprises raw materials, direct labor, other direct costs and related production overheads (based on normal operating capacity). It excludes borrowing costs. Net realizable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses.

2.10 Trade and other receivables

Trade receivables are amounts due from customers for merchandise sold or services performed in the ordinary course of business. If collection of trade and other receivables is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

Trade and other receivables are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method, less provision for impairment.

2.11 Cash and cash equivalents

Cash and cash equivalents include cash in hand, deposits held at call with banks and other short-term highly liquid investments with original maturities of three months or less.

2.12 Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

2.13 Trade and other payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers.

Trade and other payables are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

Trade and other payables are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method.

2.14 Borrowings

Borrowings are recognized initially at fair value, net of transaction costs incurred. Borrowings are subsequently carried at amortized cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognized in profit or loss over the period of the borrowings using the effective interest method.

Fees paid on the establishment of loan facilities are recognized as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalized as a prepayment for liquidity services and amortized over the period of the facility to which it relates.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the end of the reporting period.

Borrowing costs that are directly attributable to the acquisition, construction or production of an asset are included in the cost of that asset. Such borrowing costs are capitalized as part of the cost of the asset when it is probable that they will result in future economic benefits to the entity and the costs can be measured reliably. All other borrowing costs are recognized as an expense in the period in which they are incurred.

2.15 Current and deferred income tax

The tax expense comprises current and deferred tax. Tax is recognized in profit or loss, except to the extent that it relates to items recognized in other comprehensive income or directly in equity. In this case, the tax is also recognized in other comprehensive income or directly in equity respectively.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of each reporting period in the countries where the Group and its subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation and establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the Financial Information. However, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by each reporting date and are expected to apply when the related deferred income tax asset is realized or the deferred income tax liability is settled.

Deferred income tax assets are recognized to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilized.

Deferred income tax is provided on temporary differences arising on investments in subsidiaries, except where the timing of the reversal of the temporary difference is within the control of the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes assets and liabilities relate to income taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

2.16 Employee benefits

The group company registered in PRC contributes based on certain percentage of the salaries of the employees to a defined contribution retirement benefit plan and medical benefit plan organized by relevant municipal and provincial government authorities in the PRC on a monthly basis. The government authorities undertake to assume the retirement benefit obligations payable to all existing and future retired employees under these plans and the Group has no further obligation for post-retirement benefits beyond the contributions made. Contributions to these plans are expensed as incurred.

2.17 Provisions and contingencies

Provisions for environmental restoration, restructuring costs and legal claims are recognized when: the Group has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Restructuring provisions comprise lease termination penalties and employee termination payments. Provisions are not recognized for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognized even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognized as interest expense.

A contingent liability is a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group; or a present obligation that arises from past events but is not recognized because it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation; or the amount of the obligation cannot be measured with sufficient reliablility.

A contigent liability is not recognized in the Financial Information, but is to be disclosed by the Group, unless the possibility of an outflow of resources embodying economic benefits is remote.

2.18 Financial guarantee contracts

Financial guarantee contracts are contracts that require the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payments when due, in accordance with the terms of a debt instrument. Such financial guarantees are given to banks, financial institutions and other bodies to secure borrowings.

Financial guarantees are initially recognized in the Financial Information at fair value on the date the guarantee was given. The fair value of a financial guarantee at the time of signature is zero because all guarantees are agreed on arm's length terms, and the value of the premium agreed corresponds to the value of the guarantee obligation. No receivable for the future premiums is recognized. Subsequent to initial recognition, the Group's liabilities under such guarantees are measured at the higher of the initial amount, less amortization of fees and the best estimate of the amount required to settle the guarantee. These estimates are determined based on experience of similar transactions and history of past losses, supplemented by management's judgment. The fee income earned is recognized on a straight-line basis over the life of the guarantee. Any increase in the liability relating to guarantees is reported in the consolidated statements of comprehensive income within "other gains/(losses)".

2.19 Revenue recognition

Revenue comprises the fair value of the consideration received or receivable for the sale of goods and services in the ordinary course of the Group's activities. Revenue is shown net of returns, rebates and discounts and after eliminating sales within the Group.

The Group recognizes revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and specific criteria have been met for each of the Group's activities. The Group bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

(i) Sales of goods

The Group produces and sells cement products to customers in the Jiangsu province, Zhejiang province and Shanghai city of the PRC. Sales of goods are recognized when a group entity has delivered products to the customers, the customer has full discretion over the channel and price to sell the products, and there is no unfulfilled obligation that could affect the customer's acceptance of the products. Delivery does not occur until the products have been shipped to the specified location, the risks of obsolescence and loss have been transferred to the customer, and either the customer has accepted the products in accordance with the relevant sales contract, the acceptance provisions have lapsed, or the Group has objective evidence that all criteria for acceptance have been satisfied.

(ii) Interest income

Interest income is recognized on a time-proportion basis using the effective interest method. When a receivable is impaired, the Group reduces the carrying amount to its recoverable amount, being the estimated future cash flow discounted at the original effective interest rate of the instrument, and continues unwinding the discount as interest income. Interest income on impaired receivables is recognized using the original effective interest rate.

2.20 Government grants

Grants from the government are recognized at their fair value where there is a reasonable assurance that the grant will be received and the Group will comply with all attached conditions.

Government grants relating to costs are deferred and recognized in the income statement over the period necessary to match them with the costs that they are intended to compensate. A government grant that becomes receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the entity with no future related costs shall be recognized as income in profit or loss of the period in which it becomes receivable.

Government grants relating to property, plant and equipment are included in non-current liabilities as deferred government grants and are credited to the income statement on a straight-line basis over the expected lives of the related assets.

2.21 Leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to profit or loss on a straight-line basis over the period of the lease.

2.22 Dividend distribution

Dividend distribution to the Company's equity holders is recognized as a liability in the Company's Financial Information in the period in which the dividends are approved by the Company's equity holders.

3. FINANCIAL RISK MANAGEMENT

3.1 Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including foreign exchange risk, cash flow interest rate risk, and commodity price risk), credit risk and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance.

Risk management is carried out under the policies approved by the Board, which provides principles for overall risk management, as well as policies covering specific areas, such as foreign exchange risk, interest rate risk, credit risk and investing of excess liquidity.

(a) Market risk

(i) Foreign exchange risk

The Group mainly operates in the PRC and all of the Group's transactions, assets and liabilities are denominated in RMB. The Group has a few foreign currency denominated monetary assets and monetary liabilities, therefore, the Group is not exposed to significant foreign exchange risk.

(ii) Commodity price risk

The Group consumes coal and raw materials including gypsum, flyash, pyrite cinder and slag in the production of our cement products and is exposed to fluctuations in the prices of the aforesaid which are influenced by global as well as regional supply and demand conditions. Fluctuations in the prices of coal and other raw materials could adversely affect its business, financial condition and results of operations. The Group has not entered into any commodity derivative instruments to hedge the potential commodity price changes.

(iii) Cash flow and fair value interest rate risk

Other than deposits held in banks, the Group does not have significant interest-bearing assets. Fluctuation of deposit interest rates to financial assets does not have a significant impact to the Group's performance.

The Group's interest rate risk arises from short-term and long-term borrowings. Borrowings with variable floating rates expose the Group to cash flow interest rate risk. Borrowings with fixed rates expose the Group to fair value interest rate risk. The Group does not have formal policies on interest rate risk. During the Relevant Periods, the Group's borrowings were all denominated in RMB.

At 31 December 2009, 2010 and 2011, if interest rates on borrowings had been 60 basis points higher/lower with all other variables held constant, post-tax profit for the year would have been RMB45,000, RMB288,000 and RMB579,000 lower/higher, mainly as a result of higher/lower interest expense on floating rate borrowings.

(b) Credit risk

The carrying amounts of the restricted bank deposits, bank deposits, trade and other receivables included in the Financial Information represent the Group's maximum exposure to credit risk in relation to its financial assets.

As at 31 December 2009 and 2010, all the Group's bank deposits were placed in the commercial banks of the PRC, among which 91.3% and 73.9% have external credit rating over BBB+ (whose rating was sourced from the rating provided by Standard & Poor's). As at 31 December 2011, 83.1% of the Group's bank deposits were placed in a rural commercial bank located in Wujiang City. Management considers that the risk of non-performance by this rural commercial bank is low.

