



DONGWU CEMENT INTERNATIONAL LIMITED

東吳水泥國際有限公司

(Incorporated in the Cayman Islands with limited liability)

Stock Code : 695

Global Offering

Sole Sponsor



國泰君安國際
GUOTAI JUNAN INTERNATIONAL

Guotai Junan Capital Limited

Sole Global Coordinator, Bookrunner and Lead Manager



國泰君安國際
GUOTAI JUNAN INTERNATIONAL

Guotai Junan Securities (Hong Kong) Limited

IMPORTANT

If you are in any doubt about any of the contents of this prospectus, you should seek independent professional advice.



DONGWU CEMENT INTERNATIONAL LIMITED

東吳水泥國際有限公司

(Incorporated in the Cayman Islands with limited liability)

GLOBAL OFFERING

Number of Offer Shares	:	125,000,000 Shares (comprising 75,000,000 new Shares to be offered by the Company and 50,000,000 Sale Shares to be offered by the Selling Shareholder, subject to the Over-allotment Option)
Number of International Placing Shares	:	112,500,000 Shares (comprising 62,500,000 new Shares to be offered by the Company and 50,000,000 Sale Shares to be offered by the Selling Shareholder, subject to re-allocation and the Over-allotment Option)
Number of Hong Kong Offer Shares	:	12,500,000 Shares (subject to re-allocation)
Maximum Offer Price	:	HK\$1.28 per Offer Share, payable in full on application in Hong Kong dollars, plus brokerage of 1%, SFC transaction levy of 0.003% and Hong Kong Stock Exchange trading fee of 0.005% and subject to refund
Nominal value	:	HK\$0.01 per Share
Stock code	:	695

Sole Sponsor



Guotai Junan Capital Limited

Sole Global Coordinator, Bookrunner and Lead Manager



Guotai Junan Securities (Hong Kong) Limited

A copy of this prospectus, having attached thereto the documents specified in the paragraph headed "Documents Delivered To The Registrar of Companies" in Appendix VI to this prospectus, has been registered with the Registrar of Companies in Hong Kong as required by Section 342C of the Companies Ordinance (Chapter 32 of the Laws of Hong Kong). The Securities and Futures Commission of Hong Kong and the Registrar of Companies in Hong Kong take no responsibility as to the contents of this prospectus or any other documents referred to above. Hong Kong Exchanges and Clearing Limited, The Stock Exchange of Hong Kong Limited and Hong Kong Securities Clearing Company Limited take no responsibility for the contents of this prospectus, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this prospectus.

The Offer Price is expected to be determined by agreement between our Company (acting for ourselves and on behalf of the Selling Shareholder) and the Sole Global Coordinator (acting for itself and on behalf of the Underwriters) at the Price Determination Date. The Price Determination Date is expected to be on or around Thursday, 7 June 2012 or such later time as may be agreed by our Company and the Sole Global Coordinator, but in any event no later than 6:00 p.m. (Hong Kong time) on Monday, 11 June 2012.

The Offer Price will be not more than HK\$1.28 per Offer Share and is currently expected to be not less than HK\$1.00 per Offer Share. Investors applying for Hong Kong Offer Shares must pay, on application, the maximum Offer Price of HK\$1.28 per Offer Share, unless otherwise announced, together with brokerage of 1%, SFC transaction levy of 0.003% and Hong Kong Stock Exchange trading fee of 0.005%, subject to refund if the Offer Price is lower than HK\$1.28 per Offer Share. The Sole Global Coordinator (acting for itself and on behalf of the Underwriters), with the consent of our Company, may reduce the number of Offer Shares being offered under the Global Offering and/or the indicative Offer Price range stated in this prospectus at any time prior to the morning of the last day for lodging applications under the Hong Kong Public Offer. In such case, a notice of the reduction in the number of Offer Shares being offered under the Global Offering and/or of the indicative offer price range will be published in The Standard (in English) and the Hong Kong Economic Journal (in Chinese) not later than the morning of the last day for lodging applications under the Hong Kong Public Offer. If applications for Hong Kong Offer Shares have been submitted prior to the day which is the last day for lodging applications under the Hong Kong Public Offer, then even if the number of Offer Shares and/or indicative Offer Price range is so reduced, such applications cannot subsequently be withdrawn. Further details are set out in the sections headed "Structure of the Global Offering" and "How to apply for Hong Kong Offer Shares" in this prospectus. If, for any reason, the Offer Price is not agreed between our Company (acting for ourselves and on behalf of the Selling Shareholder) and the Sole Global Coordinator (acting for itself and on behalf of the Underwriters) by 6:00 p.m. (Hong Kong time) on Monday, 11 June 2012, the Global Offering will not proceed and will lapse.

Prior to making an investment decision, prospective investors should consider carefully all of the information set out in this prospectus and the related Application Forms, including the risk factors set out in the section headed "Risk Factors" in this prospectus.

Pursuant to certain provisions contained in the Underwriting Agreements in respect of the Offer Shares, the Sole Global Coordinator (acting for itself and on behalf of the Underwriters) has the right in certain circumstances, in its sole discretion, to terminate the obligations of the Underwriters pursuant to the Underwriting Agreements at any time prior to 8:00 a.m. (Hong Kong time) on the day on which dealings in our Shares first commence on The Stock Exchange of Hong Kong Limited (which is currently expected to be Wednesday, 13 June 2012). Further details of the terms of such provisions are set out in the section headed "Underwriting" in this prospectus. It is important that you refer to that section for further details.

The Offer Shares have not been and will not be registered under any state securities law in the United States and may not be offered, sold, pledged or transferred within the United States, except that the Offer Shares may be offered, sold or delivered (i) within the United States in reliance on an exemption from registration under any applicable United States state securities laws; and (ii) in offshore transactions outside the United States in reliance on any applicable laws of each jurisdiction where those offers and sales occur.

Friday, 1 June 2012

EXPECTED TIMETABLE

Our Company will issue an announcement in Hong Kong to be published in The Standard (in English) and the Hong Kong Economic Journal (in Chinese) if there is any change in the following expected timetable of the Hong Kong Public Offer.

Latest time to complete electronic applications
under the **White Form eIPO** service through
the designated website www.eipo.com.hk⁽²⁾ 11:30 a.m. on Wednesday, 6 June 2012

Application lists open⁽³⁾ 11:45 a.m. on Wednesday, 6 June 2012

Latest time for lodging **White** and **Yellow**
Application Forms and giving **Electronic**
Application Instructions to HKSCC⁽⁴⁾ 12:00 noon on Wednesday, 6 June 2012

Latest time to complete payment of **White Form eIPO**
applications by effecting internet banking transfer(s)
or PPS payment transfer(s) 12:00 noon on Wednesday, 6 June 2012

Application lists close⁽³⁾ 12:00 noon on Wednesday, 6 June 2012

Expected Price Determination Date⁽⁵⁾ Thursday, 7 June 2012

Announcement of the Offer Price, the indication
of the levels of interest in the International Placing,
the results of applications in respect of the
Hong Kong Public Offer and the results and basis
of allotment under the Hong Kong Public Offer
to be published in The Standard (in English)
and the Hong Kong Economic Journal
(in Chinese) on or before Tuesday, 12 June 2012

Results of allocations in the Hong Kong Public Offer
(with successful applicants' identification document numbers,
where appropriate) to be available through a variety
of channels as described in the section entitled
"How to apply for Hong Kong Offer Shares –
Publication of results" from Tuesday, 12 June 2012

Results of allocations in the Hong Kong Public Offer
will be available at www.iporeresults.com.hk
with a "search by ID" function Tuesday, 12 June 2012

EXPECTED TIMETABLE

Despatch of Share certificates in respect of wholly
or partially successful applications pursuant to
the Hong Kong Public Offer on or before⁽⁶⁾ Tuesday, 12 June 2012

Despatch of White Form e-Refund Payment instructions/refund cheques
in respect of wholly successful or (where applicable)
wholly or partially unsuccessful applications pursuant
to the Hong Kong Public Offer on or before⁽⁷⁾ Tuesday, 12 June 2012

Dealings in Shares on the Hong Kong Stock Exchange
to commence on Wednesday, 13 June 2012

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- (1) *All times refer to Hong Kong local time. Details of the structure of the Global Offering, including its conditions, are set out in the section headed “Structure of the Global Offering” in this prospectus. If there is any change in this expected timetable, an announcement will be published in The Standard (in English) and in the Hong Kong Economic Journal (in Chinese).*
- (2) *You will not be permitted to submit your application to the White Form eIPO Service Provider through the designated website at www.eipo.com.hk after 11:30 a.m. on the last day for submitting applications. If you have already submitted your application and obtained a payment reference number from the designated website prior to 11:30 a.m., you will be permitted to continue the application process (by completing payment of application monies) until 12:00 noon on the last day for submitting applications, when the application lists close.*
- (3) *If there is a “black” rainstorm warning or a tropical cyclone warning signal number eight or above in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon on Wednesday, 6 June 2012, the application lists will not open and close on that day. Please see the paragraph entitled “Effect of bad weather on the opening of the application lists” under the section headed “How to apply for Hong Kong Offer Shares” in this prospectus. If the application lists do not open and close on Wednesday, 6 June 2012, the dates mentioned in this section headed “Expected Timetable” may be affected. A press announcement will be made by our Company in such event.*
- (4) *Applicants who apply by giving **Electronic Application Instructions** to the HKSCC should refer to the paragraph entitled “How to apply by giving Electronic Application Instructions to HKSCC” under the section headed “How to apply for Hong Kong Offer Shares” in this prospectus.*
- (5) *The Price Determination Date, being the date on which the Offer Price is to be determined, is expected to be on or about Thursday, 7 June 2012 and, in any event, not later than 6:00 p.m. (Hong Kong time) on Monday, 11 June 2012. If, for any reason, the Offer Price is not agreed by the Company (acting for ourselves and on behalf of the Selling Shareholder) and the Sole Global Coordinator (acting for itself and on behalf of the Underwriters), the Global Offering (including the Hong Kong Public Offer) will not proceed and will lapse.*
- (6) *Applicants who apply for 1,000,000 or more Hong Kong Offer Shares and have indicated in their Application Forms that they wish to collect Share certificates (where applicable) and refund cheques (if applicable) in person may do so from our Hong Kong Share Registrar, Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong from 9:00 a.m. to 1:00 p.m. on Tuesday, 12 June 2012 or any other date notified by us in the newspapers as the date of despatch of Share certificates/e-Refund payment instructions/refund cheques. Applicants being individuals and opt for personal collection must not authorize any other person to make their collection on their behalf. Applicants being corporations and opt for personal collection must attend by sending their authorized representatives each bearing a letter of authorization from his corporation stamped with the corporation’s chop. Both individuals and authorized representatives (if applicable) must produce, at the time of collection, evidence of identity acceptable to our Hong Kong Share Registrar. Applicants who have applied on **Yellow***

EXPECTED TIMETABLE

Application Forms may not elect to collect their Share certificates, which will be deposited into CCASS for the credit of their designated CCASS Participants' stock accounts or CCASS Investor Participant stock accounts, as appropriate. Uncollected Share certificates and refund cheques will be despatched by ordinary post to the addressees specified in the relevant applications at the applicants' own risk. Further information is set out in the section headed "How to apply for Hong Kong Offer Shares" in this prospectus.

- (7) *e-Refund payment instructions/refund cheques will be issued in respect of wholly or partially unsuccessful applications and also in respect of successful applications in the event that the Offer Price is less than the initial price per Offer Share payable on application. Part of your Hong Kong identity card number/passport number, or, if you are joint applicants, part of the Hong Kong identity card number/passport number of the first-named applicant, provided by you may be printed on your refund cheque, if any. Such data would also be transferred to a third party to facilitate your refund. Your banker may require verification of your Hong Kong identity card number/passport number before encashment of your refund cheque. Inaccurate completion of your Hong Kong identity card number/passport number may lead to delay in encashment of your refund cheque or may invalidate your refund cheque. Further information is set out in the section headed "How to apply for Hong Kong Offer Shares" in this prospectus.*

Share certificates will only become valid certificates of title provided that the Hong Kong Public Offer has become unconditional in all respects and neither of the Underwriting Agreements have been terminated in accordance with their terms. Investors who trade Shares on the basis of publicly available allocation details prior to the receipt of their Share certificates or prior to the Share certificates becoming valid certificates of title do so entirely at their own risk.

For further details in relation to the Hong Kong Public Offer, see the sections headed "How to apply for Hong Kong Offer Shares" and "Structure of the Global Offering" in this prospectus.

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This prospectus is issued by Dongwu Cement International Limited solely in connection with the Hong Kong Public Offer and Hong Kong Offer Shares and does not constitute an offer to sell or a solicitation of an offer to subscribe for or buy any security other than Hong Kong Offer Shares. This prospectus may not be used for the purpose of, and does not constitute, an offer to sell or a solicitation of an offer to buy any security in any other jurisdiction or in any other circumstances. No action has been taken to permit a public offering of the Offer Shares or the distribution of this prospectus in any jurisdiction other than Hong Kong.

You should rely only on the information contained in this prospectus and the Application Forms to make your investment decision. Our Company has not authorized anyone to provide you with information that is different from what is contained in this prospectus and the Application Forms. Any information or representation not made in this prospectus and the Application Forms must not be relied on by you as having been authorized by our Company, the Selling Shareholder, the Sole Sponsor, the Sole Global Coordinator, the Bookrunner, the Lead Manager, the Underwriters, any of their respective directors, or any other person or party involved in the Global Offering.

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SUMMARY


This summary aims to give you an overview of the information contained in this prospectus and should be read in conjunction with the full set of this prospectus. Since this is only a summary, it does not contain all the information that may be important to you. You should read the whole prospectus before you decide to invest in our Shares.

There are risks associated with any investment. Some of the particular risks in investing in our Shares are set out in the section headed “Risk Factors” in this prospectus. You should read that section carefully before you decide to invest in our Shares.

OVERVIEW

We are a cement and clinker producer in Wujiang City, Suzhou Prefecture, which is situated in south Jiangsu Province. We are also the only cement producer in Suzhou Prefecture that employs NSP technology in our production process. NSP technology, which involves the pre-heating of raw materials before they are mixed and fed into the rotary kiln which in turn significantly enhances the efficiency of calcination and the forming of clinker for higher quality, has now become the most common technology in cement production technology in the PRC, contributing approximately 81% of the total clinker produced in 2010. Our principal products comprise ordinary Portland cement strength class 42.5 (“PO 42.5”) and composite Portland cement strength class 32.5 (“PC 32.5”), though we also sell clinker as a by-product, all of which are generally sold to customers in Jiangsu Province, Zhejiang Province and Shanghai Municipality, respectively. We have the exclusive right to occupy and use a wharf adjoining to our production facilities which enables us to transport raw materials and cement of 10,000 tonnes per day by waterway transportation and affords our customers and suppliers a convenient and relatively inexpensive transportation access to us. For the three years ended 31 December 2009, 2010 and 2011, the total cement production volume of Suzhou Prefecture accounted for approximately 0.7%, 0.7% and 0.6% of the total cement production volume of the PRC respectively. For the two years ended 31 December 2010 and 2011, the cement production volume of Dongwu Cement accounted for approximately 43.4% and 40.9% of the total cement production volume of Wujiang City respectively.

OUR PRODUCTS

Our principal products are PO 42.5 and PC 32.5, which are sold in the form of bulk cement or under our registered trademark “”. Both PO 42.5 and PC 32.5 are used for general cement applications. PO 42.5 is used in the construction of residential and industrial buildings, as well as pre-cast works and structures that require short construction time such as bridges and roads. PC 32.5 is used in the construction of structures that do not require high strength such as low rise buildings, paving and mass concreting. Both our PO 42.5 and PC 32.5 products are of a substantially higher-grade quality than the PRC national standard.

We produce our principal product, cement, by (i) mixing limestone, silica, iron and aluminum which has been crushed and pounded to the size of small pebbles from rock sources; (ii) blending the raw mix in a blending chamber and small amounts of iron and aluminum will be added to act as flux during the firing process; (iii) storing the raw mix in a silo from where it is transported to the kiln

SUMMARY

pre-heater and then the kiln, where the raw mix will be heated gradually to 1,400 to 1,500 degrees Celsius, during which some of the secondary raw materials including clay, shale, sandstone, iron powder, will be added; (iv) clinker is formed by the end of the firing process, which is then cooled after leaving the kiln; and finally (v) grinding process of the clinker, during which additives, such as gypsum, flyash and slag will be added to control the speed at which the cement is set and to aid grinding.

The tables below set out the breakdown of our revenue, average selling price, sales volume and production volume of our products during the Track Record Period and, where applicable, for the four months ended 30 April 2012 which is based on our management accounts:

Revenue of our products

	Year ended 31 December					
	2009		2010		2011	
	<i>RMB'000</i>	%	<i>RMB'000</i>	%	<i>RMB'000</i>	%
PO 42.5	107,623	36.9	160,603	45.2	224,551	48.4
PC 32.5	155,284	53.3	184,088	51.9	236,185	50.9
Clinker	28,715	9.8	10,259	2.9	3,309	0.7
Total	<u>291,622</u>	<u>100.0</u>	<u>354,950</u>	<u>100.0</u>	<u>464,045</u>	<u>100.0</u>

Average selling price of our products

	Year ended 31 December			Four months ended
	2009	2010	2011	30 April 2012
	<i>RMB/tonne</i>	<i>RMB/tonne</i>	<i>RMB/tonne</i>	<i>RMB/tonne</i>
PO 42.5	217.8	279.4	358.7	314.6
PC 32.5	193.4	234.0	302.4	260.7
Clinker	185.4	206.0	320.7	247.1

Sales volume and production volume of our products

	Year ended 31 December					
	2009		2010		2011	
	Production volume	Sales volume	Production volume	Sales volume	Production volume	Sales volume
	<i>(thousand tonnes)</i>					
PO 42.5	494.8	494.1	574.1	574.8	637.5	626.1
PC 32.5	810.8	803.0	790.3	786.6	790.6	781.1
Clinker	890.0	154.9	859.3	49.8	888.4	10.3

SUMMARY

During the Track Record Period, our sales volume of clinker was much lower than our production volume because the clinker we produce is mainly used for our own cement production. Clinker, as our by-product, is typically only sold on a stand-alone basis to relieve the pressure on our inventories in our warehouses when the market demand for cement is weak. In 2010 and 2011, the market demand for cement was relatively high and therefore only a small amount of clinker was sold.

Our overall gross profit margin for the three years ended 31 December 2009, 2010 and 2011 was 7.9%, 13.9% and 26.4%, respectively. The table below sets out the gross profit margin of our cement and clinker during the Track Record Period and the four months ended 30 April 2012 (which is based on our management account):

	Year ended 31 December			4 months ended
	2009	2010	2011	30 April 2012
Cement	8.8%	14.8%	26.3%	10.4%
Clinker	-0.5%	-15.4%	17.4%	-7.5%

Notes:

1. The gradual increase in our gross profit margin during the Track Record Period was mainly due to the increase in the average selling price of PC 32.5 in 2010 and the increase in the average selling price of PO 42.5 in 2011. Such an increase generated an increase in our revenue at a rate exceeding the increase in our cost of sales during the same period. We have also experienced an increase in the demand for our cement products due to the implementation of the energy consumption saving and emission control policies in the PRC. Such policies resulted in changes in the market supply and demand of cement in our market which benefited the sales of our cement products in such market while phasing out laggard cement production capacity by the PRC government.
2. During the Track Record Period, the clinker we produced was mainly used for our own cement production purpose whilst only some of our clinker was sold as a by-product when the market demand for cement decreased and remained weak for a temporary period due to unfavourable weather conditions such as continuous low temperature and wet weather, etc. For cost-effective purposes, we generally operate our clinker production facilities continuously. In the event that not all of the clinker was used for our cement production as a result of the temporary weak market demand for cement, our inventory level of clinker would accumulate and might reach a high level. In order to relieve the pressure of temporarily excessive inventories in our warehouses, we would sell clinker as a stand-alone product at a relatively low price in light of the said circumstances. As only a small portion of the clinker we produced was sold as a stand-alone product, the gross profit margin for clinker varied with the short term fluctuation in its selling price. It also explains why negative gross profit margin for clinker was recorded for the years ended 31 December 2009 and 2010.
3. For the year ended 31 December 2011, the market price of clinker increased significantly due to the strong market demand for both cement products and clinker. Benefiting from the increasing market price, the average price for clinker we sold has reached RMB320.7 per tonne, even higher than the average price for PC 32.5 products during the same period. Therefore, we were able to sell clinker at a positive gross profit margin.

Please refer to the paragraph headed “Our products” under the section headed “Business” in this prospectus for further details.

SUMMARY

PRODUCTION FACILITIES

Our production facilities are located at Lili Town, Wujiang City, Suzhou Prefecture, Jiangsu Province, the PRC with a site area of approximately 182,000 sq.m.. Located in the area known as Golden Triangle of Yangtze, our production facilities enjoy the benefit of the exclusive use of an adjoining wharf situated on the Taipu River (太浦河) since December 2003. The wharf enables us to transport raw materials and cement of 10,000 tonnes per day by waterway transportation and affords our customers and suppliers convenient and relatively inexpensive transportation access to us. Our exclusive right to occupy and use the river bank and the adjoining wharf is subject to annual renewal by the relevant PRC authority. According to the Taipu River Waterway Construction Works Occupation Agreement (太浦河河道工程佔用合同), the Construction Works Occupation Permit (河道工程佔用證) and the applicable PRC laws, our exclusive right to occupy the river bank is subject to the following conditions: (i) payment of an annual fee of RMB180,000; (ii) no modifications or damages of the levee construction, especially the retaining walls; (iii) compliance with the applicable PRC laws and regulations; and (iv) annual inspection by Wujiang Waterway Administrative Bureau or when it requests. Since 2004, we have passed every annual inspection and have been able to obtain the occupation permit upon each renewal. Our existing occupation permit is valid until 28 October 2012.

As at the Latest Practicable Date, we had one production line employing a dry rotary kiln that possesses a production capacity of 775,000 tonnes of clinker per annum and two grinding mills that possesses a production capacity of 1,636,800 tonnes of cement per annum in total. The two grinding mills are for the production of both PC 32.5 and PO 42.5 cement products based on the production plan and market demand for each product.

Set out below is a table indicating our utilization rate for our production facilities during the Track Record Period:

	Year ended 31 December		
	2009	2010	2011
	%	%	%
Cement utilization rate	79.8	83.4	87.2
Clinker utilization rate	114.8	110.9	114.6

The utilization rate of our clinker production exceeded 100% during the Track Record Period due to our clinker production facility having been operated for 24 hours per day and over 310 days per year. We operated the clinker production equipment above its designated capacity as a result of (a) our production team possessing extensive experience in supervising the production process, thus enhancing its efficiency; and (b) our efforts in improving and upgrading our clinker production equipment and technologies regularly.

Our production facilities are equipped with the Distributed Control System (DCS) which ensures high efficiency, energy saving and optimized control via automation, and a residual heat recovery system which enables us to reduce our reliance on external electricity sources and therefore our production

SUMMARY

costs and save the amount of on-grid electricity consumed. DCS technology and the residual heat recovery system are commonly applied by major cement producers in the PRC.

In order to ensure compliance with the relevant PRC environmental laws, regulations and rules, our Group has installed a series of environmental friendly production facilities, such as electric dust precipitators etc., as well as implementing a series of internal policies and measures with a view to controlling our pollutant emission levels and ensuring the levels of such emissions comply with the national standard. For more details, please refer to the paragraph headed “Environmental Compliance and Pollution Controls” in the section headed “Business” in this prospectus. As confirmed by our PRC Legal Advisors, our Group has complied with all the relevant laws, regulations and rules regarding the pollutant emissions throughout the Track Record Period and up to the Latest Practicable Date. In order to cope with the PRC government’s intention to implement more stringent atmospheric pollutant emission standards, in particular the NO_x emission, against the cement industry, we may upgrade our production facilities, if necessary, and in such case, our production costs may be increased, which may have an adverse effect on our business, results of operations and financial condition. In case the PRC government promulgates more strict environmental laws, regulations, rules and/or policies in the future, such as policy against sulphur content in coal, we will take further actions, including but not limited to further upgrading our production facilities (if necessary). However, upgrading our production facilities may increase our production and operation costs which may cast a negative impact on our operation results and financial condition. Please refer to the paragraph headed “With the increasingly stringent PRC environmental regulatory framework, we may not be able to comply with relevant environmental regulations in the future on a cost-effective basis” in the section headed “Risk Factors” in this prospectus for further details.

As advised by our PRC Legal Advisors, throughout the Track Record Period and up to the Latest Practicable Date, our Group has obtained all necessary permits, approvals, consents, certificates and licenses required under the PRC laws and regulations in connection with the business of our Group and all of them are in full force and effect. In particular, we have obtained the necessary permits and approvals from the local Development and Reform Commission in respect of our production line. Furthermore, we have obtained the certificates issued by Wujiang Industrial and Commerce Authority, Wujiang Tax Authority and Wujiang Environmental Protection Authority recognizing our compliance with the relevant laws and regulations in terms of our business operation, tax and environmental compliance throughout the Track Record Period.

Further, as advised by our PRC Legal Advisors, Dongwu Cement is not an enterprise subject to the shut down policy under the Notice of State Council on Speeding up the Structural Adjustment to Industries with Surplus Production Capacity (《國務院關於加快推進產能過剩行業結構調整的通知》, the “Notice on Surplus Production Capacity”). Neither the production line nor the production capacity for cement of Dongwu Cement would be regarded as obsolete or of laggard production technologies pursuant to the “Notice on Further Strengthening the Elimination of Obsolete Production Capacities” (《關於進一步加強淘汰落後產能工作的通知》, “Notice on Obsolete Production Capacities”) and the Notice on Surplus Production Capacity. Accordingly, our production line and the production capacity would not be subject to the elimination or phasing out arrangement as stipulated under the said two notices. All the PRC cement producers, whether state-owned or privately owned, are subject to and regulated by the Notice on Surplus Production Capacity and the Notice on Obsolete Production Capacities.

SUMMARY

Please refer to the paragraph headed “Production Facilities” under the section headed “Business” in this prospectus for further details.

RAW MATERIALS AND ENERGY SUPPLY

The principal raw material for our production is limestone. We use coal and electricity to fuel our production process.

We procure our raw materials from a variety of different sources that are within easy access to our production facilities and they are transported to our production facilities mainly via waterway. We have a stable and reliable source of raw materials. We have 3 to 7 years’ business relationship with our key suppliers. We also entered into a 5-year master contract with one of our suppliers to secure the limestone supply of approximately 3.5 million tonnes until the end of September in 2016, representing more than 50% of our limestone requirements over the same period. The price, volume and other terms shall be negotiated and agreed between our Group and the supplier on an annual basis in the form of supplementary agreements. Set out below is a table illustrating our key costs of sales for the three years ended 31 December 2009, 2010 and 2011 respectively:

	Year ended 31 December					
	2009		2010		2011	
	<i>Total cost</i>	<i>% of our</i>	<i>Total cost</i>	<i>% of our</i>	<i>Total cost</i>	<i>% of our</i>
	<i>(RMB’000)</i>	<i>total costs</i>	<i>(RMB’000)</i>	<i>total costs</i>	<i>(RMB’000)</i>	<i>total costs</i>
		<i>of sales</i>		<i>of sales</i>		<i>of sales</i>
Raw materials	69,307	25.8	67,058	21.9	94,989	27.8
Coal	87,918	32.7	110,952	36.3	124,525	36.4
Electricity	48,402	18.0	49,559	16.2	55,603	16.3

During the Track Record Period, our costs of raw materials significantly increased due to an increase in the limestone purchase price. The increase in our costs for coal in 2010 was mainly attributable to the changes in the market demand and supply relationship.

During the Track Record Period, we used waste materials in our production of PC 32.5. All the waste materials we used are industry by-products or wastes or mineral wastes and are non-poisonous in nature. This has reduced our production costs and entitled us to claim a VAT refund for our PC 32.5 products. For the three years ended 31 December 2009, 2010 and 2011, we were awarded approximately RMB8.9 million, RMB8.7 million and RMB13.4 million respectively as VAT refunds, all of which were from the production of our PC 32.5 products. The VAT refund is commonly granted to cement products comprised of no less than 30% of waste materials as its ingredient.

Please refer to the paragraph headed “Raw materials and energy supply” and the paragraph “Use of waste materials in production process” under the section headed “Business” in this prospectus for further details.

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CUSTOMERS

The table below sets forth the breakdown of our revenue by customer type during the Track Record Period:

Type of customers	Year ended 31 December					
	2009		2010		2011	
	RMB'000	%	RMB'000	%	RMB'000	%
Construction developers	145,296	49.8	181,497	51.1	213,040	45.9
Ready-mixed concrete stations	101,701	34.9	137,483	38.7	208,888	45.1
Trading companies	32,282	11.1	16,246	4.6	15,536	3.3
Walk-in customers	12,343	4.2	19,724	5.6	26,581	5.7
Total	<u>291,622</u>	<u>100.0</u>	<u>354,950</u>	<u>100.0</u>	<u>464,045</u>	<u>100.0</u>

Depending on the type of customers, we will have different settlement terms. Set out below is a summary of the settlement terms and our credit terms agreed with our customers during the Track Record Period:

Type of customers	Settlement terms or credit terms
Construction developers	<ul style="list-style-type: none"> • Payment by cash or bank acceptance bills on or before delivery of our products which is applicable to approximately 90% of our construction developer customers. • For the remaining approximately 10% of these customers, we typically granted them credit periods of up to 60 days.

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|-------------------------------|---|
| Ready-mixed concrete stations | <ul style="list-style-type: none">The credit terms include (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, save for one customer to whom we have granted a credit period of up to 180 days because of its background as a state-owned enterprise and also as a major concrete producer in Shanghai. Nevertheless, we have not granted this customer any revolving credit limit. Such long credit period is granted on a case-by-case basis based on the credibility and the transaction volume of the customers concerned. |
| Trading companies | <ul style="list-style-type: none">Payment by cash or bank acceptance bills on or before delivery of our product. |
| Walk-in customers | <ul style="list-style-type: none">Payment by cash or bank acceptance bills on or before delivery of our product. |

Please refer to the paragraph headed “Customers” under the section headed “Business” in this prospectus for further details.

Our geographical markets

Our products are sold to customers in Jiangsu Province, Zhejiang Province and Shanghai.

During the Track Record Period and up to the Latest Practicable Date, our business covers Jiangsu Province, Zhejiang Province and Shanghai municipality with a primary focus on Wujiang City. Wujiang City accounted for approximately 49.3%, 51.8% and 60.1% of our total revenue for

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the three years ended 31 December 2009, 2010 and 2011 respectively. The table below sets forth the breakdown of our revenue by geographical markets:

	Year ended 31 December					
	2009		2010		2011	
	<i>RMB'000</i>	%	<i>RMB'000</i>	%	<i>RMB'000</i>	%
Jiangsu	157,504	54.0	199,971	56.3	288,111	62.1
Wujiang	143,801	49.3	183,784	51.8	279,044	60.1
Suzhou (excluding Wujiang)	13,703	4.7	16,187	4.5	9,067	2.0
Zhengjiang	65,458	22.5	64,486	18.2	107,785	23.2
South Zhejiang (Taizhou, Zhoushan and Ningbo)	40,061	13.8	53,647	15.1	97,959	21.1
Jiaxing	25,397	8.7	10,839	3.1	9,826	2.1
Shanghai	68,660	23.5	90,493	25.5	68,149	14.7
Total	<u>291,622</u>	<u>100.0</u>	<u>354,950</u>	<u>100.0</u>	<u>464,045</u>	<u>100.0</u>

HIGHLIGHTS OF OUR COMPETITIVE STRENGTHS

1. We are an integrated cement and clinker producer in Suzhou Prefecture and we produce high quality products at competitive cost. We enjoy low production costs and produce high grade quality cement.
2. We enjoy the benefits of a convenient transportation network, including a wharf adjoining our production facilities with daily transportation capacity of 10,000 tonnes of raw materials and cement, which are situated on the banks of the Taipu River that flows through fifteen counties and towns in Jiangsu Province, Shanghai and Zhejiang Province. Most of our products are transported by waterway, which is an inexpensive method of transportation and is less expensive as compared with transportation by road.
3. We enjoy stable and long-term relationships with our customers and suppliers. Approximately 80% of our total revenue during the Track Record Period was derived from sales to customers with whom we have had business relationships for at least 3 years. In addition, we have maintained business relationships with our key suppliers of principal raw materials for a period of between 3 and 7 years. In particular, we entered into a 5-year master contract with a limestone supplier in Zhejiang Province which agreed to supply limestone of approximately 3.5 million tonnes since October 2011, representing more than 50% of our limestone requirements over the same period.

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HIGHLIGHTS OF OUR STRATEGIES

1. We intend to strengthen our sales network and market position in our regional markets by implementing the following measures: (a) enhance our logistics system and capability by establishing our own entrepots at selected strategic locations in close proximity to the existing and new markets; (b) continue to strengthen the relationships with our construction developer customers, ready-mixed concrete station customers and selected trading companies with a view to increasing our sales; (c) consolidate our market position in Wujiang City; (d) increase our market penetration, in particular, the urban area of Suzhou Prefecture (excluding Wujiang City) and Shanghai Municipality; and (e) work on more large-scale government construction projects in Suzhou Prefecture and Shanghai Municipality.
2. We intend to expand our business to downstream industries by acquiring, or acquiring a majority stake in, a suitable ready-mixed concrete station located in Wujiang City in the second half of 2012. This will enable us to (a) expand our business into the production of concrete and mortar products and offer our customers a fuller range of products, (b) attract more construction developer customers in both public and private sectors, and (c) enhance our prospects of being awarded more public infrastructure projects.
3. We intend to enhance our brand and our corporate profile in all regional markets through increasing our marketing activities, such as upgrading our company catalogue, advertising through the mass media and participating in more government tenders.
4. We intend to further stabilize our limestone supply by entering into more long-term contracts with suitable limestone suppliers and quarry operators.
5. We intend to further enhance our operational efficiency and reduce our production costs by (a) providing regular training to our production staff, (b) reducing our energy consumption through innovation, and (c) upgrading our production equipment to ensure energy efficiency.
6. We intend to maintain our independence in view of our whole cement production line despite the PRC government's policy of encouraging consolidation of the cement industry.

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SUMMARY FINANCIAL INFORMATION

The following tables set out a summary of the consolidated financial information of our Group during the Track Record Period which has been prepared in accordance with HKFRS issued by the Hong Kong Institute of Certified Public Accountants. This summary should be read in conjunction with the Accountant's Report of our Group as set out in Appendix I to this prospectus.

Summary Consolidated Statements of Comprehensive Income

	Year ended 31 December		
	2009	2010	2011
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Revenue	291,622	354,950	464,045
Cost of sales	<u>(268,592)</u>	<u>(305,619)</u>	<u>(341,923)</u>
Gross profit	<u>23,030</u>	<u>49,331</u>	<u>122,122</u>
Operating profit	<u>16,850</u>	<u>44,364</u>	<u>116,567</u>
Profit before income tax	14,834	39,909	109,378
Income tax expense	<u>(3,034)</u>	<u>(8,123)</u>	<u>(22,434)</u>
Profit attributable to equity holders of the Company	<u>11,800</u>	<u>31,786</u>	<u>86,944</u>
Total comprehensive income for the year	<u>14,484</u>	<u>33,440</u>	<u>82,606</u>

SUMMARY

Summary Consolidated Statements of Financial Position

	As at 31 December		
	2009 <i>RMB'000</i>	2010 <i>RMB'000</i>	2011 <i>RMB'000</i>
Non-current assets	263,516	245,425	192,113
Current assets	<u>175,014</u>	<u>220,022</u>	<u>215,013</u>
Total assets	<u>438,530</u>	<u>465,447</u>	<u>407,126</u>
Non-current liabilities	9,677	9,553	2,697
Current liabilities	<u>199,943</u>	<u>176,916</u>	<u>164,487</u>
Total liabilities	<u>209,620</u>	<u>186,469</u>	<u>167,184</u>
Net current (liabilities)/assets	<u>(24,929)</u>	<u>43,106</u>	<u>50,526</u>
Total equity	<u>228,910</u>	<u>278,978</u>	<u>239,942</u>

Summary Consolidated Statement of Cash Flows

The following table presents the cash flows of our Group for the three years ended 31 December 2011:

	Year ended 31 December		
	2009 <i>RMB'000</i>	2010 <i>RMB'000</i>	2011 <i>RMB'000</i>
Net cash (used in)/generated from operating activities	(12,884)	42,459	36,004
Net cash (used in)/generated from investing activities	(31,097)	(71,583)	110,639
Net cash generated from/(used in) financing activities	43,747	37,138	(123,461)

SUMMARY

GLOBAL OFFERING STATISTICS

	Based on an Offer Price of HK\$1.00 per Share	Based on an Offer Price of HK\$1.28 per Share
Market capitalization of our Shares	HK\$500.0 million	HK\$640.0 million
Unaudited pro forma adjusted consolidated net tangible assets per Share	HK\$0.70	HK\$0.74

Notes:

1. The calculation of the market capitalization of our Shares is based on the assumption that 500,000,000 Shares will be in issue and outstanding immediately following the completion of the Global Offering and the Capitalization Issue and the Over-allotment Option is not exercised.
2. The unaudited pro forma adjusted consolidated net tangible assets per Share has been arrived at after the adjustments referred to in the section headed "Unaudited Pro Forma Financial Information" in Appendix II to this prospectus and on the basis that 500,000,000 Shares will be in issue immediately following the completion of the Global Offering and the Capitalization Issue.

DIVIDEND POLICY

The declaration of dividends is subject to the discretion of our Directors. The amount of dividends actually declared and paid will also depend upon our Group's earnings and cash flow, financial condition, capital requirements, investment plans and any other conditions that our Directors may consider relevant. Any declaration and payment as well as the amount of dividends will also be subject to our Articles of Association and the applicable law.

On 12 May 2011, 12 September 2011 and 21 December 2011, Dongwu Cement declared and paid out dividends in the sum of RMB49,268,000, RMB29,444,000 and RMB42,930,000 respectively to its then shareholder, Far East International. However, our future declarations of dividends may or may not reflect our historical declarations of dividends.

USE OF PROCEEDS

We estimate that we will receive net proceeds from the Global Offering of approximately HK\$65.1 million (assuming an Offer Price of HK\$1.14 per Share, being the mid-point of the indicative range of Offer Price), after deducting the underwriting fees and commissions and estimated expenses payable by us in relation to the Global Offering. Our Company will not receive any of the net proceeds from the sale of the Sale Shares.

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Our Directors intend to apply the net proceeds from the Global Offering for the following purposes:

Amount of proceeds (% of total net proceeds from Global Offering)	Intended application of proceeds
HK\$25.4 million (39%)	to acquire a suitable ready-mixed concrete station in Wujiang City
HK\$17.6 million (27%)	to strengthen our sales network and enhance our logistics system and capability by establishing our own entrepots in Wujiang City at strategic locations in Wujiang City, urban Suzhou, Shanghai Chongming Island and Qingpu District in Shanghai, respectively
HK\$16.9 million (26%)	to upgrade some of our production equipment and to acquire new cement production equipment for replacement of some older equipment
HK\$5.2 million (8%)	as working capital and other general corporate purposes

For further details, please refer to the paragraph headed “Use of proceeds” under the section headed “Future plans and Use of Proceeds” in this prospectus.

LATEST DEVELOPMENT RELATING TO OUR GROUP SUBSEQUENT TO THE TRACK RECORD PERIOD

We continue to keep an eye on the development and opportunities in our business subsequent to the Track Record Period.

After 31 December 2011 and up to 30 April 2012, we continue to sell cement products to different types of customers, with sales volume totalling 198,678 tonnes (for PC 32.5 cement) and 153,753 tonnes (for PO 42.5 cement) respectively and with revenue of approximately RMB51.8 million (for PC 32.5 cement) and RMB48.4 million (for PO 42.5 cement) respectively. For the four months ended 30 April 2012, we had produced approximately 244,221 tonnes clinker which was mainly used for our own cement production, 176,602 tonnes of PC 32.5 cement and 156,267 tonnes of PO 42.5 cement and such production volumes were in accordance with our production plan. According to the estimate of the PRC government, the growth of FAI in 2012 will be slowed down which will likely lower the pace of property development and infrastructure construction and in turn result in a decrease in the market demand for cement in 2012. With the decrease in the market demand for cement, the average selling prices for our PC 32.5 cement and PO 42.5 cement dropped to RMB260.7 per tonne and RMB314.6 per tonne respectively for the four months ended 30 April 2012, which had been reduced by approximately RMB41.7 per tonne and RMB44.1 per tonne, or approximately 13.8% and 12.3% respectively as compared to the average selling prices of our PC 32.5 cement and

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PO 42.5 cement for the year ended 31 December 2011. As a result of such drop in cement price, we recorded a total revenue of RMB103.5 million for the four months ended 30 April 2012 (based on our management accounts) whilst the gross profit margin of our cement products had reduced to 10.4% for the same period. We believe that the decrease in the selling prices of our cement is mainly due to a decrease in the market demand and therefore the overall decrease in the market prices for cement in Jiangsu Province, Zhejiang Province and Shanghai and more intense competition. On the other hand, the average costs for our key raw material (i.e. limestone) had increased from RMB38.5 per tonne respectively for the year end 31 December 2011 to RMB38.9 per tonne for the four months ended 30 April 2012, whilst the price of coal had decreased from RMB817.3 per tonne for the year end 31 December 2011 to RMB779.2 per tonne for the four months ended 30 April 2012. The decrease in the average selling prices of our products had resulted in a decrease in our gross profit margin for the four months ended 30 April 2012. **Based on the current information available to our Directors, we anticipate that our gross profit margin and net profit for the year ending 31 December 2012 will be significantly and adversely affected.**

As at 30 April 2012, the trade and bills receivable balance was RMB104.1 million, which has been reduced by RMB16.6 million when compared with the balance as at 31 December 2011. The reduction is caused by the reduction in bills receivables by RMB29.0 million and the increase in trade receivables by RMB12.4 million. The decrease in bills receivables was due to cash-in of bank acceptance bills upon their maturity. Total borrowings have increased by RMB5.6 million to RMB96.0 million as at 30 April 2012. Such increase in borrowings was caused by the increase in bank borrowings by RMB6.7 million and reduction in other borrowings by RMB1.1 million. The increase in bank borrowings was due to a bank loan of RMB6.7 million granted to us in January 2012. We have not experienced any difficulties in collecting the trade and bills receivable and obtaining new borrowings since 31 December 2011 and up to the Latest Practicable Date.

Given the situation mentioned above, subsequent to the Track Record Period and up to the Latest Practicable Date, there were material adverse changes in our financial or trading position or prospects. Nevertheless, we confirm that there has been no event since 31 December 2011 which would materially affect the financial information shown in the Accountant's Report of the Company set out in Appendix I to this prospectus.

We were not aware of any material adverse change in the legal frameworks as at the Latest Practicable Date.

HIGHLIGHTS OF THE RISK FACTORS

There are risks associated with any investment. Below only sets forth some of the selected particular risks relating to our business whilst more details are set out in the section headed "Risk Factors" in this prospectus. You should read that entire section carefully before you decide to invest in the Offer Shares.

Cement prices fluctuated significantly during the Track Record Period. For the four months ended 30 April 2012, we recorded a decline in our average selling prices for cement, which we believe was mainly due to the decrease in the market demand for cement in 2012. There is no assurance

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that we can maintain similar level of gross profit margin in light of the fluctuations in the average selling price of cement and our production costs. **Based on the current information available to our Directors, we anticipate that our gross profit margin and net profit for the year ending 31 December 2012 will be significantly and adversely affected.**

Since December 2003, the relevant PRC authority has granted to us the exclusive right to occupy a river bank, and a permit to use a wharf on the river bank which is adjacent to our production facilities. Such right is subject to annual inspection and the right to renew our use of the river bank is at the sole discretion of the Jiangsu Waterway Administration Bureau (吳江水利局). Our rights to occupy the river bank are also subject to other conditions. In the event that the relevant PRC authority does not renew our right to occupy and use the river bank, or if we make any modifications to or damage the levee construction, our right to occupy the river bank may be revoked by the relevant PRC authority. In such circumstances, we will not be able to utilize our fully automatic loading lines alongside the river bank and our costs for waterway transportation will be increased whereupon our business operations, financial condition and profitability would be adversely affected.

Besides, it may be difficult to maintain or manage our growth momentum at our previous growth rates or at all. In particular, our plan in entering into further long-term strategic agreements with limestone suppliers is subject to negotiations and any risk-reward tradeoff arrangement may strain our managerial, operational, technical and financial resources.

Moreover, the PRC government has recently promulgated regulations and notices encouraging the consolidation of the PRC cement industry. If the PRC government implements more stringent regulations and policies which are unfavourable to our current practice in the future, we may be required to make significant adjustment to our current or future development plans, which will increase our costs and divert our management resources and may in turn adversely affect our profitability, competitiveness and prospects.

Further, the PRC government currently has adopted various environmental policies to reduce the adverse effects of the cement industry on the environment. The PRC government may introduce new rules and regulations that impose more stringent controls over industrial pollution. In such circumstance, our business, results of operations and financial condition could be materially and adversely affected.

DEFINITIONS

In this prospectus, unless the context otherwise requires, the following terms have the following meanings.

“Application Form(s)”	White Application Form(s), Yellow Application Form(s) and Green Application Form(s) or, where the context so requires, any of them
“Articles of Association”	the articles of association of our Company conditionally adopted pursuant to resolutions passed by our Shareholders in writing on 28 May 2012 and to become effective on the Listing Date
“associate(s)”	has the meaning ascribed thereto under the Listing Rules
“Audit Committee”	the audit committee of the Board
“Board” or “Board of Directors”	the board of Directors
“business day”	any day (other than Saturdays and Sundays and public holidays in Hong Kong) on which banks in Hong Kong are generally open for normal banking business
“BVI”	the British Virgin Islands
“CAGR”	compound annual growth rate
“Capitalization Issue”	the capitalization of an amount of HK\$4,249,900 from the amount standing to the credit of the share premium account of the Company as set out in the paragraph headed “4. Written resolutions of our Shareholders passed on 28 May 2012” under the section headed “A. Further information about our Group” in Appendix V to this prospectus
“Cayman Companies Law” or “Companies Law”	the Companies Law, Cap. 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands
“CCASS”	the Central Clearing and Settlement System established and operated by HKSCC
“CCASS Clearing Participant”	a person admitted to participate in CCASS as a direct clearing participant or general clearing participant

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“CCASS Custodian Participant”	a person admitted to participate in CCASS as a custodian participant
“CCASS Investor Participant”	a person admitted to participate in CCASS as an investor participant who may be an individual or joint individuals or a corporation
“CCASS Participant”	a CCASS Clearing Participant, a CCASS Custodian Participant or a CCASS Investor Participant
“China” or “PRC”	the People’s Republic of China excluding, for the purpose of this prospectus, Hong Kong, the Macau Special Administrative Region of China and Taiwan
“China Cement Association”	China Cement Association (中國水泥協會), a non-profit industry organization organized by the constituencies of the cement industry of the PRC, which includes over 4,000 cement producers in the PRC with an annual aggregate production volume of 1.2 billion tonnes
“cm ² ”	square centimeter
“Companies Ordinance”	the Companies Ordinance, Chapter 32 of the Laws of Hong Kong, as amended, supplemented or otherwise modified from time to time
“Company” or “our Company”	Dongwu Cement International Limited (東吳水泥國際有限公司), a company incorporated in the Cayman Islands on 29 November 2011 as an exempted company with limited liability
“Company Novation Deed”	the novation deed dated 27 December 2011 entered into among Far East International, Dongwu HK and our Company in connection with the settlement of the consideration payable under the Reorganization Equity Transfer Agreement by our Company for and on behalf of Dongwu HK
“Concord”	Concord Ocean Ltd, a limited liability company incorporated in the BVI on 25 October 2000, wholly-owned by Mr. Jin and will continue to be a substantial shareholder of the Company immediately after the Global Offering

DEFINITIONS

“Controlling Shareholder(s)”	has the meaning ascribed to it under the Listing Rules and, in the context of this prospectus, refers to Mr. Tseung and Goldview immediately prior to and following completion of the Global Offering and the Capitalization Issue (taking no account of any Shares which may be issued pursuant to the exercise of the Over-allotment Option and any options that may be granted under the Share Option Scheme)
“Covenantors” or “Indemnifiers”	collectively, Concord, Goldview, Mr. Jin and Mr. Tseung
“CSRC”	China Securities Regulatory Commission (中國證券監督管理委員會)
“Digital Cement”	an organization that is established by China Cement Association (an Independent Third Party), which advises the PRC government on formulating industry development strategies, legal policies, and industry standards and guidelines, publishes cement industry publication regularly and also provides internet-based information services and industry consulting services to the public
“Director(s)”	the director(s) of our Company
“Dongwu Cement”	Suzhou Dongwu Cement Co., Ltd. (蘇州東吳水泥有限公司), a limited liability company incorporated on 5 June 2003 in the PRC and an indirect wholly-owned subsidiary of our Company
“Dongwu HK”	Dongwu Cement (Hong Kong) Limited (東吳水泥(香港)有限公司), a limited liability company incorporated on 16 December 2011 in Hong Kong and an indirect wholly-owned subsidiary of our Company
“Dongwu HK Novation Deed”	the novation deed dated 27 December 2011 entered into among Far East International, our Company, Goldview and Concord in connection with novating the payment obligations of Dongwu HK under the Dongwu HK Novation Deed
“Dongwu Investment”	Dongwu International Investment Limited (東吳國際投資有限公司), a limited liability company incorporated on 29 November 2011 in the BVI and a direct wholly-owned subsidiary of our Company
“DRC”	Development and Reform Commission (發展和改革委員會)

DEFINITIONS

“Electronic Application Instruction(s)”	instruction given by a CCASS Participant electronically via CCASS to HKSCC, being one of the methods to apply for Hong Kong Offer Shares
“FAI”	fixed asset investment
“Far East International”	Far East International Investment Company Limited (遠東國際投資有限公司), a limited liability company incorporated on 29 September 2003 in Samoa which was owned as to 70% and 30% by Goldview and Concord respectively as at the Latest Practicable Date, being the sole shareholder of Dongwu Cement immediately prior to the Reorganization
“GDP”	gross domestic product (all references to GDP growth are to real as opposed to nominal rates of growth)
“Global Offering”	the Hong Kong Public Offer and the International Placing
“Goldview”	Goldview Development Limited, a limited liability company incorporated in the BVI on 16 March 2004 which has been wholly-owned by Mr. Tseung since 18 May 2004, and continues to be a Controlling Shareholder immediately after the Global Offering
“ Green Application Form(s)”	the application form(s) to be completed by the White Form eIPO Service Provider, Computershare Hong Kong Investor Services Limited
“Group”, “we” or “us”	our Company and its subsidiaries or, where the context so requires in respect of the period before our Company becomes the holding company of its present subsidiaries, the present subsidiaries of our Company and the businesses carried on by such subsidiaries or (as the case may be) their predecessors
“HK dollars” or “HK\$” and “cents”	Hong Kong dollars and cents respectively, the lawful currency of Hong Kong for the time being
“HKFRS”	Hong Kong Financial Reporting Standards
“HKSCC”	Hong Kong Securities Clearing Company Limited
“HKSCC Nominees”	HKSCC Nominees Limited, a wholly-owned subsidiary of HKSCC

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“Hong Kong” or “HK”	the Hong Kong Special Administrative Region of the PRC
“Hong Kong Public Offer”	the offer of Hong Kong Offer Shares for subscription by the public in Hong Kong for cash at the Offer Price (plus brokerage of 1%, SFC transaction levy of 0.003% and Stock Exchange trading fee of 0.005%), on the terms and subject to the conditions described in this prospectus and the Application Forms
“Hong Kong Offer Shares”	the 12,500,000 new Shares (subject to re-allocation as described in the section headed “Structure of the Global Offering” in this prospectus) being offered by us for subscription under the Hong Kong Public Offer
“Hong Kong Underwriters”	the underwriters of the Hong Kong Public Offer listed in the section headed “Underwriting – Hong Kong Underwriters” in this prospectus
“Hong Kong Underwriting Agreement”	the underwriting agreement dated 31 May 2012 relating to the Hong Kong Public Offer entered into by, among others, the Company, the Controlling Shareholders, the Sole Sponsor, the Sole Global Coordinator and the Hong Kong Underwriters
“Independent Third Party(ies)”	individual(s) or company(ies) who or which is/are not connected with (within the meaning of the Listing Rules) any Directors, chief executive or substantial shareholders of our Company, its subsidiaries or any of their respective associates
“Indirect Transfer Tax Circular”	《關於加強非居民企業股權轉讓所得稅管理的通知》(國稅函[2009]698號) (Notice Regarding the Reinforcement of Administration of Equity Transfer Tax of Non-resident Enterprise (Guoshuihan [2009] No. 698)
“International Placing”	the conditional placing of the International Placing Shares to institutional, professional and other investors, as further described in the section headed “Structure of the Global Offering” in this prospectus
“International Placing Agreement”	the underwriting agreement relating to the International Placing to be entered into by, among others, the Company, the Controlling Shareholders, the Selling Shareholder, the Sole Sponsor, the Sole Global Coordinator and the International Underwriters on or around the Price Determination Date, particulars of which are set out in the section headed “Underwriting” in this prospectus

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“International Placing Shares”	the 62,500,000 new Shares and 50,000,000 Sale Shares, together with any additional Shares offered pursuant to any exercise of the Over-allotment Option (subject to re-allocation as described in the section headed “Structure of the Global Offering” in this prospectus) being offered by us for placing under the International Placing
“International Underwriters”	the underwriters of the International Placing listed in the section headed “Underwriting – International Underwriters” in this prospectus
“Jiangsu Orient”	Jiangsu Orient International Group Company Limited (江蘇東方國際集團有限公司), the initial and former shareholder of Dongwu Cement holding 75% equity interest therein since its incorporation and until 26 April 2006, which was owned as to more than 50% by Mr. Tseung’s spouse and therefore an associate of Ms. Tseung as at the Latest Practicable Date
“kcal”	kilocalorie, equivalent to one thousand calories
“kg”	kilogram
“Latest Practicable Date”	25 May 2012, being the latest practicable date for ascertaining certain information in this prospectus before its publication
“LIBOR”	London Interbank Offered Rate
“Listing”	the listing of the Shares on the Stock Exchange
“Listing Committee”	the Listing Committee of the Stock Exchange
“Listing Date”	the date, expected to be on or about 13 June 2012, on which our Offer Shares are listed on the Main Board of the Stock Exchange
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (as amended, supplemented or otherwise modified from time to time)
“Memorandum” or “Memorandum of Association”	the memorandum of association of our Company adopted upon its incorporation as amended from time to time

DEFINITIONS

“MIIT”	the Ministry of Industry and Information Technology of the PRC (中華人民共和國工業和信息化部)
“Ministry of Finance”	the Ministry of Finance of the PRC (中華人民共和國財政部)
“Ministry of Land and Resources”	the Ministry of Land and Resources of the PRC (中華人民共和國國土資源部)
“MOFCOM”	the Ministry of Commerce of the PRC (中華人民共和國商務部)
“Mr. Jin”	Jin Chungun (金春根), an executive Director, our chief executive officer and the sole shareholder of Concord as at the Latest Practicable Date
“Mr. Tseung”	Tseung Hok Ming (蔣學明), a non-executive Director and the sole shareholder of Goldview as at the Latest Practicable Date
“NDRC”	the National Development and Reform Commission of the People’s Republic of China (中華人民共和國國家發展和改革委員會)
“NPC”	the National People’s Congress of the PRC (中華人民共和國全國人民代表大會)
“Offer Price(s)”	the final Hong Kong dollar price per Offer Share (exclusive of brokerage of 1.0%, SFC transaction levy of 0.003% and Stock Exchange trading fee of 0.005%) at which the Hong Kong Offer Shares are to be subscribed under the Hong Kong Public Offer and the International Placing Shares are to be offered under the International Placing, to be determined in the manner further described in the section headed “Structure of the Global Offering – Determining the Offer Price” in this prospectus
“Offer Shares”	the Hong Kong Offer Shares and the International Placing Shares together
“Orient Expressway (HK)”	Orient Expressway (Hong Kong) Company Limited, the initial and former shareholder of Dongwu Cement holding 25% equity interest therein since its incorporation and until 6 March 2007, which was beneficially owned by Mr. Tseung and Mr. Jin as at the Latest Practicable Date

DEFINITIONS

“Over-allotment Option”	the option to be granted by our Company to the International Underwriters exercisable by the Sole Global Coordinator on behalf of the International Underwriters under the International Placing Agreement, pursuant to which we may be required to issue up to 18,750,000 additional new Shares at the Offer Price to cover over-allocations in the International Placing
“PBOC”	The People’s Bank of China (中國人民銀行)
“PRC Company Law”	the Company Law of the PRC (中華人民共和國公司法), enacted by the Standing Committee of 全國人大常委會 NPC on 27 October 2005 and effective on 1 January 2006, as amended, supplemented or otherwise modified from time to time
“PRC Court”	any court or arbitral tribunal of the PRC
“PRC EIT Law”	the PRC Enterprise Income Tax Law (中華人民共和國企業所得稅法), promulgated on 16 March 2007 by the NPC and effective on 1 January 2008
“PRC GAAP”	the generally accepted accounting principles in the PRC
“PRC Government”	the central government of the PRC, including all governmental subdivisions (including provincial, municipal and other regional or local government entities) and instrumentalities thereof
“PRC Legal Advisors”	Deheng Law Offices, the legal advisors to the Company as to the PRC Law
“Price Determination Date”	the date, expected to be on or around 7 June 2012, but in any event no later than 11 June 2012, on which the Offer Price will be fixed for the purpose of the Global Offering
“prospectus”	this prospectus being issued in connection with the Hong Kong Public Offer
“Reorganization”	the reorganization of the companies within our Group as discussed in the paragraph headed “Our Reorganization” under the section headed “Company History and Reorganization” in this prospectus

DEFINITIONS

“Reorganization Equity Transfer Agreement”	the equity transfer agreement dated 26 December 2011 entered into between Dongwu HK and Far East International pursuant to which Far East International transferred its 100% equity interest in Dongwu Cement to Dongwu HK at US\$33 million
“RMB” or “Renminbi”	Renminbi, the lawful currency of the PRC
“Sale Shares”	the 50,000,000 Shares offered for sale by the Selling Shareholder under the International Placing
“Samoa”	the Independent State of Samoa
“Selling Shareholder”	Concord
“SFC”	the Securities and Futures Commission of Hong Kong
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
“Shareholder(s)”	holder(s) of the Share(s)
“Share Option Scheme”	the share option scheme conditionally adopted by us on 28 May 2012, the principal terms of which are summarized in the paragraph headed “D. Other information – 1. Share Option Scheme” in Appendix V to this prospectus
“Share(s)”	ordinary share(s) with a nominal value of HK\$0.01 each in the issued share capital of our Company
“Sole Global Coordinator” or “Bookrunner” or “Lead Manager”	Guotai Junan Securities (Hong Kong) Limited, a licensed corporation under the SFO to engage in type 1 (dealing in securities) and type 4 (advising on securities) regulated activities
“Sole Sponsor”	Guotai Junan Capital Limited, a licensed corporation under the SFO to engage in type 6 (advising on corporate finance) regulated activities
“sq.m.”	square metres
“State Administration for Industry and Commerce” or “SAIC”	the State Administration for Industry and Commerce of the PRC (中華人民共和國工商行政管理總局)

DEFINITIONS

“State Administration of Foreign Exchange” or “SAFE”	the State Administration of Foreign Exchange of the PRC (中華人民共和國國家外匯管理局), the PRC governmental authority responsible for matters relating to foreign exchange administration, including local branches, when applicable
“State Administration of Taxation” or “SAT”	the State Administration of Taxation of the PRC (中華人民共和國國家稅務總局)
“State Council”	the State Council of the PRC (中華人民共和國國務院)
“State Environmental Protection Administration” or “SEPA”	the State Environmental Protection Administration of China (中華人民共和國國家環境保護總局)
“State-owned Assets Supervision and Administration Commission” or “SASAC”	the State-owned Assets Supervision and Administration Commission of the State Council (中華人民共和國國務院國有資產監督管理委員會)
“Stock Exchange” or “Hong Kong Stock Exchange”	The Stock Exchange of Hong Kong Limited, a wholly-owned subsidiary of Hong Kong Exchanges and Clearing Limited
“Takeovers Code”	the Codes on Takeovers and Mergers and Share Repurchases issued by the SFC, as amended, supplemented or otherwise modified from time to time
“Track Record Period”	the three financial years ended 31 December 2009, 2010 and 2011
“Underwriters”	the Hong Kong Underwriters and the International Underwriters, details of which are set out in the section headed “Underwriting” in this prospectus
“Underwriting Agreements”	the Hong Kong Underwriting Agreement and the International Placing Agreement
“United States” or “U.S.”	the United States of America, its territories, its possessions and all areas subject to its jurisdiction
“US dollars” or “US\$”	United States dollars, the lawful currency of the United States
“VAT”	value added tax

DEFINITIONS

“ White Application Form(s)”	the application form(s) to be completed in accordance with the instructions in the section headed “How to apply for Hong Kong Offer Shares – Which application channel to use” in this prospectus
“White Form eIPO”	the application for Hong Kong Offer Shares to be issued in the applicant’s own name by submitting applications online through the designated website of White Form eIPO at www.eipo.com.hk
“White Form eIPO Service Provider”	Computershare Hong Kong Investor Services Limited
“Yangtze River Delta Region”	the geographical region covering Jiangsu Province, Zhejiang Province and Shanghai Municipal
“ Yellow Application Form(s)”	the application form(s) to be completed in accordance with the instructions in the section headed “How to apply for Hong Kong Offer Shares – Which application channel to use” in this prospectus
“%”	per cent

In this prospectus, unless the context requires otherwise, the terms “associate”, “connected person”, “controlling shareholder”, “subsidiary” and “substantial shareholder” shall have the same meanings given to such terms in the Listing Rules.

In this prospectus, unless otherwise stated, certain amounts denominated in Renminbi have been translated into HK dollars at an exchange rate of RMB0.8130 = HK\$1.00, respectively, for illustration purpose only. Such translations should not be construed as representations that amounts in Renminbi were or may have been converted into HK dollars at such rates or any other exchange rates.

Certain amounts and percentage figures included in this prospectus have been subject to rounding adjustments. Any discrepancies in the tables between the listed amounts and the totals thereof are due to rounding.

In this prospectus, if there is any inconsistency between the Chinese names of the PRC laws, regulations and rules, the PRC entities or enterprises established in the PRC and their English translations, the Chinese names shall prevail. The English names of certain entities referred to in this prospectus are provided for your convenience only. Some of these entities do not have registered English names.

GLOSSARY OF TECHNICAL TERMS

This glossary of technical terms contains an explanation of certain terms used in this prospectus as they relate to the Company and as they are used in this prospectus in connection with the Group and its business. These terms and their given meanings may not correspond to standard industry definitions.

“cement”	a mixture of cement clinker, limestone, clay, silica and gypsum, being a fine powder which sets to a hard mass when mixed with water as a result of hydration
“clay”	a natural mineral having plastic properties and composed of very fine particles, moldable when wet and fused into permanent form at very high temperatures
“clinker”	a major semi-finished product in the cement production process
“coal gangue”	residue generated from coal mining and washing
“Composite Portland cement” or “PC”	a type of cement produced by Ordinary Portland Cement Clinker along with 15% to 50% of aggregates, such as flyash
“concrete”	an artificial, stonelike material used for various structural purposes, made by mixing cement and water together with various aggregates, such as sand, pebbles, gravel or shale
“Distributed Control System” or “DCS”	a control system, in which the controller elements are not central in location, but are distributed throughout the system
“flyash”	residue generated from the combustion of coal
“gypsum”	a mineral composed of calcium sulphate dehydrate
“km”	kilometer(s)
“KW”	kilowatt(s), equivalent to one thousand watts
“KWH”	kilowatt-hour, the standard unit of energy used in the electric power industry. One kilowatt-hour is the amount of energy that would be produced by a generator producing one thousand watts for one hour
“limestone”	a sedimentary rock composed largely of the mineral calcite

GLOSSARY OF TECHNICAL TERMS

“limestone refuse”	residues generated from the limestone quarrying, which contains less than 50% mineral calcite
“MPa”	Megapascals, a customary unit in the International System of Units for measuring compressive strength
“NO _x ”	mono-nitrogen oxides, nitric oxide (NO) and nitrogen dioxide (NO ₂)
“NSP technology”	New Suspension Preheater technology, an energy efficient technology, in which raw materials are preheated in conical vessels using high temperature gas from the dry rotary kiln
“Ordinary Portland cement” or “PO”	a type of quick hardening cement with relatively strong initial compressive strength and is resistant to abrasion
“Portland Cement”	a kind of cement matrix composed of Portland cement clinkers and appropriate gypsum, plus specified admixture
“sandstone”	a sedimentary rock composed mainly of sand-sized minerals or rock grains
“shale”	a fine-grained, clastic sedimentary rock composed of mud that is a mix of flakes of clay minerals and tiny fragments (silt-sized particles) of other minerals, especially quartz and calcite
“sulfate slag”	a partially vitreous by-product of smelting ore to separate the metal fraction from the unwanted fraction
“tonne(s)”	metric tonnes

FORWARD LOOKING STATEMENTS

This prospectus contains forward-looking statements that are, by their nature, subject to significant risks and uncertainties. These forward-looking statements include, without limitation, statements relating to:

- our business and operating strategies and our various measures to implement such strategies;
- our dividend distribution plans;
- our operations and business prospects, including our development plans for our existing and new businesses;
- our ability and expected timetable to complete our project developments;
- our capital commitment plans, particularly plans relating to acquisition of new businesses;
- our financial condition;
- our capital expenditure plans and our expectations of the cost of development of our new projects;
- the regulatory environment in the PRC; and
- future developments and the competitive environment in the cement industries.

The words “anticipate”, “believe”, “continue”, “could”, “expect”, “intend”, “may”, “plan”, “potential”, “predict”, “project”, “seek”, “should”, “will”, “would” and the negatives of these terms and similar expressions, as they relate to us, are intended to identify a number of these forward-looking statements. These forward-looking statements reflect our current views with respect to future events and are not a guarantee of future performance and are subject to risks, uncertainties and assumptions, including the risk factors as disclosed in this prospectus.

Certain amounts and percentage figures included in this prospectus have been subject to rounding adjustment. Accordingly, figures shown as totals in certain tables may not be an arithmetic aggregation of the figures preceding them.

Should one or more of the risks or uncertainties materialise, or should underlying assumptions prove to be incorrect, our financial condition may be adversely affected and may vary materially from those described herein as anticipated, believed, estimated or expected.