The Group has adopted a policy of only dealing with creditworthy counterparties. The credit risk on trade receivable is low. Based on past experience, the customer payment default rate is low. The Group has a significant concentration of credit risk in trade receivables, which is accounted for by amounts due from the Group's top five customers as follows:

	As at 31 December		
	2009	**2010**	**2011**
	RMB'000	*RMB'000*	*RMB'000*
Balance of trade receivables from top five customers	19,893	28,649	43,258
Balance of trade receivables *(Note 12)*	52,833	50,247	59,178
Percentage	37.65%	57.02%	73.10%

It is the Group's policy to receive settlement from customers in the form of cash, cheques or endorsed bank accepted bills. Credit sales are made only to selected customers with long-term business trading history. The issuing banks of these bank acceptance bills are either state-owned banks with investment grade ratings or local banks with good reputation. The Group considered the default risk from these bank acceptance bills is low. Therefore the Directors consider the Group's bank acceptance bills and trade receivables have no significant exposure to credit risk.

There were also financial guarantees provided by the Group during the Relevant Periods, which were the guarantees given to the banks and financial institutions to secure borrowings. The maximum exposure to credit risk is the balance of the borrowings before accounting for collaterals held or other credit enhancements.

	Maximum exposure As at 31 December		
	2009	**2010**	**2011**
	RMB'000	*RMB'000*	*RMB'000*
Credit risk exposure to off-balance sheet items	–	115,000	–

(c) Liquidity risk

The Group aims to maintain sufficient cash and credit lines to meet its liquidity requirements. The Group finances its working capital requirements through a combination of funds generated from operations, short-term bank borrowings and the financial support provided by the equity holders.

The table below analyses the Group's financial liabilities into relevant maturity groupings based on the remaining period at the end of each reporting period to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

	Less than 1 year	**Between 1 and 2 years**	**Between 2 and 5 years**	**Over 5 years**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
At 31 December 2009				
Borrowings (including interest payment)*	41,042	3,990	2,450	–
Trade and other payables**	149,507	1,535	560	–
	190,549	5,525	3,010	–
At 31 December 2010				
Borrowings (including interest payment)*	76,030	2,450	–	–
Trade and other payables**	64,051	26,286	833	–
	140,081	28,736	833	–
Financial guarantees issued				
Maximum amount guaranteed	115,000	–	–	–
At 31 December 2011				
Borrowings (including interest payment)*	92,427	–	–	–
Trade and other payables**	62,283	1,178	646	–
	154,710	1,178	646	–

* *Interest on borrowings is calculated based on borrowings held as at 31 December 2009, 2010 and 2011.*

** *Excluding advances from customers, other taxes payable and salary payable.*

3.2 Capital risk management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for equity holders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to equity holders, return capital to equity holders, issue new shares or sell assets to reduce debt.

The Group monitors capital on the basis of the debt-to-equity ratio. This ratio equals total borrowings divided by total equity.

The debt-to-equity ratios at 31 December 2009, 2010 and 2011 are as follows:

	As at 31 December		
	2009	**2010**	**2011**
	RMB'000	*RMB'000*	*RMB'000*
Total borrowings *(Note 20)*	44,467	74,977	90,378
Total equity	228,910	278,978	239,942
Debt-to-equity ratio	19.43%	26.88%	37.67%

Increase of debt-to-equity ratio since 31 December 2009 was mainly due to the increase in borrowings to meet the working capital requirement and to finance the increase in trade and other receivables.

3.3 Fair value estimation

The table below analyses available-for-sale financial assets carried at fair value, by valuation method. The different levels have been defined as follows:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1).
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2).
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

The following table presents the Group's assets that are measured at fair value at 31 December 2009.

	Level 1	**Level 2**	**Level 3**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Assets				
Available-for-sale financial assets				
– Equity securities	–	–	23,068	23,068

The following table presents the Group's assets that are measured at fair value at 31 December 2010.

	Level 1	Level 2	Level 3	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Assets				
Available-for-sale financial assets				
– Equity securities	–	–	27,054	27,054

None of the Group's assets are measured at fair value at 31 December 2011.

If one or more of the significant inputs is not based on observable market data, the financial instrument is included in Level 3. The valuation technique used to determine the fair value for the available-for-sale financial assets is discounted cash flow analysis.

The following table presents the changes in Level 3 financial instruments during the Relevant Periods.

	Year ended 31 December		
	2009	2010	2011
	RMB'000	*RMB'000*	*RMB'000*
Opening balance	20,000	23,068	27,054
Additions	–	2,096	–
Fair value gains recognized in other comprehensive income	3,068	1,890	2,580
Recycling of fair value gains to profit or loss upon disposal	–	–	(7,538)
Disposal	–	–	(22,096)
Closing balance	23,068	27,054	–

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The management of the Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

(a) Carrying value of non-current assets

Non-current assets, including property, plant and equipment and land use rights are carried at cost less accumulated depreciation/amortization. These carrying amounts are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amounts may not be recoverable. An impairment loss is recognized for the amount by which an asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. In estimating the recoverable amounts of assets, various assumptions, including future cash flows to be associated with non-current assets and discount rates, are made. If future events do not correspond to such assumptions, the recoverable amounts are revised, and this may have an impact on the Group's results of operations or financial position.

(b) Useful lives of machinery

The directors determine the estimated useful lives and related depreciation charges for its machinery. This estimate is based on the historical experience of the actual useful lives of machinery of similar nature and functions. These estimates may change in the future as a result of technical innovations and competitor actions. The directors will increase depreciation charges where useful lives are less than previously estimated lives, or will write off or write down technically obsolete or non-strategic assets that have been abandoned or sold.

If the actual useful lives of the manufacturing machinery differ by 10% from the directors' estimate, the estimated depreciation expenses of the machinery charged for the years ended 31 December 2009, 2010 and 2011 would be RMB1,660,000, RMB1,897,000 and RMB1,905,000 higher or RMB1,358,000, RMB1,552,000 and RMB1,559,000 lower, respectively.

(c) Estimated impairment of trade and other receivables

The Group maintains a provision for impairment of trade and other receivables arising from the inability of its customers to make the required payments. The Group makes its estimates based on the aging of its trade receivable balances, customers' creditworthiness, and historical write-off experience. If the financial condition of its customers was to deteriorate so that the actual impairment loss might be higher than expected, the Group would be required to revise the basis of making the impairment.

(d) Estimated impairment of inventories

The Group writes down inventories to net realizable value based on an assessment of the realisability of inventories. The assessment of write-downs requires the directors' judgment and estimates. Where expectation is different from an original estimate, the difference will impact the carrying values of inventories and may result in write-downs of inventories in the period in which such estimates have been changed.

(e) Fair value of available-for-sale financial assets

The fair value of available-for-sale financial assets that are not traded in an active market is determined using valuation techniques. The Group engaged an independent valuer and applied an income approach and discounted cash flow analysis to determine the fair value based on market conditions existing at the end of each reporting period. The fair value estimates are based on the assumed discount rate, revenue growth rate as well as the assumed gross profit margin of the asset company.

The fair value amount is most sensitive to the key assumption of discount rate, and much less sensitive to the other key assumptions. The fair value estimates were based on the assumed discount rate of 12.09% and 12.04% as at 31 December 2009 and 2010. Should the discount rate decrease/increase 1% compared to the assumptions used by management, the fair value of available-for-sale financial assets for the years ended 31 December 2009 and 2010 would be RMB2,187,000 and RMB2,223,000 higher or RMB1,850,000 and RMB1,881,000 lower, respectively.

(f) Income taxes and deferred tax

The Group is mainly subject to income taxes in the PRC. Judgment is required in determining the provision for income taxes. There are transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognized liabilities for anticipated tax issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the current income tax and deferred tax provisions in the period in which such determination is made.

5. SEGMENT INFORMATION

The Group operates as a single operating segment. The single operating segment is reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segment, has been identified as the Board that makes strategic decisions.

The Group is principally engaged in the production and sales of cement and 100% of its sales are derived in the PRC during the Relevant Periods.

None of the revenue derived from any single external customer amounted to more than 10% of the Group's revenue during the Relevant Periods.

6. REVENUE

Revenue of the Group during the Relevant Periods is analyzed as follows:

	Year ended 31 December		
	2009	**2010**	**2011**
	RMB'000	*RMB'000*	*RMB'000*
Ordinary Portland cement strength class 42.5	107,623	160,603	224,551
Composite Portland cement strength class 32.5	155,284	184,088	236,185
Clinker	28,715	10,259	3,309
	291,622	354,950	464,045

The Group aims to maintain long-term relationship with reputable customers in the expansion of its business. Revenue from the top five customers is as follows:

	Year ended 31 December		
	2009	**2010**	**2011**
	RMB'000	*RMB'000*	*RMB'000*
Revenue from the top five customers	68,616	103,048	155,057
Total revenue	291,622	354,950	464,045
Percentage	23.53%	29.03%	33.41%

7. PROPERTY, PLANT AND EQUIPMENT – GROUP

	Properties and plant	Machinery	Motor vehicles	Furniture, fittings and equipment	Construction-in-progress	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At 1 January 2009						
Cost	140,188	147,364	4,509	8,332	–	300,393
Accumulated depreciation	(26,447)	(53,298)	(2,571)	(5,563)	–	(87,879)
Net book amount	113,741	94,066	1,938	2,769	–	212,514
Year ended 31 December 2009						
Opening net book amount	113,741	94,066	1,938	2,769	–	212,514
Additions	850	58	–	565	34,163	35,636
Transfers	–	33,608	–	–	(33,608)	–
Disposals	–	–	(129)	–	–	(129)
Depreciation	(6,728)	(14,943)	(938)	(1,670)	–	(24,279)
Closing net book amount	107,863	112,789	871	1,664	555	223,742
At 31 December 2009						
Cost	141,038	181,030	4,380	8,897	555	335,900
Accumulated depreciation	(33,175)	(68,241)	(3,509)	(7,233)	–	(112,158)
Net book amount	107,863	112,789	871	1,664	555	223,742
Year ended 31 December 2010						
Opening net book amount	107,863	112,789	871	1,664	555	223,742
Additions	830	236	–	2,006	208	3,280
Transfers	–	763	–	–	(763)	–
Depreciation	(6,790)	(17,075)	(306)	(871)	–	(25,042)
Closing net book amount	101,903	96,713	565	2,799	–	201,980
At 31 December 2010						
Cost	141,868	182,029	4,380	10,903	–	339,180
Accumulated depreciation	(39,965)	(85,316)	(3,815)	(8,104)	–	(137,200)
Net book amount	101,903	96,713	565	2,799	–	201,980
Year ended 31 December 2011						
Opening net book amount	101,903	96,713	565	2,799	–	201,980
Additions	–	268	150	271	–	689
Disposals	(1,834)	(167)	(31)	(1,659)	–	(3,691)
Depreciation	(6,814)	(17,147)	(272)	(589)	–	(24,822)
Closing net book amount	93,255	79,667	412	822	–	174,156
At 31 December 2011						
Cost	140,034	182,130	4,499	9,515	–	336,178
Accumulated depreciation	(46,779)	(102,463)	(4,087)	(8,693)	–	(162,022)
Net book amount	93,255	79,667	412	822	–	174,156

(a) Depreciation expense has been charged to the consolidated statements of comprehensive income as follows:

	Year ended 31 December		
	2009	2010	2011
	RMB'000	*RMB'000*	*RMB'000*
Cost of sales	22,620	24,215	23,321
Administrative expenses	1,659	827	1,501
	24,279	25,042	24,822

(b) As at 31 December 2009, 2010 and 2011, property, plant and equipment with net book value of approximately RMB49,689,000, RMB46,569,000 and RMB43,449,000 respectively, were mortgaged for bank borrowings of the Group (Note 20(ii)).

(c) On 31 July 2009, Dongwu Cement and Chailease International Finance Corporation entered into a sales and leaseback contract for certain machinery. This arrangement is treated as a collateralized borrowing to the Group. The carrying amounts of the machinery deemed as collateralized for other borrowing from financing arrangement approximated RMB13,528,000, RMB11,254,000 and RMB8,980,000 respectively, as at 31 December 2009, 2010 and 2011 (Note 20).

8. LAND USE RIGHTS – GROUP

Land use rights represent prepaid operating lease payments. All land use rights of the Group are located in the PRC and are held on leases of 50 years. Movements in land use rights are as follows:

	Year ended 31 December		
	2009	2010	2011
	RMB'000	*RMB'000*	*RMB'000*
Beginning of year	12,800	14,257	13,942
Transfer from trade and other receivable – prepayment for acquisition of land use rights *(Note 12)*	–	–	2,449
Additions	1,760	–	1,888
Amortization *(Note 23)*	(303)	(315)	(322)
End of year	14,257	13,942	17,957

Amortization of land use rights is included in administrative expenses in the consolidated statements of comprehensive income. As at 31 December 2009, 2010 and 2011, land use rights with net book value of approximately RMB12,521,000, RMB12,241,000 and RMB11,962,000 respectively, were pledged for the borrowings of the Group (Note 20(ii)).

9. INVESTMENT IN AND AMOUNT DUE TO SUBSIDIARY – COMPANY

	As at 31 December
	2011
	RMB'000
29 November 2011	–
Investment in Dongwu Investment *(Note (a))*	315
Deemed investment *(Note 17(c))*	207,930
	208,245
Amount due to Dongwu Investment	315

The amount due to Dongwu Investment is denominated in US dollars, which is payable on demand.

(a) On 29 November 2011, the Company set up its subsidiary - Dongwu Investment with a registered capital of USD50,000 (equivalent to RMB315,000).

A list of the subsidiaries of the Company is set out in Note 1.1.

10. AVAILABLE-FOR-SALE FINANCIAL ASSETS – GROUP

	Year ended 31 December		
	2009	**2010**	**2011**
	RMB'000	*RMB'000*	*RMB'000*
Beginning of year	20,000	23,068	27,054
Additions	–	2,096	–
Fair value gains *(Note 17)*	3,068	1,890	2,580
Recycling of fair value gains to profit or loss upon disposal *(Note 17)*	–	–	(7,538)
Disposal *(Note (d))*	–	–	(22,096)
End of the year	23,068	27,054	–
Less: non-current portion	(23,068)	(27,054)	–
Current portion	–	–	–
Unlisted equity investments:			
– 6.7% equity interests in Wujiang Luxiang Rural Small-loan Co., Ltd.	23,068	24,958	–
– 4.8% equity interests in Suzhou Rongshengda Investment Co., Ltd.	–	2,096	–
	23,068	27,054	–

(a) Available-for-sale financial assets are all denominated in RMB.

(b) Wujiang Luxiang Rural Small-loan Co., Ltd. is principally engaged in provision of financing services to agricultural entities and rural individuals. Suzhou Rongshengda Investment Co., Ltd. is principally engaged in investment, provision of corporate services and consultancy to small-to-medium enterprises.

(c) The fair values of unlisted equity investments were appraised by an independent qualified valuer using income approach and discounted cash flow analysis to determine the fair value (Note 4(e)).

None of these available-for-sale financial assets was impaired.

During the Relevant Periods, none of the carrying amounts of interests in invested companies exceeded 10% of total assets of the Group.

(d) Pursuant to a resolution of Dongwu Cement's board of directors dated 22 December 2011, the Group sold the available-for-sale financial assets to Orient Hengxin Capital Holdings Limited ("Orient Hengxin"), a related party, at a total consideration of RMB22,096,000. No resulting gain/loss was recognized in the consolidated statement of comprehensive income for the year ended 31 December 2011 in connection with the disposal. As at 31 December 2011, the Group received a cash payment of RMB8,400,000 from Orient Hengxin and recorded the outstanding balance of RMB13,696,000 as an amount due from a related party (Notes 12 and 33(c)).

(e) For the years ended 31 December 2010 and 2011, the dividend income received from Wujiang Luxiang Rural Small-loan Co., Ltd. was RMB1,400,000 and RMB2,400,000 respectively (Note 21).