Accordingly, the statements herein are not a guarantee of our future performance and you should not place undue reliance on such forward-looking information. We undertake no obligation to publicly update or revise any forward-looking statements contained in this prospectus, whether as a result of new information, future events or otherwise, except as required by applicable laws, rules and regulations. All forward-looking statements contained in this prospectus are qualified by reference to this cautionary statement.

RISK FACTORS

Prospective investors should carefully consider all of the information set out in this prospectus and, in particular, the following risks and special considerations associated with an investment in our Company before making any investment decision in relation to our Company. Prospective investors should pay particular attention to the fact that most of our Company's operations are conducted in the PRC and are governed by a legal and regulatory environment that in some respects differs from those that prevail in other countries. If any of the possible events described below occurs, our business, financial condition or results of operations could be materially and adversely affected and the market price of the Offer Shares could fall significantly. Prospective investors should carefully consider the following factors, which do not purport to be a complete list of all risks and potential conflicts of interest involved in an investment in our Company.

RISKS RELATING TO OUR BUSINESS

Significant fluctuations in the market price and demand for cement may materially and adversely affect our profit margin as well as our profitability

Cement prices fluctuated significantly during the Track Record Period. For the three years ended 31 December 2009, 2010 and 2011, the average selling price of PC 32.5 was approximately RMB193.4 per tonne, RMB234.0 per tonne and RMB302.4 per tonne respectively. The average selling price of PO 42.5 was approximately RMB217.8 per tonne, RMB279.4 per tonne and RMB358.7 per tonne respectively. Our overall gross profit was approximately RMB23.0 million, RMB49.3 million and RMB122.1 million respectively and our gross profit margin was approximately 7.9%, 13.9%, and 26.3% for the same periods respectively. During the period from 1 January 2012 up to 30 April 2012, the average selling prices of PC 32.5 and PO 42.5 dropped to RMB260.7 per tonne and RMB314.6 per tonne respectively. The declines in the selling prices for cement was attributable to the intense competition among cement producers in the market. The price for cement may continue to experience significant fluctuations in the future due to changes in the supply and demand for cement products in our existing and future markets. The cement companies in the PRC may try to maintain their production volumes despite the weak market demand for cement in order to avoid being classified as small enterprises and be requested to shut down in accordance with the PRC governmental policy. This may result in high levels of production and an oversupply of cement, which in turn poses downward pressure on the selling prices of cement. There is also no assurance that we can maintain a similar level of gross profit margin in light of the fluctuations in the average selling prices of cement and our cost of productions. **Based on the current information available to the Directors, we anticipate that our gross profit margin and net profit for the year ending 31 December 2012 will be significantly and adversely affected.**

Our transportation network depends heavily on waterway transportation via our wharf which adjoins our production facilities on the Taipu River

Since December 2003, the relevant PRC authority has granted to us the exclusive right to occupy a river bank, and the permit to use a wharf built on the river bank which is adjacent to our production facilities. Our right to occupy the river bank is subject to renewal every year. The wharf which is equipped with fully automatic loading lines, affords us convenient access to our network

RISK FACTORS

of customers and suppliers. In the event that the Taipu River experiences emergency events such as flooding or drought, or during the construction of major public waterway projects or construction of flood control works, we may be required to temporarily evacuate from the river bank. Furthermore, in the event that the relevant PRC authority does not renew our right to occupy the river bank, or if we make any modifications to or damage the levee construction, our right to occupy the river bank may be revoked by the relevant PRC authority. As advised by our PRC Legal Advisors, in the event that our right to occupy the river bank is revoked or expires due to unsuccessful renewal, there would be no legal impediments for us to use the river bank to load and unload our products, but all the supporting facilities on the river bank, including the fully automatic loading lines, will have to be demolished or relocated. In such circumstances, in addition to the demolition and relocation costs, we will need to make short-forwarding arrangements between our production facilities and Taipu River for the transportation of our products or raw materials whilst the loading and unloading works alongside the Taipu River will have to be operated manually. We estimate that our loading/unloading costs and labour costs will increase by approximately RMB5 per tonne due to such arrangements. As such, our business operations, financial condition and profitability would be adversely affected.

Our profitability hinges on general market conditions in the construction industry including the level of fixed assets investment of our regional markets in Jiangsu Province, Zhejiang Province and Shanghai

We supply our cement products produced at our production facility in Wujiang City of Jiangsu Province to regional markets in Jiangsu Province, Zhejiang Province and Shanghai. As such, demand for our cement products in these areas is dependent upon the amount of construction activities and the level of investment in fixed assets in Jiangsu Province, Zhejiang Province and Shanghai Municipality which in turn can be significantly affected by any material changes in gross domestic product and its growth rate, level of fixed assets investment, PRC government policies, mortgage rate, interest rate, inflation, rate of unemployment, demographic trends and other relevant national and regional economic factors and conditions.

Significant uncertainties and risks may adversely affect the recovery of the global economy from the recent financial crisis and economic slowdown. Any deterioration in the global economy could in turn adversely affect the economic conditions in Jiangsu Province, Zhejiang Province and Shanghai.

Restrictions on general market conditions in the regional construction industry may ultimately decrease the demand for our products

Various tax laws and restrictions have recently been imposed by the PRC government in an effort to impede surging prices in the real estate sector and initiatives in infrastructural development have been driven by the PRC government in a more prudent manner which may ultimately decrease the demand for our cement products. According to the latest estimate of the PRC government, the growth of FAI in 2012 will be slowed down which will likely lower the pace of property development and infrastructure construction and in turn result in a decrease in the market demand for cement in 2012. Therefore, any slowdown in the growth of the economy in each of Jiangsu Province, Zhejiang Province and Shanghai or any downturn in the regional construction industry where we operate in,

RISK FACTORS

particularly in the public infrastructural development sector and in the private real estate development sector, could materially and adversely affect our results of operations and our financial condition.

Maintaining and managing our growth momentum at our previous growth rates or at all may become difficult

Our revenue has grown significantly during the Track Record Period from approximately RMB291.6 million in 2009 to approximately RMB355.0 million in 2010 and subsequently to approximately RMB464.0 million in 2011, representing a CAGR of 26.1% from 2009 to 2011. In addition, our net profits during the three years ended 31 December 2009, 2010 and 2011 were approximately RMB11.8 million, RMB31.8 million and RMB86.9 million respectively. The increase in the selling price of and demand for our products contributed to this significant growth in our revenue and net profits which was driven by growth in the regional economies and the construction industry in our regional markets.

However, underlying economic conditions are often cyclical in nature, maintaining our business to grow at our historical growth rates or at all may become difficult. A change in the level of activities in the construction industry or the amount of investment in fixed assets and property developments in our regional markets, as well as difficulties encountered in implementing future business strategies may affect our sales and profitability. As at the Latest Practicable Date, we do not have any plan to increase our production capacity beyond our existing level.

For example, our plans in entering into further long-term strategic agreements with limestone suppliers is subject to negotiations and any risk-reward tradeoff arrangement may strain our managerial, operational, technical and financial resources. As a result, we may not be able to manage such growth in a cost-effective manner. Failure to effectively manage our growth could have a material adverse effect on our business, results of operations and financial condition, and could jeopardize our ability to achieve our business strategies and maintain our market position.

Our strategy in expanding our business by acquiring ready-mixed concrete station may be difficult to implement and such acquisition and/or business expansion may not be successful

We are planning to acquire a ready-mixed concrete station in Wujiang City.

Acquisitions involve risks, including, inter alia, challenges in retaining personnel, risks and difficulties associated with integrating the operations and culture of acquired businesses, and diversion of management's attention and other resources. In particular, if any of the acquired businesses fail to perform, we may be required to recognize a significant impairment charge which may materially and adversely affect our results of operations. As a result, there is no assurance that we will be able to achieve the strategic purpose of any acquisition, the desired level of operational synergy or our investment return target in the future. Any incurred costs and impairment charges may not be passed on to our customers.

RISK FACTORS

It is our intention to retain the existing management and staff to manage and operate the ready-mixed concrete station to be acquired by our Group, as our Group currently does not have senior staff who possess solid operational and management experiences in the concrete station business. In the event that we are unable to retain the existing management and staff of that concrete station, we may not have sufficient experts and experienced staff to effectively operate the ready-mixed concrete station, which in turn may have an adverse impact on our overall financial performance and operations.

Furthermore, we may not be able to identify suitable acquisition or investment targets, or that if suitable targets are identified, we may not be able to complete such transactions on terms acceptable to us or at all, or we may fail to obtain the requisites governmental and other approvals for such acquisitions or investments. It may adversely affect our competitiveness or growth prospects.

Our strategy in establishing our own entrepots at selected strategic locations may be difficult to implement and such establishment may not be successful

We intend to strengthen our sales network by enhancing our logistics system and capabilities through establishing our own entrepots at strategic locations in close proximity to our existing and potential new markets. We may invest significant time and resources for the purpose of establishing such entrepots. However, as we currently do not possess solid experience in establishing and operating such entrepots, we cannot assure you that such entrepots will be established in accordance with the expected timetables, nor can we assure you of our performance and profitability targets. If the establishment of our own entrepots is not successful, we will have to use and rely on other means of distribution to strengthen our sales network. This may cause material adverse impact on our financial condition and operation results.

Price fluctuations and supply shortages of raw materials or utilities (coal and electricity) may cause a substantial negative impact to our business and results of operations

During the production process, we use large quantities of raw materials such as limestone, limestone mineral refuse, shale, sandstone, coal gangue, sulfate slag, clay, flyash and gypsum. It is important for us to secure reliable supplies of raw materials in order to maintain a high level of cement production output. For the three years ended 31 December 2009, 2010 and 2011, our cost of raw materials accounted for approximately 25.8%, 21.9%, and 27.8% of our total cost of sales respectively. These raw materials, in particular limestone, are subject to price volatility caused by external conditions, such as market price fluctuations and changes in governmental policies.

For the three years ended 31 December 2009, 2010 and 2011, the purchases from our top five raw material suppliers accounted for approximately 34.7%, 42.6% and 42.6% of our total purchases of raw materials respectively. There is no assurance that our key suppliers will continue to provide us with raw materials at reasonable prices or at all. If there is any interruption to the supply of raw materials or if the prices of raw materials required for our production increase significantly and we cannot pass on such incremental cost increases in our raw materials to our customers, our business, results of operations and financial condition could be materially and adversely affected.

RISK FACTORS

To maintain our furnace operating at a high temperature and to mobilize heavy machineries, a substantial amount of coal and electricity is required in our production process. In the Yangtze River Delta Region, power restrictions against cement production enterprises occur occasionally. In particular, the PRC government at both local and central levels may restrict the supply of electricity due to policy reasons. For instance, various policies restricting electricity supplies were implemented by the PRC government at different levels to ensure the achievement of those energy consumption and pollutant emission control targets as set forth in Eleventh Five-year Plan during the second half of 2010. We cannot assure that the PRC government at both local and national levels will not further enforce the power restrictions due to policy reasons in the future, nor can we be assured that we will not encounter any future power shortage caused by other reasons. In the event that we experience electricity shortages and our residuary heat recovery system is unable to make up the difference between the electricity that we require for our operations and that which we receive, our operations would be severely disrupted and our business, results of operations and financial condition could be materially and adversely affected.

Further, interruptions in the coal supply could also severely disrupt our operations, and any price hike for coal or electricity could increase our cost of sales and reduce our profitability.

For the three years ended 31 December 2009, 2010 and 2011, our cost of coal represented approximately 32.7%, 36.3% and 36.4% of our total cost of sales respectively.

For the three years ended 31 December 2009, 2010 and 2011, our cost of electricity represented approximately 18.0%, 16.2% and 16.3% of our total cost of sales respectively. Electricity prices for industrial enterprises are generally regulated by the PRC government. The average purchase price per KWh for electricity sourced from the local public utility supplier was approximately RMB0.5, RMB0.6 and RMB0.6 for the three years ended 31 December 2009, 2010 and 2011 respectively. An increase in the electricity price may not be passed on to our customers and it could have a material adverse effect on our business, results of operations and financial condition.

During the Track Record Period, we have experienced some minor occasional disruptions and power rationing to our operations due to insufficient supply of electricity.

We currently enjoy VAT refunds, if such tax incentives or refunds expire or change unfavourably, it may materially and adversely affect our results of operations and financial condition

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, we are eligible for VAT refunds for utilizing recycled materials, such as slag and flyash as raw materials for producing cement. For the three years ended 31 December 2009, 2010 and 2011, we obtained approximately RMB8.9 million, RMB8.7 million and RMB13.4 million respectively as VAT refunds.

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Although this incentive is currently in effect and we are not aware of any intention of the PRC government to discontinue the same, there is no assurance that such VAT tax refunds will be available on the same terms or at all in the future. If such tax incentives or refunds expire or change unfavorably, it may adversely and materially affect our business, financial condition and results of operations.

Managing our working capital prudently is crucial to the success of our business and an inadequate management of working capital may adversely affect our results of operations and financial condition

Our working capital for operations and capital expenditures are to a certain extent financed by funds generated from operating activities. As such, our ability in ensuring sufficient amounts of working capital can be material to our future success. We recorded a negative cash flow of operating activities of approximately RMB12.9 million for the year ended 31 December 2009.

Prudent management of working capital requires timely payments of our short-term indebtedness and securing of new loans on favourable terms; timely payments or re-negotiation of our payment terms for our trade payables; timely collection of trade receivables; utilization of banking facilities in an efficient manner; and establishment and execution of accurate and feasible budgets for our business operations. However, if we cannot manage our working capital successfully, our business, results of operations and financial condition could be materially and adversely affected. There is no assurance that we will be able to manage our working capital effectively. Should we fail to implement adequate sufficient internal control procedures and management systems to manage our working capital and other sources of financing, we may have insufficient capital to maintain and expand our business, and may breach the terms of financing agreements with banks, face claims under cross-default provisions, and be unable to obtain new financing, either of which could have a material adverse effect on our business, results of operations and financial condition.

Our business operations are susceptible to disruptions by reasons beyond our control such as adverse climatic conditions

Our operations are susceptible to uncertainties and contingencies beyond our control that could result in material disruptions and adversely affect our revenues. These include fires, natural disasters, epidemics, raw material shortages, equipment and system failures or other operational problems, strikes or other labour difficulties and disruptions of public infrastructure such as roads, ports or power grids. Adverse climatic conditions, such as extreme climatic and weather conditions, snow storms, heavy or sustained rainfall or drought affecting water levels in the Taihu lake and the Taipu River, may also affect our normal business operations. For example, we may encounter transportation delays in the supply and shipment of raw materials and products along the Taipu River at times of drought and flooding, causing water levels to fall or rise significantly, which could result in load restrictions being imposed or a suspension of river transportation services. Furthermore, if we experience serious flooding which renders our production facilities impracticable for use, we may not be able to continue our normal production and our business operations, financial condition and profitability could be adversely affected.

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Power interruptions or rationing, could disrupt or restrict the supply of such utilities. Any such disruption of our operations could adversely affect our production, prevent us from meeting customer orders, increase our costs of production or require us to make unplanned capital expenditures, each of which could adversely affect our business and financial performance. In addition, our operations are by nature subject to operational risks associated with the production of clinker and cement, such as storage tank leakage, explosion, discharge of hazardous substances and malfunctioning of production machinery. If these risks materialize, they may result in personal injuries, property damages and imposition of civil or even criminal liabilities.

Our business operations are susceptible to disruptions beyond our control if the PRC government categorizes us as a “small enterprise” and requires us to comply with the governmental consolidation policy in the PRC cement industry

Throughout the Track Record Period and up to the Latest Practicable Date, the annual production capacity of our cement production facilities has been 1,636,800 tonnes, which is well above the threshold of 200,000 tonnes (the “200,000 Threshold”) as stipulated under the Notice Regarding Phase-Out of Obsolete Cement Production Capability (《國家發改委關於做好淘汰落後水泥生產能力有關工作的通知》). Nevertheless, we cannot assure you how the PRC government will interpret the 200,000 Threshold, which may either be the production capacity or the production volume of cement. In the event that the 200,000 Threshold is interpreted as annual cement production volume, we cannot assure you that our annual cement production volume will not fall below the 200,000 Threshold in future when there are unfavourable conditions such as significant reduction in the market demand for cement or failure of a substantial portion of our production facilities to function properly. We also cannot assure you that the PRC government will not raise the consolidation threshold (i.e. currently the 200,000 Threshold) to a standard which is higher than the annual production capacity of our cement production facilities (i.e. 1,636,800 tonnes) or our annual production volume for the year ended 31 December 2011 (i.e. approximately 1.4 million tonnes). Under such circumstances, the PRC government may categorize us as a “small enterprise” and may request us to merge with or be acquired by other cement companies or even close down our operations. To avoid being classified as a “small enterprise”, we may try to maintain our production volume. The resulting high level of production of cement under unfavourable conditions such as extremely low market demand for our cement may in turn lead to an oversupply and hence impose downward pressure on the selling prices of our cement.

We no longer enjoy a preferential enterprise income tax rate of 12.5%

Commencing from 1 January 2012, we no longer enjoy the benefit of the preferential tax rate of 12.5% as a foreign owned enterprise. As advised by our PRC Legal Advisors, from 1 January 2012 onwards, we shall be subject to an enterprise income tax of 25%. Moreover, there can be no assurance that the PRC taxation laws, rules and regulations will not be amended in the future. If any such changes occur and are not favourable to our Group, our profitability and financial position may be adversely affected.

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Quality control is crucial to our success and failure to put an effective system in place to ensure consistent product quality and any significant product liability claims made against us, whether successful or not, could have a material adverse effect on our business, results of operations and financial condition

Ensuring that our products possess consistent quality helps us to maintain our market position and to stay competitive against our competitors. As such, the establishment of an effective quality control system is crucial to our success. Our quality control standards consists of training programs, quality control policies and guidelines for our production process covering areas from the purchase of raw materials to the delivery of finished products. However, any significant failure or deterioration of our quality control system may jeopardise our reputation, business, results of operations and financial condition as defective or substandard products may necessitate the replacements.

During the Track Record Period, we sold clinker and cement of different grades to our customers. We are exposed to risks associated with product liability claims if the use of our cement products causes any damage or injury. While we seek to ensure that our products meet a variety of contractual specifications and regulatory requirements, there is no assurance that product liability claims against us will not arise, whether due to product malfunctions, defects, or other causes. Furthermore, there is no assurance that we will be able to defend against such claims successfully. If any such claims were successful, we could be required to pay damages, which could materially and adversely affect our business, results of operations and financial condition.

We are vulnerable to fluctuations in the costs of our principal raw materials

Our principal raw materials are coal and limestone. For the three years ended 31 December 2009, 2010 and 2011:

- the average price of coal we purchased was RMB594.2 per tonne, RMB737.9 per tonne and RMB817.3 per tonne, respectively; and
- the average price of limestone we purchased was RMB26.6 per tonne, RMB28.5 per tonne and RMB38.5 per tonne, respectively.

The prices at which we purchase our raw materials are based on prevailing market prices and are affected by market supply and demand, the conditions of which may fluctuate from time to time. In addition, the prices of raw materials may fluctuate due to the implementation of government policies which may affect their supply. Further, we have not implemented any hedging policy up to the Latest Practicable Date.

In the event that there is a material increase in the purchase prices of our raw materials, and we are unable to pass on such price increment to our customers, our cost of production will increase whereupon our gross profit margin and profitability may be adversely affected.

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Retaining our executive Directors, senior management and other key personnel as well as a skilled labour force and maintaining their continued efforts are vital to the success of our business

Our success is dependent upon our executive Directors, senior management and key personnel as named in the section headed “Directors and Senior Management” in this prospectus as each of them brings along a unique combination of technical and management skills as well as industry experience in the cement industry in areas such as finance, strategic business development, sales and marketing which are vital to the success of our business. If one or more of our executive Directors or senior management are unable or unwilling to continue their employment with us, we may not be able to identify and recruit suitable replacements in a timely manner, or at all.


Furthermore, recruiting and retaining capable personnel, particularly experienced engineers and technicians familiar with our production processes, are important to maintain the quality of our products and improve our production processes.

We have limited insurance coverage and may be subject to liabilities resulting from potential operation risks and losses that may not be covered by our insurance policies

Our business and operations are by their nature exposed to liabilities for personal injury and loss of life, damage to or destruction of property, plant and equipment, transportation accidents and delays, environmental pollution, industrial damages and risks posed by natural disasters. In particular, our business involves the operation and handling of heavy machineries, which, if operated improperly, may result in personal injuries or even deaths. During the Track Record Period, we did not experience any incidents of personal injuries and/or death arising from improper operation and handling of machinery.

There is no assurance that accidents that would have a material impact on our operations will not happen in the future. In the event of any accident, we could be liable for personal injuries, loss of life or damage to property or for fines or penalties for violation of applicable PRC laws and regulations, and we may be subject to business interruptions caused by equipment shutdowns or suspension of operations due to government investigations or the requirement to implement additional safety measures. We maintain insurance coverage in such amounts and against such risks as we believe to be appropriate in accordance with industry practice. If we were to incur substantial losses or liabilities and our insurance coverage were unavailable or inadequate to cover such losses or liabilities, we would be responsible for such losses and our business, results of operations and financial condition could be materially and adversely affected.

Any unauthorized use or efforts to tarnish our brand names, trademarks and other intellectual property rights may materially and adversely affect our business, results of operations and financial condition

We rely on the PRC intellectual property and competition laws and contractual restrictions to protect our brand name and trademarks. Our brand name and trademarks are important to our business. Our cement products are principally sold under the trademark . Any unauthorized use of our brand name and trademarks by third-parties could adversely affect our business, reputation and market

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position. There is no assurance that the measures we take to protect our brand name and trademarks and to minimize the possibility of our key brand name and trademarks from being associated with products of inferior quality will be sufficient. In addition, the application, interpretation and enforcement of the PRC laws governing intellectual property rights in the PRC are uncertain, which undermines the level of legal protection such laws may offer. If we are unable to adequately protect our brand name and trademarks, our business, results of operations and financial condition could be adversely and materially affected.

With the increasingly stringent PRC environmental regulatory framework, we may not be able to comply with relevant environmental regulations in the future on a cost-effective basis

We are subject to national and local environmental protection laws and regulations. These laws and regulations include provisions for prevention and treatment of noise, water, soil and air pollution and other industrial pollution. Failure to comply with these laws and regulations may result in penalties, fines, administrative sanctions, proceedings and/or suspension or revocation of our licenses or permits to conduct our business. The PRC government has adopted various environmental policies to reduce the adverse effects of the cement industry on the environment. With the increasing awareness of environmental protection issues, we anticipate that the PRC environmental regulatory framework will become increasingly stringent, which may include those relating to air quality, solid waste management and waste water treatment. For instance, it is reported that the head of SEPA expressed the PRC government's intention to implement more stringent atmospheric pollutant emission standards against the cement industry which will reduce the allowed NO_x emission standards from 800 mg per m³ under the current standards to 500 mg per m³. It is also a target set in the PRC National Environmental Protection Twelfth Five-Year Plan (國家環境保護“十二五”規劃) that the PRC overall NO_x emission should be reduced by 10% during the period from 2011 to 2015. In the event of such policy change, we may need to maintain our costs for the maintenance of our pollution control equipment at a relatively high level. For instance, our NO_x emission standards during the period from April 2011 (since where we used the electric dust precipitators) to April 2012 ranged from 0mg/m³ to 605 mg/m³, with an average monthly emission standard at 330 mg/m³ for the same period. If the NO_x emission standards implemented by the PRC government are adjusted to a level which is lower than our NO_x emission amount (such as down to the level of 300 mg/m³), we may need to upgrade our production facility and our production costs are expected to increase in such event. As such, we estimate that capital expenditure of approximately RMB16.8 million may be required to upgrade the relevant production equipment, with an annual operation cost of approximately RMB3.6 million. Based on the assumption that we produce 1.4 million tonnes of cement per annum, our cost of production will increase by approximately RMB5.29 million each year. The production costs for cement is expected to increase by RMB3.78 per tonne. If the PRC government implements more strict environmental laws, regulations, rules and/or policies, such as policy against sulphur content in coal, we may further upgrade our production facilities and take other actions if necessary. In such circumstances, our business, results of operations and financial condition could be materially and adversely affected.

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Our interests may conflict with those of the Controlling Shareholders who may take actions that are not in, or may conflict with, our or our public Shareholders' best interests

Our Controlling Shareholders will hold approximately 59.5% of our issued share capital upon completion of the Global Offering and the Capitalization Issue, assuming the Over-allotment Option is not exercised (or approximately 57.35% if the Over-allotment Option is exercised in full). Accordingly, subject to our Articles of Association and applicable laws and regulations, the Controlling Shareholder(s) will be able to influence our major policy decisions. The interests of Controlling Shareholder(s) may not always coincide with our other Shareholders' best interests. If the interests of the Controlling Shareholders conflict with the interests of our other Shareholders, or if the Controlling Shareholders choose to cause our business to pursue strategic objectives that conflict with the interests of our other Shareholders, those other Shareholders may be disadvantaged as a result.

We do not possess valid legal titles to certain properties that we occupy

We have not obtained all valid title certificates to certain properties that we occupy. We may not be able to freely transfer title to those properties. With respect to the properties which we own, as at the Latest Practicable Date, we had not obtained proper Completion Acceptance Permits and Property Ownership Certificates of 8 buildings with an aggregate gross floor area of approximately 9,181.57 sq.m. respectively. We use these properties for various purposes, including as a warehouse, repair work-shop and staff quarters. The operations we conduct in these properties may be adversely affected as a result of the absence of valid legal titles. We may be imposed a fine against us ranging from RMB0.2 million to RMB1.5 million because of our failure to obtain the Completion Acceptance Permit. We may also be required to relocate such operations temporarily or permanently and any such business interruptions may adversely affect our business, results of operation and financial condition.

Our failure to register and open housing fund accounts for our employees and to deposit sufficient funds into the same accounts may materially and adversely affect our business

According to the Regulations on Management of Housing Fund (住房公積金管理條例), enterprises and institutions in the PRC are required to register and open housing fund accounts for their employees with the housing fund authorities, and pay the housing fund. The housing fund management centre has the right to demand any enterprise or institution who has failed to register and open the housing fund accounts to complete the registration within a specified time, and failing which a fine ranging from RMB10,000 to RMB50,000 may be imposed. A maximum fine of RMB50,000 may therefore be imposed on us. During the Track Record Period, we did not register and open housing fund accounts for our employees, nor pay the housing fund. There is no assurance that the housing fund management centre or any relevant PRC authority will not impose administrative penalties against us in connection with the non-compliance referred above, which may adversely affect the business and results of operations of us.

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We may agree, on a voluntary basis and as a matter of business strategy, to accept a favourable merger or acquisition plan of our Group or any of its members by other large scale cement producers

The PRC government is currently promoting the consolidation of the PRC cement industry. On 31 December 2006, the NDRC, the Ministry of Land and Resources and the People's Bank of China jointly issued the "Notice of List of Large-scale Enterprises (Group) in relation to Adjustment of Structure of Cement Industry supported by the State" (關於公佈國家重點支援水泥工業結構調整大型企業(集團)名單的通知) (the "Notice"). It is stated in the Notice that when seeking project investments or mergers and acquisitions, government support and priority with respect to project approvals, land use right grants and credit approvals will be given to the 12 national and 48 local cement companies listed on the Notice.

Although we do not anticipate that we will be a consolidator or consolidate despite the consolidation policy governing the PRC cement industry, we may become a target for merger or acquisition by other large scale cement producers, including those listed on the Notice which may receive support from the PRC government for carrying out merger or acquisition plans, particularly in light of the fact that (i) our competitive strength of having a convenient transportation network and business situated at good geographical location; (ii) our profitable operation; and (iii) our compliance with the relevant PRC laws and regulations throughout the Track Record Period.

We may need to incur extra capital expenditure in maintaining or replacing our production equipment upon expiry of its depreciation period

The depreciation period for our production equipment is 10 years. As at the Latest Practicable Date, most of our production equipment has been operated for approximately 7.5 years. In the event that some or all of our production equipment can no longer function properly or need substantial repair and maintenance upon expiry of the relevant depreciation period, we may need to incur extra capital expenditure in maintaining or replacing such production equipment. Under such circumstances, our financial condition and operation results may be adversely affected.

RISKS RELATING TO THE CEMENT INDUSTRY IN THE PRC

The cement industry in the Yangtze River Delta Region is competitive and if competition intensifies, demand for our cement products may decrease

The regional markets and the cement industry in which we primarily conduct business in are intensely competitive and price sensitive. In Wujiang City, our major competitors include regional producers in the markets in which we operate such as Wujiang Minggang Road and Bridge Ltd., Co. (吳江市明港道橋工程有限公司) and Wujiang Xingyuan Cement Ltd., Co. (吳江市興源水泥有限公司) as well as nationwide producers such as Conch Cement Company (海螺水泥) and South Cement Company (南方水泥). There are also other major competitors in other areas we operate in, and potential competitors, such as those cement producers listed in the Notice of List of Large-scale Enterprises (Group) in relation to Adjustment of Structure of Cement Industry supported by the State (關於公佈國家重點支援水泥工業結構調整大型企業(集團)名單的通知). Conch Cement Company is one of the companies listed in the Notice.

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We compete directly with our regional competitors and other competitors for customers and raw materials. We compete primarily on the pricing for our products, variety of products offered, access to resources, sales and marketing network, production capacity and efficiency, and brand image. If we fail to compete successfully against our competitors, our business, results of operations and financial condition may be materially and adversely affected. Further, if more cement companies enter into our regional markets, it may increase the supply for cement in our regional markets, which may have a negative impact on our selling prices and adversely affect our profitability and financial performance.

Furthermore, some of the cement companies with national presence are currently expanding their businesses into the downstream ready-mixed concrete industry by merging with or acquiring ready-mixed concrete stations in Yangtze Delta River Region. Such expansion may reduce the number of our ready-mixed concrete station customers in the market. On the other hand, an increasing number of large cement entrepots have been established in the Yangtze Delta Region, which has facilitated the penetration of cement produced in Northern China or upstream of the Yangtze River into our markets in the Yangtze River Delta Region at a relatively low production cost which will further intensify the competition we face in our markets. As a result, we may fail to compete successfully against our competitors, which might in turn materially and adversely affect our business, results of operations and financial condition.

Our results of operations are subject to seasonal fluctuations in demand for our cement products

The amount of construction activities is generally cyclical with a lower volume of sales during humid periods in June and July and during the Chinese New Year holidays in January or February. During the rest of the year, we generally record a higher volume of sales when construction activities remain at a stable level. Consequently, our interim results may not be indicative of our business and financial performance for the whole year as our results of operations are subject to seasonal fluctuations.

The PRC government exerts control over the cement industry through extensive regulations

In order to carry on our business in cement production, we are required to maintain licenses and permits such as cement production permits and production safety permits which are governed by various PRC government authorities empowered to issue and implement regulations governing various aspects of the cement production and excavation activities of raw materials. Such government authorities include the Ministry of Land and Resources, the State Environmental Protection Administration, the General Administration of Quality Supervision Inspection and Quarantine, MOFCOM and the Ministry of Construction of the PRC.

We are also required to comply with certain standards stipulated by various PRC government authorities such as the General Administration of Quality Supervision Inspection and Quarantine issued the GB175-2007 standards that specifies among others the constituents, strength, technical requirements, testing methods, inspection rules, packaging, labeling, transportation and dosage for Portland cement and ordinary Portland cement. Should there be any change to the existing requirements

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or new requirements applicable to our cement products, we may need to incur additional expenses to ensure compliances and there is no assurance that we will successfully obtain such licenses, permits or approvals in a timely manner or at all. If we are not able to meet all the licensing conditions or the regulatory requirements, our business, results of operations and financial condition could be adversely and materially affected.

Furthermore, the PRC government may also implement regulations to control the development of the cement industry. One example is that the NDRC issued the *Notice Regarding Phase-Out of Obsolete Cement Production Capability* (關於做好淘汰落後水泥生產能力有關工作的通知) on 18 February 2007 that requires local governments to gradually phase out cement producers with annual output of less than 200,000 tonnes and those with production methods that are not environmentally friendly. Another example is that the State Council issued the *Notice Approving the NDRC and Certain Other Departments' Guidelines on Redundant Construction, Curbing Overcapacity in Certain Industries for Healthy Industrial Development* (國務院批轉發展改革委等部門關於抑制部分行業產能過剩和重複建設引導產業健康發展若干意見的通知) on 26 September 2009 to strictly control newly added cement capacities and phase out obsolete cement production capacities. We are in full compliance with the existing governing rules and regulations. However, if the PRC government continues to implement stringent regulations and policies in the future which are unfavourable to our current practice, we may be required to make significant adjustments to our current or future development plans, increase our costs and divert our management resources, which may in turn may adversely affect our profitability, competitiveness and prospects.

RISKS RELATING TO THE PRC

Dividends payable by us to our foreign investors and gains on the sale of our Shares may become subject to withholding taxes under PRC tax laws

Under the new PRC EIT Law and implementation regulations issued by the State Council, PRC income tax at the rate of 10% is applicable to dividends payable to investors that are “non-resident enterprises” (and that do not have an establishment or place of business in the PRC, or that have such establishment or place of business but the relevant income is not effectively connected with the establishment or place of business) to the extent such dividends have their source within the PRC. Similarly, any gain realized on the transfer of shares by such investors is also subject to 10% PRC income tax if such gain is regarded as income derived from sources within the PRC. Under the Arrangement between the Mainland China and Hong Kong Special Administrative Region on the Avoidance of Double Taxation and Prevention of Fiscal Evasion, which became effective on 1 January 2007, income tax on dividend payable to a company resident in Hong Kong that holds more than a 25% equity interest in a PRC resident enterprise may be reduced to a rate of 5%.

Similarly, the Indirect Transfer Tax Circular provides that where a foreign investor indirectly transfers the equity of a PRC resident enterprise by disposing the equity of an overseas holding company (“Indirect Transfer”) located in a tax jurisdiction that: (i) has an effective tax rate of less than 12.5%, or (ii) does not tax its residents on their foreign incomes, the foreign investor shall report the Indirect Transfer to the competent PRC tax authority within 30 days from the date when the equity transfer agreement was made. The PRC tax authority will examine the true nature of the

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Indirect Transfer. Should it deem the foreign investor to have made the transfer in order to avoid the PRC tax, the PRC tax authority may disregard the existence of the overseas holding company and re-characterize the Indirect Transfer.

As a result, gains derived from such Indirect Transfer may be subject to the PRC withholding tax at the rate of 10%. The Indirect Transfer Tax Circular also provides that, where a non-PRC resident enterprise transfers its equity interests in a PRC resident enterprise to its related parties at a price lower than the fair market value, the competent PRC tax authority has the authority to adjust the amount of taxable income pertaining to the transaction.

Any slowdown in the PRC economy or changes in political and economic policies of the PRC government could have an adverse effect on the overall growth in the PRC, which could reduce the demand for our products and materially and adversely affect our business, results of operations and financial condition

Substantially all of our cement products are sold to our domestic customers in the PRC. Accordingly, our business, results of operations and financial condition are significantly affected by economic, political and legal developments in the PRC. Demand for our products is dependent on the pace of economic growth in the PRC such as the GDP growth rate and in particular the general level of construction activities and the level of investment in fixed assets in Jiangsu Province, Zhejiang Province and Shanghai where we primarily conduct our business in. In addition, local economic conditions such as mortgage and interest rate levels, inflation, unemployment, demographic trends, GDP growth and consumer confidence also influence the performance and growth of the construction industry and investments in fixed assets and, consequently, the demand for our products.

A downturn in the construction industry in Jiangsu Province, Zhejiang Province and Shanghai where we primarily operate could materially and adversely affect our business, results of operations and financial condition. The PRC government has implemented various measures to encourage economic growth and guide the allocation of resources. Some of these measures, while benefiting the overall PRC economy, may have a negative effect on the regional markets. For example, efforts by the PRC government to slow the pace of growth of the real estate industry in the PRC may negatively affect the regional real estate market and consequently impede the growth of the regional construction industry. Policies and measures that were introduced and those that may be introduced by the PRC government may lead to changes in market conditions, including price instability and an imbalance between the supply of, and demand for, properties in the PRC. Any weakening in the PRC property sector in our target regional markets could adversely affect our financial condition and results of operations. As a result, any adverse change in government policies or economic conditions in the PRC could have a material adverse effect on the overall economic growth in the PRC, which in turn could lead to a reduction in the demand for our products and consequently have a material adverse effect on our business, financial position and results of operations.

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

Substantially all of our business and operations are conducted in the PRC and are governed by PRC laws, rules and regulations. Dongwu Cement, our sole PRC subsidiary is generally subject to laws, rules and regulations applicable to foreign investments in the PRC and, in particular, laws applicable to wholly foreign-owned enterprises. The PRC legal system is a civil law system based on written statutes. Prior court decisions may be cited for reference but have limited precedential value.

However, the PRC has not developed a fully integrated legal system, and recently-enacted laws and regulations may not sufficiently address all relevant aspects of economic and investment activities in the PRC. As many of these laws, rules and regulations are relatively new, and because of the limited volume of published decisions, the interpretation and enforcement of these laws, rules and regulations involve uncertainties and may not be as consistent or predictable as in other more developed jurisdictions. In addition, the PRC legal system is based in part on government policies and administrative rules that may have a retroactive effect. As a result, we may not be aware of our violation of these policies and rules until some time after the violation.

PRC regulation of direct investment and loans by offshore holding companies to PRC entities may delay or limit us from using the proceeds of the Global Offering to make additional capital contributions or loans to Dongwu Cement

Any capital contributions or loans that we, as an offshore entity, make to Dongwu Cement, our sole PRC subsidiary, including from the proceeds of the Global Offering, are subject to PRC regulations. For example, pursuant to the *Interim Measures on the Management of Foreign Debts* (外債管理暫行辦法), promulgated by the State Administration of Foreign Exchange of the PRC on 1 March 2003, any of our loans to Dongwu Cement cannot exceed the difference between the total amount of investment Dongwu Cement is approved to make under relevant PRC laws and the registered capital of Dongwu Cement, and such loans must be registered with the local branch of SAFE. Moreover, our capital contributions to Dongwu Cement must be approved by MOFCOM or its local counterpart. There is no assurance that we will be able to obtain these approvals on a timely basis, or at all. If we fail to obtain such approvals, our ability to make equity contributions or provide loans to Dongwu Cement or to fund their operations may be adversely affected, which may in turn adversely affect Dongwu Cement's liquidity and ability to fund their working capital and expansion projects and meet their obligations and commitments.

We may be subject to fines and penalties under the PRC Labour Contract Law, and our labour costs may increase

The PRC Labour Contract Law imposes requirements concerning, among others, the types of contracts to be executed between an employer and an employee, and establishes time limits for probation periods and for fixed-term employment contracts. It also requires the employer to contribute to social insurance and housing funds on behalf of its employees. We are unsure whether the PRC Labour Contract Law will affect our current employment policies. There is no assurance that our employment policies do not or will not violate the PRC Labour Contract Law and that we will not be

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subject to related penalties, fines or legal fees. Furthermore, if labour costs increase in the PRC, our production costs will increase and we may not be able to pass these increases on to our customers due to competitive pricing pressures. If we are subject to large penalties or fees related to the PRC Labour Contract Law or our labour costs increase, our business, results of operations and financial condition may be materially and adversely affected.

Exchange rate fluctuations of the Renminbi may adversely affect investment in our Company and our results of operations

The exchange rates between the Renminbi and the Hong Kong Dollar, the U.S. Dollar and other foreign currencies are affected by, among other things, changes in political and economic conditions of the PRC. Pursuant to the *Announcement Reforming the RMB Exchange Rate Regime* (關於完善人民幣匯率形成機制改革的公告) issued by PBOC on 21 July 2005, the PRC government has changed its decade-old policy of pegging the value of the Renminbi to the U.S. Dollar. Under the new policy, the Renminbi is pegged against a basket of currencies, determined by the PBOC, against which it can rise or fall by as much as 0.5% each day.

As of the Latest Practicable Date, this change in policy has resulted in the value of the Renminbi appreciating against the U.S. Dollar by approximately 30.7% since 2005. Appreciation of the Renminbi against the relevant foreign currencies would have an adverse effect on the Renminbi amount we receive following conversion. As we rely on dividends paid to us by Dongwu Cement, any significant revaluation of Renminbi may have a material adverse effect on the value of the dividends payable in foreign currency terms.

Furthermore, we will need to convert the proceeds from the Global Offering and future financing in foreign currencies into the Renminbi for our operational use. Very limited hedging transactions are available in the PRC to reduce our exposure to exchange rate fluctuations. To date, we have not entered into any hedging transactions to reduce our exposure to foreign currency exchange risks. While we may decide to enter into hedging transactions in the future, the availability and effectiveness of these transactions may be limited, and we may not be able to successfully hedge our exposure at all. In addition, our currency exchange losses may be increased by PRC exchange control regulations that restrict our ability to convert Renminbi into foreign currencies. As a result, any significant revaluation of the Renminbi may have a material and adverse effect on our cash flow, results of operations and financial position.

Government control over currency conversion may affect the value of investment in our Shares and limit our ability to utilize our cash effectively

The PRC government imposes controls on the convertibility of the Renminbi into foreign currencies and, in certain cases, the remittance of currency out of the PRC. Under existing PRC foreign exchange regulations, payments of current account items, including profit distributions, interest payments and expenditures from trade related transactions, can be made in foreign currencies without prior approval from SAFE, by complying with certain procedural requirements. However, approval from SAFE or its local branch is required where Renminbi is to be converted into foreign currency and remitted out of the PRC to pay capital expenses such as the repayment of loans denominated in foreign currencies.

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The PRC government may also at its discretion restrict access in the future to foreign currencies for current account transactions. Under our current corporate structure, we derive a significant portion of our income from dividend payments from Dongwu Cement, our sole PRC subsidiary. Shortages in the availability of foreign currency may restrict the ability of Dongwu Cement to remit sufficient foreign currency to pay dividends or other payments to us, or otherwise satisfy their foreign currency-denominated obligations. If the foreign exchange control system prevents us from obtaining sufficient foreign currency to satisfy our currency demands, we may not be able to pay dividends in foreign currencies to our shareholders.

In addition, since our future cash flow from operations will continue to be largely denominated in Renminbi, any existing and future restrictions on currency exchange may limit our ability to purchase goods and from outside the PRC or otherwise fund our business activities that are conducted in foreign currencies. This could affect the ability of Dongwu Cement to obtain foreign exchange through debt or equity financing, including by means of loans or capital contributions from us, which could have a material and adverse effect on our business, results of operations and financial condition.

Prospective investors may encounter difficulties in effecting service of legal process and enforcing judgments against us and our management

All of our production facilities and a majority of our Directors are located in the PRC. As a result, it may not be possible for prospective investors to effect service of legal process upon us or our Directors in the PRC. Moreover, the PRC does not have treaties providing for the reciprocal recognition and enforcement of court judgments with respect to civil disputes with the United States, the United Kingdom, Japan and many other jurisdictions. Thus, it is difficult for prospective investors to enforce against us and our Directors in the PRC any judgments obtained from any of the other jurisdictions mentioned above. On 14 July 2006, Hong Kong and the PRC entered into the Arrangement on Reciprocal Recognition and Enforcement of Judgments in Civil and Commercial Matters by the Courts of the Mainland and of the Hong Kong Special Administrative Region Pursuant to Choice of Court Agreement between Parties Concerned (the “Arrangement”), pursuant to which a party with a final court judgment rendered by a Hong Kong court requiring payment of money in a civil and commercial case according to a choice of court agreement in writing may apply for recognition and enforcement of the judgment in the PRC. Similarly, a party with a final judgment rendered by a PRC court requiring payment of money in a civil and commercial case pursuant to a choice of court agreement in writing may apply for recognition and enforcement of such judgment in Hong Kong. A choice of court agreement in writing is defined as any agreement in writing entered into between parties after the effective date of the Arrangement in which a Hong Kong court or a PRC court is expressly designated as the court having sole jurisdiction for the dispute. Therefore, it is not possible to enforce a judgment rendered by a Hong Kong court in the PRC if the parties in dispute do not agree to enter into a choice of court agreement in writing. Although the Arrangement became effective on 1 August 2008, the outcome and effectiveness of any action brought under the Arrangement may still be uncertain.

RISK FACTORS

RISKS RELATING TO THE GLOBAL OFFERING

Prior public market for our Shares has not been in existence before, it follows that market price and liquidity of our Shares following the Global Offering may be volatile

Prior to the Global Offering, there has been no public market for our Share. Following the completion of the Global Offering, the Stock Exchange will be the only market on which our Shares are listed. There is no assurance that an active, liquid public trading market for our Shares will develop upon the present listing on the Stock Exchange. In addition, after the Global Offering our Shares may trade in the public market below the Offer Price. The Offer Price will be determined by agreement between us (acting for ourselves and on behalf of the Selling Shareholder) and the Sole Global Coordinator (acting for itself and on behalf of the Underwriters) and it may differ significantly from the market price of our Shares following the completion of the Global Offering. If an active trading market for our Shares does not develop or is not sustained after the Global Offering, the market price and liquidity of our Shares could be materially and adversely affected.

Volatility in the trading price of our Shares could cause substantial losses to our prospective investors

The trading price of our Shares may be volatile and could fluctuate significantly in response to factors beyond our control, including general market conditions of the securities markets in Hong Kong, the PRC, the United States and elsewhere in the world. In particular, the performance and fluctuation of the market prices of other companies with business operations located mainly in the PRC that have listed their securities in Hong Kong may affect the volatility in the price of and trading volumes for our Shares. Recently, a number of PRC companies have listed their securities, or are in the process of preparing to list their securities, in Hong Kong. Some of the recently listed companies have experienced significant share price volatility, including significant declines, after their initial public offerings. The trading performances of the securities of these companies at the time of or after their offerings may affect the overall investor sentiment towards companies listed in Hong Kong whose operations are primarily in the PRC, and consequently may impact the trading performance of our Shares. These broad market and industry factors may significantly affect the market price and volatility of our Shares, regardless of our actual operating performance. In addition to market and industry factors, the share price and trading volume for our Shares may be highly volatile for specific business reasons. In particular, factors such as variations in our turnover, earnings and cash flow, or the occurrence of any of the risks described elsewhere in this section, could cause the market price of our Shares to fluctuate substantially. Any of these factors may result in large and sudden changes in the volume and trading price of our Shares.

If substantial amount of our Shares are sold in the public market, it could adversely affect the prevailing market price of our Shares

The Shares held by our Controlling Shareholders are subject to certain lock-up periods beginning on the date on which trading in our Shares commences on the Hong Kong Stock Exchange, the details of which are set out in the section headed “Underwriting” in this prospectus. There is no assurance

RISK FACTORS

that, after such restrictions expire, these shareholders will not dispose of any Shares. Sales of substantial amounts of our Shares in the public market, or the perception that these sales may occur, may materially and adversely affect the prevailing market price of our Shares.

Forward-looking statements may be inaccurate

This prospectus contains certain forward-looking statements relating to our Group's plans, objectives, expectations and intentions. Such forward-looking statements involve known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements of our Group to be materially different from the anticipated results, performance or achievements expressed or implied by the forward-looking statements in this prospectus. Such forward-looking statements are based on numerous assumptions as to our Group's present and future business strategies and the environment in which our Group will operate in the future. Our Group's actual results, performance or achievements may differ materially from those disclosed in this prospectus.

Purchasers of our Shares in the Global Offering will experience immediate dilution, and may experience further dilution if we issue additional Shares in the future

The Offer Price of our Shares is higher than the value of the net tangible assets per Share immediately prior to the Global Offering. Therefore, purchasers of our Shares in the Global Offering will experience an immediate dilution to the value of the pro forma adjusted net tangible assets of HK\$0.74 per Share based on the maximum offer price of HK\$1.28 per Share. In order to expand our business, we may consider issuing additional Shares in the future. Purchasers of our Shares may experience further dilution in the net tangible asset book value per Share of their Shares if we issue additional Shares in the future at a price which is lower than the net tangible asset book value per Share.

Dividends paid in the past may not be indicative of our dividend policy in the future

During the Track Record Period, we have declared and paid out dividends in the sum of RMB49,268,000, RMB29,444,000 and RMB42,930,000 to our then shareholders on 12 May 2011, 12 September 2011 and 21 December 2011 respectively. Our Directors may declare dividends after taking into account, among other things, our results of operations, financial condition and position, the amount of distributable profits based on HKFRS, our Memorandum and Articles of Association, the Cayman Companies Law, applicable laws and regulations and other factors that our Directors deem relevant. For further details of our dividend policy, please see the paragraph headed "Dividend Policy" under the section headed "Financial Information" of this prospectus. Our future payments of dividends may not reflect our historical payments of dividends, and will be at the absolute discretion of our Board. There is no assurance whether and when we will pay dividends in the future.

RISK FACTORS

Certain facts and other statistics with respect to the PRC, the PRC economy and the PRC cement industry in this prospectus are derived from various official government sources and third-party sources and may not be reliable

Certain facts and other statistics in this prospectus relating to the PRC, the PRC economy and the PRC cement industry have been derived from various official government publications and third-party sources. However, we cannot guarantee the quality or reliability of such sources. We nor any of our respective affiliates or advisors have not prepared or independently verified them and, therefore, we make no representation as to the accuracy of such facts and statistics, which may not be consistent with other information compiled within or outside the PRC. Due to possibly flawed or ineffective collection methods or discrepancies between published information and market practice and other problems, the statistics herein may be inaccurate or may not be comparable to statistics produced for other economies and may not be reliable. Furthermore, there is no assurance that they are stated or compiled on the same basis or with the same degree of accuracy as may be the case elsewhere in other countries. As a result, prospective investors should consider carefully how much weight or importance they should attach to or place on such facts or statistics.

Prospective investors should read the entire prospectus carefully and we strongly caution our prospective investors not to place any undue reliance on any information contained in press articles or other media regarding us and the Global Offering

We strongly caution prospective investors that they do not place any reliance on any information that might be contained in press articles or other media regarding us and the Global Offering as those information were not sourced from or authorized by us. We do not accept any responsibility for any such press or media coverage or the accuracy or completeness of any such information. We make no representation as to the appropriateness, accuracy, completeness or reliability of any such information or publication. To the extent that any such information is inconsistent or conflicts with the information contained in this prospectus, our Group and our Directors disclaim responsibility for it. Accordingly, prospective investors should not unduly rely on any such information in press articles or other media.

WAIVERS FROM STRICT COMPLIANCE WITH THE LISTING RULES

In preparation for the Listing, our Company has sought the following waivers from strict compliance with the relevant provisions of the Listing Rules:

MANAGEMENT PRESENCE IN HONG KONG

Pursuant to Rule 8.12 of the Listing Rules, we must have a sufficient management presence in Hong Kong. This normally means that at least two of our executive Directors must be ordinarily resident in Hong Kong. Since our principal business operations are primarily located in the PRC, most of the senior management members of our Group are, and are expected to continue to be, based in the PRC. At present, the Board consists of three executive Directors, all of whom ordinarily reside in the PRC. Therefore, for the purpose of our Group's operations, our Directors consider that it is not necessary for our Group to relocate two executive Directors to Hong Kong or to appoint two additional executive Directors who ordinarily reside in Hong Kong. We have applied to the Stock Exchange for a waiver from strict compliance with the requirement under Rule 8.12 of the Listing Rules.

The Stock Exchange has granted a waiver to our Company from compliance with Rule 8.12 of the Listing Rules subject to the following conditions:

- (a) we have appointed two authorized representatives pursuant to Rule 3.05 of the Listing Rules, who will act as the Company's principal communication channel with the Stock Exchange and will ensure that they comply with the Listing Rules at all times. The two authorized representatives appointed are Mr. Yang Bin, an executive Director, and Ms. Sun Xin, one of the joint company secretaries. Each of the authorized representatives will be available to meet with the Stock Exchange in Hong Kong upon short notice and will be readily contactable by telephone, facsimile or e-mail. Each of the authorized representatives has been duly authorized to communicate on behalf of the Company with the Stock Exchange;
- (b) we have appointed Guotai Junan Capital Limited as our compliance adviser pursuant to Rule 3A.19 of the Listing Rules which will also act as the Company's additional communication channel with the Stock Exchange when the authorized representatives are not available;
- (c) the authorized representatives have means to contact all members of the Board (including the independent non-executive Directors) promptly at all times as and when the Stock Exchange wishes to contact the members of the Board for any matters. We will implement a policy whereby (i) each Director will provide his or her mobile phone number, residential phone number, facsimile number and e-mail address to the authorized representatives so far as is available; (ii) each Director will provide valid phone numbers or means of communication to the authorized representatives when he or she is travelling; and (iii) each Director will provide his or her mobile phone number, residential phone number, office phone number, facsimile number and e-mail address to the Stock Exchange so far as is available;

WAIVERS FROM STRICT COMPLIANCE WITH THE LISTING RULES

- (d) meetings between the Stock Exchange and the Directors could be arranged through the authorized representatives or the compliance adviser, or directly with the Directors within a reasonable time frame. We will inform the Stock Exchange promptly in respect of any change in the authorized representatives or the compliance adviser in accordance with the Listing Rules; and
- (e) all of the Directors who are not ordinary resident in Hong Kong have confirmed that they possess valid travel documents to visit Hong Kong and will be able to meet with the relevant members of the Stock Exchange within a reasonable period of time, when required.

JOINT COMPANY SECRETARIES

According to Rule 8.17 of the Listing Rules, the Company must appoint its company secretary who satisfies Rule 3.28 of the Listing Rules which stipulates that the company secretary of our Company must be an individual who, by virtue of his or her academic or professional qualifications or relevant experience, is, in the opinion of the Stock Exchange, capable of discharging the functions of company secretary.

Our Company has appointed Ms. Sun Xin as one of the joint company secretaries in view of her thorough understanding of the operation and/or business of the Board, our Company and our Group, her professional qualifications as a PRC registered accountant and her law degree from Shanghai International Studies University, her practical experience and familiarity with the Company and the Group as well as her expertise in tax matters and accounting, and extensive experience in corporate governance. Nevertheless, Ms. Sun does not possess the academic or professional qualifications as stipulated under Rule 3.28 of the Listing Rules and may not be able to solely fulfill the requirements as stipulated under Rule 3.28 of the Listing Rules. As such, our Company appointed Mr. Chan Chin Wang, Keith as another joint company secretary who is a solicitor in Hong Kong and therefore fully complies with the requirements set out under Rule 3.28 of the Listing Rules.

Our Company proposes to implement the following measures to assist Ms. Sun in becoming a joint company secretary possessing all the requisite qualifications as required under the Listing Rules during the waiver period: (i) Mr. Chan will provide assistance and guidance to Ms. Sun in her discharge of duties as a joint company secretary and in gaining the relevant experience as required under the Listing Rules; and (ii) our Company will ensure Ms. Sun has access to the relevant training and support to enable Ms. Sun to familiarize herself with the Listing Rules and the duties required for a company secretary of an issuer listed on the Stock Exchange.

Further, our Company will ensure that we will have at least one company secretary who possesses the requirements of a company secretary as stipulated under Rule 3.28 of the Listing Rules at all times.

WAIVERS FROM STRICT COMPLIANCE WITH THE LISTING RULES

We have applied to the Stock Exchange for, and the Stock Exchange has granted, a waiver from strict compliance with Rule 8.17 of the Listing Rules in respect of the qualification requirements under Rule 3.28 of the Listing Rules. The waiver is valid for an initial period of one full financial year from the Listing Date. Our Company will liaise with the Stock Exchange and the Stock Exchange will review the situation with the expectation that the Company should then be able to demonstrate to the Stock Exchange's satisfaction that Ms. Sun having the benefit of Mr. Chan's assistance over the waiver period would have acquired the relevant experience within the meaning of Rule 3.28 of the Listing Rules such that a further waiver will not be necessary.

We understand that in the event that Mr. Chan ceases to provide assistance and guidance to Ms. Sun during the waiver period, the waiver will be revoked with immediate effect.

INFORMATION ABOUT THIS PROSPECTUS AND THE GLOBAL OFFERING

DIRECTORS' RESPONSIBILITY FOR THE CONTENTS OF THIS PROSPECTUS

This prospectus and the related Application Forms include particulars given in compliance with the company laws of Hong Kong, including the Companies Ordinance, the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), the Securities and Futures (Stock Market Listing) Rules of Hong Kong (Chapter 571V of the Laws of Hong Kong) and the Listing Rules for the purpose of giving information with regard to our Group. Our Directors collectively and individually accept full responsibility for the accuracy of the information contained in this prospectus and the related Application Forms and confirm, having made all reasonable enquiries, that to the best of their knowledge and belief the information contained in this prospectus is accurate and complete in all material respects and not misleading or deceptive, and there are no other facts that the omission of which would make any statement in this prospectus misleading, and all opinions expressed in this prospectus have been arrived at after due and careful considerations and are founded on bases and consumptions that are fair and reasonable.

INFORMATION ON THE GLOBAL OFFERING

The Offer Shares are offered solely on the basis of the information contained and representations made in this prospectus and the Application Forms and on the terms and subject to the conditions set out herein and therein. No person is authorized to give any information in connection with the Global Offering or to make any representation not contained in this prospectus and the related Application Forms, and any information or representation not contained herein and therein must not be relied upon as having been authorized by the Company, the Selling Shareholder, the Sole Sponsor, the Sole Global Coordinator, the Underwriters, or any of their respective directors, agents, employees, advisors or any other party involved in the Global Offering. Neither the delivery of this prospectus nor any offering, sale or delivery made in connection with our Shares should, under any circumstances, constitute a representation that there has been no change or development reasonably unlikely to involve a change in our affairs since the date of this prospectus or imply that the information contained in this prospectus is correct as of any date subsequent to the date of this prospectus.

Details of the structure of the Global Offering, including its conditions, are set out in the section headed "Structure of the Global Offering" in this prospectus, and the procedures for applying for Hong Kong Offer Shares are set out in the section headed "How to apply for Hong Kong Offer Shares" in this prospectus and in the relevant Application Forms.

UNDERWRITING

This prospectus is published solely in connection with the Hong Kong Public Offer, which forms part of the Global Offering. For applicants under the Hong Kong Public Offer, this prospectus and the Application Forms set out the terms and conditions of the Hong Kong Public Offer.

The Listing is sponsored by the Sole Sponsor and the Global Offering is managed by the Sole Global Coordinator. Pursuant to the Hong Kong Underwriting Agreement, the Hong Kong Public Offer is fully underwritten by the Hong Kong Underwriters. The International Placing is managed by the Sole Global Coordinator. The International Placing Agreement is expected to be entered into on or

INFORMATION ABOUT THIS PROSPECTUS AND THE GLOBAL OFFERING

around the Price Determination Date subject to the agreement on the Offer Price between us (acting for ourselves and on behalf of the Selling Shareholder) and the Sole Global Coordinator (acting for itself and on behalf of the Underwriters). If, for any reason, the Offer Price is not agreed upon between us (for ourselves and on behalf of the Selling Shareholders) and the Sole Global Coordinator (acting for itself and on behalf of the Underwriters), the Global Offering will not proceed and will lapse. For further details of the Underwriters and the underwriting arrangements, please see the section headed “Underwriting” in this prospectus.

RESTRICTIONS ON SALE OF THE OFFER SHARES

No action has been taken in any jurisdiction other than Hong Kong to permit any public offering of the Offer Shares or the distribution of this prospectus and/or the Application Forms. Accordingly, without limitation to the following, this prospectus and the Application Forms may not be used for the purpose of, and does not constitute, an offer or invitation in any jurisdiction or in any circumstances in which such offer or invitation is not authorized or to any person to whom it is unlawful to make such offer or invitation.

Each person acquiring the Offer Shares will be required, and is deemed by his acquisition of the Offer Shares, to confirm that he is aware of the restrictions on offers of the Offer Shares described in this prospectus and that he is not acquiring, and has not been offered, any Offer Shares in circumstances that contravene any such restrictions.

The distribution of this prospectus and the offering and sale of the Offer Shares in other jurisdictions are subject to restrictions and prohibitions and may not be made except as permitted under the applicable securities laws of such jurisdictions pursuant to registration with or authorization by the relevant securities regulatory authorities or an exemption therefrom. In particular, the Offer Shares have not been offered or sold, directly or indirectly in the PRC.

APPLICATION FOR LISTING ON THE HONG KONG STOCK EXCHANGE

We have applied to the Listing Committee of the Hong Kong Stock Exchange for the granting of the listing of, and permission to deal in, our Shares in issue and to be issued pursuant to (i) the Global Offering (including any additional Shares which may fall to be issued under the Over-allotment Option), (ii) the Capitalization Issue and (iii) any Shares which may fall to be issued pursuant to the exercise of the Share Option Scheme. Dealings in the Shares on the Stock Exchange are expected to commence on 13 June 2012. Save as disclosed in this prospectus, no part of our Shares or loan capital is listed on or dealt in on any other stock exchange and no such listing or permission to list is being or is proposed to be sought in any other stock exchange as of the date of this prospectus.

HONG KONG SHARE REGISTER AND STAMP DUTY

All of our Shares issued and sold pursuant to Global Offering will be registered on our register of members in Hong Kong. Our Hong Kong register of members will be maintained by our Hong Kong Share Registrar, Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong.

INFORMATION ABOUT THIS PROSPECTUS AND THE GLOBAL OFFERING

No stamp duty is payable by applicants in the Global Offering.

Dealings in our Shares registered on our Hong Kong register of members will be subject to stamp duty in Hong Kong.

OUR SHARES WILL BE ELIGIBLE FOR ADMISSION INTO CCASS

Subject to the granting of listing of, and permission to deal in, our Shares on the Main Board of the Hong Kong Stock Exchange and our compliance with the stock admission requirements of HKSCC, our Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the Listing Date or such other date as determined by HKSCC. Settlement of transactions between participants of the Hong Kong Stock Exchange is required to take place in CCASS on the second business day after any trading day.

All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

Investors should seek advice from their stockbrokers or other professional advisors for details of the settlement arrangements that may affect their rights and interests. All necessary arrangements have been made for our Shares to be admitted into CCASS.

PROFESSIONAL TAX ADVICE RECOMMENDED

Potential investors in the Global Offering are recommended to consult their professional advisors if they are in any doubt as to the taxation implications of subscribing for, purchasing, holding, disposing of, dealing in, or exercising any rights in relation to, our Shares. None of our Company, the Selling Shareholder, the Sole Sponsor, the Sole Global Coordinator, the Underwriters, any of their respective directors, officers, employees, agents or representatives or any other person or party involved in the Global Offering accepts responsibility for any tax effects on, or liabilities of, any person resulting from the subscription for, purchase, holding, disposition of, dealing in, or exercising any rights in relation to, our Shares.

OVER-ALLOTMENT AND STABILISATION

Stabilization is a practice used by underwriters in some markets to facilitate the distribution of securities. To stabilize, the Global Coordinator or any person acting for it, in consultation with the Sole Global Coordinator, may bid for, or purchase, the newly issued securities in the secondary market, during a specified period of time (which will begin on the Listing Date, and is expected to expire on Friday, 6 July 2012, being the 30th day after the last date for lodging applications under the Hong Kong Public Offer), to retard and, if possible, prevent a decline in the initial public market price of the securities below the offer price. Such transactions may be effected in all jurisdictions where it is permissible to do so, in each case in compliance with all applicable laws and regulatory requirements including those of Hong Kong. In Hong Kong, the stabilization price is not permitted to exceed the Offer Price. Details of the arrangements relating to the stabilization and Over-allotment Option are set out in the section entitled “Structure of the Global Offering” in this prospectus.

INFORMATION ABOUT THIS PROSPECTUS AND THE GLOBAL OFFERING

PROCEDURE FOR APPLICATION FOR HONG KONG OFFER SHARES

The procedure for applying for Hong Kong Offer Shares is set out in the section headed “How to apply for Hong Kong Offer Shares” in this prospectus and on the relevant Applications Forms.

STRUCTURE OF THE GLOBAL OFFERING

Details of the structure and conditions of the Global Offering, including its conditions, are set out in the section headed “Structure of the Global Offering” in this prospectus.

DEALING ARRANGEMENTS

Assuming that the Hong Kong Public Offer becomes unconditional at or before 8:00 a.m. (Hong Kong time) in Hong Kong on 13 June 2012, it is expected that dealings in our Shares on the Stock Exchange will commence on 13 June 2012. Our Shares will be traded in board lots of 2,000 each.

ROUNDING

Any discrepancies in any table, chart or elsewhere between totals and sums of amounts listed therein are due to rounding.

CURRENCY TRANSLATIONS

For the purpose of illustration only and unless otherwise specified in this prospectus, certain amounts denominated in Renminbi are translated into Hong Kong dollars at the rate of RMB0.813 to HK\$1.00. No representation is made that the Renminbi amounts could have been, or could be, converted into Hong Kong dollars, or vice versa, as such rates or at any other rates on such date or on any other dates.

MARKET SHARE DATA CONVENTION

The statistical and market share information contained in this prospectus has been derived from official government publications. Unless otherwise indicated, the information has not been verified by us independently. This statistical information may not be consistent with our other statistical information from other sources within or outside the PRC. The Sole Sponsor and our Directors have reproduced the data and statistics extracted from such official government publications in a reasonably cautious manner.

INFORMATION ABOUT THIS PROSPECTUS AND THE GLOBAL OFFERING

WEBSITE

The contents of any website mentioned in this prospectus do not form a part of this prospectus.

LANGUAGE TRANSLATION

In this prospectus, if there is any inconsistency between the Chinese names of the PRC laws, regulation and rules, the entities or enterprises established in the PRC and their English translations, the Chinese names shall prevail. English translation of company names in Chinese or another language marked with “*” are for identification purpose only.

The English language version of this prospectus has been translated into the Chinese language and English and Chinese versions of this prospectus are being published separately. If there should be any inconsistency between the English and Chinese versions, the English version shall govern.

DIRECTORS AND PARTIES INVOLVED IN THE GLOBAL OFFERING

DIRECTORS

Name	Address	Nationality
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Executive Directors

Xie Yingxia (謝鶯霞)	Room 2802, Building 20 Lane 388, Furongjiang Road Shanghai 200051 PRC	Chinese
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Jin Chungan (金春根)	Room 103, No. 36 Wuyue Lingxiu Community Suzhou, Jiangsu Province PRC	Chinese
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Yang Bin (楊斌)	Room 602, No. 40, Lane 300 Huaguang Road Minhang District Shanghai PRC	Chinese
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Non-executive Director

Tseung Hok Ming (蔣學明)	Flat B, 23/F, Block 5 Belvedere Garden Phase 3 625 Castle Peak Road Tsuen Wan New Territories Hong Kong	Chinese
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Independent non-executive Directors

Cao Kuangyu (曹貺予)	Flat D, 26/F, Tower 2 Harbour Place 8 Oi King Street, Hung Hom Kowloon, Hong Kong	Chinese
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DIRECTORS AND PARTIES INVOLVED IN THE GLOBAL OFFERING

Cao Guoqi (曹國琪) Room 1002, No. 2 Building Chinese
258 Nong, Puming Road
Shanghai, PRC

Lee Ho Yiu Thomas (李浩堯) Flat A, 19/F, Block Two Chinese
Lyttelton Garden
29 Lyttelton Road
Hong Kong

PARTIES INVOLVED

Sole Sponsor

Guotai Junan Capital Limited

27th Floor, Low Block
Grand Millennium Plaza
181 Queen's Road Central
Hong Kong

Sole Global Coordinator, Bookrunner and Lead Manager

Guotai Junan Securities (Hong Kong) Limited

27th Floor, Low Block
Grand Millennium Plaza
181 Queen's Road Central
Hong Kong

Legal Advisors to the Company

As to Hong Kong law

Li & Partners

22nd Floor, World-Wide House
Central
Hong Kong

As to PRC law

Deheng Law Offices

11/F., Block B
Allianz Building
4018 Gold Fields Road
Futian District
Shenzhen
PRC

As to the Cayman Islands law

Conyers Dill & Pearman (Cayman) Limited

Cricket Square
Hutchins Drive
PO Box 2681
Grand Cayman
KY1-1111
Cayman Islands

DIRECTORS AND PARTIES INVOLVED IN THE GLOBAL OFFERING

**Legal Advisors to the Sole Sponsor
and the Underwriters**

As to Hong Kong law

F. Zimmern & Co.

Suites 1501-03, 15th Floor
Gloucester Tower
The Landmark
15 Queen's Road Central
Central
Hong Kong

As to PRC law

Jing Tian Law Firm

25/F, Building A
United Plaza
5022, Binhe Road
Futian District
Shenzhen
PRC

Reporting Accountant

PricewaterhouseCoopers

Certified Public Accountants

22nd Floor
Prince's Building
Central, Hong Kong

Property Valuer

Asset Appraisal Limited

Room 901
On Hong Commercial Building
145 Hennessy Road
Wanchai, Hong Kong

Receiving Bank

Bank of Communications Co., Ltd.

Hong Kong Branch

20 Pedder Street
Central, Hong Kong

CORPORATE INFORMATION

Registered office	Cricket Square Hutchins Drive PO Box 2681 Grand Cayman KY1-1111 Cayman Islands
Headquarter and Principal Place of Business in PRC	Lili Town, Wujiang City, Jiangsu Province, PRC
Headquarter and Principal Place of Business in the Hong Kong	Unit 4308, Far East Finance Centre, 16 Harcourt Road, Admiralty, Hong Kong
Company website	http://www.dongwucement.com
Joint company secretaries	Sun Xin Chan Chin Wang Keith
Authorized representatives	Yang Bin Room 602, No. 40, Lane 30 Huaguang Road Minhang District Shanghai PRC Sun Xin Room 702 Building 9 Lane 117, Guoshun Road Shanghai, PRC
Audit committee	Lee Ho Yiu Thomas (<i>Chairman</i>) Cao Guoqi Cao Kuangyu
Nomination committee	Cao Guoqi (<i>Chairman</i>) Cao Kuangyu Lee Ho Yiu Thomas
Remuneration committee	Cao Guoqi (<i>Chairman</i>) Cao Kuangyu Lee Ho Yiu Thomas

CORPORATE INFORMATION

Hong Kong Share Registrar

Computershare Hong Kong Investor Services Limited
Shops 1712-1716, 17th Floor
Hopewell Centre
183 Queen's Road East
Wanchai
Hong Kong

Principal bankers

China Merchant Bank, Suzhou Branch, Mudu Sub-branch
No 19 Jinshan Road,
Mudu Town, Suzhou Prefecture,
Jiangsu Province,
PRC

Wujiang Rural Commercial Bank, Lili Sub-branch
No 5 Xingli Road,
Lili town, Fenhu District, Wujiang City,
Suzhou Prefecture,
Jiangsu Province,
PRC

Compliance advisor

Guotai Junan Capital Limited
27th Floor, Low Block
Grand Millennium Plaza
181 Queen's Road Central
Hong Kong

INDUSTRY OVERVIEW

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

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

PRODUCTION

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

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

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

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

Types of Portland Cement

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

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

Unit as MPa

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

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

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

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

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

Properties of Portland Cement

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

Portland cement contains four main compounds:

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

FACTORS INFLUENCING CEMENT INDUSTRY IN THE PRC

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

Urbanization, infrastructure construction and FAI

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

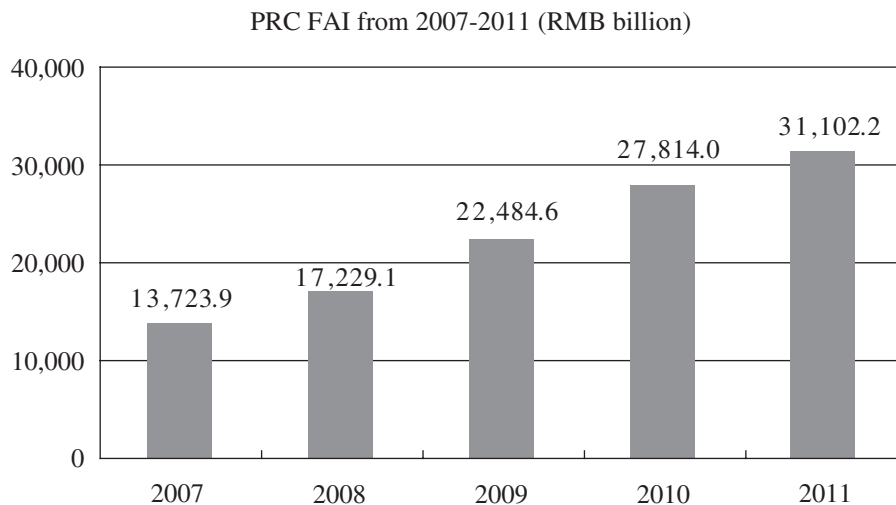
The Twelfth-Five Year Plan placed an emphasis on creating sustainable growth and increasing domestic consumption.

INDUSTRY OVERVIEW

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

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

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



Source: PRC National Statistics Bureau

Transportation

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

INDUSTRY OVERVIEW

Industry participants in the region

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

Regulatory and policy control

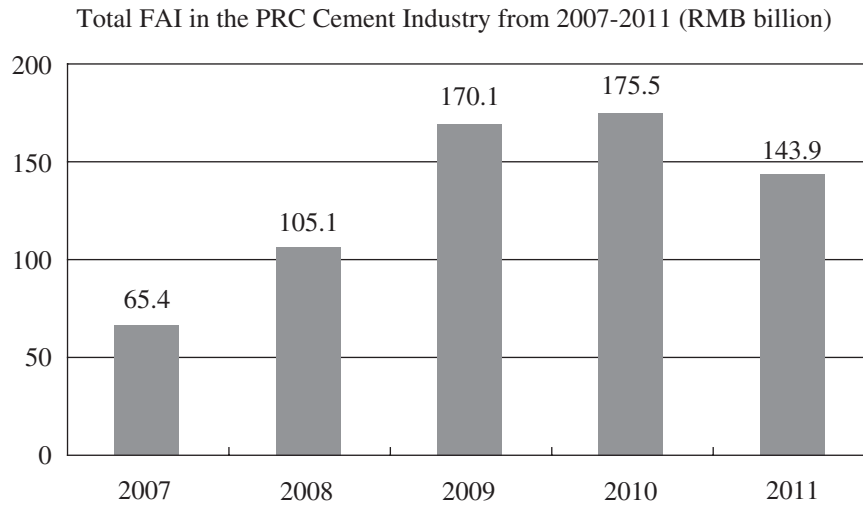
As a high energy intensive industry, the cement industry is heavily regulated by various laws, regulations and policies. Currently, the PRC central and local governments are promulgating four major cement policies, namely (1) the continued phasing out of vertical kilns, (2) curbing overcapacity, (3)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

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

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

INDUSTRY OVERVIEW

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



Source: *Digital Cement*

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

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

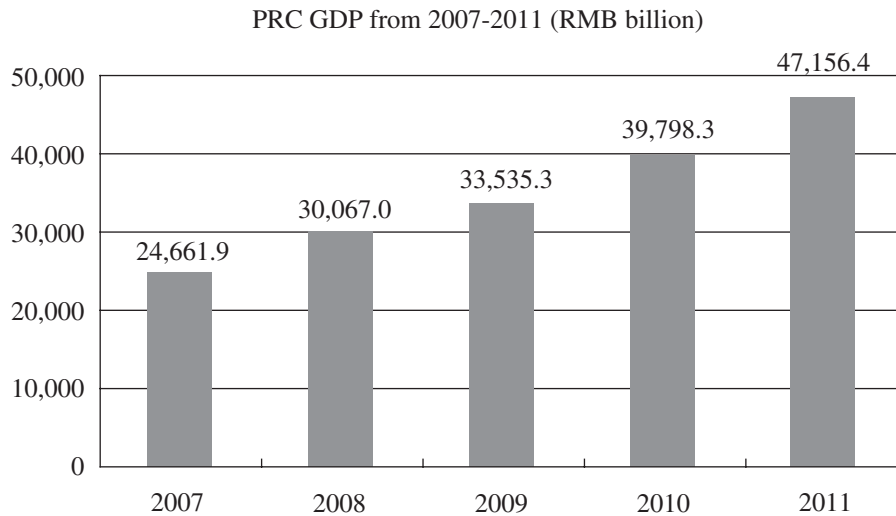
On 31 December 2006, the NDRC, the Ministry of Land and Resources and the PBOC jointly issued the “Notice of List of Large-scale Enterprises (group) in relation to Adjustment of Structure of Cement Industry supported by the State” (關於公佈國家重點支援水泥工業結構調整大型企業(集團)名單的通知) (the “Notice”). It is stated that when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

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PRC MARKET OVERVIEW

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

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

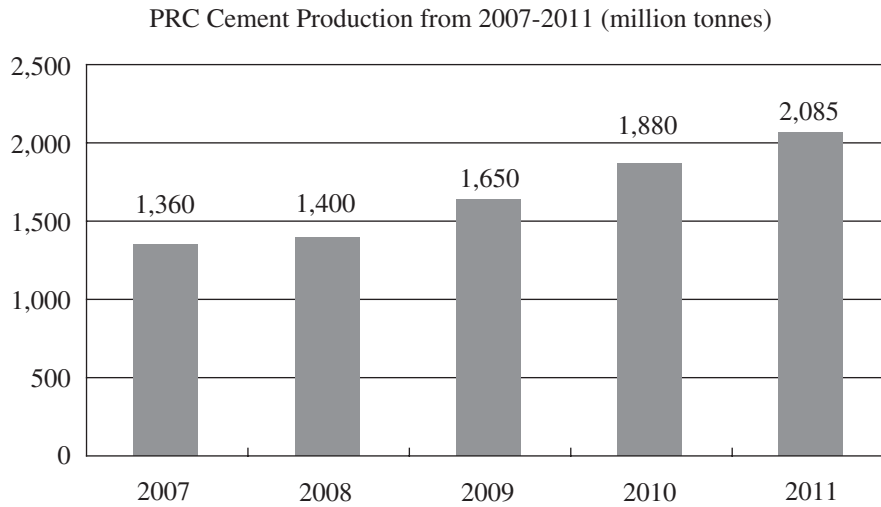


Source: PRC National Statistics Bureau

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

INDUSTRY OVERVIEW

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



Source: Digital Cement

CEMENT INDUSTRY IN THE YANGTZE RIVER DELTA REGION

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

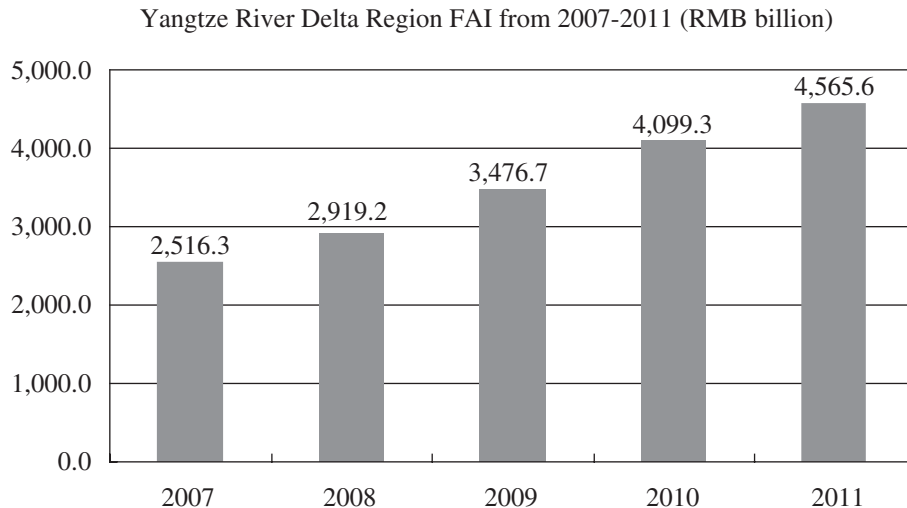


INDUSTRY OVERVIEW

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

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

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



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

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

Cement Price Movement in Yangtze River Delta Region

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

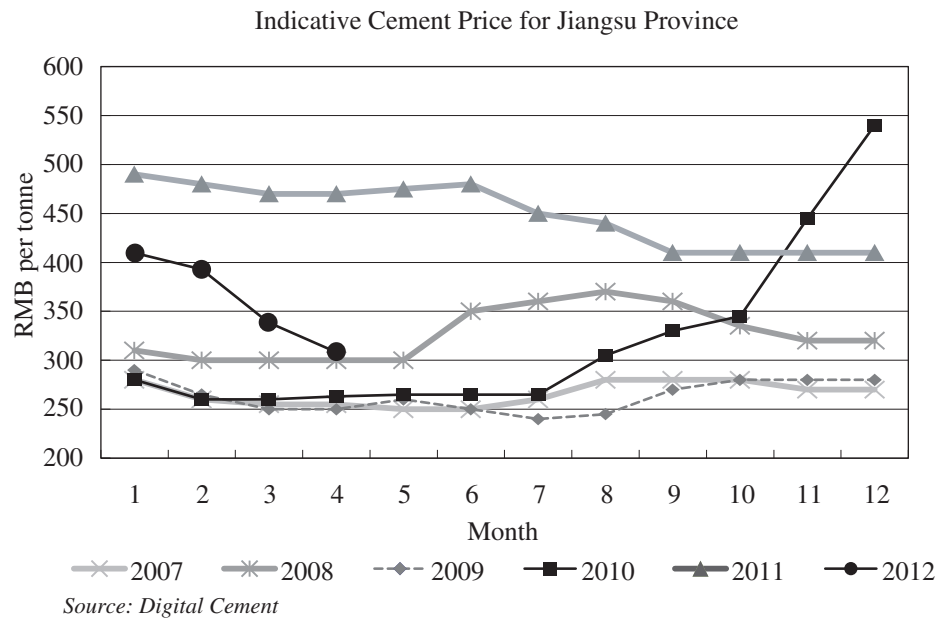
INDUSTRY OVERVIEW

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

Notes:

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

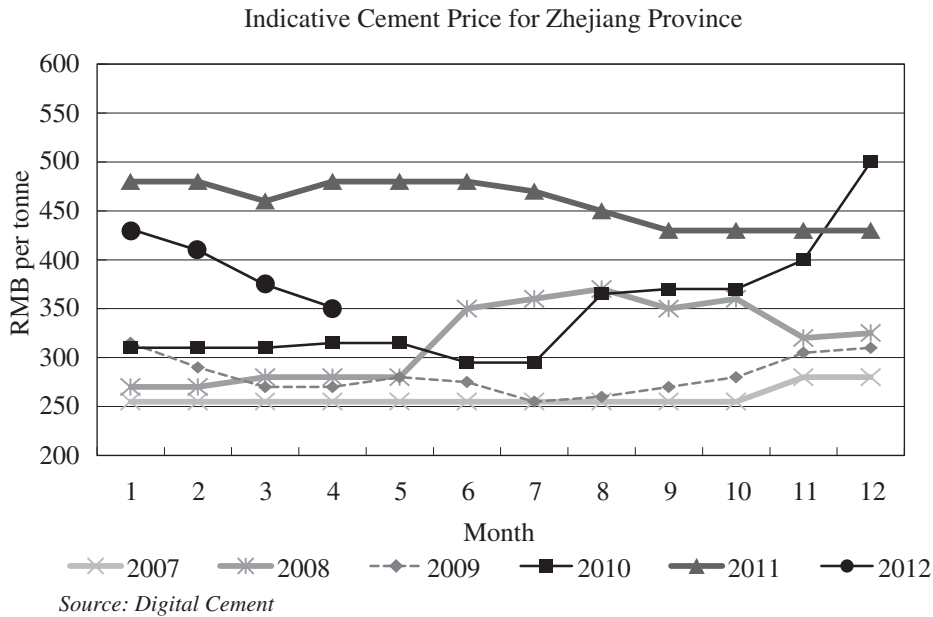
Set out below is a chart illustrating the movement of indicative cement price for Jiangsu Province during the period from January 2007 to April 2012:



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

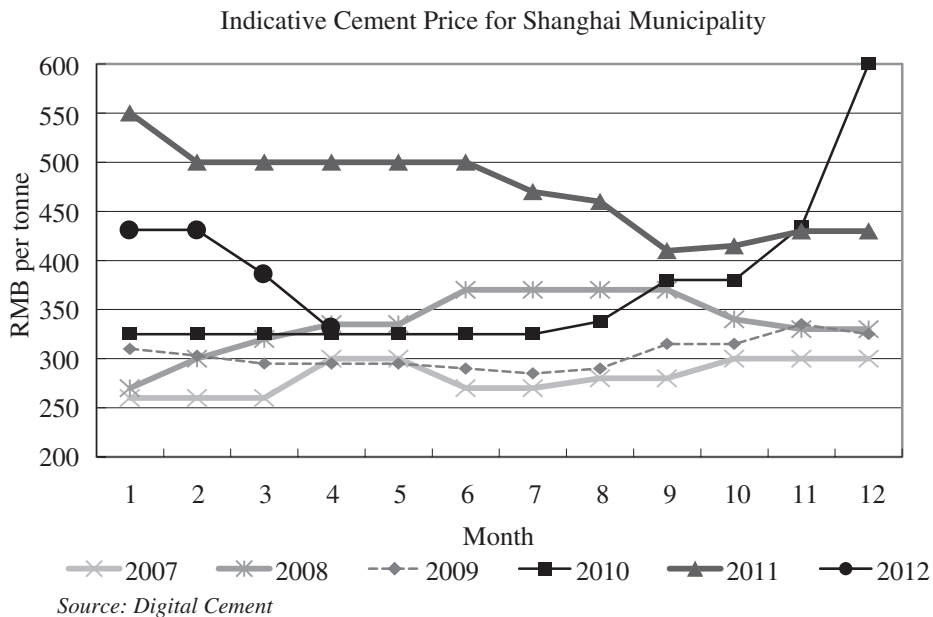
INDUSTRY OVERVIEW

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



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

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



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

INDUSTRY OVERVIEW

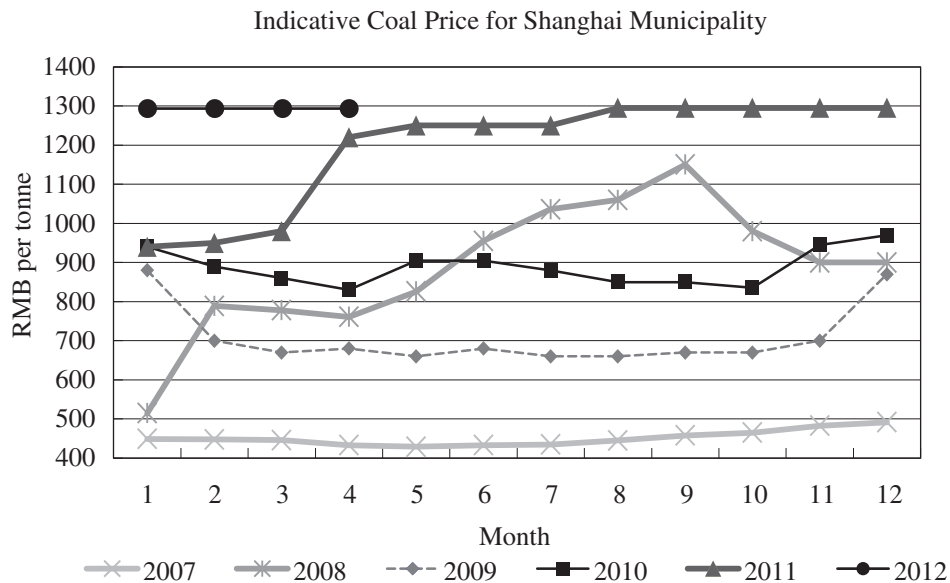
Price fluctuation of raw materials and energy supply

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

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

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

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

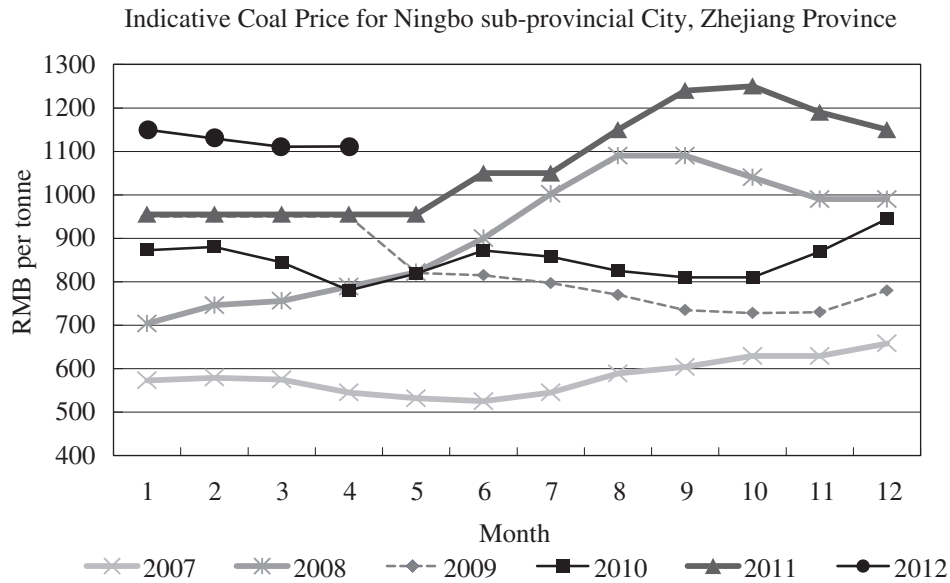


Source: Digital Cement

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

INDUSTRY OVERVIEW

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



Source: Digital Cement

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

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

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

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

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

INDUSTRY OVERVIEW

JIANGSU PROVINCE

Macroeconomic Information

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

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

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

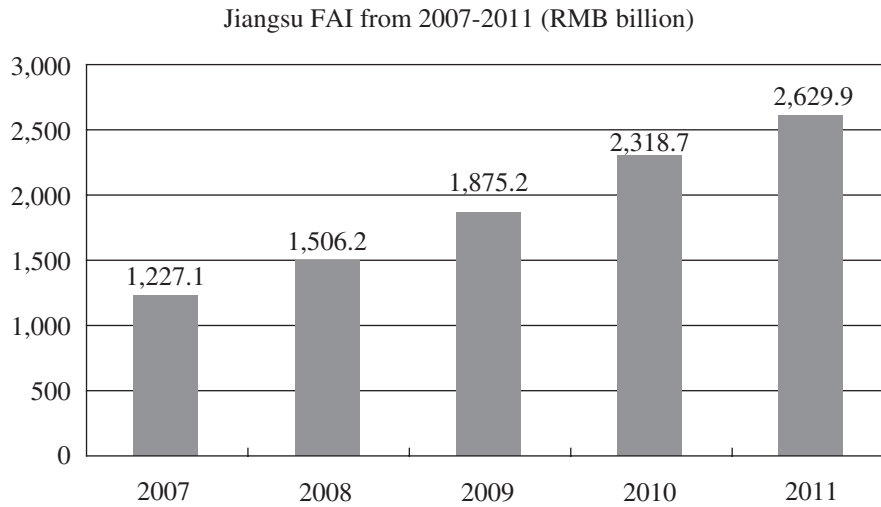
In 2011, Jiangsu Province led the economic growth in the Yangtze River Delta Region with a GDP growth rate of 11%. The GDP of Jiangsu Province stood at RMB4,860.4 billion. The total trade volume stood at US\$539.8 billion, representing an increase of 15.9% over the previous year. The GDP per capita of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

FAI

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

INDUSTRY OVERVIEW

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

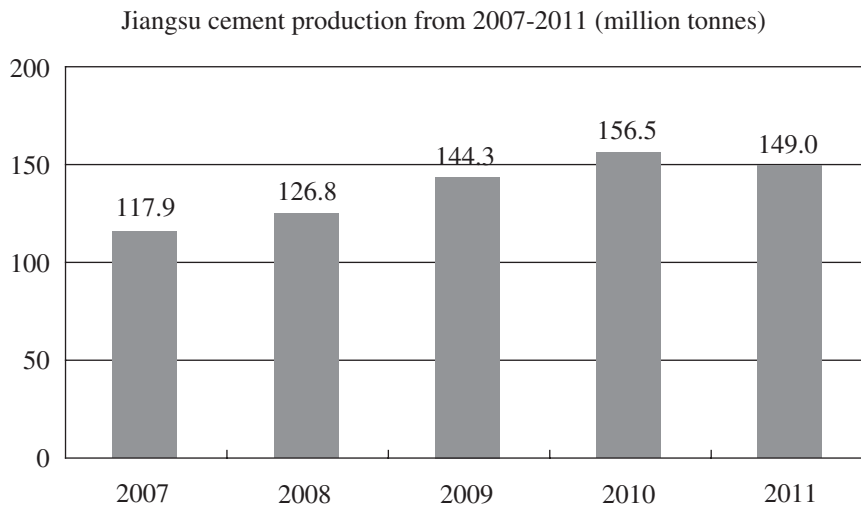


Source: Jiangsu Statistics Bureau

Cement Production in Jiangsu Province

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

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

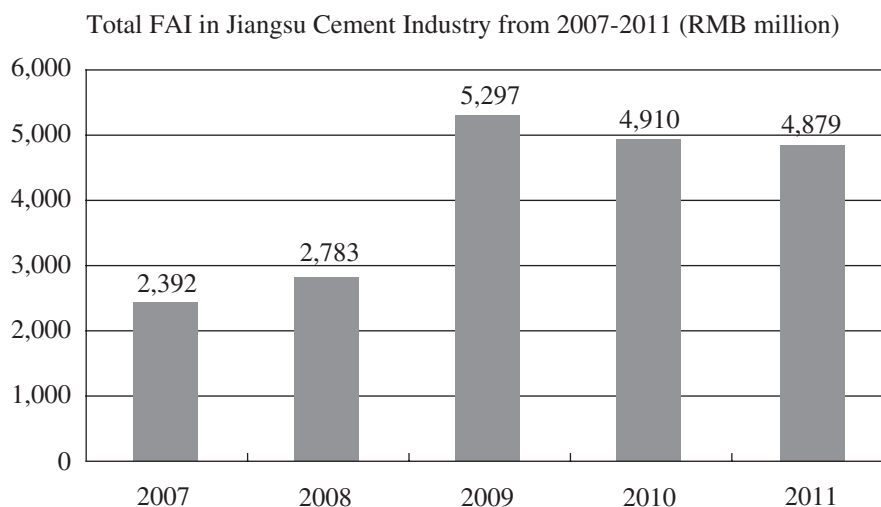


Source: Digital Cement

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

INDUSTRY OVERVIEW

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



Source: *Digital Cement*

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

Major Cement Producers in Jiangsu Province

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

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

INDUSTRY OVERVIEW

SUZHOU PREFECTURE

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

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

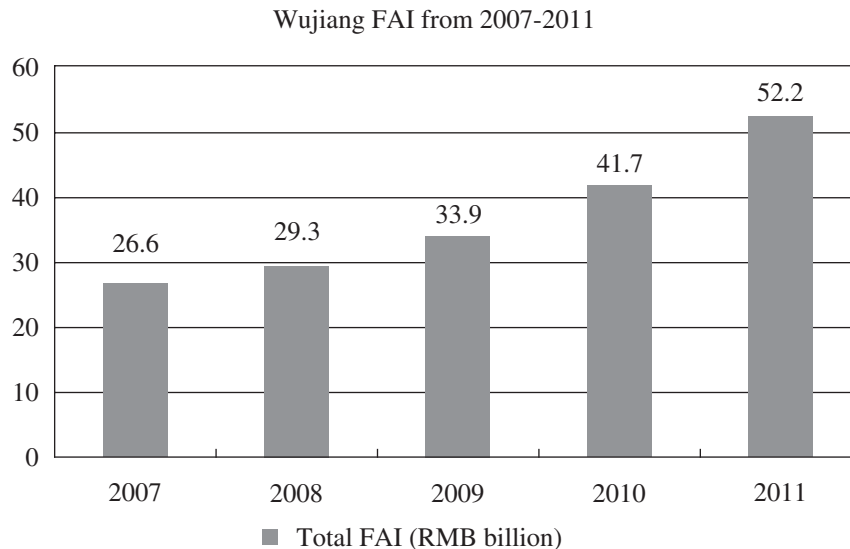
WUJIANG CITY

Overview

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

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

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



Source: Wujiang Statistics Bureau

INDUSTRY OVERVIEW

Waterway Networks and Road Transportation

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

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

Twelfth Five-year Plan

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

Transportation Facilities Construction

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

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

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

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

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

Construction of other Infrastructure Projects

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

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

Lakeside New District (濱湖新城) Development

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

Urbanization and Rural Development

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

Cement Industry in Wujiang City

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

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

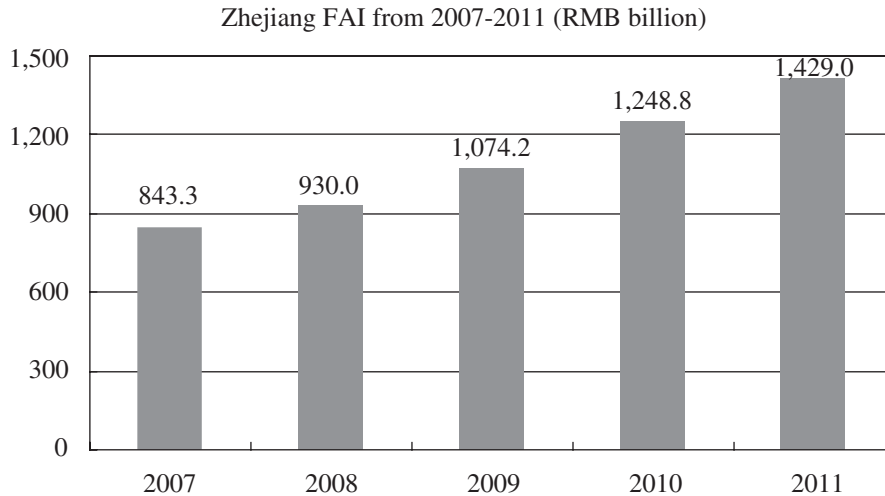
Name	Production volume <i>thousand tonnes</i>	% of total cement production volume in Wujiang in 2011
Dongwu Cement	1,428.1	40.9
Wujiang Minggang Road and Bridge Ltd., Co. (吳江市明港道橋工程有限公司)	994.5	28.5
Wujiang Sanshi Cement Ltd., Co. (吳江市三獅水泥有限公司)	445.2	12.7
Wujiang Xingyuan Cement Ltd., Co. (吳江市興源水泥有限公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

ZHEJIANG PROVINCE

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

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



Source: Zhejiang Statistics Bureau

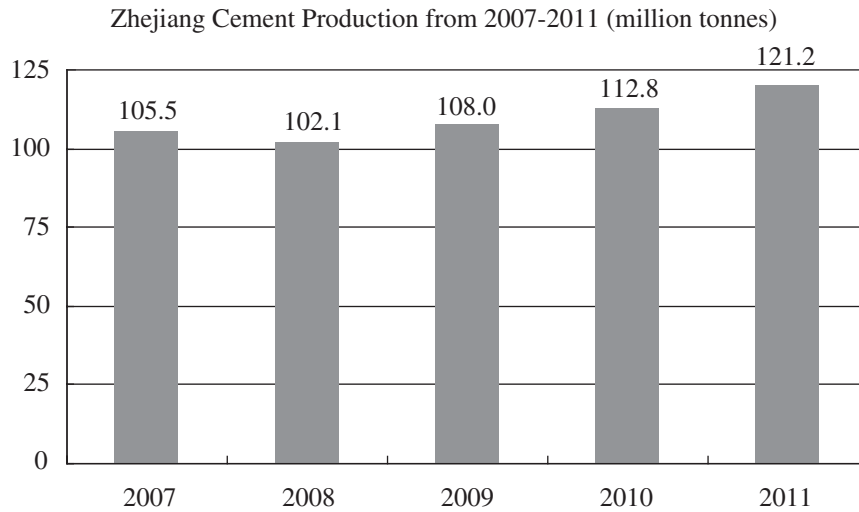
Zhejiang is a province covered by extensive waterways as well as an developed highway system. Amongst its 11 prefecture or sub-provincial level cities, Ningbo sub-provincial city, Zhoushan prefecture, Taizhou prefecture, Wenzhou prefecture and Shaoxing prefecture are accessible via the East China sea.

Cement Production in Zhejiang Province

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

INDUSTRY OVERVIEW

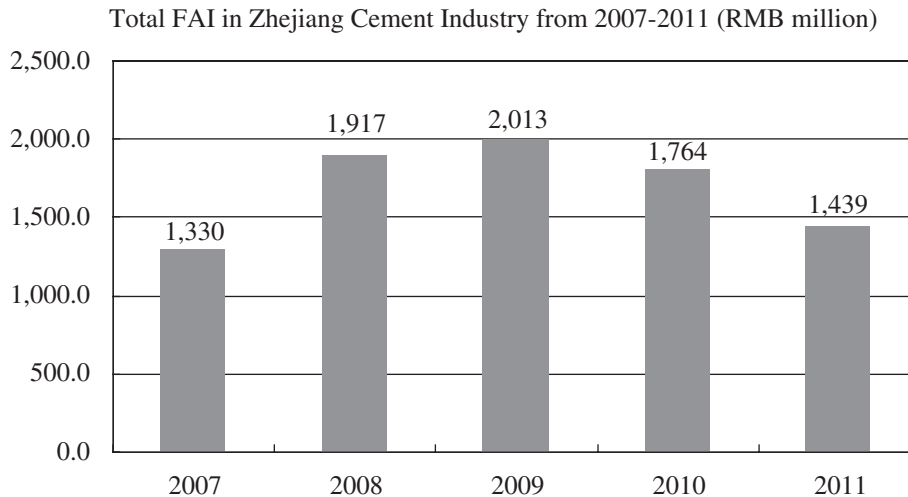
Set out below is a chart illustrating the cement production volume in Zhejiang Province from 2007-2011:



Source: Digital Cement

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

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



Source: Digital Cement

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

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Major Cement Producers in Zhejiang Province

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

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

SHANGHAI MUNICIPALITY

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

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

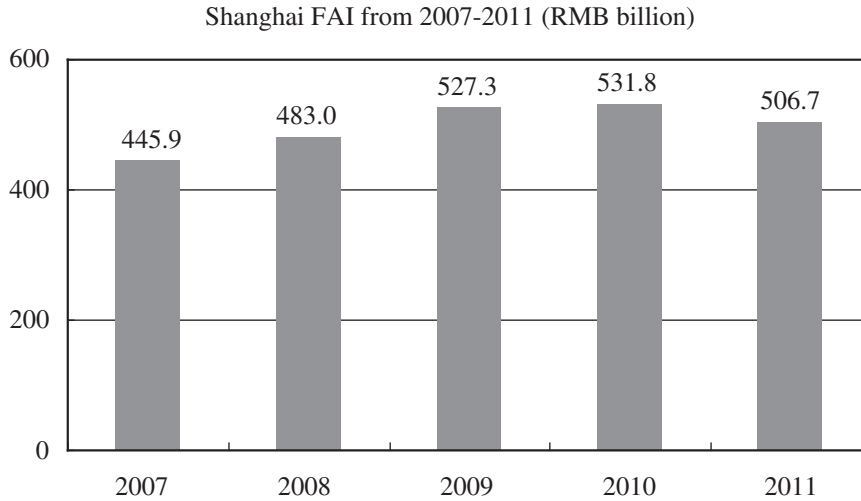
Set out below is the table illustrating the GDP of Shanghai from 2007-2011:



Source: Shanghai Statistics Bureau

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



Source: Shanghai Statistics Bureau

Twelfth Five Year Plan

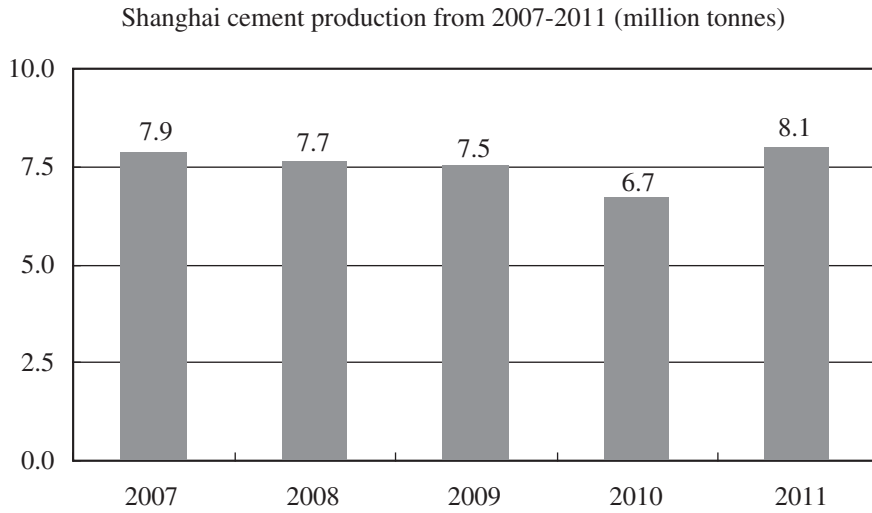
The Shanghai government has planned to construct one million social housing units during the twelfth five year plan period.

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

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Cement Industry in Shanghai

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



Source: Digital Cement

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

Major Cement Producers in Shanghai Municipality

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

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

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THE LAWS AND REGULATIONS OF THE PRC

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

THE PRC LAWS IN RELATION TO CEMENT INDUSTRY

Cement Production License

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

Industry Policy

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

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

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

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

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

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

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

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

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

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

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

On 31 December 2006, the NDRC, the Ministry of Land and Resources and the PBOC jointly issued the “Notice of List of Large-scale Enterprises (group) in relation to Adjustment of Structure of Cement Industry supported by the State” (關於公佈國家重點支援水泥工業結構調整大型企業(集團)名單的通知) (the “Notice”). It is stated that when seeking project investments or mergers and acquisitions, government support and priority with respect to project approvals, land use right grants and credit approvals will be given to 12 national and 48 local cement companies listed on the Notice. The Notice does not constitute laws nor regulations and is for guidance only. Further, up to the Latest Practicable Date, there are no PRC laws nor regulations imposing compulsory consolidation obligations against cement companies in the PRC. Up to the Latest Practicable Date, the Notice and the list attached to the Notice have not been updated since its implementation.

Bulk Cement

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

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

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Residual Heat Recovery System

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

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

THE PRC LAWS IN RELATION TO ENVIRONMENTAL PROTECTION

General

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

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

Environmental Impact Assessment

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

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

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

Discharge of Pollutants

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

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

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

REGULATORY OVERVIEW

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

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

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

REGULATORY OVERVIEW

THE PRC LAWS IN RELATION TO TAXATION

Income Tax

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

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

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

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

REGULATORY OVERVIEW

Value Added Tax

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

Value Added Tax Benefits Regarding Comprehensive Utilization of Resources

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

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

THE PRC LAWS IN RELATION TO LABOR

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

REGULATORY OVERVIEW

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

THE PRC LAWS IN RELATION TO PRODUCTION SAFETY

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

THE PRC LAWS IN RELATION TO FOREIGN EXCHANGE

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

REGULATORY OVERVIEW

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

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

THE PRC LAWS IN RELATION TO THE RETAINED PROFITS

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

THE PRC LAWS IN RELATION TO THE QUALITY OF PRODUCTS

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

REGULATORY OVERVIEW

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

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

THE LISTING RULES AMENDMENTS

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

OTHERS

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

REGULATORY OVERVIEW

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

THE CONCRETE INDUSTRY

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

COMPANY HISTORY AND REORGANIZATION

OVERVIEW

Our Company was incorporated in the Cayman Islands as an exempted company with limited liability on 29 November 2011 in anticipation of the Global Offering. We are an integrated cement and clinker producer in Wujiang City, Suzhou Prefecture. We operate our clinker and cement productions through our sole PRC subsidiary, Dongwu Cement. For details of our corporate structure, please refer to the paragraph headed “Our Corporate Structure” in this section below.

OUR BUSINESS DEVELOPMENT

Our Group traces its roots to 2003 when Dongwu Cement, our sole PRC operating subsidiary, was established in the PRC. The following is a summary of our Group’s key business development milestones:

- | | | |
|---------------|---|--|
| June 2003 | : | We established Dongwu Cement and commenced cement business operations in Jiangsu Province. |
| December 2004 | : | Construction of our factories completed and commenced trial production. |
| January 2005 | : | Formal production commenced. |
| December 2006 | : | Cement production breakthrough of our Company, amounting to 800,000 tonnes. |
| 2006-2009 | : | Our principal cement products, PO 42.5 and PC 32.5, have been awarded for the Certificate of Quality Inspection Exemption issued by General Administration of Quality Supervision, Inspection and Quarantine of PRC between 2006 and 2009 each year. |
| June 2009 | : | Completion of construction and examination of the 4.5MW Low Temperature Electricity Generation Project and electricity generation commenced in July 2009. |
| December 2011 | : | Reorganization took place. |

OUR CORPORATE HISTORY

In 2003, Jiangsu Orient and Orient Expressway (HK) commenced discussions on their proposed investment in the PRC cement industry in light of the increasing demand for cement products and its sustainable development in the PRC. After considering the feasibility of such investment and further discussions, Jiangsu Orient and Orient Expressway (HK) reached consensus on realizing such investment plan by jointly setting up a company in the PRC as the investment and operating entity, which is Dongwu Cement.

COMPANY HISTORY AND REORGANIZATION

Dongwu Cement

Dongwu Cement was established in Wujiang City, Jiangsu Province on 5 June 2003 as a sino-foreign joint venture with a registered capital of US\$15 million and an approved total investment of US\$29.8 million. At the time of establishment, Jiangsu Orient and Orient Expressway (HK) held 75% and 25% equity interests, respectively, in Dongwu Cement. For more information on Jiangsu Orient and Orient Expressway (HK), please refer to the paragraph headed “Further information on the former shareholders of Dongwu Cement” below. According to the joint venture agreement signed by Jiangsu Orient and Orient Expressway (HK), the registered capital of Dongwu Cement shall be fully settled by 5 June 2006.

Between August 2003 and June 2004, Jiangsu Orient and Orient Expressway (HK) made five capital contributions totalling US\$15 million as registered capital of Dongwu Cement, details of which are as follows: (i) as at 11 August 2003, Jiangsu Orient and Orient Expressway (HK) had contributed US\$2,899,516.64 and US\$1,750,000 to Dongwu Cement respectively, totalling US\$4,649,516.64; (ii) as at 4 December 2003, Jiangsu Orient and Orient Expressway (HK) had contributed US\$3,793,563.59 and US\$3,750,000 to Dongwu Cement respectively, totalling US\$7,543,563.59; (iii) as at 31 March 2004, Jiangsu Orient and Orient Expressway (HK) had contributed US\$6,028,657.58 and US\$3,750,000 to Dongwu Cement respectively, totalling US\$9,778,657.58; (iv) as at 13 April 2004, Jiangsu Orient and Orient Expressway (HK) had contributed US\$7,297,233.15 and US\$3,750,000 to Dongwu Cement respectively, totalling US\$11,047,233.15; (v) as at 14 June 2004, Jiangsu Orient and Orient Expressway (HK) had contributed US\$11,250,000 and US\$3,750,000 to Dongwu Cement respectively, totalling US\$15,000,000.

On 17 November 2004, Jiangsu Orient pledged its 75% equity interest in Dongwu Cement to Industrial and Commercial Bank of China Limited (Hongqiao Branch), Shanghai city (“**ICBC**”) for loans in the sum of RMB45 million in favour of Shanghai Hesheng Enterprises Development Company Limited (上海合盛企業發展有限公司) (“**SH Hesheng**”) and Shanghai Dongchuang Industrial Investment Company Limited (上海東創實業投資有限公司) (“**SH Dongchuang**”) (now known as Orient Hengye Holdings Company Limited (東方恒業控股有限公司)). Due to the default in repayment of the loans by SH Hesheng and SH Dongchuang, ICBC requested Jiangsu Orient to perform its duties as a guarantor and the 75% equity interest in Dongwu Cement was put in public auction on 24 January 2006, during which Orient Expressway (HK) won the auction at the bidding price of RMB40,748,000. Accordingly, on 20 April 2006, Jiangsu Orient and Orient Expressway (HK) entered into an equity transfer agreement pursuant to which Jiangsu Orient transferred its 75% equity interest in Dongwu Cement to Orient Expressway (HK) at a consideration of RMB40,748,000, being the bidding price at the public auction held on 24 January 2006. Such consideration was settled by the internal resources of Orient Expressway (HK). The above equity transfer was approved by Wujiang Municipal Bureau of Foreign Trade and Economic Cooperation (吳江市對外貿易經濟合作局) on 24 April 2006. An updated business licence was granted to Dongwu Cement on 26 April 2006. Upon completion of this equity transfer, Jiangsu Orient ceased to hold any equity interest in Dongwu Cement and Dongwu Cement became a wholly-owned subsidiary of Orient Expressway (HK) and hence has transformed into a wholly foreign owned enterprise.

COMPANY HISTORY AND REORGANIZATION

Being the ultimate shareholders of each of Orient Expressway (HK) and Far East International with the same shareholding structure, Mr. Tseung and Mr. Jin would like to use Far East International as their main investment holding company in the PRC cement industry. On 9 January 2007, Orient Expressway (HK) and Far East International entered into an equity transfer agreement pursuant to which Orient Expressway (HK) transferred its 100% equity interest in Dongwu Cement to Far East International at a consideration of US\$15 million which was determined with reference to the then registered capital of Dongwu Cement. The above equity transfer was approved by Wujiang Municipal Bureau of Foreign Trade and Economic Cooperation (吳江市對外貿易經濟合作局) on 15 February 2007. An updated business licence was granted to Dongwu Cement on 6 March 2007. Upon completion of this equity transfer, Orient Expressway (HK) ceased to hold any equity interest in Dongwu Cement and Dongwu Cement became a wholly-owned subsidiary of Far East International. For more information on Far East International, please refer to the paragraph headed “Further information on the former shareholders of Dongwu Cement” below.

On 1 December 2008, Dongwu Cement resolved to increase its registered capital from US\$15 million to US\$25 million. In connection with this capital increase, Far East International, the then sole shareholder of Dongwu Cement, had contributed US\$2 million, US\$3 million, US\$2.5 million and US\$2.5 million on 24 December 2008, 28 April 2009, 3 July 2009 and 6 December 2010, respectively as its increased share capital.

On 26 December 2011, Far East International and Dongwu HK entered into the Reorganization Equity Transfer Agreement, pursuant to which Far East International transferred its 100% equity interest in Dongwu Cement to Dongwu HK at a consideration of US\$33 million, which was determined with reference to (i) the net assets value of Dongwu Cement as at 30 September 2011 and, (ii) the dividend of RMB42,930,000 paid on 21 December 2011 and its 10% withholding income tax of RMB4,770,000, totalling RMB47,700,000. The above equity transfer was approved by Wujiang Municipal Bureau of Commerce (吳江市商務局) on 27 December 2011. An updated business licence was granted to Dongwu Cement on 28 December 2011. Upon completion of this equity transfer, Far East International ceased to hold any equity interest in Dongwu Cement and Dongwu Cement became a wholly-owned subsidiary of Dongwu HK.

As at the Latest Practicable Date, Dongwu Cement had an approved business scope of “manufacture of clinker, cement and related products as well as sales of self-produced products”.

Further information on the former shareholders of Dongwu Cement

Since its establishment in 2003 and until the Reorganization in December 2011 (for further details, please refer to the paragraph headed “Our Reorganization” below), the shareholding structure of Dongwu Cement had undergone certain changes involving transfers of the equity interests therein among different entities, namely Jiangsu Orient, Orient Expressway (HK) and Far East International, the details of which are set out below.

Jiangsu Orient, a shareholder of Dongwu Cement since its establishment on 5 June 2003 and until 26 April 2006, is an investment holding company established in the PRC with limited liability. According to its Corporate Legal Person Business License, its business scope includes industrial investment; asset management; domestic trading; manufacture and sales of silk and fabrics, garment, clothing and bedclothes; printing and dyeing, sand wash processing; sales of machinery facilities, communication cables, bamboo and wood floorings, and home-use electric appliances.

COMPANY HISTORY AND REORGANIZATION

To the best knowledge of the Directors, as at the Latest Practicable Date, the shareholders of Jiangsu Orient and their respective shareholdings in Jiangsu Orient were as follows:

Ms. Zhou Jianhua (spouse of Mr. Tseung)	52.97%
Orient Hengye Holdings Company Limited	8.33%
Mr. Jin (a director of each of the Company and Dongwu Cement)	3%
Mr. Shan Huixing (a director of Dongwu Cement)	2.2%
Other Independent Third Parties (in aggregate)	33.5%
	<hr/>
	100%

So far as is known to the Directors, as at the Latest Practicable Date, Orient Hengye Holdings Company Limited was beneficially owned by Mr. Tseung (35%), Ms. Xie Yingxia (3%) and other Independent Third Parties.

Orient Expressway (HK), an investment holding company incorporated in Hong Kong, had been a shareholder of Dongwu Cement since its establishment on 5 June 2003 and until 6 March 2007. Since 5 June 2003 and up to the Latest Practicable Date, Orient Expressway (HK) had been beneficially owned by Mr. Tseung and Mr. Jin as to 70% and 30%, respectively.

Far East International, the sole shareholder of Dongwu Cement since 6 March 2007 and until 28 December 2011, is an investment holding company incorporated in Samoa as an international company. Since 6 March 2007 and up to the Latest Practicable Date, the shareholders of Far East International were Goldview and Concord, which are beneficially owned by Mr. Tseung and Mr. Jin, respectively.

MANAGEMENT HISTORY OF DONGWU CEMENT

Set out below is a summary of the management history of Dongwu Cement.

Since its establishment on 5 June 2003 and until 10 January 2007, Dongwu Cement had been managed by Mr. Shen Jianxin, Mr. Wu Jinxiang, Mr. Shen Ronggen, Mr. Shen Sanmao, Mr. Tu Jianping and Mr. Xu Minghua, with the assistance of Mr. Hu Xiaowei.

Since 10 January 2007, Dongwu Cement had been managed by Mr. Jin, Mr. Shen Sanmao, Mr. Wu Jinxiang, Mr. Shen Ronggen and Mr. Xu Minghua, with the assistance of Mr. Hu Xiaowei. Mr. Shen Jianxin and Mr. Tu Jianping ceased to manage Dongwu Cement since then.

Since 2 July 2008, Dongwu Cement had been managed by Mr. Jin, Ms. Xie Yingxia, Mr. Wu Jinxiang, Mr. Zhou Jianwei and Mr. Hu Xiaowei. Mr. Shen Sanmao, Mr. Shen Ronggen and Mr. Xu Minghua ceased to manage Dongwu Cement since then.

COMPANY HISTORY AND REORGANIZATION

Since 11 March 2010 and as at the Latest Practicable Date, Dongwu Cement has been, and was still, managed by Mr. Jin, Ms. Xie Yingxia, Mr. Yang Bin, Mr. Shan Huixing and Mr. Hu Xiaowei, with the assistance of Mr. Zhu Qiwei, Mr. Han Fuliang and Mr. Wu Junxian. Mr. Wu Jinxiang and Mr. Zhou Jianwei ceased to manage Dongwu Cement since 11 March 2010.

OUR REORGANIZATION

The companies comprising our Group underwent a reorganization to rationalize our corporate structure in preparation for the Listing, and as a result, our Company became the holding company of our Group. The Reorganization involved the following steps:

- (a) On 25 October 2000, Concord was incorporated in the BVI. On 18 May 2004, Mr. Jin was registered as a sole shareholder of Concord and Concord has been wholly-owned by Mr. Jin since then.
- (b) On 16 March 2004, Goldview was incorporated in the BVI by Mr. Tseung as his wholly-owned investment holding company. At the time of its incorporation, Goldview was wholly-owned by Mr. Tseung.
- (c) On 29 November 2011, our Company was incorporated in the Cayman Islands with an authorized share capital of HK\$10,000 divided into 10,000 shares of HK\$1.00 each. At the time of its incorporation, the total number of issued shares of our Company was 100 shares, of which 70 shares were held by Goldview and 30 shares were held by Concord, representing 70% and 30% equity interests in our Company, respectively.
- (d) On 29 November 2011, Dongwu Investment was incorporated in BVI with limited liability. On the same date, our Company subscribed for one share in Dongwu Investment at par value. Upon completion of the share subscription, Dongwu Investment became a wholly-owned subsidiary of our Company.
- (e) On 16 December 2011, Dongwu HK was incorporated in Hong Kong with limited liability. Dongwu HK allotted and issued one share to the initial subscriber, Dongwu Investment at par value. Upon completion of the share subscription, Dongwu HK became a wholly-owned subsidiary of Dongwu Investment.
- (f) On 26 December 2011, Dongwu HK and Far East International entered into the Reorganization Equity Transfer Agreement), pursuant to which Far East International transferred its 100% equity interest in Dongwu Cement to Dongwu HK at a consideration of US\$33 million. Such equity transfer was completed on 28 December 2011 and Dongwu Cement became a wholly-owned subsidiary of Dongwu HK thereafter.

To settle the consideration of US\$33 million for the transfer of 100% equity interest in Dongwu Cement (the “**Dongwu Cement Transfer**”) from Far East International to Dongwu HK under the Reorganization Equity Transfer Agreement, Goldview and Concord have

COMPANY HISTORY AND REORGANIZATION

agreed to assume Dongwu HK's payment obligations under the Reorganization Equity Transfer Agreement by way of novation. In this regard, Far East International, Dongwu HK and our Company entered into the Dongwu HK Novation Deed on 27 December 2011, pursuant to which our Company has agreed to pay the consideration of US\$33 million for the Dongwu Cement Transfer payable under the Reorganization 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 Reorganization Equity Transfer Agreement. Meanwhile, Far East International, our Company, Goldview and Concord entered into the Company Novation Deed on 27 December 2011, pursuant to which Goldview and Concord have agreed to pay, on behalf of our Company, the consideration of US\$33 million for the Dongwu Cement Transfer payable by our Company under the Dongwu HK Novation Deed to Far East International in proportion to their then respective shareholdings in our Company whilst Far East International has agreed to discharge our 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 our Company's repayment obligation of US\$33 million to Goldview and Concord under the Company Novation Deed.

- (g) On 28 May 2012, the Shareholders resolved, among other things, to (i) sub-divide each authorized issued and unissued Share of par value of HK\$1.00 each in the share capital of the Company into 100 Shares of par value of HK\$0.01 each, and (ii) increase the authorized share capital from HK\$10,000 to HK\$100,000,000, divided into 10,000,000,000 Shares of par value of HK\$0.01 each by the creation of an additional of 9,999,000,000 Shares.

PRC legal compliance

On 21 October 2005, the State Administration of Foreign Exchange issued the "Notice on Relevant Issues Concerning Foreign Exchange Administration for Domestic Residents to Engage in Financing and Round-trip Investment via Overseas Special Purpose Vehicles" (《關於境內居民通過境外特殊目的公司融資及返程投資外匯管理有關問題的通知》) (Hui Fa [2005] No.75, which entered into force on 1 November 2005, hereinafter referred to as the "Notice No.75"). Pursuant to the Notice No.75, any domestic residents engaged in equity financing (including convertible bond financing) abroad with the assets or interests of domestic enterprises via overseas special purpose vehicles shall register with the local foreign exchange administration for relevant registration of overseas investments. Given that Mr. Tseung and Mr. Jin are not "domestic natural person residents" under the Notice No.75 and no round-trip investment is involved in the Listing, Mr. Tseung and Mr. Jin are not required to carry out foreign exchange registration for individuals conducting overseas investment in accordance with the Notice No.75.

On 8 August 2006, six ministries and commissions directly under the State Council of the PRC jointly promulgated the "Regulations on Mergers and Acquisitions of Domestic Enterprises by Foreign Investors" (《關於外國投資者併購境內企業的規定》) (which entered into force on 8 September 2006, hereinafter referred to as the "Order No.10"). Pursuant to the Order No. 10, where a domestic company or enterprise, or a domestic natural person, through an overseas company established or controlled by it/him, acquires a domestic company which is related to or connected with it/him, such acquisition is subject to approval from the MOFCOM. The Order No. 10 also stipulates that an offshore special

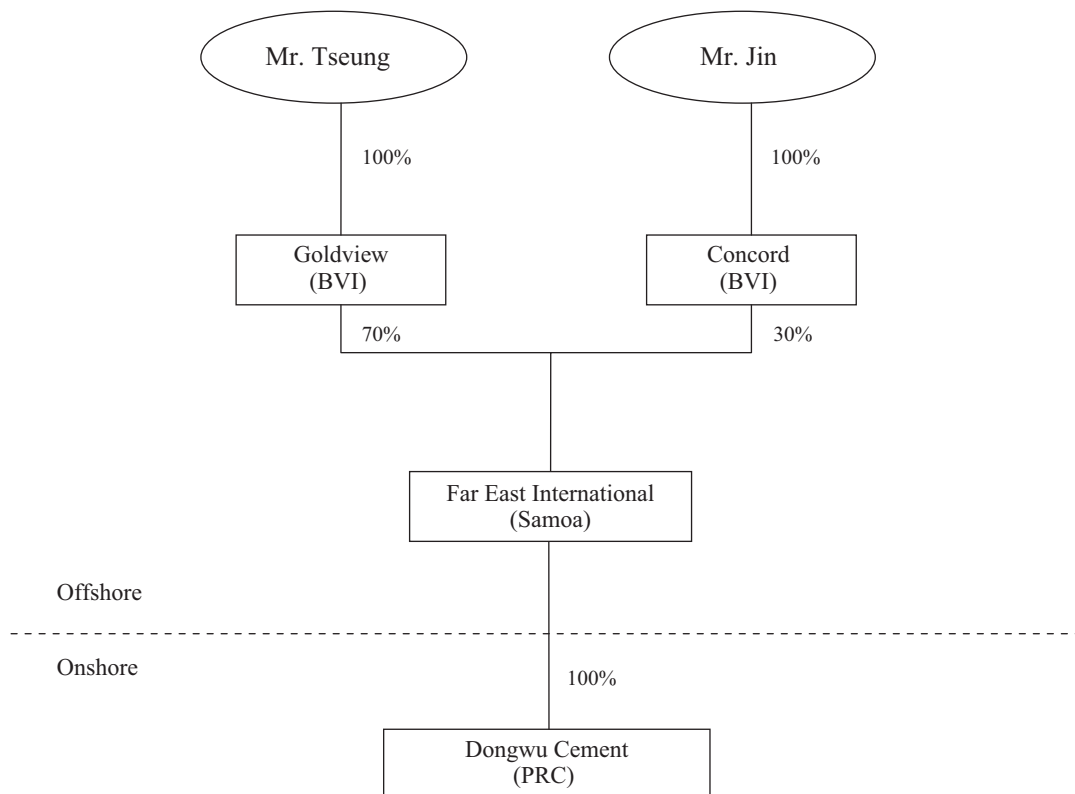
COMPANY HISTORY AND REORGANIZATION

purpose vehicle formed for listing purpose and controlled, directly or indirectly, by companies or individuals of the PRC shall obtain approval from the CSRC prior to the listing and trading of its securities on an overseas stock exchange. Given that Dongwu Cement has been a foreign-invested enterprise since its establishment in 2003 and Mr. Tseung, the de facto controller of the company, is a permanent resident of Hong Kong who holds a Hong Kong Permanent Identity Card, the Order No.10 is not applicable to the establishment and the previous changes in shareholding of Dongwu Cement. The Listing of the Shares is also not subject to the Order No.10.

Our PRC Legal Advisors have confirmed that, following the Reorganization and the Listing, the Company will hold the entire registered capital in Dongwu Cement (a company established in the PRC) indirectly through Dongwu Investment and Dongwu HK, which is in compliance with the relevant laws and regulations of the PRC, and thus is legitimate and valid.

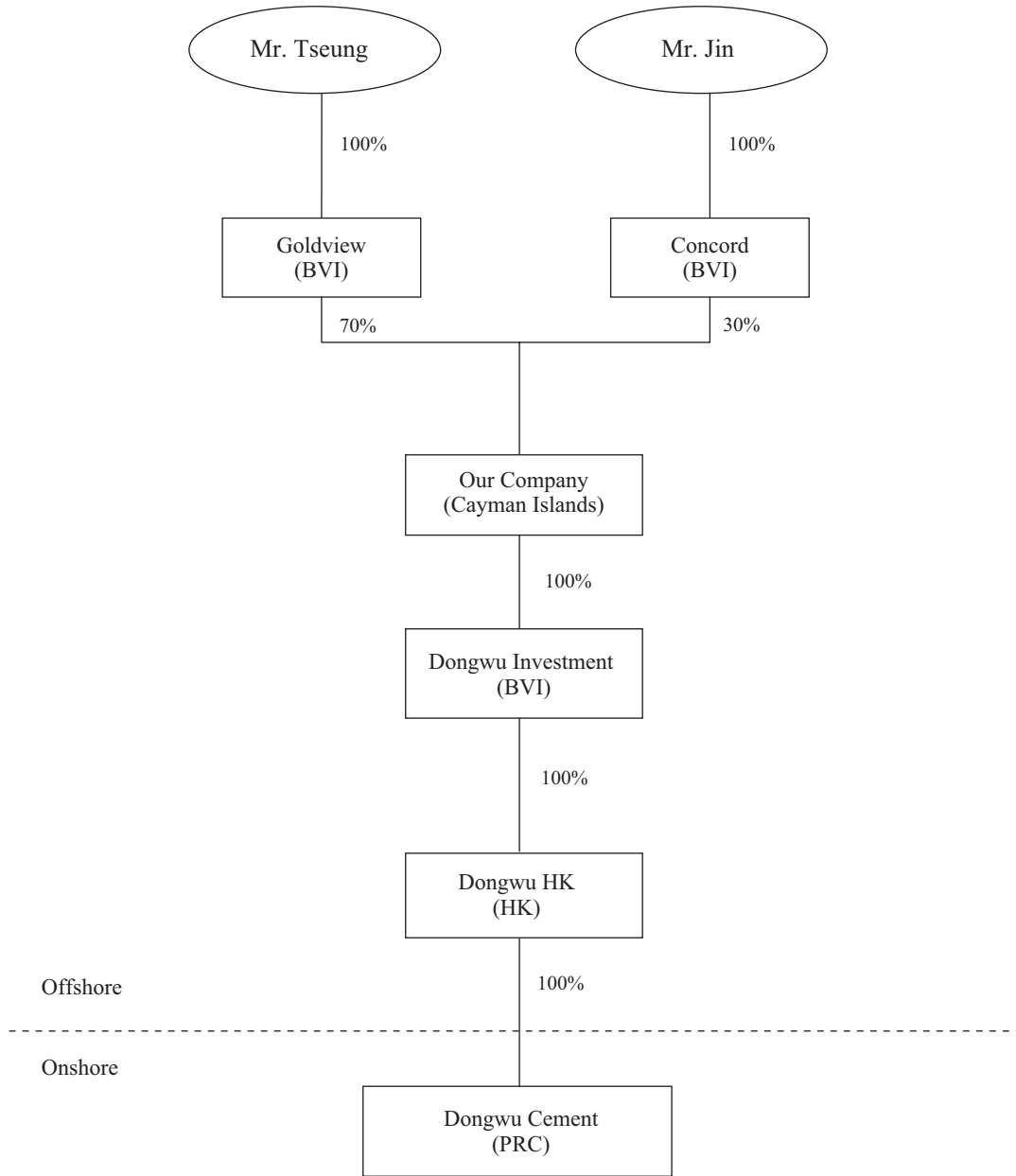
OUR CORPORATE STRUCTURE

Immediately prior to the Reorganization, the corporate structure and shareholding of our Group were as follows:



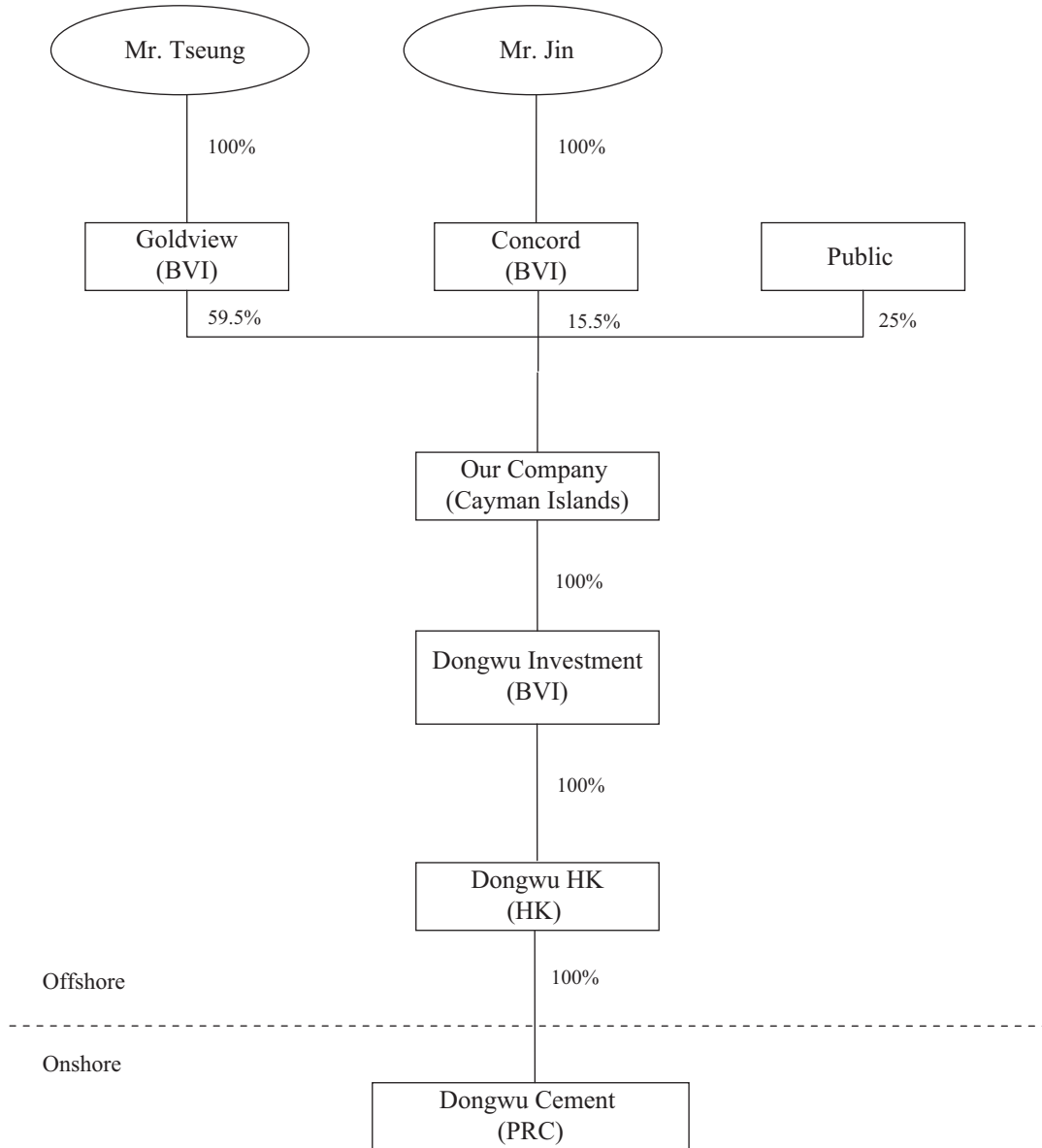
COMPANY HISTORY AND REORGANIZATION

Set forth below is the corporate structure and shareholding structure of our Group after completion of the Reorganization and immediately prior to the completion of the Global Offering:




COMPANY HISTORY AND REORGANIZATION

Immediately following the completion of the Global Offering and the Capitalization Issue (assuming that the Over-allotment Option and any options that may be granted under the Share Option Scheme have not been exercised), the corporate structure and approximate shareholding structure of our Group will be as follows:



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OVERVIEW

We are a cement and clinker producer in Wujiang City, Suzhou Prefecture, which is situated in south Jiangsu Province. Since our establishment, our packed cement products have been sold and distributed under the trademark “”. We are also the only cement producer in Suzhou Prefecture that employs NSP technology in our production process which involves preheating of the raw materials for clinker production before the raw materials are mixed and fed into the rotary kiln. NSP technology generally emits fewer harmful pollutants and produces higher quality cement. NSP technology has now become the most common cement production technology in the PRC, contributing approximately 81% of the total clinker produced in 2010.