11. INVENTORIES – GROUP

	As at 31 December		
	2009	**2010**	**2011**
	RMB'000	*RMB'000*	*RMB'000*
Raw materials	4,652	13,888	10,776
Work-in-progress	2,112	2,137	7,002
Finished goods	7,682	4,900	4,575
	14,446	20,925	22,353

The cost of inventories recognized as an expense and included in "cost of sales" amounted to approximately RMB268,592,000, RMB305,619,000 and RMB341,923,000 respectively for the Relevant Periods. No inventory write-down was made during the Relevant Periods.

12. TRADE AND OTHER RECEIVABLES – GROUP

	As at 31 December		
	2009	**2010**	**2011**
	RMB'000	*RMB'000*	*RMB'000*
Current portion:			
Trade receivables due from third parties	52,833	50,247	59,178
Trade receivable due from a related party *(Note 33(c)(i))*	6,369	3,024	2,450
Bills receivable	5,674	18,679	59,088
	64,876	71,950	120,716
Prepayments for			
– acquisition of materials	29,960	9,794	14,032
– others	–	–	2,890
Due from related parties *(Note 33(c))*	34,020	101,686	13,696
Other receivables	11,559	3,439	995
	75,539	114,919	31,613
Less: provision for impairment of trade receivables	(5,053)	(5,992)	(6,071)
Sub-total of current portion	135,362	180,877	146,258
Non-current portion:			
Prepayments for			
– acquisition of land use rights* *(Note 8)*	2,449	2,449	–
	137,811	183,326	146,258

* *Balances represented the prepayment for acquisition of land use rights of a piece of land of 19,387.7 square meters. In December 2011, the Group paid the remaining consideration of RMB1,888,000 to government authorities (Note 8) and obtained the land use right certificate in February 2012.*

As at 31 December 2009, 2010 and 2011, bills receivable of nil, RMB6,000,000 and RMB10,600,000, respectively, were pledged for the borrowings (Note 20(ii)).

The credit terms for most of the customers range from 30 to 90 days. One of the top five customers is granted a credit term of 180 days. For ready-mixed concrete stations customers, depending on their business relationships with the Group and their creditworthiness, the Group may grant them the following credit terms: (i) a revolving credit limit of between RMB1 million and RMB3.5 million with a credit period of up to 365 days, and (ii) any outstanding payables in excess of the said revolving credit limit with a credit period of between 0 to 30 days.

The aging of trade receivables of third parties is determined from the date when the corresponding revenue was recognized whereas bills receivable is determined from the issuance date of the relevant bank acceptance bills. Aging analysis of trade receivables due from third parties at the end of each reporting period is as follows:

	As at 31 December		
	2009	**2010**	**2011**
	RMB'000	*RMB'000*	*RMB'000*
Below 90 days	23,405	38,582	33,181
From 91 days to 180 days	22,523	4,498	16,871
From 181 days to 1 year	1,572	1,163	2,924
From 1 year to 2 years	998	1,045	542
Over 2 years	4,335	4,959	5,660
	52,833	50,247	59,178

As at 31 December 2009, 2010 and 2011, trade receivables of RMB5,053,000, RMB5,992,000 and RMB6,071,000 respectively had been impaired and were fully provided for. All of these receivables were aged over 181 days and are not expected to be recoverable.

As at 31 December 2009, 2010 and 2011, trade receivables of RMB21,232,000, RMB2,475,000 and RMB4,163,000 respectively, were past due but not impaired. These related to a number of customers for whom there was no history of credit default. The aging analysis of these trade receivables is as follows:

	As at 31 December		
	2009	**2010**	**2011**
	RMB'000	*RMB'000*	*RMB'000*
Overdue for 1 to 90 days	19,380	1,275	1,108
Overdue for 91 to 180 days	1,503	1,060	2,767
Overdue for 181 to 1 years	349	140	288
	21,232	2,475	4,163

Other receivables were all expected to be recoverable and therefore no provision was made. Aging analysis of other receivable at the end of each reporting period is as follows:

	As at 31 December		
	2009	**2010**	**2011**
	RMB'000	*RMB'000*	*RMB'000*
Below 1 year	5,559	726	984
From 1 year to 2 years	6,000	2,713	11
	11,559	3,439	995

The Group's trade and other receivables are all denominated in RMB.

The carrying values of the Group's trade and other receivable approximate to their fair values.

Movements of the provision for impairment of trade receivables are as follows:

	Year ended 31 December		
	2009	**2010**	**2011**
	RMB'000	*RMB'000*	*RMB'000*
Beginning of year	(4,267)	(5,053)	(5,992)
Provision for the year *(Note 23)*	(786)	(939)	(79)
End of year	(5,053)	(5,992)	(6,071)

The origination of provision for impairment of trade receivables and other receivables has been included in administrative expenses in the consolidated statements of comprehensive income (Note 23). Amounts charged to the impairment account are generally written off, when there is no expectation of recovering additional cash.

The maximum exposure to credit risk as at the date of this report is the carrying value of each class of receivable mentioned above. The Group does not hold any collateral as security.

13. FINANCIAL INSTRUMENTS BY CATEGORY

Group

(a) 31 December 2009

	Loans and receivables	**Available-for-sale financial assets**	**Total**
	RMB'000	*RMB'000*	*RMB'000*
Financial assets:			
Available-for-sale financial assets	–	23,068	23,068
Trade and other receivables excluding prepayments	105,402	–	105,402
Restricted bank deposits	15,000	–	15,000
Cash and cash equivalents	10,206	–	10,206
Total	**130,608**	**23,068**	**153,676**

	Other financial liabilities at amortized cost
	RMB'000
Financial liabilities:	
Borrowings	44,467
Trade and other payables excluding non-financial liabilities	151,602
Total	**196,069**

31 December 2010

	Loans and receivables *RMB'000*	Available-for-sale financial assets *RMB'000*	Total *RMB'000*
Financial assets :			
Available-for-sale financial assets	–	27,054	27,054
Trade and other receivables excluding prepayments	171,083	–	171,083
Cash and cash equivalents	18,220	–	18,220
Total	**189,303**	**27,054**	**216,357**

	Other financial liabilities at amortized cost *RMB'000*
Financial liabilities :	
Borrowings	74,977
Trade and other payables excluding non-financial liabilities	91,170
Total	**166,147**

31 December 2011

	Loans and receivables *RMB'000*	Available-for-sale financial assets *RMB'000*	Total *RMB'000*
Financial assets :			
Trade and other receivables excluding prepayments	129,336	–	129,336
Restricted bank deposits	5,000	–	5,000
Cash and cash equivalents	41,402	–	41,402
Total	**175,738**	**–**	**175,738**

	Other financial liabilities at amortized cost
	RMB'000
Financial liabilities :	
Borrowings	90,378
Trade and other payables excluding non-financial liabilities	64,107
Total	**154,485**

Company

31 December 2011

	Other financial liabilities at amortized cost
	RMB'000
Financial liabilities :	
Amount due to a subsidiary	**315**

(b) Credit quality of financial assets

The credit quality of financial assets that are neither past due or impaired can be assessed by reference to external credit ratings (if available) or to historical information about counterparty default rates. The credit risk exposure of the Group's trade receivables which are not impaired and bank deposits have been disclosed in the Note 12 and Note 3.1(b).

14. RESTRICTED BANK DEPOSITS – GROUP

	As at 31 December		
	2009	**2010**	**2011**
	RMB'000	*RMB'000*	*RMB'000*
Restricted bank deposits in respect of:			
– Bills payable	15,000	–	–
– Borrowing	–	–	5,000
	15,000	–	5,000

The Group's restricted bank deposits balances are all denominated in RMB.

The Group's restricted bank deposits mainly represent bank deposits pledged as security for bills payable or borrowing of the Group.

15. CASH AND CASH EQUIVALENTS – GROUP

	As at 31 December		
	2009	**2010**	**2011**
	RMB'000	*RMB'000*	*RMB'000*
Cash at bank and in hand	10,206	18,220	41,402

All the Group's cash and cash equivalents are denominated in RMB.