Our principal products comprise ordinary Portland cement strength class 42.5 (“PO 42.5”) and composite Portland cement strength class 32.5 (“PC 32.5”), though we also sell clinker as a by-product. According to the independent mandatory inspection reports issued by Jiangsu Construction Materials Quality Supervision and Inspection Station (江蘇省質量技術監督建材產品質量檢驗站), (i) in May 2012, with regard to our PO 42.5; and (ii) in April 2012, with regard to our PC 32.5, both our PO 42.5 and PC 32.5 products are of a substantially higher-grade quality than the PRC national standard.

During the Track Record Period, our products were sold in Jiangsu Province, Zhejiang Province and Shanghai. Our strategic geographical location in the area known as the Golden Triangle of the Yangtze affords us easy access and places us within close proximity to our markets. Our production facilities enjoy the benefit of the exclusive use of an adjoining wharf situated on the Taipu River (太浦河). The wharf enables us to transport raw materials and cement of 10,000 tonnes per day and affords our customers and suppliers convenient transportation access to us.

Our products are primarily sold through (i) direct sales to construction developers that are involved with construction projects in both public and private sectors, (ii) direct sales to ready-mixed concrete stations, all of which are conveniently accessible to our production facilities, (iii) trading companies selected by our Group on a transaction by transaction basis and (iv) direct sales to a number of walk-in customers. For the three years ended 31 December 2009, 2010 and 2011, we sold approximately 1.5 million tonnes, 1.4 million tonnes and 1.4 million tonnes of products, representing sales of approximately RMB291.6 million, RMB355.0 million and RMB464.0 million, respectively.

We have a stable and reliable source of raw materials. The raw materials used in our cement production process include limestone, shale, sandstone, coal gangue, converter slag, clay, flyash and gypsum, etc. We procure our raw materials from a variety of different sources that are within easy access to our production facilities and they are transported to our production facilities mainly via waterway. In addition, coal and electricity are used to fuel our production process. For the three years ended 31 December 2009 and 2010 and 2011:

- our costs on raw materials represented approximately 25.8%, 21.9% and 27.8% of our total cost of sales respectively;

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- our costs on coal represented approximately 32.7%, 36.3% and 36.4% of our total cost of sales respectively; and
- our costs on electricity represented approximately 18.0%, 16.2% and 16.3% of our total cost of sales respectively.

For the three years ended 31 December 2009, 2010 and 2011, we have improved our production efficiency by implementing stringent quality control measures and by reducing our production costs. For instance, we use waste materials in our production of PC 32.5. This reduces our production costs and entitles us to claim a VAT refund for our PC 32.5 products from the PRC government for adoption of energy efficient and environmentally responsible practices. For the three years ended 31 December 2009, 2010 and 2011, these VAT refunds amounted to approximately RMB8.9 million, RMB8.7 million and RMB13.4 million respectively, all of which were from the production of our PC 32.5 products. Additionally, we have equipped our clinker production line with a residual heat recovery system which recycles the heat produced in our production process to generate power that is then re-utilized. This enables us to be less reliant on external electricity sources and further reduces our costs of production. For the three years ended 31 December 2009, 2010 and 2011, electricity generated by our residual heat recovery generators accounted for approximately 12.6%, 20.7% and 17.8% respectively, of our total electricity consumed.

For the three years ended 31 December 2009, 2010 and 2011, our total revenue was approximately RMB291.6 million, RMB355.0 million and RMB464.0 million, respectively, representing a CAGR of 26.1%. Our operating profit increased from approximately RMB16.9 million for the year ended 31 December 2009 to approximately RMB44.4 million for the year ended 31 December 2010 and to approximately RMB116.6 million for the year ended 31 December 2011 representing a CAGR of 162.7%. Our net profit increased from approximately RMB11.8 million for the year ended 31 December 2009 to approximately RMB31.8 million for the year ended 31 December 2010 and to approximately RMB86.9 million for the year ended 31 December 2011, representing a CAGR of 171.4%.

OUR COMPETITIVE STRENGTHS

We believe that our competitive strengths include the following:

We are an integrated cement and clinker producer in Suzhou Prefecture and we produce high quality products at competitive cost

- (i) *We enjoy low production costs by employing NSP technology, a residual heat recovery system and by using waste materials*

According to the certificate issued by the Suzhou Cement Association (蘇州水泥協會) on 15 November 2011, we were the only cement producer in Suzhou Prefecture that employed NSP technology which enabled us to reduce our energy costs by consuming less amounts of coal and water. Being environmentally responsible, NSP technology results in high production efficiency by employing a dry rotary kiln in the production process.

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Notes

- (1) Suzhou Cement Association is a non-profit making organization administered by the Suzhou Economics and Information Technology Commission (蘇州市經濟和信息化委員會) which is registered under the Suzhou Civil Affairs Bureau (蘇州市民政局). Its duties include, but are not limited to, conducting industry surveys, publishing industry data, participating in the formulation of industry plans and standards as well as quality management and supervision as directed by the relevant PRC governmental authorities. Suzhou Cement Association is an Independent Third Party.
- (2) According to Digital Cement, rotary kilns used in NSP technology are more heat efficient than kilns being used in non NSP production lines. Production lines employing NSP technology typically have a lower coal/clinker ratio than production lines which do not employ NSP technology.

We have equipped our production line with a residual heat recovery system which recycles the heat produced in the clinker production process to generate power that can be used in the production process. This reduces our reliance on external electricity sources and thus reduces our costs of production. For the three years ended 31 December 2009, 2010 and 2011, electricity generated by our residual heat recovery generators accounted for approximately 12.6%, 20.7% and 17.8% of the total electricity consumed, respectively. We received an energy saving reward in the sum of RMB1.28 million in 2008 and RMB0.81 million in 2010 respectively, from the Provincial government for our use of the residual heat recovery system at our production facilities.

We are also able to reduce our production costs by adopting various environmentally responsible measures and technologies, including the use of waste materials in our production of PC 32.5 products. These waste materials and by-products such as coal gangue, limestone mineral refuses, flyash and fluorine gypsum are utilized to reduce the use of clinker and other raw materials. This entitles us to claim a VAT refund for our PC 32.5 products.

(ii) We produce high-grade quality cement

We are able to maintain a high quality level of our products largely because of our stringent quality control system that has been implemented and observed at our production facilities which involves twenty separate inspection points at various stages in the production process.

According to the independent mandatory inspection reports issued by Jiangsu Construction Materials Quality Supervision and Inspection Station, (i) in May 2012, with regard to our PO 42.5; and (ii) in April 2012, with regard to our PC 32.5, both our PO 42.5 and PC 32.5 products are of a substantially higher quality than the PRC national standard in almost every respect that was examined or inspected.

(iii) We produce clinker for our own production use

We are a cement producer in Suzhou Prefecture which has the capability of producing clinker, the principal ingredient of cement. By producing our own clinker, we are able to control the quality and supply of our cement and at the same time reduce our reliance on external sources and thus control our production costs.

We employ environmentally-friendly technologies

Our employment of NSP technology in our production process emits less pollutants and by equipping our production line with an residual heat recovery system we are able to save energy costs and be less reliant on on-grid electricity sources.

According to the Inspection Report issued by the Wujiang Environmental Inspection Station (吳江環境監測站) in August 2009, our atmospheric pollutant emission were substantially lower than those required under the national Emission Standard of Air Pollutants for Cement Industry GB4915-2004 (水泥工業大氣污染物排放標準), which is the applicable PRC national standard as at the Latest Practicable Date, in almost all the aspects including, in particular, our emission of NO_x as stated in the Inspection Report was 468 mg per m³, which was significantly lower than the NO_x emission limit of no more than 800 mg per m³ as stipulated under the said national standard. In order to continuously monitor the pollutants emitted during our production process, we have installed monitoring facilities for measuring the quantity of the pollutants emitted in accordance with the relevant PRC emission control policies. Such facilities generate data on a daily basis and are generally inspected by Wujiang Environmental Bureau every three months. As our pollutants monitoring facilities are connected to the automatic supervision system of Wujiang Environmental Bureau, both our Group and Wujiang Environmental Bureau can access and obtain the data at any time. According to the data generated from the facilities, our NO_x emission standards during the period from April 2011 to April 2012 ranged from 0mg/m³ to 605 mg/m³, and our average monthly NO_x emission standard was 330 mg/m³ for the same period, which was even lower than our NO_x emission as stipulated in the said Inspection Report issued in August 2009 as well as the current national NO_x emission limit of 800 mg per m³. In the event that the PRC government implements more stringent emission control policies, our low pollutant emissions may enhance our market position given the fact that such policies will probably phase out some of the small scale cement producers and therefore reduce the cement supply in the markets, whilst we are less likely to be affected by such policies.

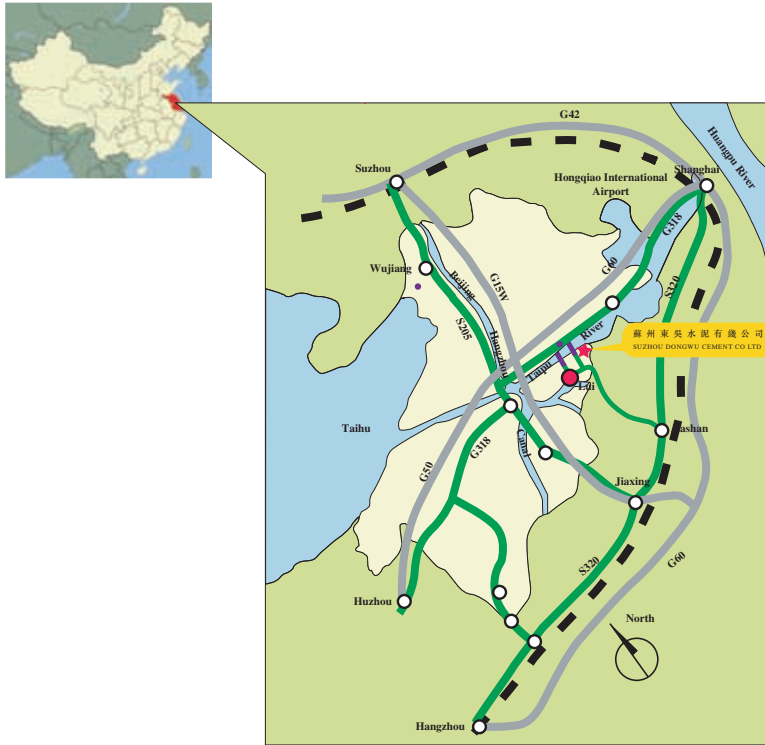
To further reduce the impact on the environment, we have installed two electric dust precipitators in our production line. These precipitators can precipitate more than 99.9% of the dust generated during the production process.

Additionally, the use of waste materials in our production process entitles us to claim a VAT refund for our PC 32.5 from the PRC government by adoption of energy efficient and environmentally-friendly practices. The VAT refund is only available on the condition that at least 30% of the raw materials used during our production process are waste materials. As we produce our own clinker, we are able to control this process and to ensure that a minimum of 30% waste material is used.

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We enjoy the benefits of a convenient transportation network, including a wharf adjoining our production facilities which is strategically located in the Yangtze River Delta Region

During the Track Record Period, our products were sold in Jiangsu Province, Zhejiang Province and Shanghai.



Our production facilities are situated alongside the banks of the Taipu River (太浦河), a 57.2 km-long river that flows through fifteen counties and towns in Jiangsu Province, Shanghai and Zhejiang Province. The Taipu River is an upper tributary to the Huangpu river (黄浦江). The Huangpu river has historically played a significant logistical role in the commercial activities between Shanghai and the rest of the Yangtze River Delta Region. We are also connected via the Taipu River to the Jiangnan canal (江南運河) the southernmost section of the Beijing-Hangzhou Grand Canal (京杭大運河), which is the longest canal in the world which stretches from Beijing to Hangzhou via the provinces of Tianjin, Hebei, Shandong, Jiangsu and Zhejiang. We have been granted the exclusive right to occupy the 730 meters wide river bank that adjoins our production facilities by the Jiangsu Waterway Administration Bureau (江蘇省水利廳) and was allowed to build and use a wharf on the river bank. Our wharf on the Taipu River with access to its waterway network enables us to extend our market reach as far as Taizhou and Zhoushan in Zhejiang Province which are approximately 500 km from our production facilities. This flexibility also allows us to access potential new markets in Anhui, Jiangsu and Zhejiang provided that they are accessible by waterway. Transportation via waterway is an inexpensive mode of transportation and less expensive than transportation by road. Most of our products and raw materials are transported by waterway. The Taipu River affords us convenient access to an extensive network of rivers, canals and lakes, including a network of small waterways through

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which our customers and suppliers are afforded convenient access to our production facilities. The wharf possesses a daily transportation capacity of 10,000 tonnes of raw materials and cement and is capable of berthing vessels possessing up to 1,000 deadweight tonnage (DWT). The wharf is equipped with automatic loading lines which enables us to easily load and/or off-load materials on to vessels berthed at the wharf.

For further details in connection with our occupation of the river bank, risks relating to our occupation of the river bank and our land use rights, please refer to the paragraph “Property” of this section the section headed “Risk Factors” and Appendix IV to this prospectus respectively.

We enjoy stable and long-term relationships with our customers and suppliers

Our products are sold through direct sales to construction developers, ready mixed concrete stations, trading companies and a number of walk-in customers.

Approximately 80% of our total revenue during the three years ended 31 December 2009, 2010 and 2011 was derived from sales to customers which we have had business relationships with for at least three years. We believe that we are able to maintain stable and long-term relationships with our customers because of our high-grade products, our strategic location and our stable supply.

In addition, we have maintained business relationships with our key suppliers of principal raw materials for a period of between 3-7 years. In October 2011, we entered into a five-year contract with a limestone supplier in Zhejiang Province in order to secure a limestone supply of approximately 3.5 million tonnes over the next five years, representing more than 50% of our limestone requirements over the same period.

We have a management team with diverse expertise and skill sets and a highly skilled and experienced workforce

Our management team consists of highly experienced professionals with diverse skill sets and extensive work experience. Ms. Xie Yingxia (謝鶯霞), our Chairman and one of our executive Directors, graduated from Fudan University (上海復旦大學) in Shanghai, and is a holder of a degree in master of business administration and has a bachelors degree in economics. Currently, Ms. Xie is responsible for the financial matters of the Group including budget, performance evaluation and internal audit and asset management. Mr. Jin, one of our executive Directors and our chief executive officer, joined our Group in 2007 and possesses approximately 30 years of corporate experience in the PRC. Mr. Jin possesses a deep understanding of the markets we serve, including knowledge of the local affairs of Wujiang City and local government policies by reason of having worked in and around Wujiang City since 1991. Mr. Yang Bin (楊斌), one of our executive Directors, graduated from Tsinghua University (清華大學) in Beijing majoring in mechanical engineering and University of International Business and Economic (對外經濟貿易大學) with a masters degree in business administration. In addition, our principal department heads comprise several highly experienced individuals possessing an average of 20 years of experience in the cement industry.

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OUR STRATEGIES

Strengthen our market position in our regional markets by strengthening our sales network

We intend to continue to strengthen our relationships with our construction developer customers, our ready-mixed concrete station customers and selected trading companies who possess long and proven business records with a view to increasing our sales in our regional markets. In particular, we intend to consolidate our market position in Wujiang City, where we can sell our products at a higher average selling price and better profit margin, and to increase our market penetration including, in particular, the urban area of Suzhou (excluding Wujiang City) and Shanghai. We also anticipate working on more large-scale government construction projects in Suzhou and Shanghai.

In order to strengthen our sales network, we intend to enhance our logistics system and capability by establishing our entrepots at strategic locations in close proximity to our existing and potential new markets where we will store our cement products and our customers can take delivery of our products after purchasing our products at such entrepots. To establish our own entrepots, we will lease warehouses at those selected strategic locations to store large quantities of our cement products. As our customers will take delivery of our products directly at these entrepots, we do not have to provide any product delivery services to these customers. Instead of delivering our products to various customers at different locations, we can transport some of our products to these entrepots for sale, which enables our customers to reduce the total travelling time and distance in taking delivery of our products. We believe that the establishment of our own entrepots in close proximity to our existing and potential new markets can better serve our customers within and outside Wujiang City, including, in particular, the urban areas of Suzhou and Shanghai.

Besides, as our customers can take delivery of our products after purchasing our products at such entrepots, we believe that such new means of selling our products could attract potential new customers in our existing and potential new markets, thereby facilitating the consolidation of our market position in Wujiang City and our market penetration in new markets, including, in particular, the urban areas of Suzhou and Shanghai.

Moreover, sales of our products at entrepots could enable us to benefit from a relatively higher profit margin due to the reduced production costs and our higher retail price as compared with the wholesale price. We will also require our customers who make orders at our entrepots to pay the purchase price in full before taking delivery of our products.

We plan to establish one entrepot in each of Suzhou and Shanghai and seven to nine entrepots in Wujiang City by mid-2013, with the first one to commence establishment in around July 2012. We intend to establish more entrepots in Wujiang City in view of our significantly higher average sales price and better profit margin in Wujiang market. With more entrepots to be established in Wujiang City as well as the expected positive effects and results to be brought by such entrepots, we expect that we can achieve higher sales volume and revenue in our local Wujiang market as well as their respective proportions to our other geographical markets.

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Expand our business to downstream industries

We intend to expand our business to downstream industries by acquiring, or acquiring a majority stake, in a suitable ready-mixed concrete station located in Wujiang City in the second half of 2012. The ready-mixed concrete stations produce concrete by mixing cement, which is the key raw material for the ready-mixed concrete stations, with water and aggregate, such as sand, natural gravel and crushed stone in the concrete mixers. The major income of ready-mixed concrete stations is typically derived from their sales and transportation of concrete to the construction developers, as well as the provision of onsite concrete bumping services. As at the Latest Practicable Date, we have not identified any suitable acquisition target and as such, we are uncertain of the amount of capital expenditure that will be required to be incurred or the operational and financial impact that such an acquisition will have on our revenue and profitability. In the event that the proceeds from the Global Offering are insufficient to cover such acquisition cost, we intend to fund the balance by utilizing our own working capital to cover any short fall.

This will enable us to develop and expand our business into the production of concrete and mortar products. By taking advantage of our strategic geographical location and transportation network, this will enable us to better serve our existing and potential new customers by offering a fuller range of products. As we produce our own cement, we will be able to ensure the high quality of these concrete and mortar products. By acquiring, or acquiring a majority stake in, a ready-mixed concrete station, we will also be able to attract more construction developer customers in both the public and private sectors while saving us the time and costs required for establishing a new ready-mixed concrete station which typically involves the application of various licenses. It may also enhance our prospects of being awarded public infrastructure projects. We do not intend to manage the ready-mixed concrete station ourselves. It is our intention that following such acquisition, we will retain the management and staff who shall continue to be responsible for the day-to-day management of such ready-mixed concrete station. With the cooperation between our existing management staff who possess expertise in the cement industry and the experienced management staff of the ready-mixed concrete station(s) to be acquired by our Group through sharing of technology, experience and resources, we believe that we are capable of running the new business effectively. We also intend to instruct a PRC Legal Advisors to conduct a legal due diligence review on the ready-mixed concrete station we target to acquire during the acquisition process so as to ensure that such ready-mixed concrete station is being operated in full compliance with the prevailing relevant laws and regulations.

Enhance our brand and our corporate profile

We intend to increase our marketing activities in all our regional markets. We also intend to enhance our brand image in our regional markets by continuing to strive to provide all our customers with high grade products at a competitive price. Some of our intended marketing plans include upgrading our company catalogue, advertising through the mass media such as magazines and directly attending and participating in more government tenders.

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Further stabilize our limestone supply by entering into a long-term contracts with suitable limestone suppliers

Presently, we have entered into master contracts with some of our limestone suppliers to fix a basic price for each year. The basic price is usually valid for about one year. In October 2011, we entered into a five-year master contract with a limestone supplier in Zhejiang Province in order to secure a limestone supply of approximately 3.5 million tonnes over the next five years, representing more than 50% of our limestone requirements over the same period. The price, volume and other terms shall be negotiated and agreed between our Group and the supplier on an annual basis in the form of supplementary agreements. It is our intention to enter into more long-term contracts with suitable limestone suppliers and quarry operators which will enable us to further secure a steady supply of limestone at a reduced cost through economies of scale.

Further enhance our operational efficiency and reduce our production costs

In order to maximize our profitability and to ensure our long-term competitiveness, we have already implemented a number of measures to improve our operational efficiency and cost-control such as using industrial waste and by-products in our production process and our upgrading our equipment.

We intend to continue to improve our operational efficiency by providing regular training to our production staff, reducing our energy consumption through innovation.

We are testing various types of mineral powder for use as additives in the production process. We anticipate that this not only reduces our cost of sales but is also environmentally responsible. We are also testing new environmentally responsible technologies such as kiln technology that may enable us to incinerate general household waste material. We also intend to upgrade our production equipment to ensure more energy efficiency.

Maintain our independence despite the PRC government's policy of encouraging consolidation of the cement industry

Leveraging on our advantage of having a whole cement production line in Wujiang City, coupled with the fact that we do not rely on other companies or partners for cement and clinker production, we consider merger with, or acquisition of, other cement companies unnecessary and we do not have such plans at the moment. Up to the Latest Practicable Date, so far as is known to our Directors, there was no governmental order requiring us to merge with or acquire other cement companies. Further, as advised by our PRC Legal Advisors, given the fact that all our existing Shareholders are non-governmental entities, it is unlikely that we will be required by the PRC government to merge with or be acquired by other cement companies as compared with those companies with governmental shareholders. In addition, since (i) both our production capacity and our technology are in compliance with the relevant PRC industry policies, (ii) we have obtained all relevant and necessary permits, approvals, consents, certificates and licenses required under the PRC laws and regulations in connection with the business of our Group and all of them are in full force and effect throughout the Track Record Period and

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up to the Latest Practicable Date, and (iii) under the current PRC legal framework, the government authorities have not been conferred the rights to interfere with the internal management of a company without justifiable reasons, it is even more unlikely that we will be required by the PRC government to merge with or be acquired by other cement companies. Based on the foregoing, our Directors are of the view that we are neither a potential consolidator nor consolidatee.

Although we do not anticipate that we will be a consolidator or consolidate despite the consolidation policy with respect to the PRC cement industry, similar to other industries and as a matter of business strategy, we may become a target of merger or acquisition by other cement producers in view of:

- our predominance of having a convenient transportation network and business situated at a good geographical location;
- our profitable operation;
- our compliance with all relevant PRC laws and regulations such that our Group has obtained all necessary permits, approvals, consents, certificates and licenses required under the PRC laws and regulations in connection with the business of our Group and operation of our production line and all of them are in full force and effect throughout the Track Record Period and up to the Latest Practicable Date and that we have obtained the certificates issued by Wujiang Industrial and Commerce Authority, Wujiang Tax Authority and Wujiang Environmental Protection Authority recognizing our compliance with the relevant laws and regulations in terms of our business operation, tax and environmental compliance throughout the Track Record Period.

Even though it is unlikely that we will be required by the PRC government to merge with or be acquired by other cement companies under the current PRC laws and regulations, as a matter of business strategy, our Directors may consider conducting merger and acquisition activities with other cement producers in future on a voluntary basis, provided that the proposed merger or acquisition is favourable to us and in compliance with the Listing Rules and other applicable laws and regulations. As at the Latest Practicable Date, we did not have of any such merger or acquisition plans, nor were we aware of any offer for the same.

OUR PRODUCTS

Our principal products are PO 42.5 and PC 32.5, which are sold in the form of bulk cement or under our registered trademark “”. We also produce clinker, the key intermediary raw material in cement production. During the Track Record Period, the clinker we produced was mainly for our own cement production purpose, although we also sold it as a by-product occasionally to relieve the pressure of inventories in our warehouses when the market demand for cement was weak.

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The table below sets forth the breakdown of our revenue by product type during the Track Record Period:

	Year ended 31 December					
	2009		2010		2011	
	<i>Sales</i>		<i>Sales</i>		<i>Sales</i>	
	<i>RMB'000</i>	<i>%</i>	<i>RMB'000</i>	<i>%</i>	<i>RMB'000</i>	<i>%</i>
PO 42.5	107,623	36.9	160,603	45.2	224,551	48.4
PC 32.5	155,284	53.3	184,088	51.9	236,185	50.9
Clinker	28,715	9.8	10,259	2.9	3,309	0.7
Total	291,622	100.0	354,950	100.0	464,045	100.0

The table below sets forth the breakdown of the average selling prices of our products during the Track Record Period:

	Year ended 31 December			As at the Latest
	2009	2010	2011	Practicable Date
	<i>RMB/tonne</i>	<i>RMB/tonne</i>	<i>RMB/tonne</i>	<i>RMB/tonne</i>
PO 42.5	217.8	279.4	358.7	314.6
PC 32.5	193.4	234.0	302.4	260.7
Clinker	185.4	206.0	320.7	247.1

The table below sets forth the breakdown of our sales volume and production volume during the Track Record Period:

	Year ended 31 December					
	2009		2010		2011	
	Production	Sales	Production	Sales	Production	Sales
	volume	volume	volume	volume	volume	volume
	<i>thousand tonnes</i>					
PO 42.5	494.8	494.1	574.1	574.8	637.5	626.1
PC 32.5	810.8	803.0	790.3	786.6	790.6	781.1
Clinker	890.0	154.9	859.3	49.8	888.4	10.3

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Notes:

1. The gradual increase in the sales volume of our PO 42.5 during the Track Record Period was mainly due to the increase in the demand of relatively high strength cement, i.e. PO 42.5 for the development of large scale infrastructure projects in Wujiang City in 2011. Besides, we had been focusing on the development of key governmental administrative construction projects and ready-mixed concrete station customers and such projects and customers mainly used PO 42.5, which also accounted for the gradual increase in the sales volume of our PO 42.5 during the Track Record Period.
2. During the Track Record Period, our sales volume of clinker was much lower than our production volume because most of the clinker we produced was used for our own cement production.

Our sales volume of cement products was approximately 1.3 million tonnes, 1.4 million tonnes and 1.4 million tonnes for the three years ended 31 December 2009, 2010 and 2011 respectively. Our sales volume of clinker was 154,851 tonnes, 49,803 tonnes and 10,320 tonnes during the same period respectively. Our total sales amounted to approximately RMB291.6 million, RMB355.0 million and RMB464.0 million during the same period respectively.

Our overall gross profit margin for the three years ended 31 December 2009, 2010 and 2011 was 7.9%, 13.9% and 26.4% respectively, the breakdown of which is set out as follows:

	Year ended 31 December					
	2009		2010		2011	
	<i>Average selling price (RMB/ tonne)</i>	<i>Gross profit margin (%)</i>	<i>Average selling price (RMB/ tonne)</i>	<i>Gross profit margin (%)</i>	<i>Average selling price (RMB/ tonne)</i>	<i>Gross profit margin (%)</i>
Cement	202.7	8.8	253.2	14.8	327.4	26.3
Clinker	185.4	-0.5	206.0	-15.4	320.7	17.4

Notes:

1. The gradual increase in our gross profit margin during the Track Record Period was mainly due to the increase in the average selling price of PC 32.5 in 2010 and the increase in the average selling price of PO 42.5 in 2011. Such an increase generated an increase in our revenue at a rate exceeding the increase in our cost of sales during the same period. Whilst we also experienced an increase in the demand for our cement products due to the implementation of the energy consumption saving and emission control policies in the PRC. Such policies resulted in changes in the market supply and demand of cement in our markets which benefited the sales of our cement products in such market while phasing out less developed cement production capacity by the PRC government.
2. During the Track Record Period, the clinker we produced was mainly used for our own cement production purpose whilst only some of our clinker was sold as a by-product when the market demand for cement decreased and remained weak for a temporary period due to unfavourable weather conditions such as continuous low temperature and wet weather, etc. For cost-effective purposes, we generally operate our clinker production facilities continuously. In the event that not all of the clinker was used for our cement production as a result of

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the temporary weak market demand for cement, our inventory level of clinker would accumulate and might reach a high level. In order to relieve the pressure of temporarily excessive inventories in our warehouses, we would sell clinker as a stand-alone product at a relatively low price in light of the said circumstances. As only a small portion of the clinker we produced was sold as a stand-alone product, the gross profit margin for clinker varied with the short term fluctuation in its selling price. It also explains why negative gross profit margin for clinker was recorded for the years ended 31 December 2009 and 2010.

3. For the year ended 31 December 2011, the market price of clinker increased significantly due to the strong market demand for both cement products and clinker. Benefiting from the increasing market price, the average price for clinker we sold has reached RMB320.7 per tonne, even higher than the average price for PC 32.5 products during the same period. Therefore, we were able to sell clinker at a positive gross profit margin.

The following table sets forth details of PO 42.5, PC 32.5 and clinker, respectively:

Type	Category	National Standards	Characteristics	Applications
PO 42.5	Common Portland cement	Loss $\leq 5.0\%$; SO ₃ $< 3.5\%$; CI - $< 0.06\%$; MgO $< 5.0\%$; 3-day compressive strength $\geq 17\text{MPa}$; 28-day compressive strength $\geq 42.5\text{MPa}$; (3-day fractural load $\geq 3.5\text{MPa}$ 28-day fractural load $\geq 6.5\text{MPa}$); initial setting time ≥ 45 min; final setting time < 600 min; compliant stability; and fineness (specific surface area) $\leq 300\text{m}^2/\text{Kg}$.	High strength at the initial phase; high hydration heat; high freeze-resistance; low heat-resistance; low corrosion-resistance; low dry shrinkage.	General cement applications such as construction of residential and industrial buildings, pre-cast work. Also structures that require short construction time such as bridges & roads.
PC 32.5	Composite Portland cement	SO ₃ $\leq 3.5\%$; 3-day compressive strength $\geq 10\text{MPa}$; 28-day compressive strength $\geq 32.5\text{MPa}$; (3-day fractural load $\geq 2.5\text{MPa}$; 28-day fractural load $\geq 5.5\text{MPa}$); initial setting time ≥ 45 min; final setting time ≤ 600 min; compliant stability; and fineness (80 micron) $\leq 10.0\%$.	Low strength at the initial phase; high heat-resistance; low acid-corrosion-resistance.	General cement applications and structures that do not require high strength such as low rise buildings, paving and mass concreting.
Clinker	-	-	For the production of cement	Cement production

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According to the independent mandatory inspection reports issued by Jiangsu Construction Materials Quality Supervision and Inspection Station, (i) in May 2012, with regard to our PO 42.5; and (ii) in April 2012, with regard to our PC 32.5 (collectively, the “Reports”), both our PO 42.5 and PC 32.5 products are of a substantially higher-grade quality as compared to the current PRC national standard GB-175-2007 for common Portland cements in almost every respect that was examined or inspected.

The Jiangsu Construction Materials Quality Supervision and Inspection Station is a wholly state-owned enterprise and one of the designated inspection institutions in Jiangsu Province authorized to conduct inspections pursuant to the Quality Management Procedures of Cement Enterprise, which was promulgated by the Ministry of Industry and Information Technology of the PRC. Pursuant to the Quality Management Procedures of Cement Enterprise, cement enterprises are required to have their products inspected by designated inspection institutions once every two months. Accordingly, we commissioned the Jiangsu Construction Materials Quality Supervision and Inspection Station to conduct one of our mandatory inspections on our PO 42.5 and PC 32.5 products and obtained their report in May 2012 and April 2012 respectively. We paid the Jiangsu Construction Materials Quality Supervision and Inspection Station a sum of RMB8,702 to conduct inspection services including six inspections on our products in 2012.

The Reports set out the results of examinations and inspections of different characteristics of our PO 42.5 and PC 32.5 cement products as compared to the relevant standards set in the current PRC national standard GB-175-2007. In almost every category examined and inspected, our cement products were assessed to be of substantially higher-grade quality than the current PRC national standard GB-175-2007. Of particular significance, our cement products improve upon the national standards in respect of the key performance parameters of setting-time and compressive strength.

In particular, the Reports highlighted the key factors of setting-time and compressive strength. The cement paste setting time is affected by a number of factors, including cement fineness, the water-cement ratio, the chemical content (especially gypsum) and admixtures. For construction purposes, the initial set must not be too soon and the final set must not be too late. Additionally, setting times can give an indication of whether or not cement is undergoing normal hydration.

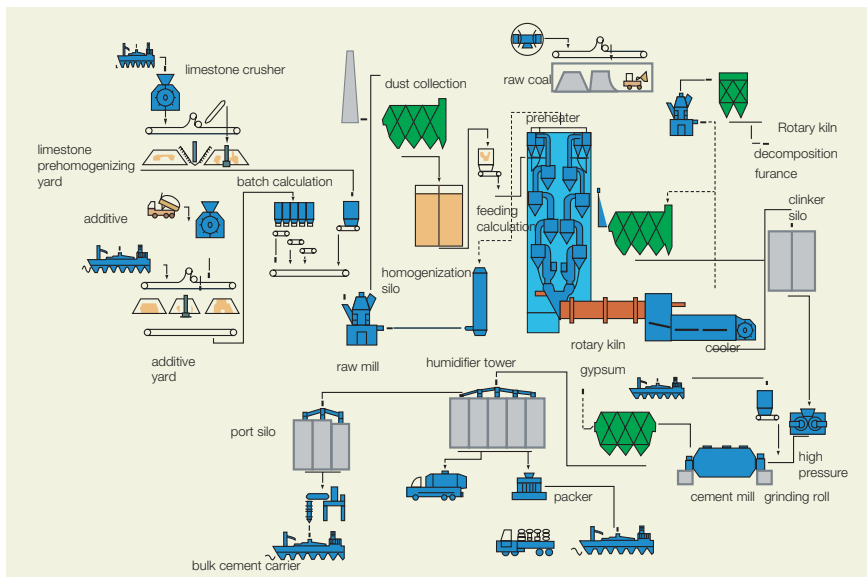
Product	Applicable National Standards		Inspection Results of Dongwu Cement
PO 42.5	Initial setting time ¹	no less than 45 minutes	127 minutes
	Final setting time ¹	no more than 600 minutes	217 minutes
	28-day Compressive strength ²	No less than 42.5 MPa	49.5 MPa (average)
PC 32.5	Initial setting time ¹	no less than 45 minutes	211 minutes
	Final setting time ¹	no more than 600 minutes	270 minutes
	28-day Compressive strength ²	No less than 32.5 MPa	41.0 MPa (average)

Notes:

- 1 Setting time regulates how much time the cement can be placed and finished. The setting of cement is a continuous process. The initial setting time is the interval between the mixing of cement with water and the time when the mix has lost plasticity, stiffening to a certain degree. It marks roughly the end of the period when the cement mix can be molded into shape. The final setting time is the point at which the set cement has acquired a sufficient firmness to resist a defined pressure.
- 2 Cement hardens and gains strength as it hydrates. The hydration process lasts over a long period of time. The 28 day time period is selected by the industry as the age that all cement should be tested. At this age, a substantial percentage of the hydration has taken place.

Production process

The diagram below illustrates the cement production process:



A raw mix of limestone, silica, iron and aluminum is prepared from rock sources which have been crushed and pounded to the size of small pebbles. Although cement is essentially powdered rock, the various materials must be present in precise quantities in order for high-grade quality Portland cement to be produced. In order to ensure that the correct mix is obtained at the beginning of the cement making process, controlled amounts of each of the raw materials are fed from silos onto a conveyor belt, which takes them to the raw mill.

Once in the raw mill, the raw mix is then blended in a blending chamber, and chemically analyzed to ensure that the precise ratios of raw materials are present. It is important that the raw mix is mixed thoroughly to form a completely homogeneous mixture, and that all elements in the mix are as close to being the same size as is possible. Calcium and silicone make up the bulk of the mix because they are the ingredients which later form the calcium silicates that comprises 66% of Portland cement. Smaller amounts of iron and aluminum are present to act as flux during the firing process, lowering the temperature at which calcium silicates will form.

After blending, the raw mix is stored in a silo from where it is transported to the kiln pre-heater. The raw materials are then fed to the kiln, a large rotating cylinder which is heated gradually over the length of the kiln, with the temperature rising to between 1,400 and 1,450 degrees Celsius at its hottest point. As the raw mix grows hotter, aluminum and iron melt, and calcium silicates begin to form. This process is called pyroprocessing and is the most energy-intensive stage of the cement production process. The major raw material for the production of clinker is limestone mixed with a second material containing clay as source of aluminum-silicate. Second raw materials (materials in the raw mix other than limestone) depend on the purity of the limestone. Some of the secondary raw materials used include clay, shale, sandstone, iron powder. By the end of the firing process, small nodules of an entirely new compound are formed. These nodules are called clinker and are typically 3-25 mm in diameter.

The clinker is cooled after it leaves the kiln and stored until required for milling when it is fed into tube mills to be ground with gypsum flyash and slag. Approximately 3-6% gypsum is added, gypsum operates as an additive which controls the speed at which the cement is set. The grinding process continues until the clinker nodules become a very fine powder. Typically, other additives which impart water-reducing properties to the cement and aid grinding are incorporated during the grinding stage. The cement is then fed to storage silos until required for delivery or diverted to a bagging plant.

NSP technology

The important feature of the NSP technology lies in the pre-heating of raw materials for the production of clinker before they are mixed and fed into the rotary kiln. In the non-NSP technology production process, the raw materials are crushed and mixed to form a raw meal and fed into the rotary kiln without pre-heating. The pre-heating process significantly enhances the efficiency of calcination resulting in the formation of better quality clinker in the rotary kiln.

Benefits of the NSP technology

The benefits of the NSP technology are as follows:

- (i) the use of the NSP technology increases the production capacity of traditional suspension preheater kilns by 1.5 to 2 times;
- (ii) the NSP technology decreases the sintering energy consumed during the production process. Accordingly, NSP technology is more heat efficient and requires less consumption of energy;
- (iii) the NSP technology provides a more efficient cooling rate system; and
- (iv) the NSP technology emits less pollutants and enables us to reduce our energy costs by consuming less coal and water.

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Use of waste materials in production process

We use waste materials as raw materials in our production of PC 32.5 products. The waste materials we used include (i) mineral refuses produced during the mining activities, such as coal gangue and limestone mineral refuses, and (ii) industrial wastes or by-products, such as flyash and fluorine gypsum. Flyash are normally generated during the course of coal burning, while fluorine gypsum is a by-product of hydrogen fluoride production. All of the waste materials we used are procured from external sources. All the waste materials we used are industry by-products or wastes or mineral wastes and are non-poisonous in nature.

Production Facilities

Our two production facilities are located at Lili Town, Wujiang City, Suzhou Prefecture, Jiangsu Province, the PRC with a site area and a gross floor area of approximately 182,000 sq.m. and 32,700 sq.m. respectively.

As at the Latest Practicable Date, we had one production line employing a dry rotary kiln that possesses a production capacity of 775,000 tonnes of clinker per annum and two grinding mills. The two grinding mills are for the production of both PO 42.5 and PC 32.5 cement products based on the production plan and market demand of each product.

The average length of our production cycle with respect to our products is approximately five hours. During the production process, our production line can carry out the raw meal grinding stage, the clinker calcination stage and the cement grinding stage concurrently.

As advised by our PRC Legal Advisors, we have obtained the necessary permits and approvals from the local DRC in respect of our production line.

Our production facilities are equipped with the DCS which ensure high efficiency, energy saving and optimized control via automation. The DSC is capable of overseeing several industrial processes simultaneously in order to ensure production quality, environmental protection and management cost-effectiveness. The DCS is an automated control system that is installed throughout the various parts of the production facility rather than relying upon a central controller. The entire system of controllers is connected by networks for communication and monitoring.

During the Track Record Period and up to the Latest Practicable Date, we have not experienced any breakdown of any major production equipment which resulted in material impact on our normal operations and productions.

We employ a residual heat recovery system which enables us to reduce our production costs and save the amount of on grid electricity consumed.

The depreciation period for production equipment and structures is 10 years and 20 years respectively. As at the Latest Practicable Date, most of our production equipment and structures have been utilized for approximately 7.5 years.

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The following table sets out our utilization rate of cement and clinker production facilities during the Track Record Period and up to 30 April 2012:

	2009	Year ended 31 December 2010	2011	Four months ended 30 April 2012
Cement utilization rate ¹	79.8%	83.4%	87.2%	61.0%
Clinker utilization rate ²	114.8%	110.9%	114.6%	94.5%

Notes:

- 1 The cement utilization rate is equal to the aggregate of annual production volume of PO 42.5 and annual production volume of PC 32.5, divided by the annual production capacity of our two cement grinding mills.
- 2 The clinker utilization rate is equivalent to the annual production volume of clinker divided by the annual production capacity of clinker.

During the Track Record Period and up to the Latest Practicable Date, we conducted comprehensive maintenance work on our production facilities and equipment during the period of the Chinese New Year each year. The comprehensive maintenance work would typically last for approximately 20 days and our production facilities would cease to operate during such period which in turn resulted in a relatively low utilization rate for our cement production facilities for the four months ended 30 April 2012.

According to MIIT, the cement utilization rates for PRC cement industry were approximately 72.0% and 73.0% respectively for the two years ended 31 December 2010 and 2011.

According to the feasibility report of Suzhou Dongwu Cement Co. Ltd 2,500/day tonnes of Clinker NSP Production Line (蘇州東吳水泥有限公司 2500t/d 噸熟料新型幹法水泥生產線可行性報告) (the "Feasibility Report") jointly issued by the China Kaisheng International Construction Co. Ltd (中國凱盛國際工程公司) and the Nanjing Kaisheng Cement Technology and Construction Co., Ltd. (南京凱盛水泥技術工程有限公司), the hourly production capacity of each cement grinding mill is 110 tonnes. Based on the said hourly production capacity, the annual production capacity of our two cement grinding mills is 1,636,800 tonnes. This is calculated by 110 tonnes per hour multiplied by 24 hours per day for 310 operation days per year and two cement grinding mills.

According to the Feasibility Report, the annual production volume of clinker is 775,000 tonnes. The annual clinker production volume is based upon the calculation of 2,500 tonnes per day multiplied by 310 operation days per year, which is the estimated annual production days under the Feasibility Report.

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During the Track Record Period, the utilization rate of our clinker production facility exceeded 100% over the designated capacity, which was due to our clinker production facility being operated for 24 hours per day and over 310 days per year, with an aim to lowering the average production costs through continuous operations (except for annual examinations, testing and repairs).

Despite the high utilization rates for our cement and clinker production facilities, we do not have any plan to increase our production capacity given the recent government policies on controlling the cement production capacity. Any increase in our production capacity is accordingly subject to approvals by the relevant PRC governmental authorities which are, so far as is known to our Directors, unlikely to be obtained.

Our profitability is sensitive to fluctuation in the utilization rate for our production line. For the three years ended 31 December 2009, 2010 and 2011, an increase in cement utilization rate would have a positive effect on our revenue and net profit while a decrease in cement utilization rate would have a negative effect on our revenue and net profit, assuming other factors remain unchanged. The table set out below illustrates the decrease in our revenue and net profit which would have been caused by a decrease to the cement utilization rate by 10% during the Track Record Period, assuming that other factors remain unchanged:

	Year ended 31 December					
	2009		2010		2011	
	<i>RMB million</i>	%	<i>RMB million</i>	%	<i>RMB million</i>	%
Change in revenue by	33.0	11.3	41.3	11.6	52.8	11.4
Change in net profit by	2.3	19.6	4.9	15.3	11.1	12.8

The clinker we produced is mainly for our own cement production purpose. Therefore, the influence of utilization rate fluctuation of our clinker production facilities on our revenue and net profit has already been reflected by the fluctuation of the utilization rate of our cement production facilities.

The table below illustrates the breakeven quantity analysis for our cement products for each of the three years ended 31 December 2011 and for the four months ended 30 April 2012 based on our management accounts, assuming that the selling prices remain unchanged:

	Year ended 31 December			For the four months ended 30 April
	2009	2010	2011	2012
Breakeven quantity (thousand tonnes)	1,035.5	868.1	530.5	275.1
Actual sales quantity (thousand tonnes)	1,297.1	1,361.4	1,407.2	352.4
Average selling price of				
our cement products (RMB/tonne)	202.7	253.2	327.4	284.2
Average cost of sales of our cement				
products (RMB/tonne)	184.9	215.8	241.0	254.6

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Attributable to the continuous increase in the average selling price of our cement products, which exceeds the increase in our cost of sales of our cement products during the Track Record Period, the breakeven quantity of the Group's cement products decreased from approximately 1,035,500 tonnes in 2009 to approximately 530,500 tonnes in 2011.

Due to the significant decrease in our average selling price of our cement products from approximately RMB327.4 per tonne, for the year ended 31 December 2011 to approximately RMB284.2 per tonne for the four months ended 30 April 2012, representing a decrease of 13.2% and the Directors are of the view that the downward trend since 2009 in breakeven quantity may not be sustained in 2012, as the table indicated above.

As advised by our PRC Legal Advisors, throughout the Track Record Period and up to the Latest Practicable Date, our Group has obtained all necessary permits, approvals, consents, certificates and licenses required under the PRC laws and regulations in connection with the business of our Group and all of them are in full force and effect. In particular, we have obtained the necessary permits and approvals from the local DRC in respect of our production line. Furthermore, we have obtained the certificates issued by Wujiang Industrial and Commerce Authority, Wujiang Tax Authority and Wujiang Environmental Protection Authority recognizing our compliance with the relevant laws and regulations in terms of our business operation, tax and environmental compliance throughout the Track Record Period.

According to the Notice of State Council on Speeding up the Structural Adjustment to Industries with Surplus Production Capacity (《國務院關於加快推進產能過剩行業結構調整的通知》), the “Notice on Surplus Production Capacity”), enterprises who possess operations which:

- impair natural resources;
- emit pollutant to environment; and
- do not carry out operation under safe conditions, shall be shutdown according to the relevant laws and regulations.

Besides, the PRC government intends to gradually phase out laggard production capacities, including the cement production capacities of laggard technologies, such as vertical kiln technologies.

According to the “Notice on Further Strengthening the Elimination of Obsolete Production Capacities” (《關於進一步加強淘汰落後產能工作的通知》, “Notice on Obsolete Production Capacities”) issued by the State Council on 6 February 2010, the cement industry is one of the key industries which is subject to the elimination of obsolete capacities in the short term. The specific target of the Notice on Obsolete Production Capacities is to eliminate obsolete cement production capacities including mechanical vertical kiln production lines with a kiln diameter below 3.0 meters, dry hollow kilns production line (excluding those for producing high alumina cement) with a kiln diameter below 2.5 meters and wet process kiln cement production lines (excluding those mainly used for disposing sludge, carbide slag) with a kiln diameter below 2.5 meters, cement grinding mills with a diameter below 3.0 meters (excluding those for producing special cement), cement earth kilns (egg-shape) and ordinary vertical kilns by the end of 2012.

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All the PRC cement producers, whether state-owned or privately owned, are subject to and regulated by the Notice on Surplus Production Capacity and the Notice on Obsolete Production Capacities.

As advised by our PRC Legal Advisors, Dongwu Cement is not an enterprise subject to the shut down policy under the Notice on Surplus Production Capacity. Further, neither the production line nor the production capacity for cement of Dongwu Cement will be regarded as obsolete or of laggard production technologies pursuant to the Notice on Obsolete Production Capacities and the Notice on Surplus Production Capacity. Accordingly, our production line and the production capacity will not be subject to the elimination or phasing out arrangement as stipulated under the said two notices.

RAW MATERIALS AND ENERGY SUPPLY

Major raw materials used in our cement production process include limestone, shale, sandstone, coal gangue, converter slag, clay, flyash and gypsum, amongst which limestone is the principal raw material for our production.

We procure our raw materials from a variety of different sources that are within easy access to our production facilities and they are transported to our production facilities mainly via waterway. We have a stable and reliable source of raw materials. We have 3 to 7 years business relationship with our key suppliers. We also entered into a 5-year master contract with one of our suppliers to secure the limestone supply of approximately 3.5 million tonnes until 30 September 2016, representing more than 50% of our limestone requirements over the same period. The price, volume and other terms shall be negotiated and agreed between our Group and the supplier on an annual basis in the form of supplementary agreements. Set out below is a table illustrating our key costs of sales for the three years ended 31 December 2009, 2010 and 2011:

	Year ended 31 December					
	2009		2010		2011	
	<i>Total cost (RMB'000)</i>	<i>% of our total costs of sales</i>	<i>Total cost (RMB'000)</i>	<i>% of our total costs of sales</i>	<i>Total cost (RMB'000)</i>	<i>% of our total costs of sales</i>
Raw materials	69,307	25.8	67,058	21.9	94,989	27.8
Coal	87,918	32.7	110,952	36.3	124,525	36.4
Electricity	48,402	18.0	49,559	16.2	55,603	16.3

Notes:

- The significant increase in our total cost for raw materials in 2011 as compared with that in 2010 was mainly attributable to the increase of our purchase price of limestone, which was mainly caused by the rising prevailing market price of limestone in our source of procurement. For the years ended 31 December 2009, 2010 and 2011, our average purchase price for limestone was RMB26.6 per tonne, RMB28.5 per tonne and RMB38.5 per tonne respectively, representing an annual increase of approximately 7.1% and 35.1% for 2010 and 2011.
- The significant increase in our total cost for coal in 2010 as compared with that in 2009 was mainly attributable to changes in the market supply and demand relationship.

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During the Track Record Period, we have improved our production efficiency by implementing stringent quality control measures and by reducing our production costs. For instance, we have used waste materials in our production of PC 32.5. This has reduced our production costs and entitled us to claim a VAT refund for our PC 32.5 products. The VAT refund is commonly granted to cement products comprised of not less than 30% of waste materials as its ingredient. For the three years ended 31 December 2009, 2010 and 2011, these VAT refunds amounted to approximately RMB8.9 million, RMB8.7 million and RMB13.4 million respectively. All the VAT refunds we received are derived from the production of our PC 32.5 products. The Resources Comprehensive Utilisation Recognition Committee (蘇州市資源綜合利用認定委員會) are authorized under the relevant PRC laws and regulations to monitor our use of waste materials in the production process for the purposes of ensuring our compliance with the VAT refund policies. For further details of the use of waste materials, please refer to the paragraph headed “Use of waste materials in production process” in this section. Additionally, we have equipped our clinker production facility with a residual heat recovery system which recycles the heat produced in our production process to generate power that is then re-utilized. This has enabled us to be less reliant on external electricity sources and further reduced our costs of production. For the three years ended 31 December 2009, 2010 and 2011, electricity generated by our residual heat recovery generators accounted for approximately 12.6%, 20.7% and 17.8% respectively of our total electricity consumed.

Limestone

The principal raw material used in cement production is limestone.

The limestone used for our cement production is sourced from quarries situated in Anji county and Changxing county in Huzhou City, Zhejiang Province and Guangde county in Xuancheng City, Anhui Province, respectively. During the Track Record Period, we had business relationships with 15 limestone suppliers. We categorize 6 of these 15 limestone suppliers as key suppliers of limestone used by us. These key limestone suppliers are all limestone quarry operators.

We have entered into master contracts with some of our limestone suppliers to fix a basic purchase price for each year. The basic price is usually valid for about one year. These master contracts are binding in nature and contain provisions for cost adjustment whereby the cost of limestone may be adjusted in the event of fluctuations in the cost of limestone, provided that both parties give prior consent to such an adjustment, or whereby the cost of limestone may be reduced in the event that the supply fails to meet the required quality, depending on the terms of the master contracts. For the three years ended 31 December 2009, 2010 and 2011, we purchased approximately 997,285 tonnes, 1,046,695 tonnes and 1,173,427 tonnes of limestone at the total purchase costs of approximately RMB26.5 million, RMB29.8 million and RMB45.2 million respectively, representing approximately 9.9%, 9.8% and 13.2% of our total costs of production respectively.

For the three years ended 31 December 2009, 2010 and 2011, we procured limestone at the average price of RMB26.6 per tonne, RMB28.5 per tonne and RMB38.5 per tonne, respectively.

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For the three years ended 31 December 2009, 2010 and 2011, an increase in the average price of limestone would have a negative effect on our revenue and net profit while a decrease in the average price of limestone would have a positive effect on our revenue and net profit, assuming that other factors remain unchanged. Set out below is a table illustrating the change in our net profit which would have been caused by a change to the average price of limestone by RMB1 per tonne and 10% respectively during the Track Record Period, assuming that other factors remain unchanged:

	Year ended 31 December					
	2009		2010		2011	
	Change in net profit by					
	<i>RMB</i>		<i>RMB</i>		<i>RMB</i>	
	<i>million</i>	%	<i>million</i>	%	<i>million</i>	%
Change in average price of limestone by RMB1 per tonne	0.8	6.7	0.8	2.6	0.9	1.1
Change in average price of limestone by 10%	2.1	17.9	2.4	7.5	3.6	4.1

In October 2011, we signed a five-year master contract with a limestone supplier located in Zhejiang Province to secure a supply to us over a five-year period, or until 30 September 2016, of approximately 3.5 million tonnes of limestone. The price, volume and other terms shall be negotiated and agreed between our Group and the supplier on an annual basis in the form of supplementary agreements. This constitutes more than 50% of our limestone requirements over next five years based upon our present and historical consumption. The limestone supplier undertakes to supply limestone to us of an agreed quality and at a purchase price, approximately 5% lower than the prevailing market rate, which is determined with reference to quotations from over 10 qualified limestone suppliers in Zhejiang Province. There are no minimum purchase requirements stipulated in the five-year master contract and as a matter of principle, we will enter into a supplementary agreement on a yearly basis to fix the average purchase price and purchase volume for the next 12 months. However, pursuant to the terms of the contract, we have paid the limestone supplier a deposit of RMB5 million by way of bank acceptance bills, representing RMB1 million per annum for each year of the contract term. It was agreed that part of the purchase price payable by us for the annual consumption of limestone, i.e. the amount of RMB1.5 for each tonne of limestone would be deducted from the deposit and we will pay the remaining purchase price. In the event that the volume of limestone we procure is lower than the purchase volume we agreed under the relevant supplementary agreement, the remaining or undeducted annual deposit amount for that year shall be forfeited by the supplier. In the event that the supplier fails to provide us with the supply quantity stipulated in the relevant supplementary agreement, we are entitled to payment of twice the amount of the remaining or undeducted annual deposit for that year. To secure our right over the deposit under the contract, the de facto controller of the supplier have agreed to provide a guarantee with respect to the supplier's obligation to return the deposit. Our limestone supplier delivers the limestone to a wharf near its limestone quarry and is responsible for loading the limestone on to our vessels and we then assume the responsibility of transporting the limestone to our production facilities by waterway. Pursuant to

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the terms of the five-year master contract, the limestone supplier may terminate the contract in the event that either the relevant local government authority prohibits the transportation of limestone out of its designated jurisdiction or in the event of a force majeure. Under the terms of the five-year master contract, we are entitled to terminate the contract in the event that the limestone supplied to us is not of the requisite quality or quantity agreed for that year, or in the event that the limestone supplier fails and/or is unable to confer to us the discounted price agreed.

Under the current supplementary agreement which was signed on 8 November 2011, the limestone supplier guarantees to supply us with 700,000 tonnes of limestone for the period between November 2011 and October 2012 at a purchase price of RMB36.5 per tonne, subject to adjustment and agreement by both parties in the event that the market price for limestone fluctuates significantly.

All our limestone suppliers are Independent Third Parties.

Other raw materials

Our other raw materials primarily include shale, sandstone, coal gangue, converter slag, fly ash gypsum and clay.

Our sulfate slag, gypsum, flyash, slag, converter slag and clay are transported by our suppliers to our production facilities by water way. Our clay is sourced locally in Wujiang City where it is easy to obtain and inexpensive.

All the above suppliers are Independent Third Parties.

Coal

Coal is used as fuel in our cement production.

We purchase coal from domestic coal suppliers which are licensed to trade coal. The coal is transported to our production facilities by our suppliers via waterway. We typically enter into binding contracts with each of our coal suppliers for a term of 2 months each time. These contracts contain provisions for cost adjustment whereby the cost of coal may be reduced in the event that the supply fails to meet the required quality.

During the Track Record Period and up to the Latest Practicable Date, we only procured domestic coal as we have been able to obtain sufficient coal supplies from domestic coal suppliers and we have not been found to be in non-compliance with any applicable rules and regulations as a result of our use of domestic coal. Based on our experience using domestic coal, coupled with the fact that the supply of imported coal is still limited in the PRC market (for example, for 2012, approximately 182.4 million tonnes of coal have been imported into the PRC, which only accounted for approximately 5.2% of the total coal production volume in the PRC, which stood at approximately 3.5 billion tonnes), we currently have no intention to use imported coal in the near future. Nevertheless, our Directors will closely monitor the local coal market and may consider procuring imported coal should it be economic to do so.

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For the three years ended 31 December 2009, 2010 and 2011, we purchased approximately 147,948 tonnes, 150,356 tonnes and 152,362 tonnes of coal, respectively.

All our coal suppliers are Independent Third Parties.

For the three years ended 31 December 2009, 2010 and 2011, an increase in the average price of coal would have a negative effect on our revenue and net profit while a decrease in the average price of coal would have a positive effect on our revenue and net profit, assuming other factors remain unchanged. Set out below is a table illustrating the change in our net profit which would have been caused by a change in the average price of coal by RMB10 per tonne and 10% respectively during the Track Record Period, assuming that other factors remain unchanged:

	Year ended 31 December					
	2009		2010		2011	
	Change in net profit by					
	<i>RMB</i>		<i>RMB</i>		<i>RMB</i>	
	<i>million</i>	%	<i>million</i>	%	<i>million</i>	%
Change in average price of coal by RMB10 per tonne	1.2	9.9	1.2	3.8	1.2	1.4
Change in average price of coal by 10%	7.0	59.3	8.8	27.8	9.9	11.4

Electricity

We obtain our electricity supplies (1) on grid from the electricity supply bureau of Jiangsu Province; and (2) via our residual heat system.

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The table below sets out our electricity consumption for the three years ended 31 December 2009 and 2010 and 2011:

	Year ended 31 December					
	2009		2010		2011	
	<i>Million KWH</i>	<i>% of total electricity consumed</i>	<i>Million KWH</i>	<i>% of total electricity consumed</i>	<i>Million KWH</i>	<i>% of total electricity consumed</i>
On Grid Electricity Supply	90.8	87.4	84.0	79.3	94.4	82.2
Electricity Generated by Residual Heat Recovery System	<u>13.1</u>	<u>12.6^{Note}</u>	<u>22.0</u>	<u>20.7</u>	<u>20.4</u>	<u>17.8</u>
Total Electricity Consumed (Million KWH)	<u>103.9</u>	<u>100.0</u>	<u>106.0</u>	<u>100.0</u>	<u>114.8</u>	<u>100.0</u>

Note: We started employing the residual heat recovery system in July 2009.

During the Track Record Period, our average on grid electricity price per KWH was RMB0.5331, RMB0.5897 and RMB0.5890 respectively and our total electricity costs amounted to approximately RMB48.4 million, RMB49.6 million and RMB55.6 million, respectively. Up to the Latest Practicable Date, we have not enjoyed preferential electricity prices, nor have we signed any contract with the electricity bureau of Jiangsu Province.

For the three years ended 31 December 2009, 2010 and 2011, the cost of purchasing electricity accounted for approximately 18.0%, 16.2% and 16.3% of our total cost of sales respectively.

We have installed a residual heat recovery system at our production facilities with a total installed capacity of 4,500 KW, which collects residual heat from the clinker production process to generate power which can then be re-utilized. For the three years ended 31 December 2009, 2010 and 2011, our residual heat system generated 13.1 million KWH, 22.0 million KWH and 20.4 million KWH respectively, representing approximately 12.6%, 20.7% and 17.8% of our total electricity consumed during the Track Record Period respectively. The utilization of the residual heat recovery system in general provides approximately 20% self-sufficiency for cement production.

We have experienced occasional shortages of electricity which is common in the Yangtze River Delta Region especially during the summer months. In such circumstances, we are usually given prior notice of such shortages by the electricity supply bureau of Jiangsu Province and we are permitted to operate at a reduced capacity until normal electricity supply is resumed. In the event that we are given prior notice of a shortage of electricity, we will re-schedule our production plans accordingly. Moreover, we can utilize our residual heat recovery system to make up for any shortfall in the electricity supply. During the Track Record Period, electricity shortages did not have a material impact upon our production.

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SUPPLIERS

Our procurement department is responsible for the purchase of coal and our key raw materials such as limestone and gypsum from our suppliers. Coal and raw materials are ordered according to our monthly production plans. We are typically required to make full payment for our raw materials within 30 to 60 days after delivery or upon the issuance of the relevant invoice by the suppliers, depending on the terms agreed with the suppliers. During the Track Record Period, we were normally responsible for the transportation of limestone and had to bear the transportation costs incurred in relation thereto. For our coal procurement, our coal suppliers are typically required to deliver coal to our production facilities and bear the transportation costs incurred. Our transportation costs for raw materials are included in the raw materials costs. During the Track Record Period, our Group purchased all the required raw materials and coal in the PRC and all our Group's purchases were settled in RMB.

The quality of our raw materials is inspected by our quality control department to ensure that they comply with our production requirements. If any raw materials do not comply with our quality control standards and have material defects, they will be rejected. If any raw materials contain minor defects but are still useable in our production process, we typically negotiate with our suppliers for a discounted price.

For the three years ended 31 December 2009, 2010 and 2011:

- purchases from our five largest suppliers accounted for approximately 34.7%, 42.6% and 42.6% of our total cost of purchase, respectively; and
- purchases from our largest supplier accounted for approximately 10.6%, 20.2% and 14.2% of our total cost of purchase, respectively.

Our five largest suppliers during the Track Record Period were mainly suppliers of coal and limestone.

As at the Latest Practicable Date, none of our Directors, their associates or shareholders holding more than 5% of the issued share capital of our Company held any equity interests in any of our five largest suppliers during the Track Record Period.

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SALES AND MARKETING

Marketing

We have a team of marketing and sales personnel which is responsible for closely monitoring our markets in Wujiang City, the urban area of Suzhou, Shanghai, Jiaxing, Taizhou, Zhoushan and Ningbo and the marketing activities in these areas. As at the Latest Practicable Date, we had eighteen staff responsible for our marketing activities. In addition, our marketing and sales personnel closely monitor business developments with our ready-mixed concrete stations customers.

These personnel visit potential new customers with a view to developing new business opportunities. We provide potential new customers with cement product samples upon their request for inspection. With regards to our well-established customers, our personnel will visit them on a regular basis to maintain good relationships with them.

As an important part of our sales and marketing strategy, we hold an annual dinner every year where we invite our customers together with our prospective or potential new customers.

CUSTOMERS

We have a stable and well-established customer base, many of whom we have had a business relationship with for 3-7 years.

We sell our products (i) by way of direct sales to construction developers in both the private and public sector; (ii) by way of direct sales to ready-mixed concrete stations; (iii) through trading companies selected by our Group on a transaction by transaction basis and (iv) by way of direct sales to walk-in customers.