16. SHARE CAPITAL – COMPANY

	Note	**Number of ordinary shares**	**Nominal value of ordinary shares** *HK$*	**Equivalent nominal value of ordinary shares** *RMB*
Authorized:				
Ordinary shares of HK$1.00 each	*(a)*	10,000	10,000	8,107
Issued but not paid:				
Ordinary shares of HK$1.00 each issued and allotted upon incorporation on 29 November 2011	*(a)*	100	100	81
Ordinary shares as at 31 December 2011		100	100	81

(a) The Company was incorporated in the Cayman Islands on 29 November 2011 with an authorized share capital of HK$10,000 divided into 10,000 shares of a par value of HK$1.00 each. Since the Company had not been legally incorporated as at 31 December 2009 and 2010, no share capital was presented at the respective dates.

17. OTHER RESERVES

Group

	Available-for-sale financial assets	Statutory reserve *(Note (a))*	Merger reserve *(Note (b))*	Capital reserve *(Note (c))*	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At 1 January 2009	–	3,508	137,823	–	141,331
Fair value gains of available-for-sale financial assets *(Note 10)*	3,068	–	–	–	3,068
Tax effect on fair value gains of available-for-sale financial assets *(Note 18)*	(384)	–	–	–	(384)
Appropriation to statutory reserves	–	1,466	–	–	1,466
Contribution to a subsidiary by its then equity owners	–	–	37,560	–	37,560
At 31 December 2009	2,684	4,974	175,383	–	183,041
Fair value gains of available-for-sale financial assets *(Note 10)*	1,890	–	–	–	1,890
Tax effect on fair value gains of available-for-sale financial assets *(Note 18)*	(236)	–	–	–	(236)
Appropriation to statutory reserves	–	3,653	–	–	3,653
Contribution to a subsidiary by its then equity owners	–	–	16,628	–	16,628
At 31 December 2010	4,338	8,627	192,011	–	204,976
Fair value gains of available-for-sale financial assets *(Note 10)*	2,580	–	–	–	2,580
Tax effect on fair value gains of available-for-sale financial assets *(Note 18)*	(323)	–	–	–	(323)
Recycling of fair value gains of available-for-sale financial assets to profit or loss upon disposal *(Note 10)*	(7,538)	–	–	–	(7,538)
Recycling of tax effect on fair value gains of available-for-sale financial assets profit or loss upon disposal *(Note 18)*	943	–	–	–	943
Deemed distribution arising from Reorganization *(Note 1.1(d))*	–	–	–	(207,930)	(207,930)
Deemed contribution from shareholders *(Note 1.1(e))*	–	–	–	207,930	207,930
Appropriation to statutory reserves	–	9,555	–	–	9,555
At 31 December 2011	–	18,182	192,011	–	210,193

Company

	Capital reserve *(Note (c))* *RMB'000*
At 29 November 2011	–
Deemed contribution from shareholders	207,930
At 31 December 2011	207,930

(a) Statutory reserve

The Company's subsidiary in the PRC is required to transfer 10% of their profit after income tax calculated in accordance with the PRC accounting standards and systems to the statutory reserve until the balance reaches 50% of the their respective registered capital, where further transfers will be at their directors' discretion. The statutory reserve fund can be used to offset prior years' losses, if any and may be converted into share capital by issuing new shares to equity holders of the PRC subsidiary in proportion to their existing shareholding or by increasing the par value of the shares currently held by them, provided that the remaining balance of the statutory reserve fund after such issue is no less than 25% of share capital for the PRC subsidiary.

(b) Merger reserve

The Company was incorporated on 29 November 2011 and the Reorganization was completed prior to 31 December 2011. For the purpose of the Financial Information, the merger reserve in the consolidated statements of financial position as at 31 December 2009, 2010 and 2011 primarily represented the aggregate amount of share capital of the companies now comprising the Group, after elimination of investments in subsidiaries.

(c) Capital reserve

On 26 December 2011, Dongwu HK acquired the entire equity interest in Dongwu Cement from Far East International, at a consideration of US$33,000,000 (equivalent to RMB207,930,000). The consideration payable to Far East International was regarded as a deemed distribution to equity holders of the Company. As described in note 1.1, the consideration payable was novated to Goldview and Concord in proportion to their then respective shareholdings in the Company and subsequently Goldview and Concord gave written confirmations in relation to their unconditional and irrevocable waiver as to the Company's repayment obligation of US$33,000,000 (equivalent to RMB207,930,000). As such, the waived payable was regarded as deemed contribution from shareholders.

18. DEFERRED INCOME TAX LIABILITIES – GROUP

The analysis of deferred tax assets and deferred tax liabilities is as follows:

	As at 31 December		
	2009	**2010**	**2011**
	RMB'000	*RMB'000*	*RMB'000*
Deferred tax assets:			
– deferred tax asset to be recovered after 12 months	(632)	(749)	(759)
– deferred tax asset to be recovered within 12 months	–	–	–
	(632)	(749)	(759)
Deferred tax liabilities:			
– deferred tax liability to be settled after 12 months	4,632	620	3,456
– deferred tax liability to be settled within 12 months	–	7,374	–
	4,632	7,994	3,456
Deferred tax liabilities, net	4,000	7,245	2,697

The gross movement on the deferred income tax account is as follows:

	Year ended 31 December		
	2009	**2010**	**2011**
	RMB'000	*RMB'000*	*RMB'000*
Beginning of year	2,340	4,000	7,245
Charged/(Credited) to profit or loss *(Note 26)*	1,276	3,009	(3,928)
Charged/(Credited) to other comprehensive income *(Note 17)*	384	236	(620)
End of year	4,000	7,245	2,697

The movement in deferred income tax assets and liabilities during the year, without taking into consideration the offsetting of balances within the same tax jurisdiction, is as follows:

Deferred tax liabilities	**Fair value changes related to available-for-sale financial assets**	**Withholding tax for attributable profit relating to equity holder** *(Note (a))*	**Total**
	RMB'000	*RMB'000*	*RMB'000*
At 1 January 2009	–	3,100	3,100
Charged to profit or loss	–	1,148	1,148
Charged to other comprehensive income *(Note 17)*	384	–	384
At 31 December 2009	384	4,248	4,632
At 1 January 2010	384	4,248	4,632
Charged to profit or loss	–	3,126	3,126
Charged to other comprehensive income *(Note 17)*	236	–	236
At 31 December 2010	620	7,374	7,994
At 1 January 2011	620	7,374	7,994
Charged to profit or loss	–	8,598	8,598
Credited to profit or loss – dividends in the year *(Note (a))*	–	(12,516)	(12,516)
Charged to other comprehensive income *(Note 17)*	323	–	323
Credited to other comprehensive income – upon disposal of available-for-sale financial assets *(Note 17)*	(943)	–	(943)
At 31 December 2011	–	3,456	3,456

Deferred tax assets	**Provisions**
	RMB'000
At 1 January 2009	(760)
Charged to profit or loss	128
At 31 December 2009	(632)
At 1 January 2010	(632)
Credited to profit or loss	(117)
At 31 December 2010	(749)
At 1 January 2011	(749)
Credited to profit or loss	(10)
At 31 December 2011	(759)

(a) Pursuant to the PRC Corporate Income Tax Law, a 10% withholding tax is levied on dividends declared to foreign investors from the foreign investment enterprises established in Mainland China. The requirement is effective from 1 January 2008 and applies to earnings after 31 December 2007. A lower withholding tax rate may be applied if there is a tax treaty between Mainland China and the jurisdiction of the foreign investors. For the Group, the applicable rate is 10% upon the PRC tax bureau's approval at the time of dividend claim. The Group is therefore liable to withholding taxes on dividends distributed by the subsidiary established in Mainland China in respect of their earnings generated from 1 January 2008.

19. TRADE AND OTHER PAYABLES – GROUP

		As at 31 December	
	2009	**2010**	**2011**
	RMB'000	*RMB'000*	*RMB'000*
Trade payables	57,678	56,423	48,232
Bills payable	30,000	–	–
Advances from customers	4,839	4,296	1,265
Salary payable	2,201	2,815	3,218
Other tax payables *(Note (a))*	1,219	4,572	3,119
Other payables	41,704	22,527	12,979
Due to a related party *(Note 33(c) (iv))*	22,220	12,220	2,896
	159,861	102,853	71,709

The credit period granted by the Group's principal suppliers is 30 to 90 days.