The table below sets forth the breakdown of our revenue by way of customer type:

Types of customer	Year ended 31 December					
	2009		2010		2011	
	RMB'000	%	RMB'000	%	RMB'000	%
Construction developers	145,296	49.8	181,497	51.1	213,040	45.9
Ready-mixed concrete stations	101,701	34.9	137,483	38.7	208,888	45.1
Trading companies	32,282	11.1	16,246	4.6	15,536	3.3
Walk-in customers	12,343	4.2	19,724	5.6	26,581	5.7
Total	<u>291,622</u>	<u>100.0</u>	<u>354,950</u>	<u>100.0</u>	<u>464,045</u>	<u>100.0</u>

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Our products are sold to construction developers in both the public and private sectors. Our products have been used in a number of large-scale construction projects in the Yangtze River Delta Region, including Suzhou Metro Line 1 (蘇州地鐵一號線), Shanghai – Hangzhou Passenger Railway (滬杭客運專線), Suzhou Metro Line 2 (蘇州地鐵二號線), Kun Shan City North Avenue Express Way Construction (昆山市北大道快速化改造工程), Nanjing University of Posts and Telecommunications, Wujiang College (吳江南郵學院), Shengze Town Government Buildings (盛澤鎮政府), East China Power Transmission and Transformation Project (華東送變電工程). For the three years ended 31 December 2009, 2010 and 2011, approximately 90% of our construction developer customers paid for our products in cash or bank acceptance bills. These construction developer customers were requested to pay on or before taking delivery of our products. As most of our construction developer customers are requested to pay on or before taking delivery of our products, we normally do not enter into any written agreements with them. During the Track Record Period, we only entered into written agreements with 9, 14 and 8 construction developers respectively, setting out certain major terms such as pricing (at the prevailing market price) and its adjustment method (upon written confirmations between the contractual parties), quantity, settlement method, etc. As the price for our products is determined with reference to the prevailing market price, our Group was able to pass on any cost increase to our customers. For those construction developer customers that were granted credit periods, we granted credit terms of up to 60 days, except for one construction project customer to which we granted credit terms of up to 90 days because it was a new customer which we would like to develop as a long-term customer. We have entered into written agreements with each of these construction developer customers.

Our products are sold to ready-mixed concrete station customers with whom we typically sign one-year master contracts. The master contracts are legally binding in nature and will stipulate a fixed purchase price for the cement, which are payable by our customers during that one year period. During the said year, we can offer proposals to adjust the purchase price. In the event that any of these ready-mixed concrete station customers are unwilling to accept such proposals, we may cease to supply cement to them. For sales to ready-mixed concrete stations, depending on their business relationships with us and their creditworthiness, we 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. We grant such credit terms to our key ready-mixed concrete station customers which have stable business relationship with us. These ready-mixed concrete station customers are considered of high creditability based on our assessment of their creditworthiness and our credit control measures. We also granted to one ready-mixed concrete station a credit period of up to 180 days because of its background as a state-owned enterprise and also as a major concrete producer in Shanghai. Nevertheless, we have not granted this ready-mixed concrete station with any revolving credit limit. Further, such long credit period is granted on a case-by-case basis based on the credibility and the transaction volume of the customer concerned. The Directors confirm that the grant of such credit terms are in line with existing normal industry practice. Our PRC Legal Advisors further advise us that the grant of such credit terms are not subject to the General Principles of Loan (貸款通則) of the PRC and are in full compliance with all the applicable PRC laws and regulations.

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Set out below is a table illustrating the relevant financial information of our Group in connection with our sales to our ready-mixed concrete station customers which were granted credit limits during the Track Record Period:

	Year ended 31 December		
	2009	2010	2011
Number of ready-mixed concrete station customers which were granted credit limits	4	5	6
Our revenue from ready-mixed concrete station customers which were granted the credit limits (<i>RMB'000</i>)	51,115.1	76,444.4	140,652.7
Amount of trade receivables due from the ready-mixed concrete station customers which were granted the credit limits at the end of each year (<i>RMB'000</i>)	14,636.4	8,162.0	15,233.3

Our walk-in customers purchase our products from our sales office located at our production facilities. As at the Latest Practicable Date, we did not operate any other points of sale. As advised by our PRC Legal Advisors, there is no legal requirement in the PRC to obtain business registration in order for us to sell products out of our sales office.

We typically require our trading companies and walk-in customers to make full payment of the contract price before taking delivery of our products. For the three years ended 31 December 2009, 2010 and 2011, we have commercial relationships with 63, 31 and 20 trading companies selected by our Group on a transaction by transaction basis. The number of our trading companies decreased significantly during the Track Record Period due to our preference to shift our focus to sell our products to other types of customers such as construction developers and ready-mixed concrete stations. Although the trading arrangements with these trading companies are informal and non-binding, substantial efforts are required to monitor our trading companies to ensure their compliance with our arrangements. Most of our trading companies are located in the urban areas of Shanghai and Suzhou. The trading companies purchase our products from us on wholesale basis for onward sale mainly to ready-mixed concrete stations and construction developers whilst the trading companies cannot return the unsold products to our Group for refund. The Group's revenue derived from sales through its distribution channels during the Track Record Period was 11.1%, 4.6% and 3.3%, respectively. Our selected trading companies do not compete with us because they purchase our cement products on a wholesale basis for onward sale to markets typically beyond our own geographical markets. As of the Latest Practicable Date, all our selected trading companies were Independent Third Parties with no past or present business, family, trust or employment relationship with our Group, including our shareholders, directors, senior management or any of our respective associates.

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For those customers to which we grant credit period, we will assess their credit worthiness before deciding on the exact credit term offered. We typically review our ready-mixed concrete station customers' credit worthiness annually, as well as the credit worthiness of construction developers every time before entering into contractual relationships with them.

Our geographical markets

Our products are sold to customers in Jiangsu Province, Zhejiang Province and Shanghai, respectively.

During the Track Record Period, our principal market was situated at Wujiang City, Suzhou Prefecture, Jiangsu Province, which accounted for approximately 49.3%, 51.8% and 60.1% of our total revenue for the three years ended 31 December 2009, 2010 and 2011 respectively. The table below sets forth the breakdown of our revenue by geographical markets:

Markets	Year ended 31 December					
	2009		2010		2011	
	RMB'000	%	RMB'000	%	RMB'000	%
Jiangsu	157,504	54.0	199,971	56.3	288,111	62.1
Wujiang	143,801	49.3	183,784	51.8	279,044	60.1
Suzhou (excluding Wujiang)	13,703	4.7	16,187	4.5	9,067	2.0
Zhejiang	65,458	22.5	64,486	18.2	107,785	23.2
South Zhejiang (Taizhou, Zhoushan and Ningbo)	40,061	13.8	53,647	15.1	97,959	21.1
Jiaxing	25,397	8.7	10,839	3.1	9,826	2.1
Shanghai	68,660	23.5	90,493	25.5	68,149	14.7
Total	<u>291,622</u>	<u>100.0</u>	<u>354,950</u>	<u>100.0</u>	<u>464,045</u>	<u>100.0</u>

For the three years ended 31 December 2009, 2010 and 2011:

- sales to our five largest customers accounted for approximately 23.5%, 29.0% and 33.4% of our total revenue, respectively; and
- sales to our largest customer accounted for approximately 7.7%, 8.1% and 8.3% of our total revenue respectively. Our largest customer is a ready-mixed concrete station customer that has maintained a business relationship with us for 3 years.

As at the Latest Practicable Date, none of our Directors, their associates or shareholders holding more than 5% of the issued share capital of our Company held any equity interests in any of our five largest customers during the Track Record Period.

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Transportation

As a general policy and in order to maximize our profitability, our customers are typically responsible for taking delivery of our products and the costs and risks of transportation shall be borne by them.

Occasionally, pursuant to the terms of the relevant contract, we may deliver our products to some of our customers, most of which are developers of construction sites or infrastructure projects. In such circumstances, we will engage external logistics service providers to deliver our products to our customers by means of roadway at our own risk and cost. We have had business relationships with these external logistics service providers for approximately 3 years or more. For the three years ended 31 December 2009, 2010 and 2011, our products delivered by us represented approximately 12.1%, 6.3% and 5.3% of our sales, respectively, whilst our transportation costs incurred amounted to approximately RMB2.9 million, RMB1.4 million and RMB1.2 million, respectively. The decrease in the transportation costs incurred over the Track Record Period was mainly due to the engagement of logistics service providers by our customers themselves, and hence reducing the frequency of the delivery services provided by us and the transportation costs incurred therefrom. Nevertheless, our average transportation costs will increase going forward should labour costs and the price of oil increase.

Credit control

We do not grant credit terms to our trading companies customers and walk-in customers. They are typically required to make full payment of the contract price before taking delivery of our products.

During the Track Record Period, approximately 90% of our construction developer customers made full payments before taking delivery of our products. For those construction developer customers that are granted credit terms, we generally grant credit terms of up to 60 days, except for one construction project customer to which we have granted credit terms of up to 90 days because it is a new customer which we would like to develop as a long-term customer. The exact credit term offered is determined based on (i) the background of the shareholders of the construction developer customer; (ii) the nature of the construction project involved; (iii) the reputation and credit worthiness of the construction developer customer; and (iv) the past collection history and length of our business relationship.

For sales to our ready-mixed concrete station customers, we 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. We also granted to one ready-mixed concrete station a credit period of up to 180 days because of its background as a state-owned enterprise. Nevertheless, we have not granted this ready-mixed concrete station with any credit limit. The exact credit term offered is determined based on (i) the background of the shareholders of the ready-mixed concrete station customer; (ii) the value of their fixed assets; (iii) their production capacity; (iv) the reputation and credit worthiness of the ready-mixed concrete station customer; and (v) the past collection history and length of our business relationship.

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Our Directors believe that our credit control policies are effective. During the Track Record Period and up to the Latest Practicable Date, save for those disclosed under the paragraph headed “Legal proceedings and compliance” below, no new legal proceedings have been filed by us against our customers to recover any outstanding payment.

PRICING POLICY

The prices of our products are dependent upon the prevailing market conditions which are adjusted from time to time. The pricing of our products are determined primarily upon our production costs and capacity, sales volume, competitors’ prices, logistics costs and projected profit margin. These variables are assessed by our management at regular intervals for markets where we have less presence, we also follow the local prices fixed by other leading national cement producers.

COMPETITION

The cement industry in the PRC remains fragmented and a regional industry. Consequently we only consider those cement producers with a presence in or near our geographical markets as competitors. Our geographical markets are situated in Jiangsu Province, Zhejiang Province and Shanghai, respectively. Our primary focus during the Track Record Period was in Wujiang City.

Our Directors believe that key factors affecting the operational and financial performance of companies operating in the cement industry are (1) general macroeconomic conditions, particularly the level of fixed-asset investments; (2) cost of energy and raw materials, particularly coal and limestone; (3) labour costs; (4) transportation costs; and (5) indirect costs such as depreciation of equipment and utility costs. Should any of these factors materially increase, then our operational and financial performance may be adversely affected.

Since 2006, encouraged by various policies including the “Notice of List of Large-scale Enterprises (group) in relation to Adjustment of Structure of Cement Industry supported by the State” (關於公佈國家重點支援水泥工業結構調整大型企業（集團）名單的通知) (the “Notice”), the consolidation of the cement industry in the PRC has led to the creation of more large scale cement companies with a national presence. Through large scale production, these cement companies are able to reduce their costs of production through economies of scale. In addition, some of these cement companies are currently expanding their businesses into the downstream ready mixed concrete industry by merging with or acquiring ready-mixed concrete stations. Such expansion may reduce the number of our ready-mixed concrete station customers in the market. Furthermore, an increasing number of large cement entrepots have been established in the Yangtze Delta Region. This has enabled cement produced in Northern China or upstream of the Yangtze River to become accessible to our markets in the Yangtze River Delta Region at a relatively low production cost which has and will intensify the competition we face in our markets.

Our main competitors in Wujiang City include some local cement producers with smaller-scale production capacity including Wujiang Minggang Road and Bridge Ltd., Co. (吳江市明港道橋工程有限公司, “Minggang Cement”) and Wujiang Xingyuan Cement Ltd., Co. (吳江市興源水泥有限公司, “Xingyuan Cement”). We estimate that Minggang Cement has a production capacity of approximately 800,000 tonnes of

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cement per annum. Whilst Minggang Cement possesses a more flexible pricing policy, we believe that we have an advantage with respect to our higher-grade quality products, a more stable supply and a larger production capacity. Xingyuan Cement has a production capacity of approximately 330,000 tonnes of cement per annum. Whilst Xingyuan Cement is able to offer lower prices for their products we believe that we have an advantage with regards to higher-grade quality products, a more stable supply and a larger production capacity. Moreover, up to the Latest Practicable Date, Xingyuan Cement had not produced any PO 42.5 products. Neither Minggang Cement nor Xingyuan Cement is listed in the Notice.

The cement markets in Jiangsu Province, Zhejiang Province and Shanghai are fragmented. Our competitors include both cement producers with a national presence together with some local cement producers with smaller-scale production capacity. Our major competitors are those with a national presence such as Conch Cement Company (海螺水泥) and South Cement Company (南方水泥). Conch Cement Company is the largest cement manufacturer in the PRC. Both Conch Cement Company and South Cement Company are state-owned enterprises. Conch Cement Company has significant influence over prices of cement in the Shanghai and Zhejiang markets. We typically set our prices slightly lower than those set by Conch Cement Company. We believe that our cement products are of similar quality as compared with those produced by both Conch Cement Company and South Cement Company. We believe that we have an advantage by reason of our convenient transportation network, and in particular, our convenient access to markets by waterway via the Taipu River and the Huangpu river (黄浦江), respectively. Conch Cement Company is one of the companies listed in the Notice whilst South Cement Company is not a company listed in the Notice.





We believe that the traits that distinguishes us from our competitors are that we (i) are an integrated cement and clinker producer in Suzhou Prefecture and we produce high-grade products at competitive cost; (ii) employ environmentally-friendly technologies; (iii) enjoy the benefits of a convenient transportation network including a wharf adjoining our production facilities and being strategically located in the Yangtze River Delta Region; (iv) enjoy stable and long-term relationships with our core customers and suppliers; and (v) have a management team with diverse expertise and skill sets and a highly skilled and experienced workforce. Notwithstanding Dongwu Cement is not listed in the Notice and thus will not receive the government support as set out therein, we do not anticipate any negative impact on our operation, business and future plans without such support at the moment and in the foreseeable future. Further, the Listing will enhance our financial resources and strengthen our market position and allow us to better compete with our competitors.

For more details of our competitive strengths, please refer to the paragraph headed “Our Competitive Strengths” of this section.

RESEARCH AND DEVELOPMENT

Our research and development efforts are focused on reducing our production costs and enhancing our environmentally responsible technologies and practices. We are testing various types of mineral powder for use as additives in the production process. We anticipate that this not only reduces our cost of sales but is environmentally responsible. We are also testing new environmentally responsible technologies such as kiln technology that may enable us to incinerate general household waste material.

INTELLECTUAL PROPERTY

We sell our packaged cement products under the trademark which is registered with the PRC trademark office under the State Administration for Industry and Commerce for class 19 products and is valid for 10 years commencing from April 2006, as well as certain other trademarks. We have also registered the trademarks ,  and  on 31 October 2011 and trademarks  on 2 November 2011 in Hong Kong. All of the said trademarks are to be registered under classes 19 and 35.

Further details of our intellectual property rights are set out in the paragraph headed “Intellectual Property” in Appendix V to this prospectus.

QUALITY CONTROL

We have been awarded the quality management system certificate GB/T 19001-2008 ISO 9001: 2008 by Jiangsu Jiuzhou Certification Co. Ltd in respect of our process of production and sale of “DONGWU” brand PO 42.5 cement, which is valid until September 2014.

Since our establishment, we have implemented a stringent quality control system comprising twenty separate inspection points which cover our entire production process from inspection and analysis of our raw materials to delivery of our products. The quality control standards that we have implemented since our establishment are over and above those set by The Quality Control Guidelines for Cement Enterprises (水泥企業品質管理規程 the “Guidelines”) issued by the MIIT which came into effect on 1 January 2011 and our products are of a superior quality than those set out in the Guidelines.

As at the Latest Practicable Date, our Group had twenty-four staff responsible for quality control. Our quality control team and our engineers examine all twenty inspection points on a regular basis.

In particular, we believe that our quality control system is better than the standards as required by the Guidelines in the following aspects:

- we employ an x-ray fluorescent analyzer that accurately analyses the quality of our raw meal and clinker;
- we typically require that the sulfur content of the coal that we use is no more than 1.3% by weight. The Guidelines recommend a level of 2.5%;
- we also require that our 28 day-clinker strength is no less than 58MPa. The Guidelines recommend no less than 50MPa; and
- our inspection pass rates for raw materials and products are approximately 5-10% higher than those set out in the Guidelines.

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During the Track Record Period, we have not encountered any incident of rejection for defective products by our customers. Nor have we encountered any property damage or personal injury incidents caused by the use of our products during the same period. We believe that our quality control system can effectively prevent the occurrence of such incidents in future.

INVENTORY CONTROL

We make an annual production plan and we plan our production and manage our inventory level of our finished products on a monthly basis based on actual sales orders received and our inspection of inventory levels and stock. Clinker can normally be stored for 3 months in a warehouse under proper environmental conditions.

We typically maintain an inventory levels of between 15-30 days for coal and one month for other raw materials.

The table below sets out the breakdown of inventories as at 31 December 2009, 2010 and 2011:

	As at 31 December					
	2009		2010		2011	
	<i>RMB'000</i>	%	<i>RMB'000</i>	%	<i>RMB'000</i>	%
Raw Materials	4,652	32.2	13,888	66.4	10,776	48.2
Work-in Progress	2,112	14.6	2,137	10.2	7,002	31.3
Finished goods	7,682	53.2	4,900	23.4	4,575	20.5
Total	14,446	100.0	20,925	100.0	22,353	100.0

REPAIR & MAINTENANCE

Regular repair and maintenance programs for our production facilities are scheduled and carried out by our repair teams to maximize production efficiency and avoid unexpected interruptions to our operations.

Our repair teams carry out day-to-day maintenance and repair of the facilities and machinery on an as-need basis. Our internal maintenance team determines whether any maintenance work is required to be outsourced to third parties.

We conduct comprehensive maintenance work on our production facilities and equipment during the Chinese new year period each year.

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OCCUPATIONAL HEALTH & SAFETY

The Production Safety Law of the PRC, which was promulgated on 29 June 2002 and became effective on 1 November 2002, is a fundamental law aimed at strengthening the supervision and administration of production safety and labor protection.

To ensure compliance with relevant PRC regulatory requirements, we have implemented a comprehensive system of safety management procedures and regulations which all our employees must comply with. We also conduct regular training sessions for our employees on accident prevention and management.

We have a few safety supervision staff who are responsible for regulating and coordinating safety procedures with assistance from the supervisors of our different production units. These safety supervision staff in each key production procedure are responsible for conducting inspections of our production facilities to ensure that all of our operations are in compliance with existing laws and regulations.

Our customers do not impose any specific requirements with respect to health and safety measures.

Since the commencement of our operations and up to the Latest Practicable Date, we have not experienced any serious or material industrial accidents at our production facilities. We also have not been adjudged by any relevant PRC governmental authority for any non-compliance with any health and safety requirements under PRC laws and regulations. Our PRC Legal Advisors have confirmed that our Group has been in compliance with all relevant laws and regulations in respect of occupational health and safety in the PRC during the Track Record Period.

INSURANCE

We maintain insurance in respect of potential damage to our facilities, machinery equipment and vehicles. The insurance cover in respect of our facilities and machinery equipment covers various risks including comprehensive property insurance, machinery insurance and vehicle insurance. We believe that our current insurance coverage is standard with respect to the type and scope of coverage for companies of comparable size in the cement industry in the PRC.

We have not taken out any insurance policies to cover product liability. To control our product liability risk, we place significant emphasis on quality control. For details of quality control measures of our Group, please refer to the paragraph headed “Quality Control” of this section.

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EMPLOYEES

As at the Latest Practicable Date, we had approximately 256 employees. The following table shows the breakdown of our employees by department and function:

	As at the Latest Practicable Date
Management	16
Engineers/Production	188
Quality Control	24
Procurement	5
Sales & Marketing	14
Finance	9
Total	<u>256</u>

SOCIAL WELFARE SCHEMES

We are required by PRC laws and regulations to participate in various social welfare schemes, which include pension, medical, unemployment, birth and work-related injury insurances. As set out in the legal opinion issued by our PRC Legal Advisors, we have made the social insurance contributions for our employees and complied with all national and local regulations relating to labor law. Up to the Latest Practicable Date, we are not involved in any labor disputes. The local social insurance authorities where we are located have confirmed that we do not have any non-compliance incidents with social insurance and we have never been penalized.

We are required to register with the Managing Center of Housing Fund and establish an account for housing fund in the entrusted bank for all the employees and pay the full amount of contributions as part of our employees' welfare and benefits. However, we have not registered with the Managing Center of Housing Fund and have failed to establish an account for housing fund in the entrusted bank for our employees and make contributions for all of our employees towards housing fund. This is due to the reluctance of our employees, who are mostly from the sub-urban areas, in making such contributions.

As advised by our PRC Legal Advisors, according to the Regulations on the Administration of Housing Fund, the Managing Center of Housing Fund is authorized to notify us to register with it and to establish an account for housing fund in the entrusted bank for each employee within a specific time limit. After receiving the above notification, if we can register with the Managing Center of Housing Fund and establish the aforesaid account within a specified time limit, the Managing Centre of Housing Fund will not impose any penalty upon us. However, if we fail to accomplish this within the specified time limit, the Managing Center for Housing Fund may impose upon us a penalty ranging from RMB10,000 to RMB50,000. Up to the Latest Practicable Date, we have not received

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any notifications or directives from the relevant authorities for reasons related to the housing fund contribution and registration and also the establishment of a special account for housing fund in the entrusted bank for each employee.

We intend to promote the Housing Fund scheme among our employees and enhance their awareness of the Housing Fund scheme as rectification measures. We are now communicating with the relevant departments and authorities for the exact procedures to be followed. We will strive to complete all the relevant procedures and open an account for payment of the contributions to our employees prior to the Listing. After opening of the account, we will make deposits to such account with adequate amount from time to time in compliance with relevant laws and regulations; where necessary, we will seek advice from our legal advisors with respect to other necessary actions to be taken.

Each of the employers and employees is required to contribute 8% of their respective salaries according to the local Housing Fund scheme. For the three years ended 31 December of 2009, 2010 and 2011, our outstanding housing fund contributions were approximately RMB224,000, RMB228,000 and RMB248,000 respectively. We have not made any provisions for the outstanding Housing Fund contribution and the relevant penalty, as we believe that it is unlikely that we are requested to pay the contributions and to be penalized by the local authority because up to the Latest Practicable Date, we have not received any notifications from the relevant authorities on any matters relating to housing fund contribution registration or establishment of the account of housing fund in the entrusted bank for our employees. Our Indemnifiers have undertaken to fully indemnify the Company for any losses arising from the aforesaid breaches and also penalties and surcharges that may be imposed by the local authorities.

PROPERTY

Our production facilities are located at Lili Town, Wujiang City, Suzhou Prefecture, Jiangsu Province, the PRC with an aggregate site area of approximately 182,000 sq.m.. As of Latest Practicable Date, we own 3 parcels of land, with an aggregate site area of approximately 137,571.4 sq.m. We are also entitled to occupy a section of the Taipu River bank with an area of approximately 44,400 sq.m. On these parcels of land and the River bank, we own 45 buildings and units, with an aggregate gross floor area of approximately 32,700 sq.m. All of the properties we own are located in Wujiang City, Suzhou Prefecture, Jiangsu Province, PRC. Please refer to Appendix IV “Property Valuation” of this prospectus for further details of these properties. As advised by our PRC Legal Advisors, unless disclosed in the subsection headed “Legal Proceedings and Compliance” of this section, we have obtained the land use right certificates in respect of all our lands and ownership certificates for all our self-owned properties.

We have also been granted the exclusive right to occupy the 730 meters width river bank of Taipu River that adjoins our production facilities by the Jiangsu Waterway Administration Bureau (江蘇省水利廳) and was allowed to build and use a wharf on the river bank. This provides us with an efficient and convenient way to transport materials and to access our network of customers and suppliers. We are required to pay the sum of RMB180,000 per annum to the Jiangsu Waterway Administration Bureau for the right to occupy the river bank. Such right is subject to annual inspection and the right to renew our use of the river bank is at the sole discretion of the Jiangsu Waterway Administration

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Bureau. As at the Latest Practicable Date, our right to occupy the river bank is subject to annual inspection and renewal in October 2012. Since 2004, we have passed every annual inspection. As advised by our PRC Legal Advisors, at such annual inspection, Jiangsu Waterway Administrative Bureau will usually consider, amongst others, whether we are in compliance with the applicable PRC laws and regulations such as PRC Water Law (中華人民共和國水法), PRC Flood Control Law (中華人民共和國防洪法), Regulations on Waterway Management of the PRC (中華人民共和國河道管理條例), Regulations on Waterway Constructions of Jiangsu Province (江蘇省水利工程管理條例) and Implementation Measures on Waterway of Jiangsu Province (江蘇省河道管理實施辦法). In addition, the wharf built on the river bank was subject to The Reply Letter Concerning the Approval of Construction of a Wharf Exclusively used by Suzhou Dongwu Cement Co. Ltd by Taipu River (關於蘇州東吳水泥有限公司在太浦河建設專用港池審批的復函), which was issued to us by the Waterway Department of Jiangsu Transportation Bureau (江蘇省交通廳航道局) in 2003.

According to the Taipu River Waterway Construction Occupation Agreement, the Construction Works Occupation Permit and the applicable PRC laws, in the event that the Taipu River experiences emergency events such as flooding or drought, or the construction of major public waterway projects or construction of flood control works, we may be required to evacuate the river bank. We are further required not to make any modifications or damage the levee construction, especially the retaining walls. The relevant PRC authority may conduct random site inspections on the preservation of the levee construction. The relevant PRC authority may also order us to adopt rectification measures, pay compensation and/or to revoke our rights to occupy the river bank if we fail to comply with such requirements, although there is no provision in the Taipu River Waterway Construction Occupation Agreement regulating the termination of our right to occupy the river bank. Since we were granted the right to occupy the river bank in December 2003, we have not experienced any flooding or droughts, nor have we had to vacate our occupation of the river bank for any other reasons, such as the construction of major public waterway projects or construction of flood control works, etc. Besides, we have not been found to be in violation of the requirements concerning the preservation of the levee construction during the same period. Notwithstanding the aforesaid, as we own the land use rights over the piece of land (Land Use Right Certificate Ref: Wu Guo Yong (2004) Di No.1004225) situated adjacent to the river bank where some of our supporting facilities (i.e. fully automatic loading lines, other transportation related facilities and raw material warehouses) are situated, in the event that our right to occupy the river bank is revoked or expires due to unsuccessful renewal, or we are required to evacuate the river bank by the relevant PRC authorities for the purposes of construction of flood control works and/or other emergency reasons, we intend to relocate such transportation related facilities and raw material warehouses to that piece of land in respect of which we own the land use rights. As advised by our PRC Legal Advisors, the land use rights cannot be resumed or suspended by the PRC government without compelling reasons and reasonable compensation, nor are the land use rights subject to any annual renewal requirements. As advised by our PRC Legal Advisors, in the event that our right to occupy the river bank is revoked or expires due to unsuccessful renewal, we may still use the river bank to load and unload our products, but all the supporting facilities on the river bank, including the fully automatic loading lines, will have to be demolished or relocated. In such circumstances, our costs for waterway transportation will increase, and we will need to incur extra costs for demolition and relocation works. Nevertheless, as our main production facilities (such as rotatory kilns, grinding mills, DCS, residual heat recovery system, etc) are situated near that piece of land, if we experience large scale flooding of the Taipu River which affects the inner part of the land

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where our main production facilities are located and renders all production facilities impracticable for use, we may not be able to continue our production and our business operations, financial condition and profitability may be adversely affected. However, given that we have not experienced any flooding or drought since December 2003 when we were first granted the right to occupy the river bank, we consider that the chance of the Group's operations being affected by flooding or drought is remote. Based on the foregoing, we are of the view that the above contingency plan is effective to protect our business operations as far as practicable. For further details of the risks relating to our occupation of river bank and our land use rights, please refer to the section headed "Risk Factors" and Appendix IV "Property Valuation" to this prospectus respectively.

ENVIRONMENTAL COMPLIANCE AND POLLUTION CONTROLS

The cement industry is categorized as a pollution industry under PRC laws. Our production facilities can meet the requirements of related environmental laws and regulations promulgated by national and local governments with respect to various pollutants and disposal of waste and hazardous materials. According to the Environmental Protection Law of the PRC and other related laws and regulations, the State Environmental Protection Administration sets national discharge standards for various pollutants and local environmental protection bureaus may set more stringent local standards. Enterprises are required to satisfy the more stringent one of the two applicable standards. Our production line, prior to the commencement of its construction, was evaluated for its environmental impact, and upon the completion of its construction, was tested and approved by the local environmental agencies as required by the relevant laws and regulations, and subject to continuous government supervision thereafter. See the section headed "Regulatory Overview – The PRC Laws on environmental protection" in this prospectus.

To comply with such requirements, we have installed two electric dust precipitators in our production line. Such dust precipitators can collect more than 99.9% of the dust generated during the cement production process. Further, we control the emission of NO_x, one of the major pollutants produced during the cement production process by:

- maintaining sufficient degree of dispersion of raw materials in the decomposition furnace to allow for a better mixture of coal and raw materials;
- maintaining a catalyst effect in the decomposition furnace to improve the reduction of NO_x emission; and
- employing an improved coal spraying pipe to control the air/coal ratio and thereby ensuring that the coal has been sufficiently combusted.

Moreover, it is our policy to source coal which satisfies our internal quality standard for cement production such as calorific value, water content and sulphur content, etc. and we have our own laboratory to inspect all coal procured so as to ensure that the quality of the coal meets with our required standard.

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As advised by our PRC Legal Advisors, the relevant PRC regulations on pollution control applicable to our operation only regulate the pollutant emission levels but not the quality of coal used.

As a result of our pollution control efforts and as confirmed by our PRC Legal Advisors, we are in compliance with the applicable laws and regulations on environmental protection in the PRC and have not encountered material environmental claims nor have we been subjected to any significant penalties for breach of applicable environmental laws or regulations. Our PRC Legal Advisors further advise us that we have obtained all environmental permits and approvals necessary for the conduct of our business.

For the three years ended 31 December 2009, 2010 and 2011, our costs incurred for environmental compliance and pollution controls were approximately RMB1.7 million, RMB1.8 million and RMB1.5 million respectively. Our Directors estimate that our costs to be incurred for the aforesaid matters during the year ending 31 December 2012 will be approximately RMB4.2 million. Our costs for environmental compliance and pollution controls for the year ended 31 December 2012 comprise two parts, namely the costs for implementation of the plan to improve our current dust collection system and the maintenance costs for current pollution control equipment. It is estimated that RMB4.1 million will be used for purchasing various improved dust collection equipment and technologies, which will be used at different stages of our production and the maintenance of our current pollution control equipment is estimated to amount to approximately RMB120,000 for the year ending 31 December 2012. As the PRC environmental protection regulations continue to evolve, we may be required to incur significant expenses to upgrade our production facilities in order to comply with environmental regulations that may be adopted or imposed in the future.

Up to the Latest Practicable Date, save as disclosed in the prospectus, the Directors are not aware any new laws and regulations on tightening of pollutant emission standard have been promulgated in the PRC. Our Company will work with our legal advisors from time to time to ensure compliance with those laws and regulations when any of them is promulgated in future and take necessary actions, including but not limited to facility upgrades, as and when appropriate. As there are no such laws and regulations as at the Latest Practicable Date and our Company is not required to take any positive actions with respect to the pollutant emission standard, our Company does not expect that there will be much compliance costs incurred in the near future.

APPROVALS AND PERMITS

Our PRC Legal Advisors have confirmed that, during the Track Record Period and up to the Latest Practicable Date, our Group has obtained all necessary permits, approvals, consents, certificates and licenses required under the PRC laws and regulations in connection with the business of our Group and all of them are in full force and effect.

LEGAL PROCEEDINGS AND COMPLIANCE

During the Track Record Period, we were involved in nine legal proceedings which arose in our regular course of business. All these litigations have been filed by us against our customers for outstanding payments and all these legal proceedings were filed before the Track Record Period. As

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at the Latest Practicable Date, all the litigations have been concluded. The outstanding amount was approximately RMB4.4 million, which accounted for approximately 0.21% of our total revenue for such period. As the outstanding amount only constituted a relatively small portion of our turnover, our Directors believe that it should have no material adverse effect on our business. Notwithstanding the aforesaid, provisions have been made by our Group in the amount of RMB2.5 million for the outstanding trade receivables from those customers.

Except as disclosed above, up to the Latest Practicable Date, we were not aware of any current, pending or threatened litigation, arbitration proceedings or administrative proceedings against us or any of our subsidiaries or any of our Directors or senior management members which could have a material adverse effect on our financial or results of operations.

Material non-compliance incidents and indemnity

Pursuant to the effective Regulations on Discretion of Different Levels Governmental Authority to Grant Approval for Environmental Impact Assessment Documents of Construction Projects (2003 version) (建設項目環境影響評價文件分級審批規定2003版) (the “2003 Regulations”), when we applied for the approval of the construction of our cement production line in 2003, we were required to obtain relevant approval regarding the environmental impact assessment from the PRC governmental authority responsible for environmental protection (“EP Authority”) at the national level. However, we have only obtained the approval from the EP Authority at the provincial level, which is not in full compliance with the then applicable 2003 Regulations. Notwithstanding the foregoing, we believe that we are unlikely to be subjected to administrative sanction due to our failure to obtain relevant approval regarding environmental impact assessment from EP Authority at national level in 2003 based on the following reasons:

- as advised by our PRC Legal Advisors, pursuant to the Notice on Strengthening the Policies Concerning the Discretion of Different Levels Governmental Authority to Grant Approval for Environmental Impact Assessment of Construction Projects (關於加強建設項目環境影響評價分級審批的通知) (the “Notice”) implemented since December 2004, only cement production projects with a daily clinker production capacity of 5,000 tonnes or above are required to obtain the approval from the EP Authority at the national level. In light of the fact that our daily clinker production capacity is 2,500 tonnes, approval from the EP Authority at provincial level was sufficient;
- as advised by our PRC Legal Advisors, pursuant to the Regulations on Discretion of Different Levels Governmental Authority to Grant Approval for Environmental Impact Assessment Documents of Construction Projects (2009 version) (建設項目環境影響評價文件分級審批規定2009版) (the “2009 Regulations”) implemented since March 2009, the 2003 Regulations have been repealed since March 2009 and only cement projects with cross-provincial production activities will require the approval from the EP Authority at the national level whilst other cement production projects are only required to obtain the approval from the EP Authority at the provincial level;

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- as advised by our PRC Legal Advisors, pursuant to the PRC Administrative Sanction Law (中華人民共和國行政處罰法), the time bar for imposing administrative sanction was two years since the date of the non-compliance. Up to the Latest Practicable Date, we have not received any administrative sanctions with respect to the above non-compliance since 2003.

Our Group has not, in accordance with the Regulations on the Administration of Housing Provident Fund, registered and established housing fund accounts for our employees and paid the housing fund. This is due to the reluctance of our employees, who are mostly from the sub-urban areas, in making such contributions. The housing fund management centre has the right to demand us to complete the registration within a specified time, failing which, the housing fund management centre may impose a fine ranging from RMB10,000 to RMB50,000. Our Indemnifiers have undertaken to fully indemnify our Group for all losses and damages arising from the above breaches due to our failure to register and/or to make full contribution for all of our employees, penalties and surcharges that may be imposed by the local authorities.

On the other hand, we have not yet obtained the building ownership certificates for 8 buildings which are used by us for the storage of raw materials and for other purposes, such as, repair workshops, and staff quarters, because these 8 buildings are only ancillary buildings which are not used for our main production activities. Among those 8 buildings, 5 buildings are located on the parcels of lands in respect of which our Group has obtained the land use right certificates. Based on the legal opinion issued by our PRC Legal Advisors, although we have obtained the Planning Permit on Land for Construction Use (建設項目用地規劃許可證), the Planning Permit on Construction Works (建設工程規劃許可證), and the Working Permit on Construction Works (建築工程施工許可證) (collectively the “Construction Permits”) in respect of those 5 buildings, we have not obtained the Completion Acceptance Permit. Accordingly, we could not obtain the building ownership certificates in respect of those buildings. We did not obtain the Completion Acceptance Permit since all these 5 buildings are only ancillary buildings of minor importance. We are currently using these buildings although we do not have the building ownership certificates. As advised by our PRC Legal Advisors, since no land use rights certificate will be issued for land at the river bank, no building ownership certificates can be obtained for those 3 buildings located at river banks. Nevertheless, provided that we have the valid Construction Works Occupation Permit and pass the annual verification of the Construction Works Occupation Permit, we can use these 3 buildings, notwithstanding the fact that we have not obtained the building ownership certificates.

We may be imposed a fine ranging from RMB0.2 million to RMB1.5 million for our failure to obtain the Completion Acceptance Permit. We may also be required to relocate from such operations temporarily or permanently. Even though we may be penalized or required to be relocated from these buildings, we believe that there is no material adverse impact on our operations and financial conditions, as these buildings are only sheds which are being used to store the raw materials and the value of these buildings only constituted a small portion of our owned properties. If the local authorities require us to relocate from those properties without the building ownership certificates, we will demolish the relevant buildings. We have not considered any relocation plan for those buildings since we can pile the raw materials in the open space of our production premises instead of constructing other new sheds or lease other quarters for staff nearby as rectification measures. We are currently liaising with

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the relevant PRC governmental authorities for the application of the certificates which we failed to obtain concerning the 5 buildings located on the parcels of land. Notwithstanding the aforesaid, there is no assurance that any such liaison or consequent application will be successful. Our PRC Legal Advisors are of the view that the chance of a fine being imposed by the relevant PRC government authority due to the absence of the permits is remote given that the responsible Housing and Urban Construction Bureau has confirmed that we would not be penalized for failing to obtain the Completion Acceptance Permits of the 5 buildings. Nevertheless, to avoid such non-compliance in the future, we plan to provide training to our management on compliance with the relevant PRC laws. Further, our indemnifiers have undertaken to fully indemnify the Company for all the possible losses or penalty arising from the above breaches and also penalties that may be imposed on us.

Save as disclosed above, our PRC Legal Advisors have confirmed that we are in full compliance with all applicable PRC laws and regulations during the Track Record Period and up to the Latest Practicable Date.

INTERNAL CONTROLS

The Indemnifiers have given indemnities in favour of our Company (for itself and as trustee for our subsidiaries) in connection with any and all expenses, payments, sums, outgoings, fees, demands, claims, damages, losses, costs (including, but not limited to, legal and other professional costs), charges, liabilities, fines, penalties and tax which any member of our Group may incur, suffer or accrue, directly or indirectly, from or on the basis of or in connection with any aforementioned activities by Dongwu Cement in the PRC that are in breach of, or any default, failure or delaying in complying with, the relevant PRC laws and regulations.

In order to continuously improve our corporate governance and to prevent recurrence of the non-compliance incidents, we intend to adopt or have adopted the following measures:

- (i) our Group has appointed Mr. Zhu Qiwei as the chief financial officer of the Group in December 2011 and Ms. Sun Xin as the Financial Controller in December 2011 to oversee and monitor the internal control environment of our Group; Mr. Zhu and Ms. Sun, both possess accounting and financial management expertise, with the support of our PRC Legal Advisors engaged by us, will be responsible for ensuring our compliance with the applicable laws and regulations as well as reporting to our audit committee regularly every six months;
- (ii) our Group has appointed three independent non-executive Directors with experience in the financial and accounting industries respectively. In particular, Mr. Lee Ho Yiu Thomas, the chairman of the audit committee, has extensive experience in auditing, accounting and financial management and is a fellow of the Association of Chartered Certified Accountants, a practicing member of the Hong Kong Institute of Certified Public Accountants, a certified tax advisor and a member of the Hong Kong Taxation Institute, a certified internal auditor and a member of the Institute of Internal Auditors, a certified

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information systems auditor and member of the ISACA and a director of the Wanchai and Central & Western District Industries and Commerce Association. Our Directors believe that the Group will be able to utilize this experience with respect to the compliance with applicable financial reporting requirements;

- (iii) an audit committee established by our Group, comprising three independent non-executive Directors, will assume the overall responsibility for reviewing the adequacy and integrity of our internal control and risk management system;
- (iv) our Group has engaged PRC Legal Advisors to provide legal services to our Group in relation to future compliance with PRC laws and regulations;
- (v) we have arranged for our Directors and senior management to attend training programs on applicable laws and regulations, including the Listing Rules, provided by our legal advisors prior to Listing. We will continue to arrange various training programs to be provided by the PRC Legal Advisors engaged by us and/or any appropriate accredited institution to update our Directors, senior management and relevant employees on the relevant laws and regulations regularly every six months; and
- (vi) our Group has improved the existing internal control framework by adopting a set of internal control manual and policies, including the corporate governance manual, which covers corporate governance, risk management, operations, legal matters, finance and audit.

Based on the above, our Directors are of the view that our Company has taken all reasonable steps to establish a proper internal control system to prevent future non-compliance with the PRC laws and regulations by our Group.

During the Track Record Period, the Group provided three guaranteed borrowings as a guarantor (for details, please refer to the paragraph headed “Contingent Liabilities” under the section headed “Financial Information” in this prospectus) and we have already been fully released as a guarantor from these three guaranteed borrowings as at 31 December 2011. Currently, we do not have any intention to enter into any new guaranteed borrowing arrangements after Listing. However, in case we do enter into any similar arrangements in the future, we will ensure that the arrangements will be in compliance with the Listing Rules and other applicable laws and regulations, where applicable.

RELATIONSHIP WITH CONTROLLING SHAREHOLDERS

Immediately following completion of the Global Offering and the Capitalization Issue (taking no account of any Shares which may be issued pursuant to the exercise of the Over-allotment Option and any options that may be granted under the Share Option Scheme), Goldview, which is wholly-owned by Mr. Tseung, will be interested in 59.5% of the issued share capital of our Company. Hence, Mr. Tseung and Goldview will be our Controlling Shareholders within the meaning of the Listing Rules. Goldview was incorporated in the BVI on 16 March 2004 and is an investment holding company, whose only asset is its interest in our Company.

COMPETING INTERESTS

As confirmed by our Directors, our Controlling Shareholders and their respective associates do not have any interests in any business apart from the business operated by members of our Group that competes or is likely to compete, directly or indirectly, with our business.

DEED OF NON-COMPETITION

To better safeguard our Group from any potential competition, each of our Controlling Shareholders, Mr. Jin and Concord, as Covenantors, has entered into a deed of non-competition with our Company whereby each of the Covenantors jointly and severally, irrevocably and unconditionally, undertakes with our Company that with effect from the Listing Date and for as long as the Shares remain listed on the Stock Exchange and the Covenantors, individually or collectively (whether or not with their respective associates), are, directly or indirectly, interested in not less than 30% of the Shares in issue (or such other percentage as may from time to time be specified in the Takeovers Code as being the level for triggering a mandatory general offer as required thereunder), or control the composition of a majority of the Board, or the Covenantors or their respective associates remain as a director or senior management of any member of our Group, subject to the terms therein, subject to the terms therein, the Covenantors shall, and shall procure that their respective associates shall, among others:

- (a) directly or indirectly, either on their own account, in conjunction with, on behalf of, or through any person, firm or company, among other things, carry on, participate or be interested, engaged or otherwise involved in or acquire or hold (in each case whether as a shareholder, partner, agent or otherwise and whether for profit, reward or otherwise)
 - (i) the current and potential business engaged or to be engaged by our Group, including but not limited to manufacture and sales of cement, clinker, concrete and mortar products and/or
 - (ii) any other new business that our Group may undertake from time to time after the Listing (collectively, the “Restricted Business”) and where they become aware of such engagement of the Restricted Business they shall notify our Company forthwith;
- (b) solicit or procure any of the suppliers and/or the customers of our Group from time to time to terminate their business relationships or otherwise reduce the amount of business with our Group;
- (c) solicit or procure any of the directors, senior management or other employees of our Group from time to time to resign or otherwise cease providing services to our Group; and/or

RELATIONSHIP WITH CONTROLLING SHAREHOLDERS

- (d) unless with the prior written consent of our Company, disclose any confidential information of our Group to any other third parties, including but not limited to, customers list and supplier list.

In addition, each of the Covenantors hereby jointly and severally, irrevocably and unconditionally, undertakes that if any new business opportunity relating to any products and/or services of our Group (the “**Business Opportunity**”) is made available to any of the Covenantors or their respective associates (other than members of our Group), he/it will direct or procure the relevant associate to direct such Business Opportunity to our Group with such required information to enable our Group to evaluate the merits of the Business Opportunity.

The relevant Covenantor shall provide or procure the relevant associate to provide all such reasonable assistance to enable our Group to secure the Business Opportunity. None of the Covenantors and their respective associates (other than members of our Group) will pursue the Business Opportunity until our Company decides not to pursue the Business Opportunity because of commercial reasons. Any decision of our Company will have to be approved by the independent non-executive Directors (with those independent non-executive Directors who are interested in such Business Opportunity and their associates abstained from voting) taking into consideration the prevailing business and financial resources of our Group, the financial resources required for the Business Opportunity and any expert opinion on the commercial viability of the Business Opportunity. If a Business Opportunity is rejected by our Company under the right of first refusal clause in the deed of non-competition, our Company will disclose the background of the Business Opportunity and the basis of rejection in our latest annual or interim reports.

Each of the Covenantors further jointly and severally, irrevocably and unconditionally, undertakes that he/it will (i) provide to our Group all information necessary for the enforcement of the undertakings contained in the deed of non-competition; and (ii) confirm to our Company on an annual basis as to whether he/it has complied with such undertakings.

CORPORATE GOVERNANCE MEASURES

We will adopt the following measures to manage the conflict of interests arising from competing business and to safeguard the interests of our Shareholders:

- (a) our independent non-executive Directors will review on an annual basis the compliance with the non-competition undertaking by the Covenantors under the deed of non-competition;
- (b) the Covenantors undertake to provide to us all information necessary for the annual review by our independent non-executive Directors and the enforcement of the deed of non-competition;
- (c) our Company will disclose decisions on matters reviewed by our independent non-executive Directors relating to the compliance and enforcement of the non-competition undertaking of the Covenantors under the deed of non-competition in our annual report; and

RELATIONSHIP WITH CONTROLLING SHAREHOLDERS

- (d) the Covenantors will make an annual statement on compliance with their undertaking under the deed of non-competition in our annual report.

INDEPENDENCE FROM THE CONTROLLING SHAREHOLDERS

Having taken into account the following factors, our Directors are satisfied that we can carry on our business independently of our Controlling Shareholders following the Listing:

Management independence

Our management and operational decisions are made by the Board and a team of senior management. The Board consists of seven members, comprising three executive Directors, one non-executive Director and three independent non-executive Directors. Each of the Directors is aware of his or her fiduciary duties as a Director of our Company which requires, among other things, that he or she acts for the benefit and in the best interests of our Company and does not allow any conflict between his or her duties as a Director and his or her personal interest. In the event that there is a potential conflict of interest arising out of any transaction to be entered into between our Group and the Directors or their respective associates, the interested Director(s) shall abstain from voting at the relevant board meetings of our Company in respect of such transactions and shall not be counted in the quorum. Further, the independent non-executive Directors will bring independent judgment to the decision making process of the Board. In addition, members of our senior management, who are responsible to take charge of our daily operations, except for Mr. Wu Junxian who is the nephew of Mr. Tseung, are independent from the Controlling Shareholders and their associates. Our senior management team possesses in-depth experience and understanding of the industry in which we are engaged. In this regard, the Directors are of the view that our Group can be managed independently notwithstanding that Mr. Tseung, being a Controlling Shareholder, is a non-executive Director and do not participate in day-to-day management and operation of the Company.

Operational Independence

Our organizational structure is made up of a number of departments, comprising management department, engineers and production department, quality control department, procurement department, sales and marketing department and finance department. Each department takes a specific role in our operations. There are internal control procedures to ensure effective operation of our business. Furthermore, we have our own production lines and our own sources of suppliers and customers, which are all Independent Third Parties. Accordingly, we can carry out our business operations independently.

Financial Independence

Our Directors are of the view that we do not unduly rely on the advances from our Controlling Shareholders and related parties for our business operations. As at 31 December 2009, 2010 and 2011, we did not maintain any balances due to our Controlling Shareholders and their associates. The personal guarantee provided by Mr. Tseung for our bank borrowings of RMB34.3 million, RMB30.3 million and RMB28 million as at 31 December 2009, 2010 and 2011 respectively will be released

RELATIONSHIP WITH CONTROLLING SHAREHOLDERS

upon Listing and replaced by corporate guarantees of the Group. Our Directors believe that we are capable of obtaining financing from external sources without reliance on our Controlling Shareholders. Furthermore, we have established our own financial accounting system independent of our Controlling Shareholders. We have our own bank account, make our tax registrations and have employed a sufficient number of financial accounting personnel. Accordingly, our Directors consider that we are capable of operating independently from a financial perspective.

NON-DISPOSAL UNDERTAKINGS GIVEN BY THE CONTROLLING SHAREHOLDERS

Pursuant to Rule 10.07 of the Listing Rules, each of our Controlling Shareholders has, jointly and severally, undertaken with our Company and the Stock Exchange that each of them shall not and shall procure that the relevant registered holder(s) shall not:

- (a) in the period commencing on the date of this prospectus and ending on the date which is six months from the Listing Date (the “**First Six-Month Period**”), dispose of, nor enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of, any of the Shares in respect of which he or it is shown by this prospectus to be the beneficial owner(s); and
- (b) in the period of six months commencing on the date on which the First Six-Month Period expires, dispose of, nor enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of, any of the Shares if, immediately following such disposal or upon the exercise or enforcement of such options, rights, interests or encumbrances, the Controlling Shareholders would cease to be the Controlling Shareholders of our Company, i.e. they cease to control 30% or more of the voting power at general meetings of our Company.

Further, each of our Controlling Shareholders has, jointly and severally, undertaken with our Company and the Stock Exchange that within a period commencing from the Listing Date and ending on the date on which is the first anniversary of the Listing Date, he or it shall:

- (a) when he or it pledges or charges any securities beneficially owned by him or it in favour of an authorized institution (as defined under the Banking Ordinance (Chapter 155 of the Laws of Hong Kong)) for a bona fide commercial loan, immediately inform us of such pledge or charge together with the number of securities so pledged or charged; and
- (b) when he or it receives indications, either verbal or written, from the pledgee or chargee that any of the pledged or charged securities will be disposed of, immediately inform us of such indications.

DIRECTORS AND SENIOR MANAGEMENT

DIRECTORS

Our Board of Directors consists of seven Directors, three of whom are independent non-executive Directors.

The following table sets forth certain information concerning our Directors:

Name	Age	Title	Date of Appointment as Director
Xie Yingxia (謝鶯霞)	35	Chairman and Executive Director	29 November 2011
Jin Chungeng (金春根)	50	Chief Executive Officer and Executive Director	29 November 2011
Yang Bin (楊斌)	38	Executive Director	29 November 2011
Tseung Hok Ming (蔣學明)	50	Non-executive Director	29 November 2011
Cao Guoqi (曹國琪)	49	Independent non-executive Director	28 May 2012
Cao Kuangyu (曹貺予)	62	Independent non-executive Director	28 May 2012
Lee Ho Yiu Thomas (李浩堯)	34	Independent non-executive Director	28 May 2012

Executive Directors

Xie Yingxia (謝鶯霞), aged 35, is the Chairman and an executive Director of the Company, responsible for the financial matters of the Group. Ms. Xie obtained a bachelors degree in investment economics from Fudan University (復旦大學) and a masters degree in business administration from China Europe International Business School (中歐國際工商學院), an accredited institution authorized by the PRC Ministry of Education to grant the said degree. Ms. Xie has extensive experience in financial management. From 1998 to 2001, Ms. Xie had worked for Xiamen International Bank as the account manager and the deputy head of the credit department, responsible for marketing, running account credit and account services. Subsequently from 2001 to 2008, Ms. Xie had worked for Orient Holdings Group Limited (“Orient Holdings”), an investment holding company, as the manager of the investment department, the chief financial officer and the vice president, responsible for evaluation and management of project investment, financial management, human resources and administrative matters, etc. Since joining our Group in July 2008, Ms. Xie has been serving as a director of Dongwu Cement and was responsible for formulating annual budget, business plan, long term/strategic development of our Company and monitoring

DIRECTORS AND SENIOR MANAGEMENT

the implementation, conducting internal audit as well as reviewing and monitoring the performance of our senior management. Through active involvement in daily operation and management of Dongwu Cement, Ms. Xie gained specific knowledge and experience in cement industry. Ms. Xie did not hold any directorship in any other listed companies in the past three years.

Jin Chungen (金春根), aged 50, is the Chief Executive Officer and an executive Director of the Company, responsible for the Group's general operation. Mr. Jin has extensive experience in cement-related industries such as highway operation, maintenance and renovation, etc. From 1995 to 2005, Mr. Jin had been the general manager of Wujiang Yuan Tong Road Construction and Development Co., Ltd. (吳江遠通公路建設發展有限公司), a company principally engaged in the operation and toll collection of the National Highway Road No. 318 (Wujiang Section), responsible for the company's day-to-day management such as operation of toll roads, daily maintenance and renovation of roads, human resources, financial and administrative matters, etc. During the said period, Mr. Jin was heavily involved in the operation of toll highways as well as maintenance and renovation of roads, and since the operation, maintenance and renovation of roads involve substantial use of, inter alia, cement, Mr. Jin has also gained specific knowledge and experience in cement. Mr. Jin also possesses over 33 years of experience in corporate management. Between 1979 and 1990, Mr. Jin had worked for Jiangsu Orient as an officer and officer head, responsible for the company's daily operational and management affairs. Subsequently from 1991 to 1994, Mr. Jin had served as a general manager for Wujiang Fuyuan Garment Co., Ltd (吳江富源製衣有限公司), a company principally engaged in the processing garment, responsible for the company's overall management. Since joining our Group in January 2007, Mr. Jin has served as the director, chairman and general manager, respectively, of Dongwu Cement, and is responsible for the management of Dongwu Cement's daily operation, such as making production plan, raw materials procurement and sales etc. Currently, Mr. Jin is the vice chairman of the Cement Committee (the third session) of Jiangsu Province Building Material Industry Association (江蘇省建材行業協會第三屆水泥分會). Mr. Jin did not hold any directorship in any other listed companies in the past three years.

Yang Bin (楊斌), aged 38, is an executive Director of the Company. Mr. Yang graduated from Tsinghua University (清華大學) majoring in mechanical engineering and University of International Business and Economics (對外經濟貿易大學) with a masters degree in business administration. Mr. Yang possesses over 10 years of experience in investment and capital markets. From 2000 to 2008, Mr. Yang was the manager of the investment division, assistant to the president and vice president of Orient Holdings. Since 2009, Mr. Yang has served as the vice president of Far East International. Since joining our Group in March 2010, Mr. Yang has become a director of Dongwu Cement, and participated in the overall management of Dongwu Cement, such as participating in the board meetings of Dongwu Cement, reviewing major decisions submitted to the board on operational matters, and reviewing the reports by the general manager.. Mr. Yang did not hold any directorship in any other listed companies in the past three years.

Non-executive Director

Tseung Hok Ming (蔣學明), aged 50, was appointed as a non-executive Director of the Company on 29 November 2011. Mr. Tseung possesses over 25 years of experience in business and investment. He has been a director of Orient Financial Holdings Limited since July 2002, a director

DIRECTORS AND SENIOR MANAGEMENT

of Far East International since March 2004, a director of Orient International Petroleum & Chemical Limited since December 2004, a director of Sunshine Oilsands Limited, a company listed on the Stock Exchange (stock code: 02012) since March 2010 and a director of Orient International Resources Group Limited since April 2010.

Mr. Tseung began his career in 1986 as a director of a factory in Suzhou Province and was responsible for overseeing textile manufacturing and trading. In 1996, Mr. Tseung established Orient International Group (HK) Limited, a textile trading and investment business, and managed the business as a director until 2005. In 1995, Mr. Tseung invested into Wujiang Yuan Tong Highway Construction and Development Limited, a highway construction and operations management business. He has acted as its Vice Chairman since 1995, and responsible for its investment and construction business. In 2003, Mr. Tseung invested in Anhui Hefei-Caohu-Wuhu Highway Limited, which is principally engaged in the business of highway construction and maintenance, and acted as its chief representative until 2005. In June 2003, Mr. Tseung invested in Dongwu Cement, whose business scope is manufacture and sales of clinker and cement.

Mr. Tseung acted as a director of the second board of directors of China Foreign Affairs University from 2005. Mr. Tseung is currently a vice chairman of the Hong Kong Financial Services Institute and the Hong Kong China Education Fund. Mr. Tseung graduated from the Chinese Academy of Social Sciences (中國社會科學院) in 1998 majoring in International Trading. Save as disclosed above, Mr. Tseung did not hold any directorship in any other listed companies in the past three years.

Independent Non-executive Directors

Cao Guoqi (曹國琪), aged 49, was appointed as an independent non-executive Director of the Company on 28 May 2012. Mr. Cao specializes in project investment, finance and management, fund operation and management, mergers and acquisitions, assets and capital operations, human resources management and project consultation. Mr. Cao obtained a doctoral degree in political economics from Shanghai Academy of Social Sciences (上海社會科學院) in 2004. Mr. Cao has been the MBA supervisor Shanghai Advanced Institute of Finance, Shanghai Jiaotong University (上海交通大學上海高級金融學院) since December 2011, the part-time professor of Hunan University (湖南大學) since April 2008, the consultant to the government of Dongli District of Tianjin Municipality (天津市東麗區政府顧問) since March 2010, the executive director and general manager of Probest Limited in Hong Kong, the executive director and general manager of Master Energy INC in Hong Kong, and was appointed as the general manager of Shanghai Lingang New City Investment and Development Co., Ltd. (上海臨港新城投資開發集團有限公司) from April 2002 to April 2005. Mr. Cao is also an independent non-executive director of Shanghai Jiaoda Withub Information Industrial Company Limited, a company listed on the Growth Enterprise Market of the Stock Exchange (stock code: 8205). Mr. Cao is also an independent director of Inner Mongolia Jinyu Group Stock Company (內蒙古金字集團股份有限公司), a company listed on the Shanghai Stock Exchange (stock code: 600201). Save as disclosed above, Mr. Cao did not hold any directorship in any other listed companies in the past three years.

Cao Kuangyu (曹貺予), aged 62, was appointed as an independent non-executive Director of the Company on 28 May 2012. Mr. Cao has over 30 years of experience in the banking industry. Mr. Cao graduated from Hunan University in 1981 with a bachelors degree in economics, and obtained

DIRECTORS AND SENIOR MANAGEMENT

his masters degree in financial management from the University of London in 1998. Mr. Cao worked in the Bank of China, Hunan branch from 1981 to 1996 and his last position was the deputy general manager of the branch. In 1996, Mr. Cao was transferred to the Singapore branch of Bank of China as deputy general manager until 1999. Mr. Cao worked in Citic Bank, Shenzhen branch from 1999 to 2003 and his last position was the president of the branch. Mr. Cao came to Hong Kong in 2003 when he worked as managing director, head of global investment banking division of BOCI Asia Limited until 2007. Mr. Cao has been an independent non-executive director of JLF Investment Company Limited (formerly known as Applied (China) Limited), a company listed on the Stock Exchange (stock code: 00472) since February 2004, and Huili Resources (Group) Limited, a company listed on the Stock Exchange (stock code: 01303) since December 2011. Mr. Cao also served as an independent non-executive director of Simsen International Corporation Limited (stock code: 00993) from April 2010 to June 2010. Save as disclosed above, Mr. Cao did not hold any directorship in any other listed companies in the past three years.

Mr. Cao Kuangyu and Mr. Cao Guoqi do not have any blood or family relationship.

Lee Ho Yiu, Thomas (李浩堯), aged 34, was appointed as an independent non-executive Director of the Company on 28 May 2012. Mr. Lee has extensive experience in auditing, accounting and financial management. Mr. Lee is currently a partner of Messrs. Lee, Au & Co., Certified Public Accountants. Mr. Lee previously worked as an assistant financial controller in a multinational luxury brands group and also worked at one of the big four international accounting firms. Mr. Lee is a fellow of the Association of Chartered Certified Accountants, a practicing member of the Hong Kong Institute of Certified Public Accountants, a certified tax advisor and member of the Hong Kong Taxation Institute, a certified internal auditor of the Institute of Internal Auditors and a certified information systems auditor of the ISACA. Mr. Lee holds a bachelor's degree in science from the University of Warwick and a second bachelor's degree in Chinese law from Tsinghua University (清華大學) in Beijing. Mr. Lee is currently an independent non-executive director of Suncorp Technologies Limited (stock code: 1063), ABC Communications (Holdings) Limited (stock code: 0030) and Active Group Holdings Limited (stock code: 1096). All the aforesaid companies are listed on the Main Board of the Stock Exchange. Save as disclosed above, Mr. Lee did not hold any directorship in any other listed companies in the past three years.

SENIOR MANAGEMENT

Hu Xiaowei (胡小偉), aged 36, is deputy general manager of Dongwu Cement. Mr. Hu is responsible for the marketing and sales of our Group. Prior to joining our Group in December 2006, Mr. Hu worked for Orient Holdings, an investment holding company, as the manager of the assets management department and was responsible for management of external investment enterprises and administrative matters. Mr. Hu graduated from the School of Management of Donghua University (東華大學) with a master degree in corporate governance.

Wu Junxian (吳俊賢), aged 31, is a deputy general manager of Dongwu Cement. Mr. Wu is responsible for human resources, internal controls and procurement of the Group. Mr. Wu joined our Group in March 2009, and has held various positions in Dongwu Cement such as assistant to general manager and deputy general manager. Prior to joining our Group, Mr. Wu worked for Orient Holdings,

DIRECTORS AND SENIOR MANAGEMENT

an investment holding company, as an officer of the assets management department, responsible for project research and development from 2003 to 2007. Mr. Wu subsequently worked for Shanghai Keli Communications Technology Co., Ltd. (上海科立通訊科技有限公司), a company principally engaged in communication construction and services, as a project manager and was responsible for project development and customer service from 2007 to 2009. Mr. Wu graduated from Nanjing Audit University (南京審計學院) in 2003 with a bachelor degree in management administration.

Han Fuliang (韓福亮), aged 43, is a deputy general manager of Dongwu Cement. Mr. Han is responsible for the production of the Group. Mr. Han possesses over 20 years of experience in the management of cement production, and was previously the head of the production departments in a number of cement enterprises including Jilin Yatai Cement Company Ltd (吉林亞泰水泥有限公司) and Zhejiang Shenhe Cement Company Ltd (浙江申河水泥股份有限公司), respectively. Mr. Han joined our Group in June 2008, and has held various positions in Dongwu Cement such as chief engineer and deputy general manager. Mr. Han graduated from Changchun Institute of Optics and Fine Mechanics (長春光學精密機械學院) in 1993 and obtained tertiary education qualification in cement technologies.

Zhu Qi-wei (朱奇偉), aged 36, is the chief financial officer of our Group. Mr. Zhu joined our Group since May 2009. Mr. Zhu possesses extensive financial and management experience in manufacturing industry and also experienced in financial data analysis. He is familiar with tax policies and regulations in the PRC. Prior to joining the Group, Mr. Zhu previously worked as Assistant to the chief financial officer of General Management Office of Brilliance Tiancifu Group from 1998 to 2003, as vice manager of financial department, General Management Office Executive and Manager of Management Department of Choice Printing (Shanghai) Co., Ltd. from 2003 to 2007 and as Manager of Operating Analysis Department of Shanghai Only Education and Technology Company Limited (上海昂立教育科技有限公司) from 2008 to 2009. Mr. Zhu obtained a bachelor degree in accounting from Shanghai University of Finance and Economics (上海財經大學) in 1998 and passed CPA exam in 2003 and has been qualified as a non-practicing member of Chinese Institute of Certified Public Accountants since 2005. In 2004, Mr. Zhu was qualified as a medium level accountant.

JOINT COMPANY SECRETARIES

Sun Xin (孫馨), aged 28, was appointed as the joint company secretary of the Company on 28 May 2012. Ms. Sun joined the Group in August 2010. From August 2006 to August 2010, Ms. Sun acted as the senior consultant of the business advisory and tax consultancy department of Deloitte Touche Tohmatsu CPA Ltd. During the office term, Ms. Sun was responsible for the provision of due diligence service and structuring support to the foreign multi-national companies and the private equity funds concerning acquisition activities in the PRC, as well as the provision of tax consultancy services, including international tax consultancy, indirect tax consultancy, general domestic tax consultancy and tax standardization. From September 2002 to July 2006, Ms. Sun studied at Shanghai International Studies University (上海外國語大學) majoring in international economic law and obtained a bachelor degree in law. From September 2003 to June 2005, she studied at Shanghai University of Finance and Economics (上海財經大學) and obtained the Certificate for Second Major (輔修專業證書) in Accounting. Ms. Sun is currently a member of The Chinese Institute of Certified Public Accountants (中國註冊會計師協會).

DIRECTORS AND SENIOR MANAGEMENT

Chan Chin Wang Keith (陳展泓), aged 36, was appointed as the joint company secretary of the Company on 28 May 2012. Mr. Chan obtained his Bachelor of Laws degree in 1998 from the City University of Hong Kong, Master of Laws from the University of Hong Kong in 2005 and International Diploma in compliance from the University of Manchester Business School in 2008. Mr. Chan was admitted as a solicitor of the High Court of Hong Kong in January 2003. Mr. Chan was in private practice from 2003 to 2007 before he became an in-house legal counsel in 2008. From 2008 to 2011, Mr. Chan was the in-house legal counsel for a number of companies listed on the Main Board of the Stock Exchange, advising on corporate, company secretarial and compliance matters. He was appointed as the joint company secretary and authorized representative of Amax Holdings Limited (Stock Code: 959) in August 2009 and had become its sole company secretary in November 2009 until his resignation of both positions in June 2010. Mr. Chan is an associate solicitor of Messrs. Li & Partners, a practising law firm in Hong Kong since January 2012. He is not an employee of our Company and he provides services to our Company as an external service provider.

BOARD COMMITTEE

Audit Committee

We established the audit committee on 28 May 2012 in accordance with the requirements of Rule 3.21 of the Listing Rules and the Corporate Governance Code as set out in Appendix 14 of the Listing Rules. The written terms of reference of the committee are formulated in compliance with the Corporate Governance Code as set out in Appendix 14 of the Listing Rules.

The audit committee is comprised of three members, namely, Lee Ho Yiu Thomas, Cao Kuangyu and Cao Guoqi, all of whom are Independent non-executive Directors. The primary duties of the audit committee are to review and supervise our financial reporting processes and internal control systems, nominate and monitor external auditors and provide advice and comments to the Directors. Mr. Lee Ho Yiu Thomas is the chairman of the audit committee.

Remuneration Committee

We established the remuneration committee on 28 May 2012 in compliance with the Corporate Governance Code as set out in the Listing Rules. The written terms of reference of the committee are formulated in compliance with the Corporate Governance Code as set out in Appendix 14 of the Listing Rules.