The Group's trade and other payables are all denominated in RMB.

The carrying value of the Group's trade and other payables approximate to their fair values.

Aging analysis of trade and bills payables is as follows:

		As at 31 December	
	2009	**2010**	**2011**
	RMB'000	*RMB'000*	*RMB'000*
Below 30 days	44,233	44,754	23,475
From 31 to 90 days	28,834	7,159	19,719
From 91 days to 180 days	12,179	907	1,932
From 181 days to 1 year	392	1,509	2,000
From 1 year to 2 year	1,480	1,260	690
Over 2 years	560	834	416
	87,678	56,423	48,232

(a) Other tax payable mainly represented the value added tax ("VAT"). The sales of self-manufactured products of the PRC subsidiary are subject to VAT. The applicable tax rate for domestic sales is 17%.

Input VAT on purchases of raw materials, fuel, utilities and other production materials can be deducted from output VAT. VAT payable is the net difference between output and deductible input VAT. Effective from 1 January 2009, the input VAT on purchased equipment can be offset against the output VAT.

20. BORROWINGS – GROUP

	As at 31 December		
	2009	**2010**	**2011**
	RMB'000	*RMB'000*	*RMB'000*
Current:			
Bank borrowings	35,000	54,000	73,070
Other borrowings			
– from non-bank financial institutions	500	15,300	15,000
– from financing arrangement*	3,290	3,369	2,308
	38,790	72,669	90,378
Non-current:			
Other borrowings			
– from financing arrangement*	5,677	2,308	–
Representing:			
Unsecured	500	300	–
Secured	43,967	74,677	90,378
	44,467	74,977	90,378

* *These other borrowings represented a financing arrangement entered by the Group in the form of a sale and leaseback transaction for certain machinery with repurchase option. As the repurchase price is nil and the Group will definitely exercise its repurchase option, this arrangement is treated as a collateralized borrowing of the Group.*

(i) The weighted average effective interest rates during the Relevant Periods are as follows:

	Year ended 31 December		
	2009	**2010**	**2011**
	RMB'000	*RMB'000*	*RMB'000*
Bank borrowings	6.53%	5.25%	6.97%
Other borrowings	16.80%	12.63%	14.68%

(ii) The Group's secured borrowings are analyzed as follows:

	As at 31 December		
	2009	**2010**	**2011**
	RMB'000	*RMB'000*	*RMB'000*
Bank and other borrowings:			
Secured by:			
– Property, plant and equipment *(Note 7)*	19,171	18,677	15,308
– Land use rights *(Note 8)*	14,796	17,300	17,300
Pledged by:			
– Bills receivables *(Note 12)*	–	5,700	10,000
– Restricted bank deposits *(Note 14)*	–	–	4,770
Corporate guarantees by related or unrelated parties *(Note 33(b)(ii))*	35,000	63,300	43,000
	68,967	104,977	90,378
Less: Borrowings jointly secured and guaranteed, which are separately disclosed above	(25,000)	(30,300)	–
	43,967	74,677	90,378

(iii) The exposure of the Group's borrowings to interest rate changes and the contractual repricing dates or maturity dates whichever is the earlier are as follows:

	6 months or less	**6-12 months**	**1-5 years**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
31 December 2009	38,790	–	5,677	44,467
31 December 2010	72,669	–	2,308	74,977
31 December 2011	90,378	–	–	90,378

(iv) The carrying amounts of the Group's borrowings approximated to their fair values as at 31 December 2009, 2010 and 2011.

(v) The Group's borrowings are denominated in RMB.

21. OTHER INCOME

	Year ended 31 December		
	2009	**2010**	**2011**
	RMB'000	*RMB'000*	*RMB'000*
Dividend income from unlisted investments *(Note 10(e))*	–	1,400	2,400
Tax refund *(Note (a))*	8,877	8,656	13,354
Government grants	509	1,229	578
	9,386	11,285	16,332

(a) Tax refund mainly represented the refund of VAT. Pursuant to the Notice regarding Policies relating to Value-Added Tax on Products Made through Comprehensive Utilization of Resources and Certain Other Products issued by the Ministry of Finance and the State Administration of Taxation (財政部國家稅務總局關於部分資源綜合利用及其他產品增值稅政策問題的通知) promulgated on 9 December 2008, the Group's PRC subsidiary, Dongwu Cement, is eligible for VAT refunds for utilizing recycled materials as raw materials for producing cement. VAT refund is recognized when there is a reasonable assurance that the VAT refund will be received and the Group will comply with all the relevant conditions. In practice, the Group recognized it as other income upon the receipt of tax refund approval from tax bureau.

22. OTHER GAINS/(LOSSES) – NET

	Year ended 31 December		
	2009	**2010**	**2011**
	RMB'000	*RMB'000*	*RMB'000*
Sales of scrap materials	366	194	–
Gain/(loss) on disposal of property, plant and equipment *(Note (a))*	112	–	(3,095)
Others	–	(226)	(92)
	478	(32)	(3,187)

(a) The gain/(loss) on disposal of property, plant and equipment was derived from:

	Year ended 31 December		
	2009	**2010**	**2011**
	RMB'000	*RMB'000*	*RMB'000*
Proceeds from disposal of property, plant and equipment	241	–	596
Net book amount of property, plant and equipment *(Note 7)*	(129)	–	(3,691)
	112	–	(3,095)

23. EXPENSES BY NATURE

Expenses included in cost of sales, distribution costs and administrative expenses are analyzed as follows:

	Year ended 31 December		
	2009	**2010**	**2011**
	RMB'000	*RMB'000*	*RMB'000*
Changes in inventories of finished goods and work in progress	(356)	1,612	(2,814)
Raw materials and consumables used	188,882	220,206	252,928
Utilities and energy costs	48,600	49,802	55,973
Depreciation and amortization expenses *(Notes 7,8)*	24,582	25,357	25,144
Employee benefit expenses *(Note 24)*	11,107	12,138	13,389
Transportation expenses	4,361	2,722	3,173
Advertising expenses	999	1,064	692
Taxes and levies	931	927	3,516
Entertainment expenses	928	740	1,056
Pollution discharge expenses	623	554	554
Vehicle expenses	750	576	681
Repair and maintenance expenses	128	1,320	1,178
Consultancy, legal and professional fees	111	1,215	558
Provision for impairment of trade receivables *(Note 12)*	786	939	79
Traveling expenses	72	170	262
Auditors' remuneration	35	25	1,368
Operating lease payments	–	450	800
Other expenses	2,097	2,022	2,086
Total cost of sales, distribution costs and administrative expenses	284,636	321,839	360,623

24. EMPLOYEE BENEFIT EXPENSES

	Year ended 31 December		
	2009	**2010**	**2011**
	RMB'000	*RMB'000*	*RMB'000*
Wages, salaries and bonuses	9,680	9,919	12,005
Welfare benefits	916	1,526	761
Pension costs – defined contribution plans *(Note(a))*	511	693	623
	11,107	12,138	13,389

(a) Pensions scheme – defined contribution plans

The employees of the Group in the PRC participate in defined contribution retirement schemes based on laws and regulations in the PRC. The local government authorities of the PRC are responsible for the pension liabilities to these retired employees. For the years ended 31 December 2009, 2010 and 2011, the Group made monthly contributions to the retirement schemes at rates of 19%, 19% and 20%, respectively, of the basic salaries of employees.

The Group has no other obligations for the payment of retirement and other post-retirement benefits of employees or retirees other than the payments above.

25. FINANCE INCOME AND COSTS

	Year ended 31 December		
	2009	**2010**	**2011**
	RMB'000	*RMB'000*	*RMB'000*
Interest expense:			
– Borrowings wholly repayable within 5 years	1,920	4,256	6,819
– Discounting of bills receivable	108	217	473
– Others	66	41	31
Finance costs	2,094	4,514	7,323
Finance income – interest income on bank deposits	(78)	(59)	(134)
Net finance costs	2,016	4,455	7,189

26. INCOME TAX EXPENSE

The Group is subject to income tax on an entity basis on profits arising on or derived from the jurisdictions in which members of the Group are domiciled and operate.

	Year ended 31 December		
	2009	**2010**	**2011**
	RMB'000	*RMB'000*	*RMB'000*
Current tax on profit for the year	1,758	5,114	26,362
Deferred tax on origination and reversal of temporary differences *(Note 18)*	1,276	3,009	(3,928)
Income tax expense	3,034	8,123	22,434

Pursuant to the rules and regulations of Cayman Islands and the BVI, the Company and Dongwu Investment are not subject to any income tax in those jurisdictions.

Hong Kong profits tax rate is 16.5% for the Relevant Periods. The Group is not subject to Hong Kong profits tax as it has no assessable income arising in and derived from Hong Kong during the Relevant Periods.

Under the PRC Corporate Income Tax Law, which became effective from 1 January 2008, enterprises are subject to corporate income tax at a rate of 25%. The Group's sole PRC subsidiary – Dongwu Cement is subject to a full corporate income tax exemption for two years and a 50% deduction in the succeeding three years, commencing from the first profitable year after a five-year losses carrying forward. The year 2007 was the first profitable year of Dongwu Cement; hence, the applicable income tax rates for the years ended 31 December 2009, 2010 and 2011 were 12.5%, 12.5% and 12.5%, respectively.

The tax on the Group's profit before tax differs from the theoretical amount that would arise using the income tax rate applicable to profit of the consolidated entities for the Relevant Periods as follows:

	Year ended 31 December		
	2009	2010	2011
	RMB'000	*RMB'000*	*RMB'000*
Profit before tax	14,834	39,909	109,378
Tax calculated at domestic tax rates applicable to profit in PRC	3,709	9,977	27,345
Effect of tax holidays	(1,855)	(4,989)	(13,672)
Tax effects of:			
– Expenses not deductible for tax purposes	32	184	163
– Withholding tax on attributable profit	1,148	3,126	8,598
– Income not subject to tax	–	(175)	–
Tax charge	3,034	8,123	22,434

27. EARNINGS PER SHARE

Basic earnings per share is calculated by dividing the profit attributable to equity holders of the Company by the weighted average number of ordinary shares in issue during the Relevant Periods. In determining the weighted average number of ordinary shares in issue during the Relevant Periods, 10,000 shares of the Company, which were resulted from the issue and allotment of 100 shares by the Company in connection with the Reorganization and the subsequent sub-division of shares on 28 May 2012, had been treated as if those shares were in issue since 1 January 2009.

	Year ended 31 December		
	2009	2010	2011
Profit attributable to equity shareholders of the Company (RMB'000)	11,800	31,786	86,944
Weighted average number of ordinary shares in issue	10,000	10,000	10,000
Basic earnings per share (RMB)	1,180	3,180	8,694

The Company did not have any potential ordinary shares outstanding during the Relevant Periods. Diluted earnings per share is therefore equal to basic earnings per share.

The basic and diluted earnings per share as presented on the consolidated statements of comprehensive income have not taken into account the proposed capitalization issue as described in Note 34(c).

28. CASH DIVIDENDS

Cash dividends of RMB49,268,000 (RMB4,927 per share*), RMB29,444,000 (RMB2,944 per share*) and RMB42,930,000 (RMB4,293 per share*), totally RMB121,642,000 were declared by the board of directors of Dongwu Cement to the then equity holder on 12 May 2011, 12 September 2011 and 21 December 2011 respectively. All these dividends were paid to the then equity holder of Dongwu Cement on 17 May 2011, 28 September 2011 and 21 December 2011 respectively.

* *In determining the number of ordinary shares in issue during the Relevant Periods, 10,000 shares of the Company, which were resulted from the issue and allotment of 100 shares by the Company in connection with the Reorganization and the subsequent sub-division of shares on 28 May 2012, had been treated as if those shares were in issue since 1 January 2009.*

29. EMOLUMENTS OF DIRECTORS AND SENIOR MANAGEMENT

(a) Directors' emoluments

Name	**Salary**	**Housing allowances, other allowances and benefit in kind**	**Total**
	RMB'000	*RMB'000*	*RMB'000*
For the year ended 31 December 2009			
Executive directors			
Mr. Jin Chungen (金春根) *(Note (i))*	–	–	–
Ms. Xie Yingxia (謝鶯霞) *(Note (i))*	–	–	–
Mr. Yang Bin (楊斌) *(Note (i))*	–	–	–
Non-executive director			
Mr. Tseung Hok Ming (蔣學明) *(Note (i))*	–	–	–
Independent non-executive directors			
Lee Ho Yiu Thomas (李浩堯) *(Note (ii))*	–	–	–
Cao Kuangyu (曹貺予) *(Note (ii))*	–	–	–
Cao Guoqi (曹國琪) *(Note (ii))*	–	–	–
	–	–	–
For the year ended 31 December 2010			
Executive directors			
Mr. Jin Chungen (金春根)	–	–	–
Ms. Xie Yingxia (謝鶯霞)	–	–	–
Mr. Yang Bin (楊斌)	–	–	–
Non-executive director			
Mr. Tseung Hok Ming (蔣學明)	–	–	–
Independent non-executive directors			
Lee Ho Yiu Thomas (李浩堯)	–	–	–
Cao Kuangyu (曹貺予)	–	–	–
Cao Guoqi (曹國琪)	–	–	–
	–	–	–

Name	Salary	Housing allowances, other allowances and benefit in kind	Total
	RMB'000	*RMB'000*	*RMB'000*
For the year ended 31 December 2011			
Executive directors			
Mr. Jin Chungen (金春根)	–	–	–
Ms. Xie Yingxia (謝鶯霞)	–	–	–
Mr. Yang Bin (楊斌)	–	–	–
Non-executive director			
Mr. Tseung Hok Ming (蔣學明)	–	–	–
Independent non-executive directors			
Lee Ho Yiu Thomas (李浩堯)	–	–	–
Cao Kuangyu (曹貺予)	–	–	–
Cao Guoqi (曹國琪)	–	–	–
	–	–	–

These directors without payment from the Company received emoluments from Far East International and certain related parties of the Group for the Relevant Periods, part of which were in relation to their services to the Company. No apportionment has been made as the directors consider it is impractical to apportion the amount between their services to the Company and their services to Far East International and certain related parties of the Group.

Notes:

(i) Appointed at 29 November 2011.

(ii) Appointed at 28 May 2012.

(b) Five highest paid individuals

The five individuals whose emoluments were the highest in the Company during the Relevant Periods included none of the directors of the Company.

The emoluments paid and payable to these five individuals for the Relevant Periods are as follows:

	Year ended 31 December		
	2009	**2010**	**2011**
	RMB'000	*RMB'000*	*RMB'000*
Basic salaries and benefits in kind	668	541	577

The emoluments fell within the following bands:

	Number of individuals Year ended 31 December		
	2009	**2010**	**2011**
Emolument band			
Nil – HK$1,000,000	5	5	5

30. CASH (USED IN) / GENERATED FROM OPERATIONS

(a) Reconciliation of profit for the year to cash (used in) /generated from operations:

	Year ended 31 December		
	2009	**2010**	**2011**
	RMB'000	*RMB'000*	*RMB'000*
Profit for the year	11,800	31,786	86,944
Adjustments for:			
– Income tax expense *(Note 26)*	3,034	8,123	22,434
– Depreciation *(Note 7)*	24,279	25,042	24,822
– Amortization *(Note 8)*	303	315	322
– Provision for impairment for trade receivables *(Note 12)*	786	939	79
– (Gain)/loss on disposal of property, plant and equipment *(Note 22)*	(112)	–	3,095
– Interest income *(Note 25)*	(78)	(59)	(134)
– Finance costs *(Note 25)*	2,094	4,514	7,323
– Dividend income on available-for-sale financial assets *(Note 21)*	–	(1,400)	(2,400)
Changes in working capital			
– Inventories	11,582	(6,479)	(1,428)
– Restricted cash	(15,000)	15,000	–
– Trade and other receivables	(36,962)	21,212	(50,555)
– Trade and other payables	(12,516)	(50,456)	(18,442)
Cash (used in)/generated from operations	(10,790)	48,537	72,060

31. FINANCIAL GUARANTEE CONTRACTS

The Group has guaranteed borrowings for independent third parties at no charge. Under the terms of the financial guarantee contracts, the Group must make payments to reimburse the lenders upon failure of the guaranteed entity to make payments when due. The financial guarantee contracts had not been recognized in the Financial Information as the Group considered that the fair value of the guarantee contracts was immaterial.