The remuneration committee is comprised of three members, namely, Lee Ho Yiu Thomas, Cao Kuangyu and Cao Guoqi, all of whom are Independent non-executive Directors. The primary duties of the remuneration committee are to evaluate the performance and determine the remuneration packages of our executive Directors and senior management and to make recommendations on the remuneration of our non-executive Director. Mr. Cao Guoqi is the chairman of the remuneration committee.

DIRECTORS AND SENIOR MANAGEMENT

Nomination Committee

We established the nomination committee on 28 May 2012 in compliance with the Corporate Governance Code as set out in the Listing Rules. The written terms of reference of the committee are formulated in compliance with the Corporate Governance Code as set out in Appendix 14 of the Listing Rules.

The nomination committee is comprised of three members, namely, Lee Ho Yiu Thomas, Cao Kuangyu and Cao Guoqi, all of whom are Independent non-executive Directors. The chairman of the nomination committee is Mr. Cao Guoqi. The primary duties of the nomination committee are to review the structure, size and composition of our Board on a regular basis and make recommendations to our Board regarding the nomination of appropriate candidates to fill vacancies on our Board. Mr. Cao Guoqi is the chairman of the nomination committee.

COMPENSATION OF DIRECTORS

During the Track Record Period, our Group has not granted any fees, salaries, housing allowances, other allowances, benefits in kind (including contribution to the pension scheme on behalf of our Directors) or discretionary bonuses to any of our Directors.

COMPLIANCE ADVISER

We intend to appoint Guotai Junan Capital Limited as our compliance adviser pursuant to Rule 3A.19 of the Listing Rules. Pursuant to Rule 3A.23 of the Listing Rules, the compliance adviser will advise us in the following circumstances:

- (i) before the publication of any regulatory announcement, circular or financial report;
- (ii) where a transaction, which might be a notifiable or connected transaction, is contemplated, including share issues and share repurchases;
- (iii) if our Group proposes to use the proceeds of the Global Offering in a manner different from that detailed in this prospectus or if the business activities, developments or results of our Group deviate from any forecast, estimate or other information in this prospectus; and
- (iv) if the Stock Exchange makes an inquiry of our Group under Rule 13.10 of the Listing Rules regarding unusual movements in the price or trading volume of the Shares.

The term of appointment of the compliance adviser shall commence on the Listing Date and end on the date on which our Company complies with Rule 13.46 of the Listing Rules in respect of our financial results for the first full financial year ending 31 December 2013, and such appointment may be subject to extension by mutual agreement. Guotai Junan Capital Limited has confirmed that it is independent to our Group and satisfies all the independence criteria as stipulated under Rule 3A.07 of the Listing Rules.

SUBSTANTIAL SHAREHOLDERS

SUBSTANTIAL SHAREHOLDERS

So far as our Directors are aware, based on the information available on the Latest Practicable Date, immediately following completion of the Global Offering and the Capitalization Issue (taking no account of any shares which may be taken up under the Global Offering and assuming that the Over-allotment Option is not exercised), the following persons have the following beneficial interests or short positions in our Shares or underlying Shares who would be required to be disclosed to us under the provisions of Divisions 2 and 3 of part XV of the SFO, or, who is, directly or indirectly, interested in 10% or more of the nominal value of any class of shares carrying the right to vote in all circumstances at general meetings of any other member of our Group:

Name	Capacity/Nature of interest	Number of Shares	Approximate percentage of shareholding interest
Goldview	Beneficial owner/ long position <i>(Note 1)</i>	297,500,000	59.5%
Concord	Beneficial owner/ long position <i>(Note 2)</i>	77,500,000	15.5%

Notes:

1. The entire issued share capital of Goldview is legally and beneficially owned by Mr. Tseung. Mr. Tseung is therefore deemed to be interested in the Shares held by Goldview.
2. The entire issued share capital of Concord is legally and beneficially owned by Mr. Jin. Mr. Jin is therefore deemed to be interested in the Shares held by Concord.

Save as set out above, based on the information available on the Latest Practicable Date, taking no account of any Shares which may be taken up under the Global Offering, the Directors are not aware of any person (not being a Director or chief executive of our Company) who will, immediately following the completion of the Global Offering and the Capitalization Issue, be interested, directly or indirectly, in an interest or short position in our Shares or underlying Shares which would fall to be disclosed to our Company under the provisions of Divisions 2 and 3 of part XV of the SFO.

SHARE CAPITAL

SHARE CAPITAL

The following is a description of our authorized and issued share capital as at the date of this prospectus and immediately after completion of the Global Offering subject to the assumptions as set forth below:

As at the date of this prospectus		<i>HK\$</i>
Authorized share capital:		
10,000,000,000	Shares of HK\$0.01 each	100,000,000
Issued share capital as at the date of this prospectus		
10,000	Shares of HK\$0.01 each	100
Immediately after completion of the Global Offering		<i>HK\$</i>
Authorized share capital:		
10,000,000,000	Shares of HK\$0.01 each	100,000,000
Shares to be issued pursuant to the Capitalization Issue:		
424,990,000	Shares of HK\$0.01 each	4,249,900
Shares to be issued pursuant to the Global Offering:		
75,000,000	Shares of HK\$0.01 each	750,000
Shares to be issued upon exercise of the Over-allotment Option in full:		
18,750,000	Shares of HK\$0.01 each	187,500
Total issued share capital upon completion of the Global Offering (assuming no exercise of the Over-allotment Option):		
500,000,000	Shares of HK\$0.01 each	5,000,000
Total issued share capital upon completion of the Global Offering (upon exercise of the Over-allotment Option in full):		
518,750,000	Shares of HK\$0.01 each	5,187,500

SHARE CAPITAL

According to Rule 8.08 of the Listing Rules, at the time of the Listing and at all times thereafter, our Company must maintain the “minimum prescribed percentage” of 25% of our issued share capital in the hands of the public.

ASSUMPTIONS

The tables above assume the Global Offering becomes unconditional and is completed in accordance with the relevant terms and conditions and take no account of (a) any Shares issued upon any exercise of the options which may be granted under our Share Option Scheme; (b) any Shares which may be issued under the general mandate given to our Directors for the issue and allotment of Shares; or (c) any Shares which may be repurchased by us pursuant to the general mandate given to our Directors for the repurchase of Shares.

RANKING

The Shares are ordinary shares in the share capital of our Company and rank equally with all Shares currently in issue or to be issued and, in particular, will rank in full for all dividends or other distributions declared, made or paid on the Shares in respect of a record date which falls after the date of this prospectus.

GENERAL MANDATE TO ISSUE SHARES

Subject to the conditions stated in the paragraph headed “Conditions of the Global Offering” under the section headed “Structure of the Global Offering” in this prospectus, our Directors have been granted a general unconditional mandate to allot, issue and deal with Shares with an aggregate nominal value of not more than the sum of: (i) 20% of the aggregate nominal value of the share capital of our Company in issue immediately following the completion of the Global Offering (but before any exercise of the Over-allotment Option and the options which may be granted under the Share Option Scheme); and (ii) the aggregate nominal value of the share capital of our Company repurchased by us (if any).

This general mandate to issue Shares will remain in effect until the earliest of:

- (i) the conclusion of our Company’s next annual general meeting;
- (ii) the expiration of the period within which we are required by any applicable law or our Articles of Association to hold our Company’s next annual general meeting; or
- (iii) when varied or revoked by an ordinary resolution of our Shareholders in general meeting.

For further details of this general mandate, please refer to the paragraph headed “4. Written resolutions of all our Shareholder passed on 28 May 2012” under the section headed “Further information about our Group” in Appendix V to this prospectus.

SHARE CAPITAL

GENERAL MANDATE TO REPURCHASE SHARES

Subject to the conditions stated in the paragraph headed “Conditions of the Global Offering” under the section headed “Structure of the Global Offering” in this prospectus, our Directors have been granted a general unconditional mandate to exercise all our powers to repurchase Shares with a total nominal value of not more than 10% of the aggregate nominal value of our share capital in issue immediately following the completion of the Global Offering (excluding any Shares issued on any exercise of the Over-allotment Option and the options which may be granted under the Share Option Scheme).

This general mandate only relates to repurchases made on the Hong Kong Stock Exchange, or on any other stock exchange on which the Shares are listed (and which is recognized by the SFC and the Hong Kong Stock Exchange for this purpose), and made in accordance with all applicable laws and the requirements of the Listing Rules. A summary of the relevant Listing Rules is set out in the paragraph headed “5. Repurchase of our Shares” under the section headed “Further information about our Group” in Appendix V to this prospectus.

This general mandate to repurchase Shares will remain in effect until the earliest of:


- (i) the conclusion of our Company’s next annual general meeting;
- (ii) the expiration of the period within which we are required by any applicable law or our Articles of Association to hold our Company’s next annual general meeting; or
- (iii) when varied or revoked by an ordinary resolution of our Shareholders in general meeting.

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The following discussion and analysis of our financial condition and results of operations should be read in conjunction with our consolidated financial information as of and for each of the years ended 31 December 2009, 2010 and 2011 and the accompanying notes, all included in the Accountant's Report set out in Appendix I to this prospectus. As more fully described in Appendix I to this prospectus, our financial information has been prepared in accordance with HKFRS.

The following discussion contains forward-looking statements that involve risks and uncertainties. Factors that could cause or contribute to such differences include, without limitation, those discussed in the section headed "Risk Factors" in this prospectus.

OVERVIEW

We are a cement and clinker producer in Wujiang City, Suzhou Prefecture, which is situated in south Jiangsu Province. Since our establishment, our packed products have been sold and distributed under the trademark “”. We are also the only cement producer in Suzhou Prefecture that employs NSP technology in our production process.

Our principal products comprise ordinary Portland cement strength class 42.5 (“PO 42.5”), composite Portland cement strength class 32.5 (“PC 32.5”) and clinker, respectively. According to the independent mandatory inspection reports issued by Jiangsu Construction Materials Quality Supervision and Inspection Station, (i) in May 2012, with regard to our PO 42.5; and (ii) in April 2012, with regard to our PC 32.5, both our PO 42.5 and PC 32.5 products are of a substantially higher-grade quality than the PRC national standard.

Our products are sold in Jiangsu Province, Zhejiang Province and Shanghai respectively. Our strategic geographical location in the area known as the Golden Triangle of the Yangtze affords us easy access and places us within the close proximity to our markets. Our production facilities enjoy the benefit of the exclusive use of an adjoining wharf situated on the Taipu River (太浦河). The wharf enables us to transport raw materials and cement of 10,000 tonnes per day and affords our customers and suppliers convenient transportation access to us.

For the years ended 31 December 2009, 2010 and 2011, our sales volume of cement products (PO 42.5 and PC 32.5) was approximately 1.3 million tonnes, 1.4 million tonnes and 1.4 million tonnes, respectively. Other than our self-production of cement products, we also sold 154,851 tonnes, 49,803 tonnes, and 10,320 tonnes of clinker to external customers, including the ready-mixed concrete stations for the years ended 31 December 2009, 2010 and 2011. For the years ended 31 December 2009, 2010 and 2011, the average selling price per tonne of our cement products was RMB202.7, RMB253.2 and RMB327.4, respectively and the average selling price per tonne of our clinker was RMB185.4, RMB206.0 and RMB320.7, respectively during the same periods.

During the Track Record Period, for the years ended 31 December 2009, 2010 and 2011, our total revenue was approximately RMB291.6 million, RMB355.0 million and RMB464.0 million, respectively. Our operating profit increased from approximately RMB16.9 million for the year ended 31 December 2009 to approximately RMB44.4 million for the year ended 31 December 2010 and to

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approximately RMB116.6 million for the year ended 31 December 2011. Our net profit increased from approximately RMB11.8 million for the year ended 31 December 2009 to approximately RMB31.8 million for the year ended 31 December 2010 and to approximately RMB86.9 million for the year ended 31 December 2011.

BASIS OF PRESENTATION

Our Company was established in the Cayman Islands on 29 November 2011 with limited liability as part of the Reorganization in preparation for the Listing of our shares on the Main Board of the Stock Exchange. Our Controlling Shareholders have owned and controlled our Group during the Track Record Period.

The Reorganization is merely a reorganization of the Group's business with no change in management of such business and the ultimate owners remain the same. Accordingly, the consolidated financial information of the companies now comprising the Group are presented using the carrying values of the Group's business for all periods presented.

Our consolidated statements of financial position, consolidated statements of comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows for the Track Record Period, as set out in Part I of Appendix I to this prospectus, respectively, have been prepared as if the current group structure had been in existence throughout the Track Record Period.

Our financial information has been prepared in accordance with HKFRS throughout the Track Record Period. All material inter-company transactions and balances have been eliminated in our consolidated financial information.

FACTORS AFFECTING OUR RESULTS OF OPERATIONS AND FINANCIAL CONDITION

We believe the most significant factors affecting our results of operations and financial condition are as follows:

Economic growth in the PRC and in particular growth of the construction industry in our target markets

We supply our cement products produced at our production facility in Wujiang of Jiangsu Province to regional markets in Jiangsu Province, Zhejiang Province and Shanghai. As such, demand for our cement products in these areas is dependent upon the amount of construction activities and the level of investment in fixed assets in Jiangsu Province, Zhejiang Province and Shanghai which in turn can be significantly impacted by any material changes in gross domestic product and its growth rate, level of fixed assets investment, PRC government policies, mortgage rate, interest rate, inflation, rate of unemployment, demographic trends and other relevant national and regional economic factors and conditions.

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The local economies in Jiangsu Province, Zhejiang Province and Shanghai as well as the economies in the PRC have generally experienced and enjoyed a prolonged period of growth in recent years, we believe the economic growth in the PRC and, in particular, the growth in our target markets, will continue to have a significant impact on our results of operations and financial condition.

PRC government policies

The PRC government may from time to time adopt new industry policies to adjust the level of investment in infrastructure projects and real estate development using both economic incentives and disincentives and administrative means. In recent years, the PRC government's regulation of the cement industry, its overhaul and invigoration plans specific to the cement industry, and its industry policies on resource development and the property market have had and may continue to have a material impact on the investment in, and the growth of, the PRC's cement industry and other industries related to our businesses, bringing us new opportunities and challenges. These and any other future PRC government policy changes would affect the demand for our products to a large extent and therefore affect our financial condition and results of operations.

Pricing

The following table sets out the breakdown of the average selling prices (excluding taxes and transportation fees) per tonne of our products for the periods indicated:

	Year ended 31 December		
	2009	2010	2011
	<i>RMB</i>	<i>RMB</i>	<i>RMB</i>
PC 32.5	193.4	234.0	302.4
PO 42.5	217.8	279.4	358.7
Clinker	185.4	206.0	320.7

The prices of our products are dependent upon prevailing market conditions. The pricing of our products are determined primarily upon our production capacity, sales volume, competitors' prices, logistics costs and projected profit margin. During the Track Record Period, the selling prices of our clinker and cement products fluctuated significantly in our target regions, which affected our business, results of operations and profitability.

For the three years ended 31 December 2009, 2010 and 2011, the average selling price per tonne of our cement products was RMB202.7, RMB253.2 and RMB327.4, respectively. In the same periods, the average selling price per tonne of (i) our PO 42.5 products was RMB217.8, RMB279.4 and RMB358.7, respectively and (ii) our PC 32.5 products was RMB193.4, RMB234.0 and RMB302.4, respectively.

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During the Track Record Period, the average selling price of our PC 32.5 products increased by 21.0% and 29.2% for the years ended 31 December 2010 and 2011 respectively whilst the average selling price of our PO 42.5 products increased by 28.3% and 28.4% for the years ended 31 December 2010 and 2011 respectively. Such increases were mainly attributable to the energy saving and emission reduction policies implemented by the PRC government against the high energy consumptive industries such as cement industry for the purposes of realization of the Eleven Fifth Plan as well as the elimination of cement companies of laggard production capacity by the PRC government in July 2010, thereby affecting the production and supply of cement, resulting in the increases in the selling prices of our cement products. In 2011, despite the relaxation of the energy saving policies, the elimination of cement companies with laggard production capacity led to a decrease in the supply of cement products, which also accounted for the increases in the selling prices of our cement products.

Costs of coal and electricity

Our results of operations are significantly affected by the costs of coal and electricity. The cost of coal is one of the principal components of our cost of sales and constituted 32.7%, 36.3% and 36.4% of our cost of sales for the years ended 31 December 2009, 2010 and 2011, respectively. We endeavor to improve our production efficiency and reduce our coal costs. However, due to market conditions, we may find it necessary to purchase certain types of coal that do not achieve maximum levels of coal consumption efficiency. Our average purchase price for coal was approximately RMB594.2 per tonne, RMB737.9 per tonne, and RMB817.3 per tonne in 2009, 2010 and 2011, respectively. During the Track Record Period, our business and results of operations were affected by the significant fluctuation of coal price. We maintain long term business relationships with our coal suppliers to secure their stable supply of coal. A purchase price is usually determined based on the prevailing market price when we place a particular purchase order.

Our operations also require a significant amount of electricity. Our electricity expenses, which account for approximately 99% of our utilities and energy costs, were approximately 18.0%, 16.2% and 16.3% of our cost of sales for the years ended 31 December 2009, 2010 and 2011, respectively. For the years ended 31 December 2009, 2010 and 2011, our average electricity purchase price per KWH was approximately RMB0.53 per KWH, RMB0.59 per KWH and RMB0.59 per KWH, respectively. We have installed residual heat recovery systems in our production lines in July 2009 and consequently reduced our external electricity consumption.

Any significant increase in the prices of coal and/or electricity could have a significant impact on our cost of sales, which could in turn have a material adverse effect on our business, financial condition and results of operations if we are unable to pass on a portion or all of such increased costs to our customers. We may experience difficulties in passing on these increased costs to our customers when the market conditions were unfavorable or the competition intensified.

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Cost and availability of raw materials

We currently source our limestone, a principal raw material for our cement and clinker products, together with other raw materials such as sandstone, gypsum flyash, sulfuric acid residue and slag requirements from third-parties for our operations. Our results of operations are also affected by the costs and availability of these raw materials. Costs of raw materials (excluding coal) as a percentage of cost of sales was 25.8%, 21.9% and 27.8% in 2009, 2010 and 2011, respectively. The average cost of limestone was RMB26.6 per tonne, RMB28.5 per tonne and RMB38.5 per tonne, respectively, for the years ended 31 December 2009, 2010 and 2011. We entered into a long term contract with a limestone supplier for the supply of more than 50% limestone of our yearly usage. However, if the costs of these raw materials increase, or if we are unable to retain access to sufficient amount of limestone, our cost of sales may increase, and results of our operations may be negatively affected.

Competition

Our sales and results of operations are also affected by competition in the markets in which we operate. The cement industry in the PRC remains fragmented and a regional industry. Consequently we only consider those cement producers with a presence in or near our geographical markets as competitors. According to Digital Cement Net there are 216 cement producers in Jiangsu Province as at 31 December 2011.

The cement markets in our targeted markets are fragmented. Our major competitors include both cement producers with a national presence together with some local cement producers with smaller-scale production capacity. Our major competitors include local cement producers, Wujiang Minggang Road and Bridge Ltd., Co. (吳江市明港道橋工程有限公司) and Wujiang Xingyuan Cement Ltd., Co. (吳江市興源水泥有限公司) and those with a national presence, such as Conch Cement Company (海螺水泥) and South Cement Company (南方水泥).

In recent years, the PRC government has implemented policies for industry consolidation and made efforts to restructure the cement industry in the PRC. We expected that these PRC government policies would lead to the closure of a number of cement producers and the competition in the cement industry will become more rational. We intend to leverage our market position and capitalize on the consolidation trend to expand our customer base and increase our market share in our targeted markets. Our profitability and market share will depend on our ability to compete with our competitors.

CRITICAL ACCOUNTING POLICIES

The preparation of financial statements in conformity with HKFRS requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis for making judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

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We have identified the policies below as critical to our business operations and the understanding of our financial condition and results of operations. Investors should read the following together with Appendix I to this prospectus and the discussion under “FACTORS AFFECTING OUR RESULTS OF OPERATIONS AND FINANCIAL CONDITION” and “SUMMARY OF OPERATING RESULTS” below.

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 recognises 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.

(1) *Sale 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 recognised 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.

(2) *Interest income*

Interest income is recognised 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 recognised using the original effective interest rate.

Property, Plant and Equipment and Depreciation

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.

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All the 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.

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.

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 recognised 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.

Impairment of financial assets

For financial 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.

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 labour, 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.

Current and deferred income tax

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

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The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date 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 consolidated 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 the balance sheet date and are expected to apply when the related deferred income tax asset is realized or the deferred income tax liability is settled.

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SUMMARY OF OPERATING RESULTS

The following table sets out a summary of our consolidated statements of comprehensive income for the years ended 31 December 2009, 2010 and 2011, which are derived from the Accountant's Report as set out in Appendix I to this prospectus.

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

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PRINCIPAL INCOME STATEMENT ITEMS

Revenue

Our revenue is mainly generated from the sale of cement products and clinker. The following table provides a breakdown of our sales by product during the Track Record Period:

	Year ended 31 December					
	2009		2010		2011	
	<i>RMB'000</i>	%	<i>RMB'000</i>	%	<i>RMB'000</i>	%
PO 42.5	107,623	36.9	160,603	45.2	224,551	48.4
PC 32.5	155,284	53.3	184,088	51.9	236,185	50.9
Clinker	28,715	9.8	10,259	2.9	3,309	0.7
	<u>291,622</u>	<u>100.0</u>	<u>354,950</u>	<u>100.0</u>	<u>464,045</u>	<u>100.0</u>

Our revenue from PO 42.5 as a percentage to our total revenue increased from 36.9% in 2009 to 45.2% in 2010 and further increased to 48.4% in 2011. Such increase was mainly due to the increase in our average selling price of PO 42.5 from RMB217.8 per tonne in 2009 to RMB279.4 per tonne in 2010, which was further increased to RMB358.7 per tonne in 2011 whilst our sales volume of PO 42.5 increased from 494,060 tonnes in 2009 to 574,772 tonnes in 2010 and further increased to 626,094 tonnes in 2011.

Our revenue from PC 32.5 as a percentage to our total revenue did not have significant fluctuation during the Track Record Period.

During the Track Record Period, the sales volumes of PO 42.5 increased by 16.3% and 8.9% for the years ended 31 December 2010 and 2011 respectively. The gradual increase in our sales volume of PO 42.5 during the Track Record Period was mainly due to the increase in the demand of relatively high strength cement (i.e. PO 42.5) for the development of large scale infrastructure projects in Wujiang City such as Wujiang Binhu New Town, construction of the government office buildings of Shengze Town and the project on Fenhu Development Zone in 2011, etc. Besides, we had been focusing on the development of key governmental administrative construction projects and ready-mixed concrete station customers and such projects and customers mainly used PO 42.5, which also accounted for the gradual increase in our sales volume of PO 42.5 during the Track Record Period.

During the Track Record Period, the sales volumes of PC 32.5 decreased by 2.0% and 0.7% for the years ended 31 December 2010 and 2011 respectively, mainly because of an increase in sales to ready-mixed concrete station for PO 42.5 and a shift in preference for a higher grade cement product from our customers. In addition, as our production capacity of clinker and production volume remained relatively stable, the increase in our production and sales volumes of PO 42.5, inevitably led to decrease in our production of PC 32.5.

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Our revenue from clinker as a percentage to our total revenue decreased significantly from 9.8% in 2009 to 2.9% in 2010 and further decreased to 0.7% in 2011. Such decrease was mainly due to the decrease in sales volume of clinker during the Track Record Period as we used majority of the clinker, in our own production.

For the three years ended 31 December 2009, 2010 and 2011, an increase in the average selling price of our PC 32.5 and PO 42.5 products would have a positive effect on our revenue and net profit while a decrease in the average selling price of our PC 32.5 and PO 42.5 products would have a negative effect on our revenue and net profit, assuming that other factors remain unchanged. Set out below are two tables illustrating the change in our revenue and net profit which would have been caused by the change in the average selling price of our PC 32.5 products and PO 42.5 products by RMB1 per tonne and 10% respectively during the Track Record Period, assuming other factors remain unchanged:

Change in revenue

	2009		Year ended 31 December			
			2010		2011	
	<i>RMB million</i>	%	<i>RMB million</i>	%	<i>RMB million</i>	%
Change in PC 32.5						
average price						
by RMB1 per tonne	0.8	0.3	0.8	0.2	0.8	0.2
by 10%	15.5	5.3	18.4	5.2	23.6	5.1
Change in PO 42.5						
average price						
by RMB1 per tonne	0.5	0.2	0.6	0.2	0.6	0.1
by 10%	10.8	3.7	16.1	4.5	22.5	4.8

Change in net profit

	2009		Year ended 31 December			
			2010		2011	
	<i>RMB million</i>	%	<i>RMB million</i>	%	<i>RMB million</i>	%
Change in PC 32.5						
average price						
by RMB1 per tonne	0.6	5.4	0.6	2.0	0.6	0.7
by 10%	12.4	104.8	14.7	46.1	18.8	21.6
Change in PO 42.5						
average price						
by RMB1 per tonne	0.4	3.3	0.5	1.4	0.5	0.6
by 10%	8.6	72.6	12.8	40.2	17.9	20.6

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Cost of sales

Our cost of sales consists of raw materials and consumables used, utilities, depreciation and amortization expenses, and wages, salaries and bonuses. Raw materials and consumables primarily include coal, limestone and accessories. Utilities refer to electricity and water. Depreciation and amortization expenses are primarily related to plant and equipment we own. Wages, salaries and bonuses primarily include the compensation and benefits we provide to our manufacturing employees.

The table below sets forth, for the periods indicated, the components of our cost of sales and the components as a percentage of total cost of sales.

	2009		Year ended 31 December 2010		2011	
	<i>RMB'000</i>	%	<i>RMB'000</i>	%	<i>RMB'000</i>	%
Raw materials and consumables used	188,882	70.3	220,206	72.1	252,928	74.0
Utilities and energy costs	48,600	18.1	49,802	16.3	55,973	16.4
Depreciation	22,620	8.4	24,215	7.9	23,321	6.8
Wages, salaries and bonuses	6,964	2.6	6,887	2.3	7,739	2.3
Changes in inventories of finished goods & work in progress	(356)	-0.1	1,612	0.5	(2,814)	-0.8
Other expenses	1,882	0.7	2,897	0.9	4,776	1.3
	<u>268,592</u>	<u>100.0</u>	<u>305,619</u>	<u>100.0</u>	<u>341,923</u>	<u>100.0</u>

Our cost of sales mainly consisted of raw materials and consumables used which constituted approximately 70.3%, 72.1% and 74.0% of our total cost of sales for the three years ended 31 December 2011. Coal, an important raw material used in the production process, is also accounted for in the raw materials and consumables used. As the average purchase price for coal has been continuously increasing during the Track Record Period from RMB594.2 per tonne in 2009 to RMB737.9 per tonne in 2010 and further increased to RMB817.3 per tonne in 2011, the percentage of our raw materials and consumables used in our total cost of sales is also in the increasing trend.

The utilities and energy costs constituted approximately 18.1%, 16.3% and 16.4% of our total cost of sales for the three years ended 31 December 2011, among which 99% or more were electricity expenses. The decrease in utilities and energy costs as a percentage of our total cost of sales decreased in 2010 and 2011 was mainly due to the reason that we installed residual heat recovery systems which collects residual heat from the clinker production process to generate power which can then be re-utilized in July 2009 which successfully helped us reduce the electricity purchased.

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Distribution costs

Distribution costs mainly represent transportation expenses for the delivery of our products to our customers, expenses for providing after-sales services, salary and welfare expenses for employees involved in distribution activities, and other operating expenses, including travelling expenses, business development expenses, advertising and promotion expenses, and other miscellaneous expenses.

Administrative expenses

Administrative expenses mainly represent salary and welfare expenses for management and administrative personnel, advertising, tax and levies, entertainment, vehicle, consultancy, legal and professional fees, and other administrative expenses.

Other income and other gains/(losses) – net

Other income mainly represents tax refunds which represents the refund of value added tax for sales of certain types of cement where industrial waste has been used. The use of waste materials in our production process, entitles us to claim a VAT refund from the PRC government by adoption of energy efficient and environmentally-friendly practices. The VAT refund is only available on the condition that at least 30% of the raw materials used during our production process comprise waste materials. In order to achieve this 30% threshold the quality of the clinker is required to be of a high quality. As we produce our own clinker we are able to control this process and to ensure that a minimum of 30% waste material is used. For the three years ended 31 December 2011, these VAT refunds amounted to approximately RMB8.9 million, RMB8.7 million and RMB13.4 million respectively. All the VAT refunds we received are derived from the production of our PC 32.5 products. Other gains – net include sales of scrap materials and gain on disposal of property, plant and equipment.

Finance costs

Finance costs mainly represent interest on borrowings from bank and non-bank financial institutions.

Income tax expenses

The Group is not subject to Hong Kong profit tax as it has no assessable income arising in and derived from Hong Kong during the Track Record Period. Taxes on profits assessable in the PRC have been provided at the rate of tax prevailing in the jurisdictions in which the Group operates.

Under the PRC EIT Law, which became effective from 1 January 2008, enterprises are subject to corporate income tax at a rate of 25%. The Group's major 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. 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.

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Breakeven quantity

The table set out below illustrates the breakeven quantity analysis for our cement products for each of the three years ended 31 December 2011 and for the four months ended 30 April 2012 based on our management accounts, assuming the selling prices remain unchanged:

	Year ended 31 December			Four months ended 30 April
	2009	2010	2011	2012
Breakeven quantity (thousand tonnes)	1,035.5	868.1	530.5	275.1
Actual sales quantity (thousand tonnes)	1,297.1	1,361.4	1,407.2	352.4
Average selling price of our cement products (RMB per tonne)	202.7	253.2	327.4	284.2
Average cost of sales of our cement products (RMB per tonne)	184.9	215.8	241.0	254.6

Attributable to the continuous increase in the average selling price of our cement products, which exceeds the increase in our cost of sales of our cement products during the Track Record Period, the breakeven quantity of the Group's cement products decreased from approximately 1,035,500 tonnes in 2009 to approximately 530,500 tonnes in 2011.

Due to the significant decrease in our average selling price of our cement products from approximately RMB327.4 per tonne, for the year ended 31 December 2011 to approximately RMB284.2 per tonne for the four months ended 30 April 2012, representing a decrease of 13.2% and the Directors are of the view that the downward trend since 2009 in breakeven quantity may not be sustained in 2012, as the table indicated above.

YEAR TO YEAR COMPARISON OF RESULTS OF OPERATIONS

Year ended 31 December 2011 compared with the year ended 31 December 2010

Revenue

Our revenue from PC 32.5 increased by RMB52.1 million, or 28.3%, from RMB184.1 million in 2010 to RMB236.2 million in 2011. The increase was mainly attributable to the increase in the average selling price of PC 32.5 from RMB234.0 per tonne in 2010 to RMB302.4 per tonne in 2011.

Our revenue from PO 42.5 increased by RMB64.0 million, or 39.9%, from RMB160.6 million in 2010 to RMB224.6 million in 2011. The increase was mainly attributable to both the increase in the average selling price of PO 42.5 from RMB279.4 per tonne in 2010 to RMB358.7 per tonne in 2011 and the increase in sales volume of approximately 574,772 tonnes in 2010 to 626,094 tonnes in 2011.

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Our revenue from clinker decreased by RMB7.0 million, or 68.0%, from RMB10.3 million in 2010 to RMB3.3 million in 2011. The decrease was mainly due to the reason that the majority of the clinker was used in our production instead of sales.

Our total revenue increased by RMB109.0 million, or 30.7%, from RMB355.0 million in 2010 to RMB464.0 million in 2011 as a result of the reasons described above.

Cost of sales

Our cost of sales increased by RMB36.3 million, or 11.9%, from RMB305.6 million in 2010 to RMB341.9 million in 2011. The increase was mainly attributable to increases in the raw materials and consumables used and utilities.

- **Raw materials and consumables used.** The cost of sales attributable to raw materials and consumables used increased by RMB32.7 million, or 14.9%, from RMB220.2 million in 2010 to RMB252.9 million in 2011. The change was mainly attributable to the increase in the average purchase price of coal which increased from RMB737.9 per tonne in 2010 to RMB817.3 per tonne in 2011.
- **Utilities.** The cost of sales attributable to utilities increased by RMB6.2 million, or 12.4%, from RMB49.8 million in 2010 to RMB56.0 million in 2011. The change was primarily attributable to the increase in the production and sales volume of cement products which resulted in the increase in consumption of electricity.

Gross profit and gross profit margin

As a result of the foregoing, our gross profit increased by RMB72.8 million, or 147.7%, from RMB49.3 million in 2010 to RMB122.1 million in 2011, and our gross profit margin increased from 13.9% in 2010 to 26.3% in 2011.

The increase in our gross profit margin was mainly due to the increase in the average selling price of PC 32.5 from RMB234.0 per tonne in 2010 to RMB302.4 per tonne in 2011 and the increase in the average selling price of PO 42.5 from RMB279.4 per tonne in 2010 to RMB358.7 per tonne in 2011. Our cost of sales also increased by 11.9% from 2010 to 2011, however, the increase in our revenue exceeds the increase in our cost of sales as we can pass on the increased costs to our customers by increasing our selling prices during such period due to increase in demand of our cement products in the market we operate arising from the implementation of the energy saving and emission reduction policies, resulting in the changes in the production and supply of cement in regional markets which benefited the sales of our cement products in such market, as well as the elimination of cement companies with laggard production capacity by the PRC government.

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Other income

Our other income increased by RMB5.0 million, or 44.2%, from RMB11.3 million in 2010 to RMB16.3 million in 2011. The increase was mainly due to the dividend income on available-for-sale financial assets of RMB2.4 million in 2011 and the increase in the amount of tax refund by RMB4.7 million, or 54.0% from RMB8.7 million in 2010 to RMB13.4 million in 2011.

Other losses – net

Our other net losses increased by RMB3.2 million, from net losses of RMB0.03 million in 2010 to net losses of RMB3.2 million in 2011. The increase was mainly because there was a loss on disposal of property, plant and equipment in a total amount of RMB3.1 million in 2011.

Distribution costs

Distribution costs increased by RMB0.4 million, or 20.0%, from RMB2.0 million in 2010 to RMB2.4 million in 2011. The increase was mainly attributed for the increase in our sales volume of cement products.

Administrative expenses

Administrative expenses increased by RMB2.1 million, or 14.8%, from RMB14.2 million in 2010 to RMB16.3 million in 2011. The increase in administrative expenses was mainly due to increase in remuneration of the Group's auditor from RMB0.03 million in 2010 to RMB1.4 million in 2011.

Finance costs – net

Finance costs-net increased by RMB2.7 million, or 60.0%, from RMB4.5 million in 2010 to RMB7.2 million in 2011. The increase was mainly due to the increase in our total borrowings from RMB75.0 million in 2010 to RMB90.4 million in 2011 and the increase in the interest rate.

Profit before income tax

As a result of the aforesaid, our profit before income tax increased by RMB69.5 million, or 174.2%, from RMB39.9 million in 2010 to RMB109.4 million in 2011.

Income tax expense

Income tax expense increased by RMB14.3 million, or 176.5%, from RMB8.1 million in 2010 to RMB22.4 million in 2011. The increase was mainly due to an increase in taxable income in 2011.

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Profit for the year attributable to equity Shareholders of the Company

As a result of the aforesaid, profit for the year attributable to our equity shareholders increased by RMB55.1 million, or 173.3%, from RMB31.8 million in 2010 to RMB86.9 million in 2011.

Year ended 31 December 2010 compared with the year ended 31 December 2009

Revenue

Our revenue from PC 32.5 increased by RMB28.8 million, or 18.5%, from RMB155.3 million in 2009 to RMB184.1 million in 2010. The increase was mainly attributable to the increase in the average selling price of PC 32.5 from RMB193.4 per tonne in 2009 to RMB234.0 per tonne in 2010.

Our revenue from PO 42.5 increased by RMB53.0 million, or 49.3%, from RMB107.6 million in 2009 to RMB160.6 million in 2010. The increase was mainly attributable to both the increase in the average selling price of PO 42.5 from RMB217.8 per tonne in 2009 to RMB279.4 per tonne in 2010 and the increase in sales volume of approximately 494,060 tonnes in 2009 to 574,772 tonnes in 2010.

Our revenue from clinker decreased by RMB18.4 million, or 64.1%, from RMB28.7 million in 2009 to RMB10.3 million in 2010. The decrease was mainly due to the reason that the majority of the clinker was used in our production instead of sales.

Our total revenue increased by RMB63.4 million, or 21.7%, from RMB291.6 million in 2009 to RMB355.0 million in 2010 as a result of the reasons described above.

Cost of sales

Our cost of sales increased by RMB37.0 million, or 13.8%, from RMB268.6 million in 2009 to RMB305.6 million in 2010. The increase was mainly attributable to increases in the raw materials and consumables used and utilities.

- **Raw materials and consumables used.** The cost of sales attributable to raw materials and consumables used increased by RMB31.3 million, or 16.6%, from RMB188.9 million in 2009 to RMB220.2 million in 2010. The change was mainly attributable to the increase in the average purchase price of coal which increased from RMB594.2 per tonne in 2009 to RMB737.9 per tonne in 2010.
- **Utilities.** The cost of sales attributable to utilities increased by RMB1.2 million, or 2.5%, from RMB48.6 million in 2009 to RMB49.8 million in 2010. The change was attributable to the increase in the average purchase price of electricity from RMB0.53 per KWh in 2009 to RMB0.59 per KWh in 2010 which outweigh the effect that we installed the residual heat recovery system in July 2009 which helped us reduce the usage of electricity.

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Gross profit and gross profit margin

As a result of the foregoing, our gross profit increased by RMB26.3 million, or 114.3%, from RMB23.0 million in 2009 to RMB49.3 million in 2010, and our gross profit margin increased from 7.9% in 2009 to 13.9% in 2010.

The increase in our gross profit margin was mainly due to the increase in the average selling price of PC 32.5 from RMB193.4 per tonne in 2009 to RMB234.0 per tonne in 2010 and the increase in the average selling price of PO 42.5 from RMB217.8 per tonne in 2009 to RMB279.4 per tonne in 2010. Our cost of sales also increased by 13.8% from 2009 to 2010, however, the increase in our revenue exceeds the increase in our cost of sales as we can pass on the increased costs to our customers during such period due to the decrease in the supply in our targeted markets as a result of the government policy to consolidate the cement industry in the PRC and to reduce the number of cement producers with backward production capacity.

Other income

Our other income increased by RMB1.9 million, or 20.2%, from RMB9.4 million in 2009 to RMB11.3 million in 2010. The increase was mainly due to the dividend income on available-for-sale financial assets of RMB1.4 million in 2010.

Other gains/losses – net

Our other net gains decreased by RMB0.51 million, from RMB0.48 million in 2009 to other net losses of RMB0.03 million in 2010. The decrease was mainly because there was a loss on penalties for our failure to pay the PRC individual income tax on behalf of our temporary staff of RMB0.2 million incurred in 2010 and a decrease in sales of scrap materials of RMB0.2 million in 2010.

Distribution costs

Distribution costs decreased by RMB1.3 million, or 39.4%, from RMB3.3 million in 2009 to RMB2.0 million in 2010. The decrease was mainly due to the reason that the distribution costs were excluded from our selling price for some of our sales in 2010 when we negotiated the contract terms with customers.

Administrative expenses

Administrative expenses increased by RMB1.4 million, or 10.9%, from RMB12.8 million in 2009 to RMB14.2 million in 2010. The increase in administrative expenses was mainly due to increase in staff welfare and the consultancy fee we paid to a third party for market and business development in Shanghai.

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The consultancy, legal and professional fees incurred in the year ended 31 December 2010 mainly comprised one-time charges of (i) RMB600,000 that was paid to a related party – Orient Hengye Holdings Company Limited for consultancy services relating to the Company’s marketing activities in Shanghai; and (ii) RMB515,500 paid to China Merchant Bank, Mudu Branch, for financial consultancy service, including but not limited to general consultancy services in relation to government policies and regulations updates, cash and asset management, financing and industry research and analysis.

Finance costs – net

Finance costs increased by RMB2.5 million, or 125.0%, from RMB2.0 million in 2009 to RMB4.5 million in 2010. The increase was mainly due to the increase in interest expense of RMB2.4 million as a result of the increase in our total borrowings from RMB44.5 million in 2009 to RMB75.0 million in 2010.

Profit before taxation

As a result of the aforesaid factors, our profit before taxation increased by RMB25.1 million, or 169.6%, from RMB14.8 million in 2009 to RMB39.9 million in 2010.

Income tax

Income tax expenses increased by RMB5.1 million, or 170.0%, from RMB3.0 million in 2009 to RMB8.1 million in 2010. The increase was mainly due to an increase in taxable income in 2010.

Profit for the year attributable to equity Shareholders of the Company

As a result for the above factors, profit for the year attributable to our equity shareholders increased by RMB20.0 million, or 169.5%, from RMB11.8 million in 2009 to RMB31.8 million in 2010.

LIQUIDITY AND CAPITAL RESOURCES

We have historically met our working capital needs primarily through cash flow from operating activities, bank loans and the use of trade and other payables. Our primary uses of cash are for our working capital needs and capital expenditures.

Upon the completion of the Global Offering, we expect to meet our working capital needs primarily through cash flows from operating activities, bank loans, the use of trade and other payables and the net proceeds to our Company from the Global Offering. We are satisfied after due and careful inquiry that we have available sufficient working capital for the present requirements, which is for at least the next 12 months from the date of publication of this prospectus.

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Cash flows

The following table presents the cash flows for the three years ended 31 December 2011:

	Year ended 31 December		
	2009	2010	2011
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Net cash (used in)/generated from operating activities	(12,884)	42,459	36,004
Net cash (used in)/generated from investing activities	(31,097)	(71,583)	110,639
Net cash generated from/(used in) financing activities	43,747	37,138	(123,461)
	<hr/>	<hr/>	<hr/>
Net (decrease)/increase in cash and cash equivalents	(234)	8,014	23,182
Cash and cash equivalents at beginning of the year	10,440	10,206	18,220
	<hr/>	<hr/>	<hr/>
Cash and cash equivalents at the end of the year	<u>10,206</u>	<u>18,220</u>	<u>41,402</u>

Cash flows from operating activities

Our cash from operating activities reflects profit before taxation for the year, adjusted for (i) non-cash items such as depreciation of property, plant and equipment, amortization of prepaid operating lease payments; (ii) provision for impairment loss for receivables (net of reversal); (iii) gain/loss on disposal of property, plant and equipment; (iv) interest income, finance costs and dividend income on available-for-sale financial assets; and (v) the effect of change in working capital, such as increases or decreases in inventories, trade receivables and prepayments and other receivables, trade and other payables.

We had net cash generated from operating activities of RMB36.0 million in 2011, resulting from the cash generated from operations of RMB72.1 million after taking into account interest in the sum of RMB7.3 million paid and income tax in the sum of RMB28.7 million paid. Our cash generated from operations consisted of cash flow from operating activities of RMB142.5 million before net negative changes in working capital of RMB70.4 million. Net negative changes in working capital primarily consisted of (i) an increase in inventories of RMB1.4 million which was mainly due to our expectation of increase in the cost of raw materials and as a result, we purchased more stock to offset the effect of the increase in the cost of raw materials; (ii) an increase in trade and other receivables and prepayments of RMB50.6 million primarily reflected our increase in the total revenue and more customers using bank acceptance bills instead of cash to settle trade receivables; and (iii) a decrease in trade and other payables of RMB18.4 million.

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We had net cash generated from operating activities of RMB42.5 million in 2010, primarily resulting from cash generated from operations of RMB48.5 million, partly offset by interest paid of RMB4.5 million and income tax paid of RMB1.6 million. Our cash generated from operations consisted of cash flow from operating activities of RMB69.3 million before net negative changes in working capital of RMB20.7 million. Net negative changes in working capital primarily consisted of (i) an increase in inventories of RMB6.5 million which was mainly due to our expectation of increase in the cost of raw materials and as a result, we purchased more stock to off set the effect of the increase in the cost of raw materials; (ii) a decrease in trade receivables and prepayments and other receivables of RMB21.2 million primarily reflected the decrease in prepayment to suppliers of RMB20.2 million as a result of the settlement of bills payable of RMB20.2 million; and (iii) a decrease in trade and other payables of RMB50.5 million which was mainly due to the repayment of our bills payables of RMB30.0 million.

We had net cash used in operating activities of RMB12.9 million in 2009, primarily resulting from cash used in operations of RMB10.8 million and interest paid of RMB2.1 million. Our cash generated from operations consisted of cash flow from operating activities of RMB42.1 million before net negative changes in working capital of RMB52.9 million. Net negative changes in working capital primarily reflected (i) a decrease in inventory of RMB11.6 million which reflected the fact that our inventory level as at 31 December 2009 was at a lower level than 31 December 2008; (ii) an increase in restricted bank deposits of RMB15.0 million which were used as the guarantee of our bills payables; (iii) the increase in trade and other receivables and prepayments of RMB37.0 million primarily reflected the increase in prepayment to suppliers of RMB20.0 million and reflected our increase in the total revenue; and (iv) the decrease in trade and other payables of RMB12.5 million.

Cash flows from investing activities

Our cash outflows from investing activities during the Track Record Period mainly consisted of advances to related parties, increase in restricted bank deposits, acquisition of available-for-sale financial assets and purchase of property, plant and equipment. Our cash inflows from investing activities during the Track Record Period mainly consisted of repayments from/advances to related parties, decrease in restricted bank deposits, and dividends received from available-for-sale financial assets.

We had a net cash inflow from investing activities of RMB110.6 million in 2011, primarily resulting from the net repayments from related parties of RMB101.7 million.

We had a net cash outflow from investing activities of RMB71.6 million in 2010, primarily resulting from net advances to related parties of RMB67.7 million, purchase of property, plant and equipment of RMB3.3 million and acquisition of available-for-sale financial asset of RMB2.1 million.

We had a net cash outflow from investing activities of RMB31.1 million in 2009, primarily resulting from purchase of property, plant and equipment of RMB35.6 million and purchase of land use rights of RMB1.8 million which were partially offset by the net repayments from related parties of RMB6.0 million.

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As disclosed under “Note 33(b) of Significant Related Party Transactions” of the Accountant’s Report as set out in Appendix I, we have made advances to certain related parties, including Suzhou Tailong Real Estate Development Company Limited (蘇州泰隆房地產開發有限公司), Shanghai Orient Control Investment Management Company Limited (上海東控投資管理有限公司), Orient Huaxia Venture Investment Company Limited (東方華夏創業投資有限公司) and Orient Hengxin Capital Holdings Limited (東方恒信資本控股集團有限公司). We entered into these transactions as a general treasury arrangement by the related parties among the related companies. For the purpose of the Listing and to maintain financial independence of the Group from the related parties, all the advances have been fully settled by September 2011 and no similar transaction has been entered into thereafter up to the Latest Practicable Date.

In addition, we have made advances to Orient Holdings, a related party of our Company, as our Company intended to acquire the shares of Orient Holdings in order to participate in its businesses of roads construction and operation. The advances were made without interest as part of the acquisition plan. However, the plan of acquisition was aborted due to our different view on the acquisition price with Orient Holdings. Orient Holdings has since repaid our Company the amount outstanding in full by September 2011.

Cash flow from financing activities

Our cash flow from financing activities during the Track Record Period mainly consisted of proceeds from bank borrowings, proceeds from other borrowing, repayment of bank borrowings, proceeds from capital injection, repayments for long term borrowings, and dividends paid.

We had a net cash outflow from financing activities of RMB123.5 million in 2011, primarily resulting from dividends paid of RMB121.6 million and repayments to a related party of RMB12.2 million the effects of which were partly offset by net proceeds from borrowings of RMB15.4 million.

We had a net cash inflow from financing activities of RMB37.1 million in 2010, primarily resulting from the net proceeds from borrowings of RMB30.5 million, and proceeds from capital injection of RMB16.6 million, the effects of which were partially offset by repayment to a related party of RMB10.0 million.

We had a net cash inflow from financing activities of RMB43.7 million in 2009, primarily resulting from net proceeds from borrowings of RMB24.0 million, net repayment to a related party of RMB17.8 million and proceeds from capital injection of RMB37.6 million.

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CAPITAL EXPENDITURES

Our capital expenditures were RMB35.6 million, RMB3.3 million and RMB0.7 million for the three years ended 31 December 2009, 2010 and 2011, respectively. The following table sets forth our capital expenditures during the Track Record Period:

	Year ended 31 December		
	2009	2010	2011
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Property, plant and equipment	1,473	3,072	689
Construction in progress	34,163	208	–
	<u>35,636</u>	<u>3,280</u>	<u>689</u>

Capital expenditures for the three years ended 31 December 2011 primarily went towards the technology upgrades and the construction, purchase and installation of residual heat recovery systems.

We may incur additional capital expenditures from time to time as we pursue new opportunities to expand our production capacities, and actual expenditures may differ significantly from our current plans. Our planned capital expenditure projects may also be changed due to changes in business plans such as potential acquisitions, individual project progress, and market conditions and outlook. Further, our ability to obtain sufficient funding for our planned capital expenditure projects in the future is subject to a variety of uncertainties, including our future results of operations, financial condition and cash flows, economic, political and other conditions in the PRC, Hong Kong and other jurisdictions in which we may operate.

WORKING CAPITAL

Based on our current and anticipated levels of operations and conditions in the market and industry, and taking into account the estimated net proceeds available to us from the Global Offering, our cash at bank and in hand, cash flow from operations, our available banking facilities and future financing, our Directors are of the view that we have sufficient working capital to meet our requirements for at least the next 12 months from the date of publication of this prospectus.

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NET CURRENT ASSETS

The table below sets forth, as of the dates indicated, our current assets, current liabilities and net current assets:

	As of 31 December			As of
	2009	2010	2011	30 April
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Current assets				
Inventories	14,446	20,925	22,353	31,041
Available-for-sales financial assets	–	–	–	–
Trade and other receivables and prepayments	135,362	180,877	146,258	121,812
Restricted bank deposits	15,000	–	5,000	5,000
Cash and cash equivalents	<u>10,206</u>	<u>18,220</u>	<u>41,402</u>	<u>89,271</u>
Total current assets	<u>175,014</u>	<u>220,022</u>	<u>215,013</u>	<u>247,124</u>
Current liabilities				
Trade and other payables	159,861	102,853	71,709	87,210
Current income tax payable	1,292	1,394	2,400	215
Borrowings	<u>38,790</u>	<u>72,669</u>	<u>90,378</u>	<u>95,952</u>
Total current liabilities	<u>199,943</u>	<u>176,916</u>	<u>164,487</u>	<u>183,377</u>
Net current (liabilities)/assets	<u>(24,929)</u>	<u>43,106</u>	<u>50,526</u>	<u>63,747</u>

As of 30 April 2012, our current assets of RMB247.1 million comprised inventories of RMB31.0 million, trade and other receivables and prepayments of RMB121.8 million, restricted bank deposits of RMB5.0 million and cash and cash equivalents of RMB89.3 million. As of 30 April 2012, our current liabilities of RMB183.4 million comprised trade and other payables of RMB87.2 million, current income tax payable of RMB0.2 million, borrowings of RMB96.0 million.

Our net current assets increased from RMB43.1 million as of 31 December 2010 to RMB50.5 million as of 31 December 2011. The increase was mainly due to an increase in cash and cash equivalents of RMB23.2 million and a decrease in trade and other payables of RMB31.1 million which were partially offset by a decrease in trade and other receivables and prepayments of RMB34.6 million and an increase in borrowings of RMB17.7 million.

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Our net current assets position improved from net current liabilities of RMB24.9 million as of 31 December 2009 to net current assets of RMB43.1 million as of 31 December 2010. The increase was mainly due to an increase in trade and other receivables and prepayments of RMB45.5 million primarily reflected our increase in the total revenue, and a decrease in trade and other payables of RMB57.0 million which was mainly due to the settlement for the construction and installation of our residual heat recovery system. The effects of foregoing factors, however, were partially offset by an increase in borrowings of RMB33.9 million, and a decrease in restricted bank deposits of RMB15.0 million.

Trade and other receivables and prepayments

The following table sets forth, as of the dates indicated, trade and bills receivables:

	As of 31 December		
	2009	2010	2011
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Trade receivables due from third parties	52,833	50,247	59,178
Trade receivable due from related parties	6,369	3,024	2,450
Bills receivable	5,674	18,679	59,088
	64,876	71,950	120,716

Our trade and bills receivables increased from RMB64.9 million as of 31 December 2009 to RMB72.0 million as of 31 December 2010, and further increased to RMB120.7 million as of 31 December 2011, primarily reflecting our increase in total revenue.

The significant increase in bills receivable as at 31 December 2011 was mainly due to the reason that more of our customers chose to settle trade receivables by bank acceptance bills instead of cash in 2011. These bills are generally valid for 6 months and have little credit risk as they are guaranteed by the banks. In addition, the bank acceptance bills can be used to settle our own trade payables. Therefore, we chose to factor only some of the bills to avoid unnecessary finance costs.

Other than those customers which we required them to settle by cash, we generally grant credit period of 30 to 60 days to our customers, except for one construction project customer to which we have granted credit terms of up to 90 days because it is a new customer which we would like to develop as a long-term customer. For ready-mixed concrete stations customers, our 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. We have also granted one ready-mixed concrete station a credit period of up to 180 days because of its background as a state-owned enterprise. The trade receivables to be received from this customer amounted to RMB5.2 million, RMB18.5 million and RMB31.5 million as at 31 December 2009, 2010 and 2011 respectively while the amount of sales to this customer amounted to RMB4.4 million, RMB28.6 million and RMB38.5

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million, respectively, for the years ended 31 December 2009, 2010 and 2011. We granted a longer credit term of 180 days to this customer because this customer, being an Independent Third Party and a state-owned enterprise under the Shanghai Municipal Government, had a relatively large market share in the Shanghai municipal construction industry and we intend to maintain our business relationship with this customer such that it can be our long term key customer. As as 30 April 2012, the trade receivables of this customer amounted to RMB19.6 million, which was granted 180-day credit period.

We granted a property developer a credit period of 90 days in 2010. The trade receivables due from this customer amounted to RMB0.04 million as at 31 December 2010, while the amount of sales to this customers amounted to RMB1.1 million for the years ended 31 December 2010.

The following table sets forth, for the periods indicated, our average trade and bills receivables turnover days:

	Year ended 31 December		
	2009	2010	2011
Average trade and bills receivables turnover days	<u>74</u>	<u>70</u>	<u>76</u>

Note:

We calculate average trade and bills receivables turnover days by dividing average trade and bills receivables by turnover for the relevant period and multiplying 365 days, while average trade and bills receivables are obtained by dividing the sum of trade and bills receivables at the beginning of the period and at the end of the period by two. All of our bills are the bank acceptance bills.

The increase in average trade and bill receivable turnover days in 2011 is mainly due to the increase in bills receivables as more of our customers have increasingly used bank acceptance bills to settle their purchases for our products. Such bills receivables are generally payable within 6 months, which are longer than the normal credit period granted to our customers (i.e. 1 to 2 months).

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The following table sets forth, as of the dates indicated, an aging analysis of our trade receivables:

	As of 31 December		
	2009	2010	2011
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
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
	<u>52,833</u>	<u>50,247</u>	<u>59,178</u>

Our management monitors the recoverability of overdue trade and bills receivables, and, when there is objective evidence that our Group may not be able to collect, our management provides for impairment of these receivables. As at 31 December 2009, 2010 and 2011, trade receivables of RMB5.1 million, RMB6.0 million and RMB6.1 million had been impaired and were fully provided for, respectively. Further details are set out in Note 12 of the Accountant's Report.

Receivables that were neither past due nor impaired relate to a wide range of customers for whom there was no recent history of default. Receivables that were past due but not impaired relate to a wide range of customers that have a good track record with our Group. Based on past experience, our management believes that no additional impairment allowance is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable.

As at 30 April 2012, RMB31.8 million of total trade receivables have been subsequently settled in which RMB3.0 million are overdue trade receivables. Whilst approximately RMB27.4 million remain unsettled which includes (i) approximately RMB19.6 million due from our single largest customer who is a state-own enterprise with credit period of 180 days we granted; and (ii) approximately RMB6.0 million has been impaired as provision for trade receivable. Having considered the payment records and background of the customers with outstanding trade receivables, our Directors are of the view that our provision for trade receivables is adequate.

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The following table sets forth, as of the dates indicated, prepayments and other receivables:

	As of 31 December		
	2009	2010	2011
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Prepayments for			
– acquisition of raw materials	29,960	9,794	14,032
– others	–	–	2,890
Due from related parties	34,020	101,686	–
Due from a related party resulting from disposal of available-for-sale financial assets	–	–	13,696
Other receivables	<u>11,559</u>	<u>3,439</u>	<u>995</u>
	<u><u>75,539</u></u>	<u><u>114,919</u></u>	<u><u>31,613</u></u>

Our aggregate prepayments and other receivables increased from RMB75.5 million as of 31 December 2009 to RMB114.9 million as of 31 December 2010 primarily reflecting the increase in amount due from related parties which were partially offset by the decrease in prepayment of RMB20.2 million due to the settlement of bills payable of RMB20.2 million. Our aggregate prepayments and other receivables decreased from RMB114.9 million as of 31 December 2010 to RMB31.6 million as of 31 December 2011, primarily reflecting the repayment by the related parties of RMB101.7 million.

As at 31 December 2009, other receivables mainly consists of two items: (a) receivable of RMB7.9 million due from a third party – Shanghai Baohe Energy Engineering and Technology Company Limited (上海寶和能源工程技術有限公司, “Shanghai Baohe”) (Shanghai Baohe originally planned to construct and operate a residual heat power station to supply electricity to the Group and the Group paid RMB7.9 million advance to Shanghai Baohe as a prepayment for electricity. However, the Group was not satisfied with the progress of the construction and decided to construct its own residual heat power station which was completed in 2009. Accordingly, the advance to Shanghai Baohe was classified as other receivable due from Shanghai Baohe as at 31 December 2009 and was subsequently settled in 2010.); and (b) advances to staff amounting to RMB2.7 million, which have subsequently been settled in 2011.

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Trade and other payables

The following table sets forth, as of the dates indicated, our trade and other payables:

	As of 31 December		
	2009	2010	2011
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Trade payables	57,568	56,423	48,232
Bills payable	30,000	–	–
Advance from customers	4,839	4,296	1,265
Other tax payables	1,219	4,572	3,119
Other payables	43,905	25,342	16,197
Amount due to related party	22,220	12,220	2,896
	<u>159,861</u>	<u>102,853</u>	<u>71,709</u>

Trade payables primarily related to the purchases of raw materials and coal from our suppliers. Advances from customers mainly represent the prepayments received from customers for purchase of our products according to the sales contracts. Other taxes payables and other payables primarily consisted of other tax payables and salary and staff welfare expenses payables.

Our aggregate trade and other payables decreased from RMB159.9 million as of 31 December 2009 to RMB102.9 million as of 31 December 2010, primarily reflecting the settlement of bills payable of RMB30.0 million and the settlement of RMB23.5 million for the residual heat recovery system in 2010. Our aggregate trade and other payables decreased from RMB102.9 million as of 31 December 2010 to RMB71.7 million as of 31 December 2011, primarily reflecting the decrease in trade payables of RMB8.2 million, decrease in other payables of RMB9.1 million, and decrease in the amount due to related party of RMB9.3 million.

The credit period granted by our principal suppliers is 30 to 90 days.

The following table sets forth, for the periods indicated, our average trade payables turnover days:

	Year ended 31 December		
	2009	2010	2011
Average trade payables turnover days	<u>63</u>	<u>68</u>	<u>56</u>

Note:

We calculate trade payables turnover days by dividing average trade payables by cost of sales for the relevant period and multiplying 365 days, while average trade payables are obtained by dividing the sum of trade payables at the beginning of the period and at the end of the period by two.

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The decrease in our average trade payables turnover days in 2011 was mainly affected by the shortened payment terms stated in our purchase contracts for raw materials and the fact that we used more bank acceptance bills to settle our payment. Taking into account the fact that our working capital was sufficient for the year ended 31 December 2011, we accepted such shortened payment terms with a view to further ensure a stable supply of our raw materials.

The following table sets forth, as of the dates indicated, an aging analysis of trade and bills payables:

	As of 31 December		
	2009	2010	2011
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Below 30 days	44,233	44,754	23,475
From 30 days 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 years	1,480	1,260	690
Over 2 years	560	834	416
	<u>87,678</u>	<u>56,423</u>	<u>48,232</u>

As at 30 April 2012, RMB32.2 million of total trade payables have been subsequently settled.

Inventories

The following table sets forth, as of the dates indicated, a summary of our balance of inventories:

	As of 31 December		
	2009	2010	2011
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Raw materials	4,652	13,888	10,776
Work in progress (<i>Note</i>)	2,112	2,137	7,002
Finished goods	7,682	4,900	4,575
	<u>14,446</u>	<u>20,925</u>	<u>22,353</u>

Note: For the purpose of the above table, clinker is classified as work in progress.

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The increase of our inventories from RMB14.4 million as of 31 December 2009 to RMB20.9 million as of 31 December 2010 primarily reflected the increase in our stock of raw materials as we expected that the raw materials price would further rise. Our inventories slightly increase to RMB22.4 million as of 31 December 2011 primarily due to the growth of our business and sales volume.

The following table sets forth, for the periods indicated, our average inventory turnover days:

	Year ended 31 December		
	2009	2010	2011
Average inventory turnover days	<u>28</u>	<u>21</u>	<u>23</u>

Note:

Inventory turnover days equal the average inventory divided by cost of sales multiplied by 365 days. Average inventory is the sum of the inventory at the beginning of the period and the inventory at the end of the period divided by two.

There was no significant change in our inventory turnover days during the Track Record Period.

As at 30 April 2012, RMB20.5 million of inventories have been subsequently utilized.

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INDEBTEDNESS

Borrowings

All of our borrowings are dominated in RMB. The table below sets forth, as of the dates indicated, our loans and borrowings:

	As of 31 December			As of
	2009	2010	2011	30 April
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Current:				
Bank borrowings (<i>Note 1</i>)	35,000	54,000	73,070	79,770
Other borrowings				
– from non-bank financial institutions (<i>Note 2</i>)	500	15,300	15,000	15,000
– from financing arrangement (<i>Note 3</i>)	<u>3,290</u>	<u>3,369</u>	<u>2,308</u>	<u>1,182</u>
	38,790	72,669	90,378	95,952
Non-current:				
Other borrowings				
– from financing arrangement (<i>Note 3</i>)	<u>5,677</u>	<u>2,308</u>	–	–
	<u>44,467</u>	<u>74,977</u>	<u>90,378</u>	<u>95,952</u>
Representing:				
– unsecured	500	300	–	–
– secured	<u>43,967</u>	<u>74,677</u>	<u>90,378</u>	<u>95,952</u>
	<u>44,467</u>	<u>74,977</u>	<u>90,378</u>	<u>95,952</u>

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Notes:

1. The bank borrowings were for general working capital purposes.
2. These other borrowings represented the borrowings from non-bank financial institutions and are to be repaid in full upon Listing. The other borrowings were for general working capital purposes.
3. These other borrowings represented a financing arrangement entered by the Group by the form of a sale and leaseback transaction with repurchase option. The subjects sold and leased back under this financial arrangement are the production equipment of the Company. The total selling price for such production equipment amounted to RMB14,285,715. The total amount involved the lease back of such production equipment was RMB16,627,715, including (i) the first payment of RMB4,285,715 which was settled on 7 August 2009 and (ii) the rental fees approximately RMB12,342,000 which shall be paid every 2 months for 36 months commencing from 7 September 2009 to 7 July 2012. For the first 12 months, the rental fees were RMB753,300 every two months. For the second 12 months, the rental fees were RMB691,300 every two months. For the third 12 months, the rental fees were RMB612,400 every two months. After the term of lease, the Company has the right to repurchase such production equipment at nil consideration. As at 30 April 2012, RMB15,402,915 has been paid by us under the lease back arrangement. As the repurchase price is nil and the Group will definitely exercise its repurchase option, this arrangement is in fact a collateralized borrowing to the Group. For further details about the financing arrangement, please refer to Note 7(c) of Appendix I in this prospectus.

As of 31 December 2009, 2010 and 2011, our Group had bank and other borrowings amounting to RMB44.5 million, RMB75.0 million and RMB90.4 million, of which RMB44.0 million, RMB74.7 million and RMB90.4 million were secured, respectively. Our bank borrowings carried a weighted average interest rate of 6.53%, 5.25% and 6.97% per annum while our other borrowings carried a weighted average interest rate of 16.8%, 12.6% and 14.7% per annum during the years ended 31 December 2009, 2010 and 2011, respectively.

As of 30 April 2012, we had bank and other borrowings amounting to RMB96.0 million, which were secured by our properties, plant and equipment, land use rights, bills receivable, restricted bank deposits and corporate guarantees provided by related or unrelated parties.

Our Directors have confirmed that as at the Latest Practicable Date, we did not have any unutilized banking facilities and all of the banking facilities were committed facilities. We also confirmed that we did not have any non-committed banking facilities. Nevertheless, in view of the good business relationship with China Merchants Bank (Mudu Branch) (“CMB”), our principal banker since 2009, we believe that we will be able to refinance our existing borrowings with new bank borrowings from CMB, which is evidenced by its written confirmation to us confirming that, provided that the Group can fulfil its credit requirements and no unforeseeable material adverse circumstances occur, CMB will extend the term of our existing banking facilities of up to RMB60 million until 30 June 2013.

The following sets out the major restrictive covenants of the Group’s banking facilities:

- (i) Dongwu Cement is required to obtain written consent from the lender if it undergoes any mergers, splits, reorganization, transfer of shares, transfer of assets, change of capital structure, or enters into any joint ventures (partnership), or makes any foreign investment, or increases any debt financing;

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- (ii) Dongwu Cement shall not delay in demanding payment or waive its credit rights, and in cases of default by the customers, Dongwu Cement shall not waive its debt holders all of its penalties or shall not improperly penalize its debt holders;
- (iii) Dongwu Cement is required to obtain written consent from the lender if it transfers its banking facilities to a third party;
- (iv) Dongwu Cement shall not apply the loans in investments such as fixed assets or shareholdings or securities, futures, real estate speculation or other uses not specified in the facilities contract; and
- (v) Dongwu Cement and its investors (including our Company), shall not dispose of its capital, transfer its assets or transfer the shares in an effort to avoid repayment of its debt.

Save as aforesaid or as otherwise disclosed herein, and apart from intra-group liabilities, our Group did not have any outstanding loan capital issued and outstanding or agreed to be issued, bank overdrafts, loans or other similar indebtedness, liabilities under acceptances or acceptable credits, debentures, mortgages, charges, hire purchases commitments, guarantees or other material contingent liabilities as of 30 April 2012.