Terms and face values of the liabilities guaranteed were as follows:

	As at 31 December		
	2009	**2010**	**2011**
	Face value	**Face value**	**Face value**
	RMB'000	*RMB'000*	*RMB'000*
Borrowing matured in November 2011	–	100,000	–
Borrowing matured in June 2012	–	15,000	–
	–	115,000	–

All financial guarantees granted by the Group were released in December 2011.

32. COMMITMENTS

Group

(a) Capital commitments

The Group has the following capital commitments not provided for in respect of land use rights at the respective balance sheet dates:

	As at 31 December		
	2009	**2010**	**2011**
	RMB'000	*RMB'000*	*RMB'000*
Authorized but not contracted for			
– Land use rights	5,584	5,584	–

(b) Operating lease commitments

The Group's future aggregate minimum lease payments under non-cancellable operating leases are as follows:

	As at 31 December		
	2009	**2010**	**2011**
	RMB'000	*RMB'000*	*RMB'000*
Not later than 1 year	180	329	150
Later than 1 year and not later than 5 years	45	–	–
	225	329	150

33. SIGNIFICANT RELATED PARTY TRANSACTIONS

(a) The following companies are related parties of the Group that had balances and/or transactions with the Group during the Relevant Periods:

Company	Relationship with the Group
Suzhou Tailong Real Estate Development Company Limited	Controlled by the same ultimate individual shareholders
Orient Holdings Group Limited ("Orient Holdings")	Controlled by the same ultimate individual shareholders
Far East International	Controlled by the same ultimate individual shareholders
Shanghai Orient Control Investment Management Company Limited ("Shanghai Orient Control")	Controlled by the same ultimate individual shareholders
Orient Huaxia Venture Investment Company Limited ("Orient Huaxia")	Controlled by the same ultimate individual shareholders
Orient Hengxin	Controlled by the same ultimate individual shareholders
Orient Hengye Holdings Company Limited ("Orient Hengye")	Controlled by the same ultimate individual shareholders
Wujiang Orient Import and Export Co., Ltd. ("Wujiang Orient")	Controlled by the same ultimate individual shareholders
Mr. Jin Chungen	Director of the Company

(b) Related party transactions

During the Relevant Periods, the following transactions were carried out:

	Year ended 31 December		
	2009	**2010**	**2011**
	RMB'000	*RMB'000*	*RMB'000*
Continuing transactions			
(i) Sales of goods			
– Suzhou Tailong Real Estate Development Company Limited	370	1,244	239
Discontinuing transactions			
(ii) Guarantee provided by related parties for the Group's borrowings *(Note 20(ii))*			
– Controlling Shareholder	25,000	30,300	28,000
– Mr. Jin Chungen	–	15,000	15,000
– Suzhou Tailong Real Estate Development Company Limited	10,000	18,000	28,000
– Wujiang Orient	–	15,000	15,000
Less: jointly guaranteed by the above related parties	–	(15,000)	(43,000)
	35,000	63,300	43,000

	Year ended 31 December		
	2009	2010	2011
	RMB'000	*RMB'000*	*RMB'000*
(iii) Funding transactions with related parties			
(a) Advances to related parties			
– Suzhou Tailong Real Estate Development Company Limited	–	22,300	26,002
– Orient Holdings	–	70,000	–
– Shanghai Orient Control	22,220	30,000	44,530
– Orient Huaxia	–	2,000	–
– Orient Hengxin	3,000	35,166	5,000
	25,220	159,466	75,532
(b) Repayments from related parties			
– Suzhou Tailong Real Estate Development Company Limited	20,000	14,300	49,002
– Orient Holdings	–	–	75,000
– Shanghai Orient Control	11,200	40,000	45,550
– Orient Huaxia	–	–	2,000
– Orient Hengxin	–	37,500	5,666
	31,200	91,800	177,218
(c) Repayment to a related party			
– Far East International	17,780	10,000	12,220
(d) Expenses paid by a related party on behalf of the Group			
– Far East International	–	–	2,896
(iv) Consultancy fees paid to a related party			
– Orient Hengye	–	600	–
(v) Disposal of available-for-sale financial assets *(Note 10(d))*			
– Orient Hengxin	–	–	22,096

The guarantees provided by related parties for the Group's borrowings will be released upon Listing.

(c) Balances with related parties

(i) Trade receivables

	As at 31 December		
	2009	2010	2011
	RMB'000	*RMB'000*	*RMB'000*
– Suzhou Tailong Real Estate Development Company Limited	6,369	3,024	2,450

The maximum outstanding balance during the Relevant Periods was as follows:

	Year ended 31 December		
	2009	**2010**	**2011**
	RMB'000	*RMB'000*	*RMB'000*
Maximum outstanding balance due from:			
– Suzhou Tailong Real Estate Development Company Limited	7,249	6,369	3,304

(ii) ***Other receivables***

	As at 31 December		
	2009	**2010**	**2011**
	RMB'000	*RMB'000*	*RMB'000*
– Orient Holdings	5,000	75,000	–
– Suzhou Tailong Real Estate Development Company Limited	15,000	23,000	–
– Shanghai Orient Control	11,020	1,020	–
– Orient Huaxia	–	2,000	–
– Orient Hengxin	3,000	666	–
– Far East International	–	–	–
	34,020	101,686	–

Other receivables from related parties mainly represent cash provided to these related parties for their short-term fund needs.

(iii) ***Amount due from a related party resulting from disposal of available-for-sale financial assets***

	As at 31 December		
	2009	**2010**	**2011**
	RMB'000	*RMB'000*	*RMB'000*
– Orient Hengxin	–	–	13,696

The maximum outstanding balances during the Relevant Periods were as follows:

	Year ended 31 December		
	2009	**2010**	**2011**
	RMB'000	*RMB'000*	*RMB'000*
Maximum outstanding balance due from:			
– Orient Holdings	5,000	75,000	75,000
– Suzhou Tailong Real Estate Development Company Limited	35,000	25,000	43,000
– Shanghai Orient Control	11,020	41,020	40,000
– Orient Huaxia	–	2,000	2,000
– Orient Hengxin	3,000	30,666	22,096

(iv) ***Other payables***

	As at 31 December		
	2009	**2010**	**2011**
	RMB'000	*RMB'000*	*RMB'000*
Far East International	22,220	12,220	2,896

Other payables to the related party mainly represents cash received from the related party for short-term fund needs.

Balances with related parties were unsecured, interest-free and repayable on demand. All non-trade balances with related parties will be fully settled upon Listing.

34. EVENTS AFTER THE REPORTING PERIOD

Save as disclosed elsewhere in the report, the following significant events took place:

Pursuant to the written resolutions passed by the shareholders on 28 May 2012, the following resolutions, among other resolutions, were duly passed:

(a) sub-divide each authorized issued and unissued share of a par value of HK$1.00 each in the share capital of the Company into 100 shares of a par value of HK$0.01 each. The number of issued shares of the Company was increased from 100 shares to 10,000 shares as a result of sub-division;

(b) the authorized share capital of the Company was increased from HK$10,000 to HK$100,000,000 by the creation of an additional 9,999,000,000 shares of a par value of HK$0.01 each; and

(c) conditional on the share premium account of the Company having sufficient balance, or otherwise being credited as a result of the global offering, the directors were authorized to capitalize HK$4,249,900 standing to the credit of the share premium account of the Company by applying such sum to pay up in full at par a total of 424,990,000 shares for allotment and issue to the shareholders in proportion to their respective shareholdings.

III. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared by the Company or any of the companies now comprising the Group in respect of any period subsequent to 31 December 2011 up to the date of this report. Save as disclosed in this report, no dividend or distribution has been declared or made by the Company or any of the companies now comprising the Group in respect of any period subsequent to 31 December 2011.

Yours faithfully,

PricewaterhouseCoopers
Certified Public Accountants
Hong Kong