FINANCIAL RATIOS

The following table sets forth, as of the periods indicated, our key financial ratios.

	<i>Notes</i>	Year ended 31 December		
		2009	2010	2011
Turnover growth		N/A	21.7%	30.7%
Net profit growth		N/A	169.5%	173.5%
Current ratio	1	0.88	1.24	1.31
Quick ratio	2	0.80	1.13	1.17
Gearing ratio	3	0.10	0.16	0.22
Debt to equity ratio	4	0.15	0.20	0.20
Interest coverage	5	8.05	9.83	15.92
Return on equity	6	5.2%	11.4%	36.2%
Return on total assets	7	2.7%	6.8%	21.4%
Gross margin	8	7.9%	13.9%	26.3%
Net profit margin before interest & tax	9	5.8%	12.5%	25.1%
Net profit margin	10	4.0%	9.0%	18.7%
Inventory turnover days	11	28	21	23
Debtors' turnover days	12	74	70	76
Creditors' turnover days	13	63	68	56

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Notes

1. The calculation of current ratio is calculated by dividing total current assets by total current liabilities.
2. The calculation of quick ratio is calculated by dividing current assets (net of inventories) by current liabilities.
3. The calculation of gearing ratio is calculated by dividing total debt by total assets.
4. The calculation of the debt to equity ratio is calculated by dividing net debt by the resulting value of total assets minus total liability.
5. The calculation of the interest coverage is calculated by dividing profit before interest and tax by interest.
6. The calculation of return on equity is calculated by dividing profit attributable to equity holders of the Company by total equity and multiplying the resulting value by 100%.
7. The calculation of return on total assets is calculated by dividing profit attributable to equity holders of the Company by total assets and multiplying the resulting value by 100%.
8. The calculation of gross margin is calculated by dividing gross profit by sales and multiplying the resulting value by 100%.
9. The calculation of net profit margin before interest and tax is calculated by dividing net profit before interest and taxes by sales and multiplying the resulting value by 100%.
10. The calculation of net profit margin is calculated by dividing profit attributable to equity holders of the Company by revenue and multiplying the resulting value by 100%.
11. The calculation of inventory turnover days is calculated by dividing average inventories by cost of sales and multiplying the resulting value by 365 days. The average inventories is the inventories at the beginning of the period plus the inventories at the end of the period with the sum divided by two.
12. The calculation of debtors' turnover days is calculated by dividing average trade and bills receivables by sales and multiplying the resulting value by 365 days. The average trade and bills receivables is the trade and bills receivables at the beginning of the period plus the trade and bills receivables at the end of the period with the sum divided by two.
13. The creditors' turnover days is calculated by dividing trade payable by cost of good sales and multiplying the resulting value by 365 days. The average trade payables is the trade payables at the beginning of the period plus the trade payables at the end of the period with the sum divided by two.

Current ratio

Our current ratio was 0.88, 1.24 and 1.31 for the three years ended 31 December 2011, respectively. The increase in current ratio reflected our increased net current assets during the Track Record Period. Such an increase was mainly due to an increase in the trade and other receivables which amounted to approximately RMB45.5 million.

Quick ratio

Our quick ratio was 0.80, 1.13, and 1.17 for the three years ended 31 December 2011, respectively. For the year ended 31 December 2010, the increase in quick ratio was mainly due to an increase in the trade and other receivables which amounted to approximately RMB45.5 million.

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Gearing ratio

Our gearing ratio was 0.10, 0.16 and 0.22 for the three years ended 31 December 2011, respectively. The increase in gearing ratio was mainly due to the increase in borrowings to meet the working capital requirement and to finance the increase in trade and other receivables.

Interest coverage

Our interest coverage was 8.05, 9.83 and 15.92 for the three years ended 31 December 2011, respectively. The significant increase in interest coverage in 2011 was mainly due to the comparatively higher percentage increase in profit before interest and tax as compared with the percentage increase in interest cost.

Return on equity

Our return on equity was 5.2%, 11.4%, and 36.2% for the three years ended 31 December 2011, respectively. For the year ended 31 December 2010, the increase in return on equity was due to an increase in net profit by 169.4% to be offset by an increase in shareholder's equity of 21.9% which was due to an increase in capital of US\$2.5 million and an increase in retained earnings of RMB28.1 million. For the year ended 31 December 2011, the increase in return on equity was due to an increase in net profit by 173.5% and a decrease of shareholders' equity by 11.4% which was due to the distribution of dividends that amounted to RMB121.6 million.

Return on total assets

Our return on total assets was 2.7%, 6.8%, and 21.4% for the three years ended 31 December 2011, respectively. For the year ended 31 December 2010, our net profit increased by 169.4% which led to the overall increase of the return on total assets. For the year ended 31 December 2011, return on total assets increased by 212.7% due to an increase in our net profit by 173.5% and the decrease of total assets caused by the distribution of dividends.

Gross margin

Our gross margin was 7.9%, 13.9% and 26.3% for the three years ended 31 December 2011, respectively. The increase in gross profit margin was mainly due to (i) the increase in Group's average selling price of PO 42.5 from RMB217.8 per tonne in 2009 to RMB279.4 per tonne in 2010 and further increased to RMB358.7 per tonne in 2011, and (ii) the increase in Group's average selling price of PC 32.5 from RMB193.4 per tonne in 2009 to RMB234.0 per tonne in 2010 and further increased to RMB302.4 per tonne; and (iii) the comparatively lesser percentage increase in the cost of as compared with the percentage increase in revenue.

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Net profit margin before interest and tax

Our net profit margin before interest and tax was 5.8%, 12.5% and 25.1% for the three years ended 31 December 2011, respectively. The improvement of net profit margin before interest and tax of the Company was in line with the improvement in gross profit margin.

Net profit margin

Our net profit margin was 4.0%, 9.0% and 18.7% for the three years ended 31 December 2011, respectively. An increase in the gross profit margin led to an increase in the net profit margin but the increase in the net profit margin was lower as finance costs also increased for the two years ended 31 December 2010 and 2011.

Inventory turnover days

The inventory turnover days was 28, 21, and 23 for the three years ended 31 December 2011, respectively. Inventory turnover days increased in the year ended 31 December 2011 because there was a price increase in the main raw materials during this period. Inventory turnover days was higher in the year ended 31 December 2009 since we kept a higher stock level in this period.

Debtors' turnover days

The increase in average trade and bill receivable turnover days in 2011 was mainly due to the increase in bills receivables as more of our customers have increasingly used bank acceptance bills to settle their purchases for our products. Such bill receivables are generally payable within 6 months, which are longer than the normal credit period granted to our customers (i.e. 1 to 2 months).

Creditors' turnover days

The decrease in our average trade payables turnover days in 2011 was mainly attributable to the shortened payment terms stated in our purchase contracts for raw materials and the fact that we used more bank acceptance bills to settle our payment. Taking into account the fact that our working capital was sufficient for the year ended 31 December 2011, we accepted such shortened payment terms with a view to further ensuring a stable supply of our raw materials.

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COMMITMENTS

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 of 31 December		
	2009	2010	2011
	RMB'000	RMB'000	RMB'000
Authorized but not contracted for			
– Land use rights	<u>5,584</u>	<u>5,584</u>	<u>–</u>

Operating lease commitments

We had future aggregate minimum lease payments under non-cancellable operating leases that are payable as follows:

	As of 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	<u>45</u>	<u>–</u>	<u>–</u>
	<u>225</u>	<u>329</u>	<u>150</u>

Our operating lease commitments as of 31 December 2011 primarily related to the lease agreement in respect of the leasing of production facilities. Leases for properties are generally negotiated for terms of one to two years.

CONTINGENT LIABILITIES

During the Track Record Period, the Group provided three guaranteed borrowings as a guarantor at no charge to three companies. Two guaranteed borrowings were made to entities connected to Mr. Shan Huixing (山惠興). Mr. Shan remained a director of Dongwu Cement as at the Latest Practicable Date and at the material time, Mr. Shan was a director of Dongwu Cement as well as a director and/or a shareholder of these two borrowing or guarantee companies. The other guaranteed borrowing was made by Dongwu Cement as a guarantor to an Independent Third Party. Please refer to the Notes 1, 2 and 3 below for further details.

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Although under the terms of the financial guarantee contracts, the Group must make payments to reimburse the lenders upon failure of the guaranteed entities to make payments when due, the Group has since been released from these guaranteed borrowings. Therefore, these guaranteed borrowings will not have an effect on the Group upon Listing and the Company does not anticipate that the Group will enter into such guaranteed borrowings agreement upon Listing.

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

	As of 31 December		
	2009	2010	2011
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Borrowing matured in November 2011 (Note 1)	–	100,000	–
Borrowing matured in January 2012 (Note 2)	–	–	–
Borrowing going to mature in June 2012 (Note 3)	–	15,000	–
	<u>–</u>	<u>115,000</u>	<u>–</u>

Notes:

1. The financial guarantee contract, in which the borrower was 上海中澤國際貿易有限公司 (China Fortune (Shanghai) International Trading Co., Ltd., “China Fortune”), covered the bank borrowing of RMB100 million. Mr. Shan Huixing, a director of Dongwu Cement, was also a director of China Fortune. The reason for entering into such guarantee contract was to develop business relationships with the borrower with a view to capturing more potential business opportunities for Dongwu Cement in the future. The guarantee was also considered as low risk since one of the controlling shareholders of the borrower was a state-owned enterprise. Dongwu Cement was released as a guarantor by the relevant lender on 31 December 2011. The principal business activities of China Fortune include operating import and export business of various commodities and technologies for its own or as agent, sales of industrial chemicals, metal materials, construction materials and relevant consultation services, meeting services.
2. The financial guarantee contract was made with an Independent Third Party of the Company, 浙江奧特電梯有限公司 (Zhejiang Aote Elevator Co., Ltd., “Zhejiang Aote”), whose shareholder was a business acquaintance of Mr. Shan Huixing, covered the bank borrowing of RMB8 million. In January of 2011, the lender sought for a guarantor to back up this bank borrowing of Zhejiang Aote. Dongwu Cement acted as a guarantor for the borrower with a view to capturing more potential business opportunities for Dongwu Cement in the future through developing business relationships with Zhejiang Aote. Dongwu Cement was released as a guarantor on 29 December 2011. The principal business activities of Zhejiang Aote include the manufacturing, sales, installation of elevators and provision of aftersales services.
3. Dongwu Cement, Suzhou Hengyuan Investment Co., Ltd. (蘇州恒源投資有限公司) (“Suzhou Hengyuan”) and Wujiang Orient Import and Export Co., Ltd. (吳江東方進出口有限公司) (“Wujiang Orient”, an associate of Mr. Tseung) (collectively, the “Borrowers”) entered into a revolving loan facility letter (the “Letter”) with a finance company (the “Lender”) on 22 June 2010, pursuant to which the Lender agreed to grant a revolving loan facility (the “Facility”) up to the maximum amount of RMB30 million to any of the Borrowers during the period between 22 June 2010 and 21 June 2012. Each loan approved and granted under the Facility by the Lender to any of the Borrowers under the Letter will be guaranteed by the other two Borrowers.

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As at the Latest Practicable Date, Dongwu Cement has utilized RMB15 million of the Facility whilst Suzhou Hengyuan has utilized the remaining RMB15 million. As there is no outstanding loan currently owed by Wujiang Orient under the Facility, there are no liabilities incurred by Wujiang Orient under the Facility which Dongwu Cement is obliged to guarantee in accordance with the Letter for the time being. Regarding the obligations of Dongwu Cement as one of the guarantors in respect of the liabilities of Suzhou Hengyuan for its loan of RMB15 million under the Facility, the Lender has released Dongwu Cement as a guarantor and discharged it from all liabilities in relation to such loan on 30 December 2011.

Wujiang Orient had been, and has resumed as, an associate of Mr. Tseung prior to October 2006 and after December 2011, as Mr. Tseung's spouse was and Mr. Tseung has been the ultimate controlling shareholder of Wujiang Orient prior to October 2006 and after December 2011 respectively. In addition, Mr. Shan Huixing, a director of Dongwu Cement, has been a shareholder and director of Wujiang Orient since October 2006 and Mr. Jin, a director of each of our Company and Dongwu Cement, has been an ultimate shareholder of Wujiang Orient since December 2011. As at the Latest Practicable Date, Wujiang Orient was held as to 10% and 90% by Mr. Shan Huixing and Orient Hengxin Capital Holdings Group Company Limited (東方恒信資本控股集團有限公司), which was held as to 50%, 5% and 5% by Mr. Tseung, Mr. Jin and Mr. Shan Huixing respectively. Save and except for the above and as disclosed in this prospectus, there have been no other relationships between Wujiang Orient and our Group, our Directors and their respective associates, nor were there any changes in such relationships as at the Latest Practicable Date.

Mr. Shan Huixing, a director of Dongwu Cement, was also a minority shareholder (holding 4% of shares) and a director of Suzhou Hengyuan. The reason for entering into such guarantee contract was to develop business relationships with the borrower with a view to capturing more potential business opportunities for Dongwu Cement in the future. The principal business activities of Suzhou Hengyuan include investment, assets management, operating import and export business of various commodities and technologies for its own or as agent. The principal business activities of Wujiang Orient include the sales of electronic machineries, hardware, metal materials and industrial chemicals, operating import and export business of various commodities and technologies for its own or as agent.

Our Directors confirm that the outstanding loan as well as the Facility will be settled and terminated upon the Listing.

OFF-BALANCE SHEET ARRANGEMENTS

As of the Latest Practicable Date, we have not entered into any off-balance sheet transactions or arrangements.

RELATED PARTY BALANCES

Details of our balances with related parties during the Track Record Period are set out as follows.

FINANCIAL INFORMATION

Amounts due from related parties

The following table sets forth, as of the dates indicated, amounts due to us from related parties:

	As of 31 December		
	2009	2010	2011
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Trade and bills receivables			
Sales of goods			
– Suzhou Tailong Real Estate Development Company Limited	6,369	3,024	2,450
Other receivables			
Advance to related parties			
– Orient Holdings	5,000	75,000	–
– Suzhou Tailong Real Estate Development Company Limited	15,000	23,000	–
– Shanghai Orient Control Investment Management Company Limited	11,020	1,020	–
– Orient Huaxia Venture Investment Company Limited	–	2,000	–
– Orient Hengxin Capital Holdings Limited	3,000	666	–
Amount due from a related party resulting from disposal of available-for-sale financial assets	–	–	13,696 ^(Note)
	<u>40,389</u>	<u>104,710</u>	<u>16,146</u>

Note:

The amount due from a related party resulting from disposal of available-for-sale financial assets in the sum of RMB13,696,000 was derived from the disposal of the Dongwu Cement's interest in the Wujiang Luxiang Rural Small-loan Co., Ltd. to Orient Hengxin Capital Holdings Limited for Listing purpose and has been settled in full by 22 March 2012.

FINANCIAL INFORMATION

Amounts due to related parties

The following table sets forth, as of the dates indicated, outstanding amounts payable by us to related parties:

	As of 31 December		
	2009	2010	2011
	RMB'000	RMB'000	RMB'000
Other payables			
– Far East International			
Investment Company Limited	<u>22,220</u>	<u>12,220</u>	<u>2,896</u>

Amount due from and to related parties are unsecured, interest free and repayable on demand.

RELATED PARTY TRANSACTIONS

With respect to the related party transactions set forth in Note 33(b) to the Accountant's Report in Appendix I to this prospectus, our Directors confirmed that these transactions were conducted in the ordinary course of business of our Group and on normal commercial terms and/or such terms that were no less favourable to our Group than those available to Independent Third Parties.

MARKET RISKS

We are exposed to various types of market risks in the normal course of business, including interest rate risks, foreign exchange risks and inflation risks.

Foreign Currency Exchange Rate Risk

We conducted our business primarily in the PRC with most of the transactions denominated in RMB, which is not freely convertible into foreign currencies. All foreign exchange transactions involving RMB must take place through the PBOC or other institutions authorized to buy and sell foreign exchange. In July 2005, the PRC government changed its policy of pegging the value of the RMB to the U.S. dollar. Under the new policy, the Renminbi is permitted to fluctuate within a narrow and managed band against a basket of certain foreign currencies. The PRC government may take further actions that could cause future exchange rates to vary significantly from current or historical exchange rates. An appreciation of RMB may affect the value of the proceeds from the Global Offering, which will be denominated in HK dollars.

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Interest Rate Risk

Our income and operating cash flows are substantially independent of changes in market interest rates. Our exposure to changes in interest rates is mainly attributable to our bank loans, details of which have been disclosed in Note 3.1 of the Accountant's Report set out in Appendix I to this prospectus. As of 30 April 2012, we had total interest bearing bank loans of RMB79.8 million, as described above in "— Indebtedness." Upward fluctuations in interest rates will increase the costs of both our existing and new debt. We have not entered into any interest rate hedging contracts or any other derivative financial instruments.

Credit Risk

Credit risk is the risk of financial loss to us if a customer or counterparty to a financial instrument fails to honor its contractual obligations, and arises principally from our trade and other receivables and other financial assets. The carrying amount of pledged deposits, cash and at bank and in hand, trade receivables, bills receivable and other receivables included in our consolidated balance sheet represents our maximum exposure to credit risk in relation to our financial assets. We have policies in place to ensure that credit sales of products are made to customers with an appropriate credit history and we perform periodic credit evaluations of our customers. Our historical experience in the collection of trade and other receivables falls within the recorded allowances and our Directors are of the opinion that adequate provisions for uncollectible trade receivables has been made in the financial statements.

DIVIDEND POLICY

Dividends may be paid out of our distributable profits as permitted under applicable law, subject to the Articles. To the extent profits are distributed as dividends, such profits will not be available to be reinvested in our operations. There can be no assurance that we will be able to declare or distribute any dividend in the amount set out in any of our plans or at all.

On 12 May 2011, 12 September 2011 and 21 December 2011, Dongwu Cement declared and paid out RMB49.3 million, RMB29.4 million and RMB42.9 million of dividends respectively to its then shareholder at the time, Far East International. Such historical dividend distributions should not be used as a reference or basis to determine the amount of dividends, if any, that may be declared or paid by us in the future. Historical dividend distributions should not be used as a reference or basis to determine the amount of dividends, if any, that may be declared or paid by us in the future.

A decision to declare or to pay any dividends in the future, and the amount of any dividends, depend on a number of factors, including our results of operations, financial condition, the payments by our subsidiaries of cash dividends to us, future prospects and other factors that our Directors may consider important.

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Any distributable profits that are not distributed in any given year may be retained and be made available for distribution in subsequent years. For those profits distributed as dividends, such portion of profits will not be available for use in our business operations. There can also be no assurance that we will be able to declare or distribute any dividend in the amount set out in any of our plans or at all. Our future declaration of dividends may or may not reflect our historical declarations of dividends and will be at the absolute discretion of the Board. As at the Latest Practicable Date, our Directors did not have the intention to declare any dividend for the year ending 31 December 2012.

MATERIAL ADVERSE CHANGE

Our Directors confirm that up to the Latest Practicable Date, there were material adverse change in our financial or trading position of our Company since 31 December 2011 (being the date to which our latest consolidated financial results were prepared as set out in the “Accountant’s Report” in Appendix I to this prospectus).

DISCLOSURE REQUIRED UNDER THE LISTING RULES

Our Directors have confirmed that as of the Latest Practicable Date, there were no circumstances which, had they been required to comply with Rules 13.13 to 13.19 of the Listing Rules, would have given rise to a disclosure requirement under Rules 13.13 to 13.19 of the Listing Rules.

PROPERTY INTERESTS

Details relating to our Group’s property interests are set out in Appendix III to this Prospectus.

The table below shows the reconciliation of aggregate amounts of land and buildings from our Group’s audited consolidated balance sheet as of 31 December 2011 to the net book value of our Group’s property interests as of 30 April 2012 (based on our management accounts).

	<i>RMB’000</i>
Net book value as of 31 December 2011 (audited)	
– Buildings	93,255
– Land use rights	17,957
Less: Depreciation of buildings for the four months ended 30 April 2012*	(2,202)
Amortization of land use rights for the four months ended 30 April 2012*	(134)
	<hr/>
Net book value as of 30 April 2012*	108,876
Valuation surplus	27,624
	<hr/>
Valuation as of 30 April 2012 per Appendix III to this Prospectus	<u>136,500</u>

* Based on our management accounts

FINANCIAL INFORMATION

UNAUDITED PRO FORMA ADJUSTED NET TANGIBLE ASSETS

The following unaudited pro forma statement of adjusted net tangible assets of the Group prepared in accordance with Rule 4.29 of the Listing Rules is for illustrative purposes only, and is set out below to illustrate the effect of the Global Offering on the net tangible assets of the Group attributable to the equity holders of the Company as of 31 December 2011 as if the Global Offering had taken place on 31 December 2011, assuming that the Over-allotment Option is not exercised.

This unaudited pro forma statement of adjusted net tangible assets has been prepared for illustrative purposes only and because of its hypothetical nature, it may not give a true picture of the consolidated net tangible assets of the Group as at 31 December 2011 or at any future dates following the Global Offering. It is prepared based on the consolidated net assets of the Group as at 31 December 2011 as set out in the Accountant's Report of the Group, the text of which is set out in Appendix I to this prospectus, and adjusted as described below. The unaudited pro forma statement of adjusted net tangible assets does not form part of the Accountant's Report.

	Audited consolidated net tangible assets attributable to equity holders of the Company as at 31 December 2011 ⁽¹⁾ <i>RMB'000</i>	Estimated net proceeds from the Global Offering ^{(2), (6)} <i>RMB'000</i>	Unaudited pro forma adjusted net tangible assets attributable to equity holders of the Company as at 31 December 2011 <i>RMB'000</i>	Unaudited pro forma adjusted net tangible assets per Share	
				<i>RMB⁽³⁾</i>	<i>HK\$⁽⁶⁾</i>
Based on an Offer Price of HK\$1.00 per Share	<u>239,942</u>	<u>44,671</u>	<u>284,613</u>	<u>0.57</u>	<u>0.70</u>
Based on an Offer Price of HK\$1.28 per Share	<u>239,942</u>	<u>61,232</u>	<u>301,174</u>	<u>0.60</u>	<u>0.74</u>

Notes:

1. The audited consolidated net tangible assets attributable to equity holders of the Company as at 31 December 2011 is based on the audited consolidated net assets of the Group attributable to the equity holders of the Company as at 31 December 2011 of RMB239,942,000.
2. The estimated net proceeds from the Global Offering are based on the indicative Offer Price of HK\$1.00 and HK\$1.28 per Share, being the lower end and higher end of the offer price range, after deduction of the underwriting fees and other related expenses payable by the Company and takes no account of any shares which may fall to be issued upon the exercise of the Over-allotment Option.

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3. The unaudited pro forma adjusted net tangible assets per Share is arrived at after the adjustments referred to in the preceding paragraphs and on the basis that 500,000,000 Shares were in issue assuming that the Global Offering and the Capitalization Issue have been completed on 31 December 2011 but takes no account of any Shares which may fall to be issued upon the exercise of the Over-allotment Option or any Share which be allotted and issued or repurchased by the Company pursuant to the the General Mandate to Issue Shares or the General Mandate to Repurchase Shares as described in the section headed “Share Capital” in this prospectus.
4. As at 30 April 2012, the Group’s land use rights and buildings interests were revalued by Asset Appraisal Limited, an independent property valuer, and the relevant property valuation report is set out in Appendix III – Property Valuation. The revaluation surplus, representing the excess of market value of the land use rights and buildings over their book value, is approximately RMB27,624,000. Such revaluation surplus has not been included in the Group’s consolidated financial information as at 31 December 2011. The above adjustment does not take into account the above revaluation surplus. Had the land use rights and buildings been stated at such valuation, and additional depreciation of RMB938,000 per annum would be charged against the consolidated statement of comprehensive income.
5. No adjustment has been made to reflect any trading result or other transactions of the Group entered into subsequent to 31 December 2011.
6. For the purpose of this unaudited pro forma adjusted net tangible assets, the balance stated in Renminbi are converted into Hong Kong dollars at a rate of RMB0.8130 = HK\$1.00. No representation is made that Renminbi amounts have been, could have been or may be converted to Hong Kong dollars, or vice versa, at that rate.

FUTURE PLANS AND USE OF PROCEEDS

FUTURE PLANS

Please see the section entitled “Business – Our Strategies” in this prospectus for a detailed description of our future plans.

USE OF PROCEEDS

The net proceeds of the Global Offering after deducting the underwriting commissions and estimated expenses in relation to the Global Offering, and assuming an Offer Price of HK\$1.14 per Offer Share (being the mid-point of the indicative Offer price range between HK\$1.00 and HK\$1.28 per Offer Share), are estimated to amount to approximately HK\$65.1 million. Our Directors intend to apply the net proceeds in the following manner:

- 1) approximately HK\$25.4 million, representing about 39% of the net proceeds from the Global Offering, will be used to acquire a suitable ready-mixed concrete station in Wujiang City;
- 2) approximately HK\$17.6 million, representing about 27% of the net proceeds from the Global Offering, will be used to strengthen our sales network and enhance our logistics system and capability by establishing our own entrepots in Wujiang City at strategic locations in Wujiang City, urban Suzhou, Shanghai Chongming Island and Qingpu District in Shanghai, respectively;
- 3) approximately HK\$16.9 million, representing about 26% of the net proceeds from the Global Offering, will be used to upgrade some of our production equipment and to acquire new cement production equipment to replace some older equipment; and
- 4) approximately HK\$5.2 million, representing about 8% of the net proceeds from the Global Offering, will be used towards working capital and other general corporate purposes.

In the event that the Offer Price is determined at the high end of the indicative Offer Price range, being HK\$1.28 per Share, the net proceeds from the Global Offering (assuming that the Over-allotment Option is not exercised) will increase to approximately HK\$75.3 million. In such circumstances, our Directors intend to apply the additional net proceeds to finance all items above on a pro-rata basis.

In the event that the Offer Price is determined at the low end of the indicative Offer Price range, being HK\$1.00 per share, the net proceeds from the Global Offering (assuming that the Over-allotment Option is not exercised) will decrease to approximately HK\$54.9 million. In such circumstances, the amount of net proceeds proposed to be used for all items above will be reduced on a pro rata basis after the full utilization of our Company’s general working capital for the above purposes.

FUTURE PLANS AND USE OF PROCEEDS

Should the Over-allotment Option be exercised in full, our Company will receive additional net proceeds of approximately HK\$20.7 million (assuming the Offer Price of HK\$1.14 per Share). Our Directors presently intend to apply the additional net proceeds to finance all items above on a pro rata basis.

To the extent that the net proceeds of the Global Offering are not immediately used for the above purposes, it is the present intention of our Directors that such proceeds will be placed on short deposits with licensed banks and/or authorized financial institutions in Hong Kong and/or the PRC.

The Selling Shareholder will receive the net proceeds from the sale of the Sale Shares in the aggregate amount of approximately HK\$55.3 million after deducting its share of the estimated listing expenses in the Global Offering and assuming an Offer Price of HK\$1.14 per Share, being the mid-point of the Offer Price range set out in this prospectus. Our Company will not receive any of the net proceeds from the sale of the Sale Shares.

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UNDERWRITERS

Hong Kong Underwriters

Sole Global Coordinator, Bookrunner, Lead Manager

Guotai Junan Securities (Hong Kong) Limited

Co-Lead Manager

Shenyin Wanguo Capital (H.K.) Limited

Co-Manager

Ample Orient Capital Limited
Ever-Long Securities Company Limited
Huatai Financial Holdings (Hong Kong) Limited
South China Securities Limited

UNDERWRITING ARRANGEMENTS AND EXPENSES

(a) Hong Kong Public Offer

Hong Kong Underwriting Agreement

Pursuant to the Hong Kong Underwriting Agreement, the Company is offering Hong Kong Offer Shares for subscription by way of the Hong Kong Public Offer on and subject to the terms and conditions of this prospectus and the related Application Forms and International Placing Shares for subscription by way of the International Placing on and subject to the terms and conditions of this prospectus.

Subject to, among other matters, the Listing Committee granting listing of, and permission to deal in, the Shares in issue and to be issued as mentioned herein, and such approval and permission not having been subsequently revoked prior to 8:00 a.m. on the Listing Date and certain other conditions set out in the Hong Kong Underwriting Agreement, the Hong Kong Underwriters have severally agreed to apply or procure applications, on the terms and conditions of this prospectus and the related Application Forms, for Hong Kong Offer Shares now being offered and which are not taken up under the Hong Kong Public Offer.

The Hong Kong Underwriting Agreement is conditional upon and subject to the International Placing Agreement having been signed and becoming unconditional.

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Grounds for termination

The obligations of the Hong Kong Underwriters to subscribe or procure subscribers for Hong Kong Offer Shares under the Hong Kong Underwriting Agreement are subject to termination, if, at any time to 8:00 a.m. on the Listing Date:

- (a) there shall develop, occur or come into effect:
 - (i) any new law or regulation or change or development involving a prospective change in existing laws or regulations or any change or development involving a prospective change in the interpretation or application thereof by any court or other competent authority in Hong Kong, the BVI, the PRC, the Cayman Islands or any other jurisdictions relevant to any member of the Group (the “Specific Jurisdictions”); or
 - (ii) any change or development involving a prospective change, or any event or series of events likely to result in any change or development involving a prospective change in Hong Kong, the PRC, the United States, Europe, the BVI, Cayman Islands, Asia, national, regional, international financial, political, military, industrial, fiscal, regulatory, economic, currency, exchange control, stock or other financial market conditions, prospects, circumstances or matters; or
 - (iii) any change or development involving a prospective change, or any event or series of events likely to result in any change or development involving a prospective change in the conditions of the Hong Kong or international securities markets (or in conditions affecting a sector only of such market) including, for the avoidance of doubt, any significant adverse change in the index level or volume of turnover of any such markets; or
 - (iv) without prejudice to sub-paragraph (ii) or (iii) above, the imposition of any moratorium, suspension or material fluctuations in trading prices of the securities generally traded on the Stock Exchange, the New York Stock Exchange, the NASDAQ National Market or any of the stock exchanges in China, a material fluctuation in the exchange rate of Hong Kong dollars against any foreign currency or any interruption in securities settlement or clearance service or procedures in Hong Kong or anywhere in the world; or
 - (v) a change or development occurs involving a prospective change taxation or currency exchange controls (or the implementation of any exchange control) in Hong Kong or any of the Specific Jurisdictions; or

UNDERWRITING

- (vi) the imposition of economic sanctions, withdrawal of trading privileges, embargo, restraint or prohibition of import and export, in whatever form, by the US or the European Union (or any member thereof) on Hong Kong or the PRC; or
- (vii) any investigation or litigation or claim being threatened or instituted against any Director or any member of the Group; or
- (viii) any act of God, war, riot, public disorder, civil commotion, fire, flood, explosion, epidemic, terrorism, strike or lockout shall have occurred, happened or come into effect; or
- (ix) the imposition of economic sanctions, in whatever form, directly or indirectly, by or for the United States of America or by the European Union (or any member thereof) on Hong Kong or any of the Specific Jurisdictions; or
- (x) any change or development involving a prospective change, or an actual occurrence of, any of the risks set out in the section headed “Risk factors” in this prospectus; or
- (xi) a valid demand by any creditor for repayment or payment of any indebtedness of any member of the Group or in respect of which any member of the Group is liable prior to its stated maturity; or
- (xii) any loss or damage sustained by any member of the Group (howsoever caused an whether or not the subject of any insurance or claim against any person); or
- (xiii) a petition is presented for winding-up or liquidation of any member of the Group or any member of the Group makes any composition or arrangement with its creditors or enters into a scheme of arrangement or any resolution is passed for the winding-up of any member of the Group or a provisional liquidator, receiver or manager is appointed over all or part of the assets or undertaking of any member of the Group or anything analogous thereto occurs in respect of any member of the Group; or
- (xiv) any general moratorium on commercial banking activities in Hong Kong (imposed by the Financial Secretary of Hong Kong and/or the Hong Kong Monetary Authority or other competent authority) or the PRC, and any such event, in the sole opinion of the Sole Global Coordinator (acting for itself and on behalf of the Hong Kong Underwriters), is or will or could reasonably be expected to have a material adverse effect on the business, financial or other condition or prospects of the Group as a whole or in the case of paragraph (xi) above, to any present or prospective shareholder of

UNDERWRITING

the Company in his, her or its capacity as such; or has or will have or could reasonably be expected to have an adverse effect on the success, marketability or pricing of the Global Offering or the level of applications under the Hong Kong Public Offer or the level of interest under the International Placing; or makes it inadvisable, inexpedient or impracticable for the Global Offering to proceed.

- (b) there comes to the notice of the Sole Global Coordinator (acting for itself and on behalf of the Hong Kong Underwriters) any matter or event showing any of the representations and warranties contained in the Hong Kong Underwriting Agreement to be or maybe untrue or inaccurate in any material respect or, if repeated immediately after the occurrence thereof, would be untrue or inaccurate in any respect reasonably considered by the Sole Global Coordinator (acting for itself and on behalf of the Hong Kong Underwriters) to be material or showing any of the undertakings contained in the Underwriting Agreement or other obligations or undertakings expressed to be assumed by or imposed on the Company and the executive Directors under the Underwriting Agreement not to have been complied with in any respect considered by the Sole Global Coordinator (acting for itself and on behalf of the Underwriters) to be material; or
- (c) any statement contained in this prospectus, other reports, documents and legal opinions connected with the Global Offering or the application for listing of the Shares on the Stock Exchange has become or been discovered, alleged or suspected to be untrue, incorrect or misleading in any respect; or
- (d) matters have arisen or have been discovered or alleged which would, if this prospectus was to be issued at that time, constitute a material omission therefrom; or
- (e) there is any adverse change in the business or in the financial or trading position or prospects of any member of the Group which in the absolute opinion of the Sole Global Coordinator (acting for itself and on behalf of the Underwriters) is material in the context of the Global Offering.

Undertakings to the Hong Kong Underwriters pursuant to the Hong Kong Underwriting Agreement

Each of the Controlling Shareholders jointly and severally undertakes to and covenants with each of the Sole Sponsor, the Sole Global Coordinator, the Bookrunner, the Lead Manager, the Hong Kong Underwriters and the Company that:

- (i) without the prior written consent of the Sole Global Coordinator (acting for itself and on behalf of the Hong Kong Underwriters), which they may withhold in their reasonable discretion regardless of whether or not the Stock Exchange shall have consented thereto, he and it will not, and will procure that none of his or its associates (as defined in the Listing Rules) or companies controlled by him or it

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will, within the period of six months commencing from the Listing Date, dispose of (including without limitation by the creation of any option, charge or other encumbrance or rights over or in respect of) any of the Shares or any interests therein owned by him or it or in which he, or it is, directly or indirectly, interested immediately after the completion of the Global Offering and the Capitalization Issue (or any other shares or securities of or interest in the Company arising or deriving therefrom) or dispose of (including without limitation by the creation of any option, charge or other encumbrance or rights over or in respect of) any shares in any company controlled by him or it which is the beneficial owner of any of such Shares provided that the foregoing restriction shall not apply to any Shares which he or it or any of his or its associates (as defined in the Listing Rules) may acquire following the Listing Date;

- (ii) without the prior written consent of the Sole Global Coordinator (acting for itself and on behalf of the Hong Kong Underwriters), within a further six months commencing on the expiry of the six-month period referred to in paragraph (i) above, he or it will not, and will procure that none of his or its associates (as defined in the Listing Rules) or the companies controlled by him or it will, dispose of (including without limitation by the creation of any option, charge or other encumbrance or rights over or in respect of) any Shares or any interests therein referred to in paragraph (i) above or dispose of (including without limitation by the creation of any option, charge or other encumbrance or rights over or in respect of) any shares in any company controlled by him or it which is the beneficial owner of such Shares if, immediately following such disposal, any of them, either individually or taken together with the others, would cease to be a controlling shareholder (within the meaning of the Listing Rules) of the Company or cease to hold a controlling interest (that is to say, an interest of over 30% or such lower amount as may from time to time be specified in the Hong Kong Code on Takeovers and Mergers (the “**Takeover Code**”) as being the level for triggering a mandatory general offer) in any of the companies controlled by him or it which owns any such Shares; and
- (iii) in the event of any disposal of Shares or any such interests referred to in paragraph (i) above after expiry of the six-month period referred to in paragraph (i) above, all reasonable steps will be taken to ensure that such disposal will not create a false or disorderly market in the Shares.

The Company undertakes to and covenants with the Hong Kong Underwriters that, and each of the Controlling Shareholders and the executive Directors jointly and severally undertakes and covenants with the Hong Kong Underwriters to procure that, without the prior written consent of the Sole Global Coordinator (acting for itself and on behalf of the Underwriters) (such consent will not be the unreasonably withheld or delayed), the Company will not, save pursuant to the Global Offering, the Capitalization Issue, the grant of any option under the Share Option Scheme or the exercise of any option granted under the Share Option Scheme or any scrip dividend schemes or similar schemes providing for the allotment and issue of Shares in lieu of whole or part of a dividend in accordance with the articles of association (a) within

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the period of six months from the Listing Date, issue or agree to issue any shares or securities in the Company or any of its major subsidiaries (as defined in paragraph 17(2) of Appendix 7b to the Listing Rules) or grant or agree to grant any options, warrants or other rights carrying the rights to subscribe for, or otherwise convert into, or exchange for, any securities of the Company or any of its major subsidiaries (as defined aforesaid); and (b) within a further six months following the six-month period referred to in (a) above, issue or agree to issue any shares or securities in the Company or any of its major subsidiaries (as defined aforesaid) or grant or agree to grant any options, warrants or other rights carrying the rights to subscribe for, or otherwise convert into or exchange for, any Shares or securities in the Company or any of its major subsidiaries (as defined aforesaid) so as to result in the Controlling Shareholders, either taken individually or taken together, cease to be a controlling shareholder (within the meaning of the Listing Rules) of the Company or hold a controlling interest (that is to say, an interest of over 30% or such lower amount as may from time to time be specified in the Takeover Code as being the level for triggering a mandatory general offer) in any of the companies controlled by him or it which owns any Shares.

Each of the Company and the Controlling Shareholders undertakes to and covenants with each of the Sole Sponsor, the Sole Global Coordinator, the Bookrunner, the Lead Manager and the Hong Kong Underwriters that save with prior written consent of the Sole Global Coordinator (acting for itself and on behalf of the Hong Kong Underwriters) (such consent not to be unreasonably withheld or delayed), no company in the Group will within the period of six months from the Listing Date purchase any securities of the Company.

Each of the Controlling Shareholders undertakes and covenants with the Hong Kong Underwriters not to and shall procure that none of its associates or the companies controlled by him or it will, within the period of 12 months from the Listing Date, pledge, charge, encumber or create any third-party rights in respect of any of the Shares owned or held by any of them or the relevant company (whether directly or indirectly) save with the prior written consent of the Sole Global Coordinator (acting for itself and on behalf of the Hong Kong Underwriters).

Each of the Controlling Shareholders undertakes and covenants with the Company, the Hong Kong Underwriters that in the event that consent is granted by the Sole Global Coordinator pursuant to the paragraph above to pledge, charge, encumber or create any third-party rights in respect of any of the Shares owned or held by any of them or the relevant company (whether directly or indirectly), it shall:

- (i) immediately inform the Company, the Sole Global Coordinator (acting for itself and on behalf of the Hong Kong Underwriters) and the Stock Exchange details of such arrangement in writing prior to entering into such arrangement; and
- (ii) immediately inform the Company, the Sole Global Coordinator (acting for itself and on behalf of the Hong Kong Underwriters) and the Stock Exchange when it receives indications, either verbal or written, from the relevant pledgee or chargee that it shall enforce right in respect of any of the pledged or charged Shares.

UNDERWRITING

The Company undertakes and covenants with the Hong Kong Underwriters that the Company shall forthwith inform the Sole Global Coordinator (acting for itself and on behalf of the Hong Kong Underwriters) and the Stock Exchange in writing immediately after it has been informed of the matters referred to in paragraphs (i) and (ii) above and the Company shall, if so required by the Stock Exchange or the Listing Rules, disclose such matters by way of an announcement and shall comply with all requirements of the Stock Exchange.

(b) International Placing

International Placing Agreement

In connection with the International Placing, the Company is expected to enter into the International Placing Agreement with, among others, the International Underwriters and the Sole Global Coordinator. Under the International Placing Agreement, the International Underwriters would, subject to certain conditions set out therein, severally agree to purchase International Placing Shares being offered pursuant to the International Placing or procure purchasers for such International Placing Shares. The International Placing Agreement is conditional upon and subject to the Hong Kong Underwriting Agreement having been signed and becoming unconditional.

(c) Commission

The Underwriters will receive a commission of 2.5% of the aggregate Offer Price payable for the Offer Shares, out of which the Underwriters will pay any sub-underwriting commission. For unsubscribed Hong Kong Offer Shares reallocated to the International Placing, we will pay an underwriting commission at the rate applicable to the International Placing and such commission will be paid to the relevant International Underwriters. The commission payable to the Underwriters, together with Stock Exchange listing fees and trading fee, SFC transaction levy, legal and other professional fees, printing and other expenses relating to the Global Offering are estimated to amount to approximately HK\$20.4 million in total and are payable by the Company, assuming an Offer Price of HK\$1.14 per Share, being the mid-point of the indicative range of Offer Price.

Underwriters' interests in our Company

Save for its obligations under the Underwriting Agreement(s), none of the Underwriters has any shareholding interest in the Company or any member of the Group or has any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for Shares or securities in any member of the Group.

STRUCTURE OF THE GLOBAL OFFERING

DETERMINING THE OFFER PRICE

The Offer Price is expected to be fixed by the Price Determination Agreement to be entered into between the Sole Global Coordinator (acting for itself and on behalf of the Underwriters) and our Company (acting for ourselves and on behalf of the Selling Shareholder) on or around the Price Determination Date, which is currently scheduled to be on or around Thursday, 7 June 2012 and in any event no later than 6:00 p.m. (Hong Kong time) on Monday, 11 June 2012. **If the Sole Global Coordinator (acting for itself and on behalf of the Underwriters) and the Company (acting for ourselves and on behalf of the Selling Shareholder) are unable to reach an agreement on the Offer Price by 6:00 p.m. (Hong Kong time) on Monday, 11 June 2012, the Global Offering will not become unconditional and will lapse.**

Prospective investors should be aware that the Offer Price to be determined on or before the Price Determination Date may be, but is not expected to be, lower than the indicative Offer Price range as stated in this prospectus. The Offer Price will not be more than HK\$1.28 per Offer Share and is expected to be not less than HK\$1.00 per Offer Share.

The Offer Price will fall within the Offer Price range as stated in this prospectus unless otherwise announced, as further explained below, not later than the morning of the last day for lodging applications under the Hong Kong Public Offer.

The Sole Global Coordinator (acting for itself and on behalf of the Underwriters) may, where considered appropriate, based on the level of interests expressed by prospective professional, institutional and other investors during a book-building process, and with the consent of the Company (acting for ourselves and on behalf of the Selling Shareholder), reduce the indicative Offer Price range below that stated in this prospectus at any time no later than the morning of the last day for lodging applications under the Hong Kong Public Offer. In such a case, the Company will, as soon as practicable following the decision to make such reduction, and in any event not later than the morning of the day which is the last day for lodging applications under the Hong Kong Public Offer, cause to be published in The Standard (in English) and the Hong Kong Economic Journal (in Chinese) notice of such a change. Upon issue of such a notice, the revised Offer Price range will be final and conclusive and the Offer Price, if agreed upon with our Company (acting for ourselves and on behalf of the Selling Shareholder), will be fixed within such revised Offer Price range. Such notice will also include confirmation or revision, as appropriate, of the working capital statement, the Global Offering statistics as currently set out in the section headed "Summary" in this prospectus, and any other financial information which may change as a result of such reduction. **If applications for Hong Kong Offer Shares have been submitted prior to the day which is the last day for lodging applications under the Hong Kong Public Offer, then even if the Offer Price range is so reduced such applications cannot be subsequently withdrawn.** In the absence of any notice being published in The Standard (in English) and the Hong Kong Economic Journal (in Chinese) of a reduction in the indicative Offer Price range as stated in this prospectus on or before the morning of the last day for lodging applications under the Hong Kong Public Offer, the Offer Price, if agreed upon with the Company (acting for ourselves and on behalf of the Selling Shareholder), will under no circumstances be set outside the Offer Price range as stated in this prospectus.

STRUCTURE OF THE GLOBAL OFFERING

The Company expects to announce the final Offer Price, the level of indication of interests under the International Placing and the basis of allotment of Hong Kong Offer Shares under the Hong Kong Public Offer on or before Tuesday, 12 June 2012 in The Standard (in English) and the Hong Kong Economic Journal (in Chinese) and on the website of the Company at www.dongwucement.com and the website of the Stock Exchange at www.hkexnews.hk.

CONDITIONS OF THE GLOBAL OFFERING

Acceptance of all applications for the Offer Shares is conditional upon, among others, the satisfaction of all of the following conditions:

- (i) the Listing Committee granting the approval of the listing of, and permission to deal in, the Shares in issue and the Shares to be issued pursuant to the Global Offering and Shares which fall to be allotted and issued upon the exercise of any options which may be granted under the Share Option Scheme (and such listing and permission not subsequently being revoked prior to the commencement of dealings in the Shares on the Stock Exchange).
- (ii) the Offer Price having been duly determined and the execution and delivery of the International Placing Agreement on or about the Price Determination Date; and
- (iii) the obligations of the Underwriters under the Underwriting Agreements becoming unconditional (including the waiver of any condition(s) by the Sole Global Coordinator (acting for itself and on behalf of the Underwriters) and not having terminated in accordance with the terms of that agreement or otherwise,

in each case on or before the dates and times specified in the Underwriting Agreements (unless and to the extent such conditions are validly waived on or before such dates and times) and in any event not later than the date which is 30 days after the date of this prospectus.

The consummation of each of the Hong Kong Public Offer and the International Placing is conditional upon, among other things, the other becoming unconditional and not having been terminated in accordance with its terms.

If the above conditions are not fulfilled or waived, prior to the dates and times specified, the Global Offering will lapse and the Stock Exchange will be notified immediately. Notice of the lapse of the Hong Kong Public Offer will be caused to be published by the Company in The Standard (in English), the Hong Kong Economic Journal (in Chinese) and the respective websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.dongwucement.com) on the next day following such lapse. In such eventuality, all application monies will be returned, without interest, on the terms set out in the section headed "How to apply for Hong Kong Offer Shares" in this prospectus. In the meantime, the application monies will be held in separate bank account(s) with the receiving bankers or other licenced bank(s) in Hong Kong.

STRUCTURE OF THE GLOBAL OFFERING

Share certificates for Hong Kong Offer Shares are expected to be issued on 12 June 2012 but will only become valid certificates of title at 8:00 a.m. (Hong Kong time) on the Listing Date, which is expected to be 13 June 2012, provided that (i) the Global Offering has become unconditional in all respects and (ii) the right of termination as described in the section headed “Underwriting – Underwriting Arrangements and Expenses – (a) Hong Kong Public Offer – Grounds for termination” in this prospectus has not been exercised.

THE GLOBAL OFFERING

The Global Offering comprises the International Placing and the Hong Kong Public Offer. A total of 125,000,000 Shares will initially be made available under the Global Offering, of which 112,500,000 Shares, representing 90% of the total number of Shares initially being offered under the Global Offering, will initially be offered for subscription and purchase under the International Placing. The remaining 12,500,000 Shares, representing 10% of the total number of Shares initially being offered under the Global Offering, will initially be offered to the public in Hong Kong under the Hong Kong Public Offer. The Hong Kong Public Offer is open to all members of the public in Hong Kong as well as to institutional and professional investors. The number of Shares offered for subscription and purchase under the Global Offering will be subject to re-allocation on the basis described below. No pre-emption right or right to subscribe or purchase for the Offer Shares has been granted.

Applicants may apply for Hong Kong Offer Shares under the Hong Kong Public Offer or indicate an interest for International Placing Shares under the International Placing, but the applicants may not apply in both offerings for the Global Offering. In other words, the applicants may only apply for and receive either Hong Kong Offer Shares under the Hong Kong Public Offer or International Placing Shares under the International Placing, but not under both offerings. The International Placing Shares, will be placed with professional and institutional investors in Hong Kong, United Kingdom, other places in Europe and other jurisdictions outside the United States in offshore transactions, as defined in, and in reliance on, Regulation S.

The levels of indication of interest in the International Placing and the basis of allotment and the result of application under the Hong Kong Public Offer are expected to be announced on or before 12 June 2012 through a variety of channels as described in the section headed “How to apply for Hong Kong Offer Shares” in this prospectus.

The International Placing

Our Company and the Selling Shareholder are initially offering, at the Offer Price, 62,500,000 new Shares and 50,000,000 Sale Shares, totalling 112,500,000 Shares (subject to reallocation and the Over-allotment Option as mentioned in the sections headed “Re-allocation of Offer Shares between the Hong Kong Public Offer and the International Placing” and “Over-allotment Option” below respectively), representing 90% of the total number of Shares being initially offered under the Global Offering, for subscription and purchase by way of the International Placing. The International Placing is managed by the Sole Global Coordinator and is expected to be fully underwritten by the International Underwriters subject to the terms and conditions of the International Placing Agreement including the agreement on the Offer Price. The International Underwriters are soliciting from prospective

STRUCTURE OF THE GLOBAL OFFERING

professional and institutional investors indications of interest in acquiring International Placing Shares in the International Placing. Professional and institutional investors generally include brokers, dealers, companies and fund managers, whose ordinary businesses involve dealing in shares and other securities and corporate entities which regularly invest in shares and other securities. Prospective professional and institutional investors will be required to specify the number of International Placing Shares they would be prepared to acquire either at different prices or at a particular price. This process is known as “book building”. In Hong Kong, individual retail investors should apply for Hong Kong Offer Shares in the Hong Kong Public Offer, as individual retail investors, including those applying through banks and other institutions, applying for International Placing Shares are unlikely to be allocated any International Placing Shares.

Allocation of International Placing Shares to professional, institutional and private investors pursuant to the International Placing will be based on a number of factors, including the level and timing of demand and whether or not it is expected that the investor is likely to purchase further Shares, or hold or sell the Shares placed, after the Listing. Such allocation is intended to result in a distribution of International Placing Shares on the basis which would lead to the establishment of a solid broad shareholder base to the benefit of the Company and its Shareholders taken as a whole. If the Hong Kong Public Offer is not fully subscribed, the Sole Global Coordinator may reallocate all or any unsubscribed Shares originally included in the Hong Kong Public Offer to the International Placing.

The International Underwriters or selling agent nominated by the International Underwriters shall, on behalf of the Company and the Selling Shareholder, conditionally place International Placing Shares with professional and institutional investor in Hong Kong, United Kingdom and other places in Europe and other jurisdictions outside the United States in offshore transactions as defined in, and in reliance on, Regulation S. The International Placing of International Placing Shares shall be subject to the Global Offering restrictions set out under the section headed “Information about this prospectus and the Global Offering” in this prospectus.

The International Placing is conditional on the same conditions as set out in the section headed “Conditions of the Global Offering” above. The total number of International Placing Shares to be allotted and issued pursuant to the International Placing may change as a result of the clawback arrangement referred to in the section headed “The Hong Kong Public Offer” below, any reallocation of unsubscribed Shares originally included in the Hong Kong Public Offer.

The Hong Kong Public Offer

The Company is initially offering, at the Offer Price, 12,500,000 new Shares (subject to reallocation as mentioned in the section headed “Re-allocation of Offer Shares between the Hong Kong Public Offer and the International Placing” below), representing 10% of the total number of Shares being initially offered under the Global Offering, for subscription by way of the Hong Kong Public Offer in Hong Kong. The Hong Kong Public Offer is fully underwritten by the Hong Kong Underwriters subject to the terms and conditions of the Hong Kong Underwriting Agreement including the agreement on the Offer Price.

STRUCTURE OF THE GLOBAL OFFERING

The Hong Kong Public Offer is open to all members of the public in Hong Kong. An applicant for Hong Kong Offer Shares will be required to give an undertaking and confirmation in the application form submitted by him/her that he/she has not applied for or taken up or received any International Placing Shares or indicated an interest for International Placing Shares or otherwise participated in the International Placing. Applicants should note that if such undertaking and/or confirmation given by the applicant is breached and/or is untrue (as the case may be), such applicant's application under the Hong Kong Public Offer is liable to be rejected.

The total number of the Offer Shares available for subscription under the Hong Kong Public Offer is to be divided into two pools for allocation purposes:

Pool A: The Hong Kong Offer Shares in Pool A will be allocated on an equitable basis to applicants who have applied for Hong Kong Offer Shares with an aggregate subscription price of HK\$5 million (excluding the brokerage, the Stock Exchange trading fee and the SFC transaction levy payable) or less; and

Pool B: The Hong Kong Offer Shares in Pool B will be allocated on an equitable basis to applicants who have applied for Hong Kong Offer Shares with an aggregate subscription price of more than HK\$5 million (excluding the brokerage, the Stock Exchange trading fee and the SFC transaction levy payable) and up to the value of pool B.

Investors should be aware that the allocation ratios for applications in the two pools, as well as the allocation ratios for applications in the same pool, are likely to be different. Where one of the pools is undersubscribed, the surplus Hong Kong Offer Shares will be transferred to satisfy demand in the other pool and be allocated accordingly.

Applicants can only receive an allocation of Hong Kong Offer Shares from any one pool but not from both pools and can only make applications to either pool A or pool B. Multiple applications or suspected multiple applications and any application made for more than 100% of Hong Kong Offer Shares initially available under pool A or pool B will be rejected.

The Company, the Directors, the Sole Sponsor, the Sole Global Coordinator and the Hong Kong Underwriters will take reasonable steps to identify and reject applications under the Hong Kong Public Offer from investors who have received International Placing Shares in the International Placing, and to identify and reject indications of interest in the International Placing from investors who have received shares in the Hong Kong Public Offer.

The Sole Global Coordinator (acting for itself and on behalf of the other Underwriters) may require any investor who has been offered International Placing Shares under the International Placing, and who has made an application under the Hong Kong Public Offer to provide sufficient information to the Sole Global Coordinator so as to allow them to identify the relevant applications under the Hong Kong Public Offer and to ensure that it is excluded from any application for Hong Kong Offer Shares under the Hong Kong Public Offer.

STRUCTURE OF THE GLOBAL OFFERING

Allocation of Hong Kong Offer Shares to investors under the Hong Kong Public Offer will be based solely on the level and timing of valid applications received under the Hong Kong Public Offer. The basis of allocation may vary, depending on the number of Hong Kong Offer Shares validly applied for by each applicant. When there is over subscription under the Hong Kong Public Offer, allocation of Hong Kong Offer Shares may involve balloting, which would mean that some applicants may be allotted more Hong Kong Offer Shares than others who have applied for the same number of Hong Kong Offer Shares, and those applicants who are not successful in the ballot may not receive any Hong Kong Offer Shares.

RE-ALLOCATION OF OFFER SHARES BETWEEN THE HONG KONG PUBLIC OFFER AND THE INTERNATIONAL PLACING

The allocation of Offer Shares between the Global Offering is subject to re-allocation. If the number of Shares validly applied for in the Hong Kong Public Offer:

- (a) represents 15 times or more but less than 50 times of the number of Shares initially available for subscription under the Hong Kong Public Offer, then 25,000,000 Shares will be re-allocated to the Hong Kong Public Offer from the International Placing, so that an aggregate of 37,500,000 Shares will be available under the Hong Kong Public Offer, representing 30% of the Offer Shares initially available under the Global Offering;
- (b) represents 50 times or more but less than 100 times of the number of Shares initially available for subscription under the Hong Kong Public Offer, then 37,500,000 Shares will be re-allocated to the Hong Kong Public Offer from the International Placing, so that an aggregate of 50,000,000 Shares will be available under the Hong Kong Public Offer, representing 40% of the Offer Shares initially available under the Global Offering; and
- (c) represents 100 times or more of the number of Shares initially available for subscription under the Hong Kong Public Offer, then 50,000,000 Shares will be re-allocated to the Hong Kong Public Offer from the International Placing, so that an aggregate of 62,500,000 Shares will be available under the Hong Kong Public Offer, representing 50% of the Offer Shares initially available under the Global Offering.

In each of the above cases, the additional Shares re-allocated to the Hong Kong Public Offer will be allocated equally between pool A and pool B and the number of Shares allocated to the International Placing will be correspondingly reduced. The Offer Shares to be offered under the Hong Kong Public Offer and the International Placing may, in certain circumstances, be reallocated as between these offerings at the discretion of the Sole Global Coordinator.

Guotai Junan Securities (Hong Kong) Limited is the Sole Global Coordinator, the Bookrunner and the Lead Manager of the Hong Kong Public Offer which is underwritten at the Offer Price by the Hong Kong Underwriters, on and subject to the terms and conditions of the Hong Kong Underwriting Agreements.

STRUCTURE OF THE GLOBAL OFFERING

OVER-ALLOTMENT OPTION

In connection with the Global Offering, we are expected to grant the Over-allotment Option to the International Underwriters, exercisable by the Sole Global Coordinator on behalf of the International Underwriters.

Pursuant to the Over-allotment Option, the International Underwriters have the right, exercisable by the Sole Global Coordinator (acting for itself and on behalf of the International Underwriters) within 30 days from the last day for lodging of applications under the Hong Kong Public Offer (the last day for the exercise of the Over-allotment Option being Friday, 6 July 2012), to require us to allot and issue up to 18,750,000 additional Offer Shares representing approximately 15% of the initial Offer Shares, each at the Offer Price, to, among other things, cover over-allocations in the International Placing, if any. If the Over-allotment Option is exercised in full, the additional Offer Shares will represent approximately 3.61% of our enlarged issued share capital immediately following completion of the Global Offering and the exercise of the Over-allotment Option. In the event that the Over-allotment Option is exercised, an announcement will be made.

STABILIZATION

Stabilization is a practice used by underwriters in some markets to facilitate the distribution of securities. To stabilize, the underwriters may bid for, or purchase, the newly issued securities in the secondary market, during a specified period of time, to slow and, if possible, prevent a decline in the market price of the securities below the offer price. In Hong Kong, the price at which stabilization is effected is not permitted to exceed the initial public offer price.

In connection with the Global Offering, the Sole Global Coordinator or any person acting for it may, on behalf of the International Underwriters, and to the extent permitted by applicable laws of Hong Kong or elsewhere, over-allocate or effect transactions with a view to stabilizing or maintaining the market price of our Shares at a level higher than that which might otherwise prevail for a limited period after the commencement of trading in the Shares on the Stock Exchange. Such transactions may be effected in compliance with all applicable laws and regulatory requirements. However, there is no obligation on the Sole Global Coordinator or any person acting for it to do this. Such stabilization, if commenced, will be conducted at the absolute discretion of the Sole Global Coordinator or any person acting for it and may be discontinued at any time, and must be brought to an end after a limited period.

The Sole Global Coordinator or any person acting for it may take all or any of the following stabilizing actions in Hong Kong during the stabilization period:

- (i) purchase, or agree to purchase, any of the Offer Shares or offer or attempt to do so for the sole purpose of preventing or minimizing any reduction in the market price of the Offer Shares;

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- (ii) in connection with any action described in paragraph (i) above;
 - (A) (1) over-allocate the Offer Shares; or
 - (2) sell or agree to sell the Offer Shares so as to establish a short position in them, for the sole purpose of preventing or minimizing any reduction in the market price of the Offer Shares;
 - (B) exercise the Over-allotment Option and purchase or subscribe for or agree to purchase or subscribe for the Offer Shares in order to close out any position established under paragraph (A) above;
 - (C) sell or agree to sell any of the Offer Shares acquired by it in the course of the stabilizing action referred to in paragraphs (i) above in order to liquidate any position that has been established by such action; or
 - (D) offer or attempt to do anything as described in paragraphs (ii)(A)(2), (ii)(B) or (ii)(C) above.

The Sole Global Coordinator or any person acting for it may, in connection with the stabilizing action, maintain a long position in the Offer Shares, and there is no certainty as to the extent to which and the time period for which it will maintain such a position. Investors should be warned of the possible impact of any liquidation of the long position by the Sole Global Coordinator or any person acting for it and selling in the open market, which may include a decline in the market price of the Offer Shares.

Stabilization cannot be used to support the price of the Offer Shares for longer than the stabilization period, which begins on the day on which trading of the Offer Shares commences on the Stock Exchange and ends on the 30th day after the last day for lodging of applications under the Hong Kong Public Offer. The stabilization period is expected to expire on Friday, 6 July 2012. After this date, when no further stabilizing action may be taken, demand for the Shares, and therefore their market price, could fall.

Any stabilizing action taken by the Sole Global Coordinator or any person acting for it, may not necessarily result in the market price of the Shares staying at or above the Offer Price either during or after the stabilization period. Stabilizing bids or market purchases affected in the course of the stabilization action may be made at any price at or below the Offer Price and can therefore be done at a price below the price the investor has paid in acquiring the Offer Shares.

In connection with the Global Offering, the Sole Global Coordinator may over-allocate up to and not more than an aggregate of 18,750,000 additional Shares, representing approximately 15% of the Offer Shares initially available under the Global Offering, and cover such over-allocations by exercising the Over-allotment Option or by making purchases in the secondary market at prices that do not exceed the Offer Price or through stock borrowing arrangements or

STRUCTURE OF THE GLOBAL OFFERING

a combination of these means. In particular, for the purpose of covering such over-allocations, the Sole Global Coordinator may borrow up to 18,750,000 Shares from Concord, equivalent to the maximum number of Shares to be issued on a full exercise of the Over-allotment Option, under a stock borrowing agreement.

STOCK BORROWING

In order to facilitate settlement of over-allocations in connection with the International Placing, a stock borrowing agreement (the “Stock Borrowing Agreement”) has been entered into between the Sole Global Coordinator and Concord in compliance with Rule 10.07(3) of the Listing Rules. Under the Stock Borrowing Agreement, Concord has agreed with the Sole Global Coordinator that if requested by the Sole Global Coordinator, it will, subject to the terms of the Stock Borrowing Agreement, make available to the Sole Global Coordinator up to 18,750,000 Shares held by it, by way of stock lending, in order to cover over-allocations in connection with the International Placing on the conditions that:

- (i) such stock borrowing arrangement will only be effected by the Sole Global Coordinator for settlement of over-allocations of Shares in connection with the International Placing;
- (ii) the maximum number of Shares which must be borrowed from Concord by the Sole Global Coordinator under the Stock Borrowing Agreement must not exceed the maximum number of Shares which may be issued upon the full exercise of the Over-allotment Option;
- (iii) the same number of Shares so borrowed must be returned to Concord or its nominees, as the case may be, on or before the third business day following the earlier of:
 - (a) the last day on which the Over-allotment Option may be exercised; or
 - (b) the day on which the Over-allotment is exercised in full;
- (iv) the stock borrowing arrangement under the Stock Borrowing Agreement will be effected in compliance with all applicable laws and regulatory requirements; and
- (v) no payments or other benefits will be made to Concord by the Sole Global Coordinator or any of the International Underwriters in relation to such stock borrowing arrangement.

HOW TO APPLY FOR HONG KONG OFFER SHARES

CHANNELS OF APPLYING FOR THE HONG KONG OFFER SHARES

You may apply for Hong Kong Offer Shares by using one of the following channels:

- using a **White** or **Yellow** Application Form;
- applying through the **White Form eIPO** service by submitting an electronic application to the White Form eIPO Service Provider through the designated website at **www.eipo.com.hk**; or
- giving Electronic Application Instructions to HKSCC to cause HKSCC Nominees to apply for Hong Kong Offer Shares on your behalf.

WHICH APPLICATION CHANNEL TO USE

- Use a **White** Application Form or **White Form eIPO** service if you want Hong Kong Offer Shares to be issued in your own name.
- Use a **Yellow** Application Form if you want Hong Kong Offer Shares to be issued in the name of HKSCC Nominees and deposited directly into CCASS for credit to your CCASS Investor Participant stock account or the stock account of your designated CCASS Participant.
- Instead of using a **Yellow** Application Form, you may electronically instruct HKSCC to cause HKSCC Nominees to apply for Hong Kong Offer Shares on your behalf via CCASS. Any Hong Kong Offer Shares allocated to you will be registered in the name of HKSCC Nominees and deposited directly into CCASS for credit to your CCASS Investor Participant stock account or your designated CCASS Participant's stock account.

You may not apply both on White or Yellow Application Form and give Electronic Application Instructions to HKSCC or to the designated White Form eIPO Service Provider through White Form eIPO service (www.eipo.com.hk).

Note: Except in the circumstances permitted under the Listing Rules, the Offer Shares are not available to the Directors or chief executive of the Company or any of its subsidiaries, the existing beneficial owners of the Shares and the associates of any of them.

HOW TO APPLY FOR HONG KONG OFFER SHARES

WHERE TO COLLECT THE APPLICATION FORMS

Copies of this prospectus, together with the **White** Application Forms, may be obtained during normal business hours from 9:00 a.m. on Friday, 1 June 2012 until 12:00 noon on Wednesday, 6 June 2012 from:

- 1. Guotai Junan Securities (Hong Kong) Limited**
27th Floor, Low Block
Grand Millennium Plaza
181 Queen's Road Central
Hong Kong

- 2. Shenyin Wanguo Capital (H.K.) Limited**
28th Floor, Citibank Tower
Citibank Plaza
3 Garden Road
Central
Hong Kong

- 3. Ample Orient Capital Limited**
Unit A, 14th Floor, Two Chinachem Plaza
135 Des Voeux Road Central
Hong Kong

- 4. Ever-Long Securities Company Limited**
18th Floor, Dah Sing Life Building
99-105 Des Voeux Road Central
Hong Kong

- 5. Huatai Financial Holdings (Hong Kong) Limited**
Room 5808-12, The Centre
99 Queen's Road Central
Hong Kong

- 6. South China Securities Limited**
28th Floor, Bank of China Tower
1 Garden Road
Central
Hong Kong

HOW TO APPLY FOR HONG KONG OFFER SHARES

or any of the following branches or sub-branches of Bank of Communications Co., Ltd. Hong Kong Branch:

District	Branch/Sub-branch	Address
Hong Kong Island	Hong Kong Branch	20 Pedder Street, Central
	North Point Sub-branch	442-444 King's Road, North Point
Kowloon	Mongkok Sub-branch	Shops A & B, G/F., Hua Chiao Commercial Centre, 678 Nathan Road
	Cheung Sha Wan Plaza Sub-branch	Unit G04, Cheung Sha Wan Plaza, 833 Cheung Sha Wan Road
New Territories	Tseung Kwan O Sub-branch	Shop 253-255, Metro City Shopping Arcade, Phase I, Tseung Kwan O
	Tsuen Wan Sub-branch	G/F., Shop G9B-G11, Pacific Commercial Plaza, Bo Shek Mansion, 328 Sha Tsui Road, Tsuen Wan

The **Yellow** Application Forms, together with copies of this prospectus, may be obtained during normal business hours from 9:00 a.m. on Friday, 1 June 2012 until 12:00 noon on Wednesday, 6 June 2012 at the Depository Counter of HKSCC located at 2nd Floor, Infinitus Plaza, 199 Des Voeux Road Central, Hong Kong. Your stockbroker may also have the **Yellow** Application Forms and the prospectus available.

WHO CAN APPLY FOR HONG KONG OFFER SHARES

- (a) You, the applicant(s), and any person(s) for whose benefit you are applying, must be 18 years of age or older and must have a Hong Kong address.
- (b) If you are a firm, the application must be in the names of the individual members, not in the name of the firm. The number of joint applicants may not exceed four.
- (c) If you are a body corporate, the application must be stamped with the company chop (bearing the company name) and signed by a duly authorized officer, who must state his representative capacity.
- (d) If you wish to apply for Hong Kong Offer Shares online through the **White Form eIPO** service, in addition to the above you must also:
 - have a valid Hong Kong identity card number; and
 - be willing to provide a valid e-mail address and a contact telephone number.

You may only apply by means of the White Form eIPO service if you are an individual applicant. Corporations or joint applicants may not apply by means of White Form eIPO.

HOW TO APPLY FOR HONG KONG OFFER SHARES

- (e) Save under the circumstances permitted by the Listing Rules, you cannot apply for any Hong Kong Offer Shares if you are or any person(s) for whose benefit you are applying are/is:
- an existing beneficial owner of the Shares or of shares of any of our Company's subsidiaries;
 - the chief executive or a Director of our Company or any of our Company's subsidiaries;
 - a connected person (as defined in the Listing Rules) of our Company or any of our Company's subsidiaries or a person who will become a connected person of our Company or any of our Company's subsidiaries immediately upon completion of the Global Offering and the Capitalization Issues;
 - an associate of any of the above;
 - have been allocated or have applied for International Placing Shares under the International Placing; or
 - otherwise participated in the International Placing or indicated an interest for International Placing Shares.
- (f) You cannot apply for any Hong Kong Offer Shares if you are or any person(s) for whose benefit you are applying are/is:
- a legal or natural person of the PRC (except qualified domestic institutional investors);
 - within the United States or a United States person (as defined in Regulation S under the U.S. Securities Act); or
 - a person who does not have a Hong Kong address.

HOW TO COMPLETE THE APPLICATION FORMS

There are detailed instructions on each Application Form. You should read those instructions carefully. If you do not follow the instructions, your application may be rejected and returned by ordinary post together with the accompanying cheque or banker's cashier order to you (or the first-named applicant in the case of joint applicants) at your own risk to the address stated in the Application Form.

HOW TO APPLY FOR HONG KONG OFFER SHARES

If your application is made through a duly authorized attorney, our Company and the Sole Global Coordinator, the Bookrunner and the Lead Manager (or their respective agents and nominees) may accept it at their respective discretion, and subject to any conditions as any of them may think fit, including evidence of the authority of your attorney.

EFFECT OF COMPLETING AND SUBMITTING THE APPLICATION FORM

By completing and submitting the Application Form, you (and if you are joint applicants, each of you jointly and severally) for yourself or as agent or nominee and on behalf of each person for whom you act as agent or nominee:

- **instruct** and **authorize** our Company and/or the Sole Global Coordinator (or their respective agents or nominees) to execute any transfer forms, contract notes or other documents on your behalf and to do on your behalf all things necessary to effect the registration of any Hong Kong Offer Shares allocated to you in your name(s) or in the name of HKSCC Nominees, as the case may be, as required by the Articles of Association, and otherwise to give effect to the arrangements described in this prospectus and the Application Form;
- **undertake** to sign all documents and to do all things necessary to enable you or HKSCC Nominees, as the case may be, to be registered as the holder of Hong Kong Offer Shares allocated to you, and as required by the Articles of Association;
- **warrant** the truth and accuracy of the information contained in your application;
- if the laws of any place outside Hong Kong are applicable to your application, you **agree** and **warrant** that you have complied with all such laws and none of our Company, the Directors, the Sole Sponsor, the Sole Global Coordinator, the Bookrunner, the Lead Manager, the Hong Kong Underwriters nor any of their respective officers, employees or advisers will infringe any laws outside Hong Kong as a result of the acceptance of your offer to purchase, or any actions arising from your rights and obligations under the terms and conditions contained in the Application Form and in this prospectus;
- **confirm** that you have received and/or read a copy of this prospectus and have only relied on the information and representations contained in this prospectus in making your application, and will not rely on any other information or representations concerning our Company save as set out in any supplement to this prospectus;
- **agree** (without prejudice to any other rights which you may have) that once your application has been accepted, you may not rescind it because of an innocent misrepresentation;
- (if the application is made for your own benefit) **warrant** that this is the only application which will be made for your benefit on a **White** or **Yellow** Application Form or by giving Electronic Application Instructions to HKSCC via CCASS or to the **White Form eIPO** Service Provider through the designated website at **www.eipo.com.hk**;

HOW TO APPLY FOR HONG KONG OFFER SHARES

- (if you are an agent for another person) **warrant** that this is the only application which will be made for the benefit of that other person on a **White** or **Yellow** Application Form or by giving Electronic Application Instructions to HKSCC via CCASS or to the **White Form eIPO** Service Provider through the designated website at www.eipo.com.hk, and that you are duly authorized to sign the Application Form as that other person's agent;
- **undertake** and **confirm** that you (if the application is made for your benefit) or the person(s) for whose benefit you have made the application have not applied for or taken up or indicated an interest in or received or been placed or allocated (including conditionally and/or provisionally) and will not apply for or take up or indicate any interest in any International Placing Shares in the International Placing, nor otherwise participate in the International Placing;
- **agree** that your application, any acceptance of it and the resulting contract will be governed by and construed in accordance with the laws of Hong Kong;
- **represent, warrant** and **undertake** that Hong Kong Offer Shares have not been and will not be registered under the U.S. Securities Act and you are outside the United States when completing and submitting the Application Form and are not and none of the other person(s) for whose benefit you are applying, is a United States person (as defined in Regulation S under the U.S. Securities Act);
- **agree** to disclose to our Company, the Hong Kong Share Registrar, receiving banker, the Sole Sponsor, the Sole Global Coordinator, the Bookrunner, the Lead Manager and the Hong Kong Underwriters and their respective officers, advisers and agents any personal data or information which they require about you or the person(s) for whose benefit you have made the application;
- **agree** with our Company and each Shareholder of our Company, and our Company agrees with each Shareholder, to observe and comply with the Companies Ordinance, the Memorandum of Association and the Articles of Association;
- (if the application is made by an agent on your behalf) **warrant** that you have validly and irrevocably conferred on your agent all necessary power and authority to make the application;
- **undertake** and **agree** to accept Hong Kong Offer Shares applied for, or any lesser number allocated to you under the application;
- **authorize** our Company to place your name(s) or the name of HKSCC Nominees, as the case may be, on our Company's register of members as the holder(s) of any Hong Kong Offer Shares allocated to you, and our Company and/or our Company's agents to send any share certificate(s) (where applicable) and/or any refund cheque (if any) to you or (in case of joint applicants) the first-named applicant in the Application Form by ordinary post

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at your own risk to the address stated on the Application Form (unless you have applied for 1,000,000 Hong Kong Offer Shares or more and have indicated in the Application Form your wish to collect your refund cheque (if any) and/or share certificates (where applicable) in person, you may do so in the manner as described in section headed “Despatch and collection of share certificate(s) and/or refund cheque(s) and/or e-Refund payment instructions and deposit of share certificate into CASS” below;

- **understand** that these declarations and representations will be relied upon by our Company, the Sole Sponsor, the Sole Global Coordinator, the Bookrunner, the Lead Manager and the Hong Kong Underwriters in deciding whether or not to allocate any Hong Kong Offer Shares in response to your application;
- **agree** that our Company, the Sole Sponsor, the Sole Global Coordinator, the Bookrunner, the Lead Manager, the Hong Kong Underwriters and any of their respective directors, officers, employees, agents or advisers and any other parties involved in the Global Offering are liable only for, and that you have only relied upon, the information and representations contained in this prospectus and any supplement to this prospectus; and
- **agree** with our Company and each of the Shareholders that the Shares are freely transferable by the holder thereof.

Our Company, the Sole Sponsor, the Sole Global Coordinator, the Bookrunner, the Lead Manager, the Hong Kong Underwriters and their respective directors and any other parties involved in the Global Offering are entitled to rely on any warranty, representation or declaration made by you in the application. In the event of the application being made by joint applicants, all the warranties, representations, declarations and obligations expressed to be made, given or assumed by or imposed on the joint applicants shall be deemed to have been made, given and assumed by and imposed on the applicants jointly and severally.

In order for the **Yellow** Application Forms to be valid:

You, as the applicant(s), must complete the form as indicated below and sign on the first page of the Application Form. Only written signature will be accepted.

- (a) **if the application is made through a designated CCASS Participant (other than a CCASS Investor Participant):**
 - the designated CCASS Participant must endorse the form with its company chop (bearing its company name) and insert its CCASS Participant ID in the appropriate box in the Application Form.
- (b) **if the application is made by an individual CCASS Investor Participant:**
 - (i) the Application Form must contain the CCASS Investor Participant’s full name and Hong Kong identity card number; and

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- (ii) the individual CCASS Investor Participant must insert its CCASS Participant ID in the appropriate box in the Application Form.
- (c) if the application is made by a joint individual CCASS Investor Participant:**
- (i) the Application Form must contain all joint CCASS Investor Participants' names and the Hong Kong identity card numbers of all of the joint CCASS Investor Participants; and
 - (ii) the CCASS Participant ID must be inserted in the appropriate box in the Application Form.
- (d) if the application is made by a corporate CCASS Investor Participant:**
- (i) the Application Form must contain the CCASS Investor Participant's company name and the Hong Kong business registration certificate number; and
 - (ii) the CCASS Participant ID must be inserted and the company chop (bearing the CCASS Investor Participant's company name) chopped in the appropriate box in the Application Form.

Incorrect or omission of details of the CCASS Participant (include participant ID and/or company chop bearing its company name) or other similar matters may render your application invalid.

If your application is made through a duly authorized attorney, our Company, the Sole Global Coordinator, the Bookrunner and the Lead Manager (or their respective agents and nominees), may accept the application at their discretion, and subject to any conditions they think fit, including evidence of the authority of your attorney. The Sole Global Coordinator, the Bookrunner and the Lead Manager in its capacity as an agent of our Company has full discretion to reject or accept any application, in full or in part, without assigning any reasons.

Nominees who wish to submit separate applications in their names on behalf of different beneficial owners are requested to designate on each Application Form in the box marked "For nominees" account numbers or other identification codes for each beneficial owner or, in the case of joint beneficial owners, for each joint beneficial owner.

Each **White** or **Yellow** Application Form must be accompanied by either one separate cheque drawn on the applicant's Hong Kong dollar bank account in Hong Kong and bearing the account name (either pre-printed by the bank or certified by an authorized signatory of such bank on the reverse of the cheque) which must correspond with the name of the applicant (or, in the case of joint applicants, the name of the first applicant) on the relevant application form, or one separate banker's cashier order on the reverse of which the bank has certified by an authorized signatory the name of the applicant, which must correspond with the name of the applicant (or, in the case of joint applicants, the name of the first applicant) on the relevant

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application form. All such cheques or banker's cashier orders must be made payable to "Bank of Communications (Nominee) Co. Ltd. – Dongwu Cement Intl Public Offer", as set out in the Application Form and crossed "Account Payee Only".

HOW TO APPLY BY USING WHITE FORM eIPO

- (a) You may apply through **White Form eIPO** by submitting an application through the designated website at **www.eipo.com.hk**. If you apply through **White Form eIPO**, the Shares will be issued in your own name.
- (b) Detailed instructions for application through the **White Form eIPO** service are set out on the designated website at **www.eipo.com.hk**. You should read these instructions carefully. If you do not follow the instructions, your application may be rejected by the designated White Form eIPO Service Provider and may not be submitted to our Company.
- (c) The designated White Form eIPO Service Provider may impose additional terms and conditions upon you for the use of the **White Form eIPO** service. Such terms and conditions are set out on the designated website at **www.eipo.com.hk**. You will be required to read, understand and agree to such terms and conditions in full prior to making any application.
- (d) By submitting an application to the designated White Form eIPO Service Provider through the **White Form eIPO** service, you are deemed to have authorized the designated White Form eIPO Service Provider to transfer the details of your application to our Company and our Hong Kong Share Registrar.
- (e) You may submit an application through the **White Form eIPO** service in respect of a minimum of 2,000 Hong Kong Offer Shares. Each electronic application in respect of more than 2,000 Hong Kong Offer Shares must be in one of the numbers set out in the table in the Application Forms, or as otherwise specified on the designated website at **www.eipo.com.hk**.
- (f) You should give electronic application instructions through **White Form eIPO** at the times set out in the section headed "Time for applying for Hong Kong Offer Shares" below.
- (g) You should make payment for your application made by **White Form eIPO** service in accordance with the methods and instructions set out in the designated website at **www.eipo.com.hk**. If you do not make complete payment of the application monies (including the brokerage fee, the Stock Exchange trading fee, and the SFC transaction levy) on or before 12:00 noon on Wednesday, 6 June 2012, or such later time as described under the section headed "Effect of bad weather on the opening of the application lists" below, the designated White Form eIPO Service Provider will reject your application and your application monies will be returned to you in the manner described in the designated website at **www.eipo.com.hk**.

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- (h) **Warning:** The application for Hong Kong Offer Shares through the **White Form eIPO** service is only a facility provided by the designated White Form eIPO Service Provider to public investors. Our Company, the Directors, the Sole Sponsor, the Sole Global Coordinator, the Bookrunner, the Lead Manager, the Hong Kong Underwriters and any of our or their respective directors, officers, employees, partners, agents, advisers and any other parties to the Global Offering take no responsibility for such applications, and provide no assurance that applications through the **White Form eIPO** service will be submitted to our Company or that you will be allotted any Hong Kong Offer Shares.

Environmental Protection

The obvious advantage of **White Form eIPO** is to save the use of papers via the self-serviced and electronic application process. Computershare Hong Kong Investor Services Limited, being the designated White Form eIPO Service Provider, will contribute HK\$2.00 for each “DONGWU CEMENT INTERNATIONAL LIMITED” **White Form eIPO** application submitted via www.eipo.com.hk to support the funding of “Source of DongJiang – Hong Kong Forest” project initiated by Friends of the Earth (HK).

Please note that internet services may have capacity limitations and/or be subject to service interruptions from time to time. To ensure that you can submit your applications through the **White Form eIPO** service, you are advised not to wait until the last day for submitting applications in the Hong Kong Public Offer to submit your electronic application instructions. In the event that you have problems connecting to the designated website for the **White Form eIPO** service, you should submit a **White** Application Form. However, once you have submitted electronic application instructions and completed payment in full using the payment reference number provided to you on the designated website, you will be deemed to have made an actual application and should not submit a **White** Application Form. Please refer to the section headed “How many applications you may make for Hong Kong Offer Shares” below.

Additional Information

For the purposes of allocating Hong Kong Offer Shares, each applicant giving electronic application instructions to the White Form eIPO Service Provider through the designated website at www.eipo.com.hk will be treated as an applicant.

If your payment of application monies is insufficient, or is in excess of the required amount, having regard to the number of Offer Shares for which you have applied, or if your application is otherwise rejected by the White Form eIPO Service Provider, the White Form eIPO Service Provider may adopt alternative arrangements for the refund of monies to you. Please refer to the additional information provided by the White Form eIPO Service Provider through the designated website at www.eipo.com.hk.

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Otherwise, any monies payable to you due to a refund for any of the reasons set out in the section headed “Despatch and collection of share certificate(s) and/or refund cheque(s) and/or e-Refund payment instructions and deposit of share certificates into CCASS” below will be dealt with in the manner as set out therein.

HOW TO APPLY BY GIVING ELECTRONIC APPLICATION INSTRUCTIONS TO HKSCC

(a) General

CCASS Participants may give Electronic Application Instructions to HKSCC to apply for Hong Kong Offer Shares and to arrange payment of the monies due on application and payment of refunds. This will be in accordance with their participant agreements with HKSCC and the General Rules of CCASS and the CCASS Operational Procedures.

If you are a CCASS Investor Participant, you may give Electronic Application Instructions through the CCASS Phone System by calling 2979 7888 or CCASS Internet System at <https://ip.ccass.com> (according to the procedures contained in HKSCC’s “An Operating Guide for Investor Participants” in effect from time to time). HKSCC can also input Electronic Application Instructions for you if you go to:

Hong Kong Securities Clearing Company Limited

Customer Service Centre
2nd Floor, Infinitus Plaza
199 Des Voeux Road Central
Hong Kong

and complete an input request form.

Copies of this prospectus are available for collection from the above address. If you are not a CCASS Investor Participant, you may instruct your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give Electronic Application Instructions via CCASS terminals to apply for Hong Kong Offer Shares on your behalf.

You are deemed to have authorized HKSCC and/or HKSCC Nominees to transfer the details of your application whether submitted by you or through your broker or custodian to our Company and our Company’s Hong Kong Share Registrar.

(b) Application for Hong Kong Offer Shares by HKSCC Nominees on your behalf

Where a **White** Application Form is signed by HKSCC Nominees on behalf of persons who have given Electronic Application Instructions to apply for Hong Kong Offer Shares:

- (i) HKSCC Nominees is only acting as a nominee for those persons and shall not be liable for any breach of the terms and conditions of the **White** Application Form or this prospectus;

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- (ii) HKSCC Nominees does the following things on behalf of each such person:
- **agrees** that Hong Kong Offer Shares to be allotted shall be issued in the name of HKSCC Nominees and deposited directly into CCASS for the credit of the stock account of the CCASS Participant who has input Electronic Application Instructions on that person's behalf or that person's CCASS Investor Participant stock account;
 - **undertakes and agrees** to accept Hong Kong Offer Shares in respect of which that person has given Electronic Application Instructions or any lesser number;
 - **undertakes and confirms** that that person has not applied for, taken up or received any International Placing Shares or indicated an interest for the International Placing or otherwise participated in the International Placing;
 - (if the Electronic Application Instructions are given for that person's own benefit) **declares** that only one set of Electronic Application Instructions has been given for that person's benefit;
 - (if that person is an agent for another person) **declares** that that person has only given one set of Electronic Application Instructions for the benefit of that other person and that that person is duly authorized to give those instructions as that other person's agent;
 - **understands** that these declarations and representations will be relied upon by our Company, the Directors, the Sole Sponsor, the Sole Global Coordinator, the Bookrunner, the Lead Manager and the Hong Kong Underwriters in deciding whether or not to make any allotment of Hong Kong Offer Shares in respect of the Electronic Application Instructions given by that person and that that person may be prosecuted if he makes a false declaration;
 - **authorizes** our Company to place the name of HKSCC Nominees on the register of members of our Company as the holder of Hong Kong Offer Shares allotted in respect of that person's Electronic Application Instructions and to send share certificate(s) and/or refund monies in accordance with the arrangements separately agreed between our Company and HKSCC;
 - **confirms** that that person has read the terms and conditions and application procedures set out in this prospectus and the Application Forms and agrees to be bound by them;
 - **confirms** that that person has only relied on the information and representations in this prospectus (and any supplement thereto) and the Application Forms in giving that person's Electronic Application Instructions or instructing that person's broker or custodian to give Electronic Application Instructions on that person's behalf;

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- **agrees** that our Company, the Sole Sponsor, the Sole Global Coordinator, the Bookrunner, the Lead Manager, the Hong Kong Underwriters, their respective directors, officers, employees, advisers and any other parties involved in the Global Offering are not liable for the information and representations not so contained in this prospectus, any supplement thereto or the Application Form;
- **agrees** to disclose that person's personal data to our Company, the Sole Sponsor, the Sole Global Coordinator, the Bookrunner, the Lead Manager, the Hong Kong Underwriters, the Hong Kong Share Registrar, its registrars, receiving banker and/or their respective, adviser and agents and any information which they may require about that person;
- **agrees** (without prejudice to any other rights which that person may have) that once the application of HKSCC Nominees is accepted, the application cannot be rescinded for innocent misrepresentation;
- **agrees** that any application made by HKSCC Nominees on behalf of that person pursuant to Electronic Application Instructions given by that person is irrevocable on or before fifth business day after the time of opening of the application lists or such later date as the application lists may open as described in the section headed "Effect of bad weather on the opening of the application lists" below, such agreement to take effect as a collateral contract with our Company and to become binding when that person gives the instructions and such collateral contract to be in consideration of our Company agreeing that it will not offer any Hong Kong Offer Shares to any person before the expiration of the fifth business day after the opening of the application lists except by means of one of the procedures referred to in this prospectus. However, HKSCC Nominees may revoke the application before the end of the fifth business day after the time of the opening of the application lists if a person responsible for this prospectus under section 40 of the Companies Ordinance gives a public notice under that section which excludes or limits the responsibility of that person for this prospectus;
- **agrees** that once the application of HKSCC Nominees is accepted, neither that application nor that person's Electronic Application Instruction can be revoked, and that acceptance of that application will be evidenced by the announcement of the results of the Hong Kong Public Offer published by our Company;
- **agrees** to the arrangements, undertakings and warranties specified in the participant agreement between that person and HKSCC, read with the General Rules of CCASS and the CCASS Operational Procedures, in respect of the giving of Electronic Application Instructions relating to Hong Kong Offer Shares;
- **agrees** with our Company, for ourselves and for the benefit of each of the Shareholders (and so that our Company will be deemed by our acceptance in whole or in part of the application by HKSCC Nominees to have agreed, for our Company and on

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behalf of each of the Shareholders, with each CCASS Participant giving Electronic Application Instructions) to observe and comply with the Companies Law, the Memorandum of Association and the Articles of Association;

- **agrees** with our Company (for ourselves and for the benefit of each of the Shareholders) that the Shares are freely transferable by the holders thereof;
- **agrees** that that person's application, any acceptance of it and the resulting contract will be governed by and construed in accordance with the laws of Hong Kong;
- **instructs** and **authorizes** our Company and/or the Sole Global Coordinator (or their respective agents or nominees) to execute any transfer forms, contract notes or other documents on behalf of that person and to do on behalf of that person all things necessary to effect the registration of any Hong Kong Offer Shares allocated to that person in the name of HKSCC Nominees, as required by the Articles of Association and otherwise to give effect to the arrangements described in this prospectus and the Application Form;
- **undertakes** to sign all documents and to do all things necessary to enable the name of HKSCC Nominees to be registered as the holder of Hong Kong Offer Shares allocated to that person, and as required by the Articles of Association; and
- if the laws of any place outside Hong Kong are applicable to that person's application, **agrees** and **warrants** that that person has complied with all such laws and none of our Company, the Directors, the Sole Sponsor, the Sole Global Coordinator, the Bookrunner, the Lead Manager, the Hong Kong Underwriters nor any of their respective officers, employees or advisers will infringe any laws outside Hong Kong as a result of the acceptance of that person's offer to purchase, or any actions arising from that person's rights and obligations under the terms and conditions contained in the Application Form and in this prospectus.

(c) Effect of giving Electronic Application Instructions to HKSCC

By giving Electronic Application Instructions to HKSCC or instructing your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give such instructions to HKSCC, you (and if you are joint applicants, each of you jointly and severally) are deemed to have done the following things. Neither HKSCC nor HKSCC Nominees will be liable to our Company or any other person in respect of the things mentioned below:

- **instructed and authorized** HKSCC to cause HKSCC Nominees (acting as nominee for the CCASS Participants) to apply for Hong Kong Offer Shares on your behalf;
- **instructed and authorized** HKSCC to arrange payment of the maximum Offer Price, brokerage, SFC transaction levy and Stock Exchange trading fee by debiting your designated bank account and, in the case of wholly or partly unsuccessful applications and/or if the

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Offer Price is less than the maximum offer price per Share initially paid on application, refund of the application monies, in each case including brokerage, SFC transaction levy and Stock Exchange trading fee, by crediting your designated bank account;

- **instructed and authorized** HKSCC to cause HKSCC Nominees to do on your behalf all the things which it is stated to do on your behalf in the **White** Application Form.

(d) Minimum subscription amount and permitted numbers

You may give or cause your broker or a custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give Electronic Application Instructions in respect of a minimum of 2,000 Hong Kong Offer Shares. Such instructions in respect of more than 2,000 Hong Kong Offer Shares must be in one of the numbers set out in the table in the Application Forms. No application for any number of Hong Kong Offer Shares will be considered and any such application is liable to be rejected.

(e) Multiple applications

If you are suspected of having made multiple applications or if more than one application is made for your benefit, the number of Hong Kong Offer Shares applied for by HKSCC Nominees will be automatically reduced by the number of Hong Kong Offer Shares in respect of which you have given such instructions and/or in respect of which such instructions have been given for your benefit. Any Electronic Application Instructions to make an application for Hong Kong Offer Shares given by you or for your benefit to HKSCC shall be deemed to be an actual application for the purposes of considering whether multiple applications have been made. Further information in this regard is set forth in the section headed “How many applications you may make for Hong Kong Offer Shares” below.

(f) Allocation of Hong Kong Offer Shares

For the purposes of allocating Hong Kong Offer Shares, HKSCC Nominees will not be treated as an applicant. Instead, each CCASS Participant who gives Electronic Application Instructions or each person for whose benefit each such instruction is given will be treated as an applicant.

(g) Personal Data

The section of the Application Form headed “Personal Data” applies to any personal data held by our Company and the Hong Kong Share Registrar about you in the same way as it applies to personal data about applicants other than HKSCC Nominees.

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(h) Section 40 of the Companies Ordinance

For the avoidance of doubt, our Company and all other parties involved in the preparation of this prospectus acknowledge that each CCASS Participant who gives, or causes to give, Electronic Application Instructions is a person who may be entitled to compensation under section 40 of the Companies Ordinance.

Warning

The subscription of Hong Kong Offer Shares by giving Electronic Application Instructions to HKSCC is only a facility provided to CCASS Participants. Our Company, the Directors, the Sole Sponsor, the Sole Global Coordinator, the Bookrunner, the Lead Manager and the Hong Kong Underwriters take no responsibility for the application and provide no assurance that any CCASS Participants will be allotted any Hong Kong Offer Shares. To ensure that CCASS Investor Participants can give their Electronic Application Instructions to HKSCC through the CCASS Phone System or CCASS Internet System, CCASS Investor Participants are advised not to wait until the last minute to input their Electronic Application Instructions to the systems. In the event that CCASS Investor Participants have problems connecting to CCASS Phone System/CCASS Internet System for submission of Electronic Application Instructions, they should either:

- (i) submit the **White** or **Yellow** Application Form (as appropriate), or
- (ii) go to HKSCC's Customer Service Centre to complete an application instruction input request form before 12:00 noon on Wednesday, 6 June 2012 or such later time as described in the section headed "Effect of bad weather on the opening of the application lists" below.

HOW MANY APPLICATIONS YOU MAY MAKE FOR HONG KONG OFFER SHARES

You may make more than one application for Hong Kong Offer Shares only if you are a nominee, in which case you may both give Electronic Application Instructions to HKSCC (if you are a CCASS Participant) and lodge more than one Application Form in your own name on behalf of different beneficial owners. In the box on the relevant Application Form marked "For nominee(s)" you must include:

- an account number; or
- some other identification code,

for each beneficial owner or, in the case of joint beneficial owners, for each such beneficial owner. If you do not include this information, the application will be treated as being for your own benefit. **Otherwise, multiple applications are not allowed.**

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It will be a term and condition of all applications that by completing and delivering an Application Form or by giving Electronic Application Instructions to HKSCC, you:

- if the application is made for your own benefit, warrant that this is the only application which will be made for your benefit on a **White** or **Yellow** Application Form or through giving Electronic Application Instructions to HKSCC or to the designated White Form eIPO Service Provider through **White Form eIPO** service (www.eipo.com.hk); and
- if you are an agent for another person, warrant that reasonable enquiries have been made of the beneficial owner that this is the only application which will be made for the benefit of that other person on a **White** or **Yellow** Application Form or through giving Electronic Application Instructions to HKSCC, or to the designated White Form eIPO Service Provider through **White Form eIPO** service (www.eipo.com.hk), and that you are duly authorized to sign the Application Form as that other person's agent.

Except where you are a nominee and provide the information required to be provided in your applications, all of your applications will be rejected as multiple applications if you, and your joint applicant(s) together:

- make more than one application (whether individually or jointly with others) on a **White** or **Yellow** Application Form or by way of giving Electronic Application Instructions to HKSCC or to the designated White Form eIPO Service Provider through **White Form eIPO** service (www.eipo.com.hk);
- both apply (whether individually or jointly with others) on one **White** Application Form and one **Yellow** Application Form or one **White** or **Yellow** Application Form and by way of giving Electronic Application Instructions to HKSCC or to the designated White Form eIPO Service Provider through **White Form eIPO** service (www.eipo.com.hk);
- apply (whether individually or jointly with others) on one **White** or **Yellow** Application Form or by way of giving Electronic Application Instructions to HKSCC via CCASS (if you are a CCASS Investor Participant or applying through a CCASS Clearing or Custodian Participant) or to the designated White Form eIPO Service Provider through **White Form eIPO** service (www.eipo.com.hk) for more than 100% of Hong Kong Offer Shares initially available in either pool A or pool B for subscription under the Hong Kong Public Offer; or
- have applied for, taken up or received, or indicated an interest for International Placing Shares or otherwise participated in the International Placing and make application on **White** or **Yellow** Application Form or by way of giving Electronic Application Instructions to HKSCC or to the designated White Form eIPO Service Provider through **White Form eIPO** service (www.eipo.com.hk).

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All of your applications will also be rejected as multiple applications if more than one application is made for your benefit (including the part of the application made by HKSCC Nominees on Electronic Application Instructions) or you have applied for, taken up or received any International Placing Shares or indicated an interest for the International Placing or otherwise participated in the International Placing. If an application is made by an unlisted company and

- the principal business of that company is dealing in securities; and
- you exercise statutory control over that company,

then the application will be treated as being for your benefit. An unlisted company means a company with no equity securities listed on the Stock Exchange. Statutory control in relation to a company means you:

- control the composition of the board of directors of that company; and/or
- control more than half of the voting power of that company; and/or
- hold more than half of the issued share capital of that company (not counting any part of it which carries no right to participate beyond a specified amount in a distribution of either profits or capital).

If you are suspected of having made multiple electronic applications or if more than one electronic application is made for your benefit, the number of Hong Kong Offer Shares applied for by HKSCC Nominees will be automatically reduced by the number of Hong Kong Offer Shares in respect of which you have given such instructions and/or in respect of which such instructions have been given for your benefit. Any Electronic Application Instruction to make an application for the Hong Kong Offer Shares given by you or for your benefit to HKSCC shall be deemed to be an actual application for the purpose of considering whether multiple applications have been made.

HOW MUCH ARE THE HONG KONG OFFER SHARES

The maximum Offer Price is HK\$1.28 per Offer Share. You must also pay brokerage of 1%, SFC transaction levy of 0.003% and Stock Exchange trading fee of 0.005%. This means that for one board lot of 2,000 Hong Kong Offer Shares, you will pay HK\$2,585.81. Each Application Form has a table showing the exact amount payable for certain numbers of Hong Kong Offer Shares. You must pay the maximum Offer Price, the brokerage, the Stock Exchange trading fee and the SFC transaction levy in full when you apply for Hong Kong Offer Shares.

Your payment must be made by one cheque or one banker's cashier order and must comply with the terms of the related Application Forms (if you apply by an Application Form). Your cheque or banker's cashier order will not be presented for payment before 12:00 noon on Wednesday, 6 June 2012. If your application is successful, the brokerage is paid to participants of the Stock Exchange, the transaction levy is paid to the Stock Exchange collecting on behalf of the SFC, and the trading

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fee is paid to the Stock Exchange. If the Offer Price as finally determined is less than HK\$1.28 per Offer Share, appropriate refund payments (including the related brokerage, the Stock Exchange trading fee and the SFC transaction levy attributable to the surplus application monies) will be made to applicants, without interests. Details of the procedures for refund are contained below in the section headed “Despatch and collection of share certificate(s) and/or refund cheque(s) and/or e-Refund payment instructions and deposits of share certificates into CCASS” below.

Our Company will not issue temporary documents of title, evidence of title or receipt for payment.

TIME FOR APPLYING FOR HONG KONG OFFER SHARES

(a) White and Yellow Application Forms

Completed **White** or **Yellow** Application Forms, with payment attached, must be lodged by 12:00 noon on Wednesday, 6 June 2012, or, if the application lists are not open on that day, then by the time and date stated in the section headed “Effect of bad weather on the opening of the application lists” below.

Your completed Application Form, with payment in Hong Kong dollars for the full amount payable on application attached, should be deposited in the special collection boxes provided at any one of the branches of Bank of Communications Co., Ltd. Hong Kong Branch listed under the section headed “Where to collect the Application Forms” above at the following times:

Friday, 1 June 2012 – 9:00 a.m. to 5:00 p.m.

Saturday, 2 June 2012 – 9:00 a.m. to 1:00 p.m.

Monday, 4 June 2012 – 9:00 a.m. to 5:00 p.m.

Tuesday, 5 June 2012 – 9:00 a.m. to 5:00 p.m.

Wednesday, 6 June 2012 – 9:00 a.m. to 12:00 noon

The application lists will be open from 11:45 a.m. to 12:00 noon on Wednesday, 6 June 2012.

(b) White Form eIPO

You may submit your application to the designated White Form eIPO Service Provider through the designated website at **www.eipo.com.hk** from 9:00 a.m. on Friday, 1 June 2012 until 11:30 a.m. on Wednesday, 6 June 2012 or such later time as described under in the section headed “Effect of bad weather on the opening of the application lists” below (24 hours daily, except on the last application day). The latest time for completing full payment of application monies in respect of such applications will be 12:00 noon on Wednesday, 6 June 2012, the last application day, or, if the application lists are not open on that day, then by the time and date stated in the section headed “Effect of bad weather on the opening of the application lists” below.

HOW TO APPLY FOR HONG KONG OFFER SHARES

You will not be permitted to submit your application to the designated White Form eIPO Service Provider through the designated website at www.eipo.com.hk after 11:30 a.m. on the last day for submitting applications. If you have already submitted your application and obtained a payment reference number from the website prior to 11:30 a.m., you will be permitted to continue the application process (by completing payment of application monies) until 12:00 noon on the last day for submitting applications, when the application lists close.

(c) Electronic Application Instructions

CCASS Clearing/Custodian Participants can input Electronic Application Instructions at the following times on the following dates:

Friday, 1 June 2012 – 9:00 a.m. to 8:30 p.m. *(Note 1)*
Saturday, 2 June 2012 – 8:00 a.m. to 1:00 p.m. *(Note 1)*
Monday, 4 June 2012 – 8:00 a.m. to 8:30 p.m. *(Note 1)*
Tuesday, 5 June 2012 – 8:00 a.m. to 8:30 p.m. *(Note 1)*
Wednesday, 6 June 2012 – 8:00 a.m. *(Note 1)* to 12:00 noon

Note 1: These times are subject to change as HKSCC may determine from time to time with prior notification to CCASS Clearing/Custodian Participants.

CCASS Investor Participants can input Electronic Application Instructions from 9:00 a.m. on Friday, 1 June 2012 until 12:00 noon on Wednesday, 6 June 2012 (24 hours daily, except the last application date).

The latest time for inputting your Electronic Application Instructions (if you are a CCASS Participant) is 12:00 noon on Wednesday, 6 June 2012 or, if the Application Lists are not open on that day, then by the time and date stated in the section headed “Effects of bad weather on the opening of the application lists” below.

(d) Application lists

Subject to the events as described in the section headed “Effect of bad weather on the opening of the application lists” below, the application lists will open at 11:45 a.m. and close at 12:00 noon on Wednesday, 6 June 2012.

No proceedings will be taken on application for the Shares and no allotment of any such Shares will be made until the closing of the application lists.

EFFECT OF BAD WEATHER ON THE OPENING OF THE APPLICATION LISTS

The application lists will not open if there is:

- a tropical cyclone warning signal number 8 or above, or
- a “black” rainstorm warning signal

HOW TO APPLY FOR HONG KONG OFFER SHARES

in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon on Wednesday, 6 June 2012. Instead, they will open between 11:45 a.m. and 12:00 noon on the next business day which does not have either of those warning signals in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon.

In the event of the above-mentioned tropical cyclone or rainstorm on Wednesday, 6 June 2012, the latest time for lodging your Application Forms and for inputting your Electronic Application Instructions will be postponed accordingly to the next business day which does not have either of those warning signals in force in Hong Kong at anytime between 9:00 a.m. and 12:00 noon on such day.

CIRCUMSTANCES IN WHICH YOU WILL NOT BE ALLOCATED HONG KONG OFFER SHARES

Full details of the circumstances in which you will not be allocated Hong Kong Offer Shares are set out in the notes attached to the related Application Forms, and you should read them carefully. You should note, in particular, the following situations in which Hong Kong Offer Shares will not be allocated to you:

If your application is revoked

By depositing the **White** or **Yellow** Application Form or submitting Electronic Application Instructions to HKSCC or to the designated White Form eIPO Service Provider through **White Form eIPO** service (www.eipo.com.hk), you agree that your application or the application made by HKSCC Nominees on your behalf cannot be revoked on or before the expiration of the fifth business day after the time of the opening of the application lists.

This agreement will take effect as a collateral contract with our Company, and will become binding when you lodge your application or submit your Electronic Application Instructions to HKSCC and an application has been made by HKSCC Nominees on your behalf accordingly. This collateral contract will be in consideration of our Company agreeing that we will not offer any Hong Kong Offer Shares to any person before the end of the fifth business day after the time of opening of the application lists except by means of one of the procedures referred to in this prospectus.

Your application or the application made by HKSCC Nominees on your behalf may only be revoked on or before the fifth business day after time of the closing of the application lists, if a person responsible for this prospectus under section 40 of the Companies Ordinance gives a public notice under that section which excludes or limits the responsibility of that person for this prospectus.

If any supplement to this prospectus is issued, applicants who have already submitted an application may or may not (depending on the information contained in the supplement) be notified that they can withdraw their applications. If applicants have not been so notified, or if applicants have been notified but have not withdrawn their applications in accordance with the procedure to be notified, all applications that have been submitted will remain valid and may be accepted. Subject to the above, an application once made is irrevocable and applicants shall be deemed to have applied on the basis of this prospectus as supplemented.

HOW TO APPLY FOR HONG KONG OFFER SHARES

If your application or the application made by HKSCC Nominees on your behalf has been accepted, it cannot be revoked. Acceptance of application which are not rejected will be constituted by notification in the announcement of the results of allocation and, where such basis of allocation is subject to certain conditions or provides for allocation by ballot, such acceptance will be subject to satisfaction of such conditions or the results of such ballot, respectively.

Full discretion of our Company or our agents to reject or accept your application

Our Company and our agents have full discretion to reject or accept any application, or to accept only part of an application, and do not have to give any reason for any rejection or acceptance.

If your application is rejected

Your application will be rejected if:

- it is a multiple application or a suspected multiple application; or
- you or the person for whose benefit you are applying have applied for or taken up, received or indicated an interest for, or have been or will be placed or allocated (including conditionally and/or provisionally) International Placing Shares. Reasonable steps will be taken to identify and reject applications in the Hong Kong Public Offer from investors who have received International Placing Shares; and to identify and reject indications of interest in the International Placing from investors who have received Hong Kong Offer Shares in the Hong Kong Public Offer; or
- your Application Form is not completed correctly in accordance with the instructions printed thereon (if you apply by an Application Form); or
- your electronic application through the **White Form eIPO** service are not completed in accordance with the instructions, terms and conditions set out in the designated website at **www.eipo.com.hk**; or
- your payment is not made correctly; or
- you pay by cheque or banker's cashier order and the cheque or banker's cashier order is dishonoured on its first presentation; or
- our Company or any of our agents believes that by accepting your application, our Company would violate the applicable laws, rules or regulations of the jurisdiction in which your application is, or is suspected to have been, completed and/or signed or of any other jurisdiction; or
- your application is for more than 100% of Hong Kong Offer Shares under either pool A or pool B initially available for subscription by the public.

HOW TO APPLY FOR HONG KONG OFFER SHARES

If your application is not accepted

Your application (including the part of an application made by HKSCC Nominees acting upon Electronic Application Instructions) will not be accepted if either:

- the Hong Kong Underwriting Agreement does not become unconditional; or
- the Hong Kong Underwriting Agreement is terminated in accordance with its terms and conditions; or
- no agreement has been reached on the Offer Price on or before the Price Determination Date.

If the allotment of Hong Kong Offer Shares is void

Any allotment of Hong Kong Offer Shares to you or to HKSCC Nominees (if you give Electronic Application Instructions or apply by a **Yellow** Application Form) will be void if the Listing Committee does not grant the approval of the listing of, and permission to deal in, the Shares either:

- within three weeks from the closing of the application lists; or
- within a longer period of up to six weeks if the Listing Committee notifies the Company of that longer period within 3 weeks of the closing of the application lists.

PUBLICATION OF RESULTS

Our Company expects to announce the final Offer Price, the level of indication of interest under the International Placing and the basis of allotment of Hong Kong Offer Shares under the Hong Kong Public Offer on or before Tuesday, 12 June 2012 on the Company's website at **www.dongwucement.com** and the website of the Stock Exchange at **www.hkexnews.hk**.

Results of allocations in the Hong Kong Public Offer, including the Hong Kong identity card/passport/Hong Kong business registration certificate numbers of successful applicants (where supplied) and the number of Offer Shares successfully applied for under **White** or **Yellow** Application Forms or by giving Electronic Application Instructions to HKSCC via CCASS or to the designated White Form eIPO Service Provider through **White Form eIPO** service (**www.eipo.com.hk**) (in addition to the announcements in newspapers referred to above) will be made available at the times and dates and in the manner specified below:

- on the website at **www.iporeresults.com.hk** on a 24-hour basis from 8:00 a.m. on Tuesday, 12 June 2012 to 12:00 midnight on Monday, 18 June 2012. The user will be required to key in the Hong Kong identity card/passport/Hong Kong business registration certificate number provided in his/her/its application to search for his/her/its own allocation result;

HOW TO APPLY FOR HONG KONG OFFER SHARES

- on the Company's website at **www.dongwucement.com** and the website of the Stock Exchange at **www.hkexnews.hk** on Tuesday, 12 June 2012 onwards;
- from our Company's Hong Kong Public Offer allocation results telephone enquiry hotline. Applicants may find out whether or not their applications have been successful and the number of Offer Shares allocated to them, if any, by calling 2862 8669 between 9:00 a.m. and 10:00 p.m. from Tuesday, 12 June 2012 to Friday, 15 June 2012; and
- special allocation results booklets setting out the results of allocations will be available for inspection during opening hours of individual branches and sub-branches of the receiving bank from Tuesday, 12 June 2012 to Thursday, 14 June 2012 at the addresses set out in the section headed "Where to collect the Application Forms" above.

DESPATCH AND COLLECTION OF SHARE CERTIFICATE(S) AND/OR REFUND CHEQUE(S) AND/OR e-REFUND PAYMENT INSTRUCTIONS AND DEPOSIT OF SHARE CERTIFICATES INTO CCASS

Our Company will not issue temporary documents of title. No receipt will be issued for application monies received.

White Application Forms:

If you have applied for 1,000,000 Hong Kong Offer Shares or more and have indicated on your **White** Application Form that you will collect your share certificate(s) and/or refund cheque, if any, in person, you may collect it in person from:

Computershare Hong Kong Investor Services Limited

Shops 1712-1716, 17th Floor,
Hopewell Centre, 183 Queen's Road East,
Wanchai, Hong Kong

between 9:00 a.m. and 1:00 p.m. on the date notified by the Company on the Company's website (**www.dongwucement.com**) and the website of the Stock Exchange (**www.hkexnews.hk**) as the date of collection/despatch of share certificates/refund cheques/e-Refund payment instructions. This is expected to be on Tuesday, 12 June 2012.

If you are an individual and opts for personal collection, you must not authorize any other person to make collection on your behalf. If you are a corporate applicant and opts for personal collection, you must attend by your authorized representative bearing a letter of authorization from your corporation stamped with your corporation's chop. Both individuals and authorized representatives, if applicable, must produce, at the time of collection, evidence of identity acceptable to Computershare Hong Kong Investor Services Limited. If you do not collect your share certificate(s) (where applicable) and/or refund cheque (if any) in person within the time specified for collection, it/they will be sent to the address on your application form shortly after the specified time on the date of despatch by ordinary post and at your own risk. If you have applied for 1,000,000 Hong Kong Offer Shares or more but

HOW TO APPLY FOR HONG KONG OFFER SHARES

have not indicated on your application form that you wish to collect your Share certificate(s) and/or refund cheque in person, or if you have applied for less than 1,000,000 Hong Kong Offer Shares or if your application is rejected, not accepted or accepted in part only, or if the conditions of the Global Offering described under the paragraph headed “Conditions of the Global Offering” in the section headed “Structure of the Global Offering” in this prospectus are not fulfilled in accordance with their terms, or if any application is revoked or any allotment pursuant thereto has become void, then your share certificate(s) (where applicable) and/or refund cheque (if any) in respect of the application monies, or the appropriate portion thereof, together with the related brokerage, SFC transaction levy and Stock Exchange trading fee, if any, without interest, will be sent to the address on your application form on the date of despatch by ordinary post and at your own risk. Applicants will receive one share certificate each for all Hong Kong Offer Shares allocated.

White Form eIPO:

If you apply for 1,000,000 Hong Kong Offer Shares or more through the **White Form eIPO** service by submitting an electronic application to the designated White Form eIPO Service Provider through the designated website at **www.eipo.com.hk** and your application is wholly or partially successful, you may collect your share certificate(s) (where applicable) in person from Computershare Hong Kong Investor Services Limited at Shops 1712 – 1716, 17th Floor, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong from 9:00 a.m. to 1:00 p.m. on Tuesday, 12 June 2012, or such other date as notified by our Company on our Company’s website (**www.dongwucement.com**) and the website of Stock Exchange (**www.hkexnews.hk**) as the date of despatch/collection of share certificates/refund cheques and/or e-Refund payment instructions. If you do not collect your share certificate(s) (where applicable) personally within the time specified for collection, your share certificate(s) will be sent to the address specified in your application instructions to the designated White Form eIPO Service Provider promptly thereafter by ordinary post and at your own risk. If you apply for less than 1,000,000 Hong Kong Offer Shares, your share certificate(s) (where applicable) and/or refund cheques (if any) will be sent to the address specified in your application instructions to the designated White Form eIPO Service Provider through the designated website at **www.eipo.com.hk** on Tuesday, 12 June 2012, by ordinary post and at your own risk.

Applicants who apply through the **White Form eIPO** service by paying the application monies through a single bank account and applicant’s application is wholly or partially unsuccessful and/or the final Offer Price being different from the maximum Offer Price initially paid on applicant’s application, e-Refund payment instructions (if any) will be despatched to application payment account on or before Tuesday, 12 June 2012.

Applicants who apply through the **White Form eIPO** service by paying the application monies through multiple bank accounts and applicant’s application is wholly or partially unsuccessful and/or the final Offer Price being different from the maximum Offer Price initially paid on applicant’s application, refund cheque(s) will be sent to the address specified in applicant’s application instructions to the designated White Form eIPO Service Provider on or before Tuesday, 12 June 2012, by ordinary post and at applicant’s own risk.

HOW TO APPLY FOR HONG KONG OFFER SHARES

Please also note the additional information relating to refund of application monies overpaid, application money underpaid or applications rejected by the designated White Form eIPO Service Provider set out in the section headed “How to apply by using White Form eIPO – Additional Information” in this prospectus.

You will receive one share certificate for all the Offer Shares issued and allotted to you.

Yellow Application Forms:

Your share certificate(s) will be issued in the name of HKSCC Nominees and deposited into CCASS for credit to your CCASS Investor Participant stock account or the stock account of your designated CCASS Participant, as instructed by you on Tuesday, 12 June 2012, or under contingent situations, on any other date as shall be determined by HKSCC or HKSCC Nominees.

If you are applying through a designated CCASS Participant, other than a CCASS Investor Participant:

- for Hong Kong Offer Shares credited to the stock account of your designated CCASS Participant, other than a CCASS Investor Participant, you can check the number of Hong Kong Offer Shares allotted to you with that CCASS Participant.

If you are applying as a CCASS Investor Participant,

- our Company expects to publish the results of CCASS Investor Participants’ applications together with the results of the Hong Kong Public Offer in accordance with the details set out in this section headed “How to apply for Hong Kong Offer Shares – Publication of results” in this prospectus on Tuesday, 12 June 2012. You should check the announcement published by our Company and report any discrepancies to HKSCC before 5:00 p.m. on Tuesday, 12 June 2012 or such other date as shall be determined by HKSCC or HKSCC Nominees. Immediately after the credit of Hong Kong Offer Shares to your stock account, you can check your new account balance via the CCASS Phone System and CCASS Internet System (under the procedures contained in HKSCC’s “An Operating Guide for Investor Participants” in effect from time to time). HKSCC will also make available to you an activity statement showing the number of Hong Kong Offer Shares credited to your stock account.

If you apply for 1,000,000 Hong Kong Offer Shares or more and you have indicated on your **Yellow** Application Form to collect your refund cheques (if any) in person, please follow the same instructions as those for **White** Application Form applicants as described above. If you have applied for 1,000,000 Hong Kong Offer Shares or more and have not indicated on the **Yellow** Application Form that you will collect your refund cheque(s) (if any) in person, or if you have applied for less than 1,000,000 Hong Kong Offer Shares, your refund cheque(s) (if any) will be dispatched promptly to you by ordinary post to the address as specified in the **Yellow** Application Form at your own risk.

HOW TO APPLY FOR HONG KONG OFFER SHARES

Refund cheque

All refunds by cheque will be crossed “Account Payee Only”, made out to you, or, if you are joint applicants, to the first-named applicant on your Application Form. Part of your Hong Kong Identity Card number/passport number, or, if you are joint applicants, part of the Hong Kong Identity Card number/passport number of the first-named applicant, provided by you may be printed on your refund cheque, if any. Such data would also be transferred to a third party for refund purpose. Your banker may require verification of your Hong Kong Identity Card number/passport number before encashment of your refund cheque. Inaccurate completion of your Hong Kong Identity Card number/passport number may lead to delay in encashment of or may invalidate your refund cheque.

Electronic Application Instructions

If you apply for Hong Kong Offer Shares by giving Electronic Application Instructions to HKSCC and your application is wholly or partially successful, your share certificate(s) will be issued in the name of HKSCC Nominees and deposited into CCASS for credit to your CCASS Investor Participant stock account or the stock account of your designated CCASS Participant to which you have instructed to give Electronic Application Instructions on your behalf (as appropriate) on Tuesday, 12 June 2012 or under contingent situations, on any other date as shall be determined by HKSCC or HKSCC Nominees. If you apply by giving Electronic Application Instructions to HKSCC, refund of the application monies (including brokerage fee, the SFC transaction levy and the Stock Exchange trading fee) will be credited to your designated bank account or the bank account of your designated broker or custodian without interest on Tuesday, 12 June 2012. Our Company will publish the application results of CCASS Participants (and where the CCASS Participant is a broker or custodian, our Company shall include information relating to the beneficial owner, if supplied), your Hong Kong Identity Card/passport number or other identification code (Hong Kong Business Registration number for corporations) and the basis of allocation of the Hong Kong Public Offer, in accordance with the details set out in this section headed “How to apply for Hong Kong Offer Shares – Publication of results” in this prospectus on Tuesday, 12 June 2012. You should check the announcement published by our Company and report any discrepancies to HKSCC before 5:00 p.m. Tuesday, 12 June 2012 or any other date HKSCC or HKSCC Nominees chooses. If you are instructing your broker or custodian to give Electronic Application Instructions on your behalf, you can also check the number of Hong Kong Offer Shares allocated to you and the amount of refund (if any) payable to you with that broker or custodian. If you are applying as a CCASS Investor Participant, you can also check the number of Hong Kong Offer Shares allotted to you and the amount of refund (if any) payable to you via the CCASS Phone System and CCASS Internet System on Tuesday, 12 June 2012, HKSCC will also make available to you activity statement(s) showing the number of Hong Kong Offer Shares credited to your stock account and the amount of refund money credited to your designated bank account (if any).

HOW TO APPLY FOR HONG KONG OFFER SHARES

DEALING ARRANGEMENTS

Commencement of dealings in our Shares on the Stock Exchange

Assuming that the Global Offering becomes unconditional at or before 8:00 a.m. on the Listing Date, it is expected that dealings in the Shares on the Stock Exchange will commence at 9:00 a.m. on Wednesday, 13 June 2012. Our Shares will be traded in board lots of 2,000 Shares each.

Our Shares will be eligible for admission into CCASS

If the Stock Exchange grants the listing of, and permission to deal in, our Shares on the Stock Exchange and we comply with the stock admission requirements of HKSCC, our Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the Listing Date or any other date HKSCC chooses. Settlement of transactions between participants of the Stock Exchange is required to take place in CCASS on the second business day after any trading day.

All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

All necessary arrangements have been made for our Shares to be admitted into CCASS. You should seek advice of your stockbroker or other professional adviser for details of the settlement arrangements as such arrangements will affect your rights and interests.

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.



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.

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

	Section II <i>Note</i>	As at 31 December		
		2009 <i>RMB'000</i>	2010 <i>RMB'000</i>	2011 <i>RMB'000</i>
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	<u>2,449</u>	<u>2,449</u>	<u>–</u>
		<u>263,516</u>	<u>245,425</u>	<u>192,113</u>
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	<u>10,206</u>	<u>18,220</u>	<u>41,402</u>
		<u>175,014</u>	<u>220,022</u>	<u>215,013</u>
Total assets		<u><u>438,530</u></u>	<u><u>465,447</u></u>	<u><u>407,126</u></u>
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		<u>45,869</u>	<u>74,002</u>	<u>29,749</u>
Total equity		<u>228,910</u>	<u>278,978</u>	<u>239,942</u>

	Section II <i>Note</i>	As at 31 December		
		2009 <i>RMB'000</i>	2010 <i>RMB'000</i>	2011 <i>RMB'000</i>
LIABILITIES				
Non-current liabilities				
Borrowings	20	5,677	2,308	–
Deferred income tax liabilities	18	4,000	7,245	2,697
		<u>9,677</u>	<u>9,553</u>	<u>2,697</u>
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
		<u>199,943</u>	<u>176,916</u>	<u>164,487</u>
Total liabilities		<u>209,620</u>	<u>186,469</u>	<u>167,184</u>
Total equity and liabilities		<u>438,530</u>	<u>465,447</u>	<u>407,126</u>
Net current (liabilities)/assets		<u>(24,929)</u>	<u>43,106</u>	<u>50,526</u>
Total assets less current liabilities		<u>238,587</u>	<u>288,531</u>	<u>242,639</u>

(b) Statement of Financial Position of the Company

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

(c) Consolidated Statements of Comprehensive Income

	Section II <i>Note</i>	Year ended 31 December		
		2009 <i>RMB'000</i>	2010 <i>RMB'000</i>	2011 <i>RMB'000</i>
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		<u>11,800</u>	<u>31,786</u>	<u>86,944</u>
Profit attributable to equity holders of the Company		<u>11,800</u>	<u>31,786</u>	<u>86,944</u>
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		<u>14,484</u>	<u>33,440</u>	<u>82,606</u>
Total comprehensive income attributable to equity holders of the Company		<u>14,484</u>	<u>33,440</u>	<u>82,606</u>
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	<u>1,180</u>	<u>3,180</u>	<u>8,694</u>
Dividends	28	<u>–</u>	<u>–</u>	<u>121,642</u>

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	Attributable to the equity holders of the Company			
		Share capital RMB'000	Other reserves RMB'000	Retained earnings RMB'000	Total RMB'000
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 <i>Note</i>	Year ended 31 December		
		2009 <i>RMB'000</i>	2010 <i>RMB'000</i>	2011 <i>RMB'000</i>
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				
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	<u>10,206</u>	<u>18,220</u>	<u>41,402</u>

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 Fenu 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 substantively 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 reliability.

A contingent 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
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Balance of trade receivables			
from top five customers	19,893	28,649	43,258
Balance of trade receivables (<i>Note 12</i>)	52,833	50,247	59,178
Percentage	<u>37.65%</u>	<u>57.02%</u>	<u>73.10%</u>

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 RMB'000	Between 1 and 2 years RMB'000	Between 2 and 5 years RMB'000	Over 5 years 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	—
	<u>190,549</u>	<u>5,525</u>	<u>3,010</u>	<u>—</u>
At 31 December 2010				
Borrowings				
(including interest payment)*	76,030	2,450	—	—
Trade and other payables**	64,051	26,286	833	—
	<u>140,081</u>	<u>28,736</u>	<u>833</u>	<u>—</u>
Financial guarantees issued				
Maximum amount guaranteed	<u>115,000</u>	<u>—</u>	<u>—</u>	<u>—</u>
At 31 December 2011				
Borrowings				
(including interest payment)*	92,427	—	—	—
Trade and other payables**	62,283	1,178	646	—
	<u>154,710</u>	<u>1,178</u>	<u>646</u>	<u>—</u>

* 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 <i>RMB'000</i>	Level 2 <i>RMB'000</i>	Level 3 <i>RMB'000</i>	Total <i>RMB'000</i>
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 <i>RMB'000</i>	2010 <i>RMB'000</i>	2011 <i>RMB'000</i>
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
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
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
	<u>291,622</u>	<u>354,950</u>	<u>464,045</u>

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
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Revenue from the top five customers	68,616	103,048	155,057
Total revenue	291,622	354,950	464,045
Percentage	<u>23.53%</u>	<u>29.03%</u>	<u>33.41%</u>

7. PROPERTY, PLANT AND EQUIPMENT – GROUP

	Properties and plant <i>RMB'000</i>	Machinery <i>RMB'000</i>	Motor vehicles <i>RMB'000</i>	Furniture, fittings and equipment <i>RMB'000</i>	Construction- in-progress <i>RMB'000</i>	Total <i>RMB'000</i>
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	<u>1,659</u>	<u>827</u>	<u>1,501</u>
	<u><u>24,279</u></u>	<u><u>25,042</u></u>	<u><u>24,822</u></u>

- (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)	<u>(303)</u>	<u>(315)</u>	<u>(322)</u>
End of year	<u><u>14,257</u></u>	<u><u>13,942</u></u>	<u><u>17,957</u></u>

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
	<i>RMB'000</i>
29 November 2011	–
Investment in Dongwu Investment (<i>Note (a)</i>)	315
Deemed investment (<i>Note 17(c)</i>)	207,930
	<u>208,245</u>
Amount due to Dongwu Investment	<u>315</u>

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
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Beginning of year	20,000	23,068	27,054
Additions	–	2,096	–
Fair value gains (<i>Note 17</i>)	3,068	1,890	2,580
Recycling of fair value gains to profit or loss upon disposal (<i>Note 17</i>)	–	–	(7,538)
Disposal (<i>Note (d)</i>)	–	–	(22,096)
	<u>23,068</u>	<u>27,054</u>	<u>–</u>
Less: non-current portion	<u>(23,068)</u>	<u>(27,054)</u>	<u>–</u>
Current portion	<u>–</u>	<u>–</u>	<u>–</u>
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	–
	<u>23,068</u>	<u>27,054</u>	<u>–</u>

- (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 <i>RMB'000</i>	2010 <i>RMB'000</i>	2011 <i>RMB'000</i>
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
	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
	<u>64,876</u>	<u>71,950</u>	<u>120,716</u>
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
	<u>75,539</u>	<u>114,919</u>	<u>31,613</u>
Less: provision for impairment of trade receivables	<u>(5,053)</u>	<u>(5,992)</u>	<u>(6,071)</u>
Sub-total of current portion	<u>135,362</u>	<u>180,877</u>	<u>146,258</u>
Non-current portion:			
Prepayments for			
– acquisition of land use rights* (Note 8)	2,449	2,449	–
	<u>137,811</u>	<u>183,326</u>	<u>146,258</u>

* 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
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
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
	<u>52,833</u>	<u>50,247</u>	<u>59,178</u>

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
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
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
	<u>21,232</u>	<u>2,475</u>	<u>4,163</u>

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
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Below 1 year	5,559	726	984
From 1 year to 2 years	6,000	2,713	11
	<u>11,559</u>	<u>3,439</u>	<u>995</u>

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)	<u>(786)</u>	<u>(939)</u>	<u>(79)</u>
End of year	<u><u>(5,053)</u></u>	<u><u>(5,992)</u></u>	<u><u>(6,071)</u></u>

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	<u>10,206</u>	<u>–</u>	<u>10,206</u>
Total	<u>130,608</u>	<u>23,068</u>	<u>153,676</u>
			Other financial liabilities at amortized cost
			RMB'000
Financial liabilities:			
Borrowings			44,467
Trade and other payables excluding non-financial liabilities			<u>151,602</u>
Total			<u>196,069</u>

31 December 2010

	Loans and receivables <i>RMB'000</i>	Available- for-sale financial assets <i>RMB'000</i>	Total <i>RMB'000</i>
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 <i>RMB'000</i>
			74,977
			91,170
Total			166,147

31 December 2011

	Loans and receivables <i>RMB'000</i>	Available- for-sale financial assets <i>RMB'000</i>	Total <i>RMB'000</i>
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 <i>RMB'000</i>
Financial liabilities :	
Borrowings	90,378
Trade and other payables excluding non-financial liabilities	<u>64,107</u>
Total	<u><u>154,485</u></u>

Company**31 December 2011**

	Other financial liabilities at amortized cost <i>RMB'000</i>
Financial liabilities :	
Amount due to a subsidiary	<u><u>315</u></u>

(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
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Restricted bank deposits in respect of:			
– Bills payable	15,000	–	–
– Borrowing	<u>–</u>	<u>–</u>	<u>5,000</u>
	<u><u>15,000</u></u>	<u><u>–</u></u>	<u><u>5,000</u></u>

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 <i>RMB'000</i>	2010 <i>RMB'000</i>	2011 <i>RMB'000</i>
Cash at bank and in hand	<u>10,206</u>	<u>18,220</u>	<u>41,402</u>

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

16. SHARE CAPITAL – COMPANY

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

- (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	Merger reserve	Capital reserve	Total
	RMB'000	(Note (a)) RMB'000	(Note (b)) RMB'000	(Note (c)) 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	<u>207,930</u>
At 31 December 2011	<u><u>207,930</u></u>

(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
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Deferred tax assets:			
– deferred tax asset to be recovered after 12 months	(632)	(749)	(759)
– deferred tax asset to be recovered within 12 months	–	–	–
	<u>(632)</u>	<u>(749)</u>	<u>(759)</u>
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	–
	<u>4,632</u>	<u>7,994</u>	<u>3,456</u>
Deferred tax liabilities, net	<u>4,000</u>	<u>7,245</u>	<u>2,697</u>

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

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

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 RMB'000	Withholding tax for attributable profit relating to equity holder (Note (a)) RMB'000	Total 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
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
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 (<i>Note (a)</i>)	1,219	4,572	3,119
Other payables	41,704	22,527	12,979
Due to a related party (<i>Note 33(c) (iv)</i>)	22,220	12,220	2,896
	<u>159,861</u>	<u>102,853</u>	<u>71,709</u>

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
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
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
	<u>87,678</u>	<u>56,423</u>	<u>48,232</u>

- (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
	<u>38,790</u>	<u>72,669</u>	<u>90,378</u>
Non-current:			
Other borrowings			
– from financing arrangement*	5,677	2,308	–
	<u>5,677</u>	<u>2,308</u>	<u>–</u>
Representing:			
Unsecured	500	300	–
Secured	43,967	74,677	90,378
	<u>44,467</u>	<u>74,977</u>	<u>90,378</u>

* 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%
	<u>16.80%</u>	<u>12.63%</u>	<u>14.68%</u>

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

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

- (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
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
31 December 2009	38,790	–	5,677	44,467
31 December 2010	72,669	–	2,308	74,977
31 December 2011	<u>90,378</u>	<u>–</u>	<u>–</u>	<u>90,378</u>

- (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 (<i>Note 10(e)</i>)	–	1,400	2,400
Tax refund (<i>Note (a)</i>)	8,877	8,656	13,354
Government grants	509	1,229	578
	<u>9,386</u>	<u>11,285</u>	<u>16,332</u>

- (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 (<i>Note (a)</i>)	112	–	(3,095)
Others	–	(226)	(92)
	<u>478</u>	<u>(32)</u>	<u>(3,187)</u>

- (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 (<i>Note 7</i>)	(129)	–	(3,691)
	<u>112</u>	<u>–</u>	<u>(3,095)</u>

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
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
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 (<i>Notes 7,8</i>)	24,582	25,357	25,144
Employee benefit expenses (<i>Note 24</i>)	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 (<i>Note 12</i>)	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
	<u>284,636</u>	<u>321,839</u>	<u>360,623</u>
Total cost of sales, distribution costs and administrative expenses	<u>284,636</u>	<u>321,839</u>	<u>360,623</u>

24. EMPLOYEE BENEFIT EXPENSES

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

(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
	<u>2,094</u>	<u>4,514</u>	<u>7,323</u>
Finance costs	2,094	4,514	7,323
Finance income – interest income on bank deposits	(78)	(59)	(134)
	<u>(78)</u>	<u>(59)</u>	<u>(134)</u>
Net finance costs	<u>2,016</u>	<u>4,455</u>	<u>7,189</u>

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 (<i>Note 18</i>)	1,276	3,009	(3,928)
	<u>3,034</u>	<u>8,123</u>	<u>22,434</u>
Income tax expense	<u>3,034</u>	<u>8,123</u>	<u>22,434</u>

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 RMB'000	2010 RMB'000	2011 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	<u>3,034</u>	<u>8,123</u>	<u>22,434</u>

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	<u>10,000</u>	<u>10,000</u>	<u>10,000</u>
Basic earnings per share (RMB)	<u>1,180</u>	<u>3,180</u>	<u>8,694</u>

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

Name	Salary	Housing allowances, other allowances and benefit in kind	Total
	RMB'000	RMB'000	RMB'000
For the year ended 31 December 2011			
<i>Executive directors</i>			
Mr. Jin Chungen (金春根)	–	–	–
Ms. Xie Yingxia (謝鶯霞)	–	–	–
Mr. Yang Bin (楊斌)	–	–	–
<i>Non-executive director</i>			
Mr. Tseung Hok Ming (蔣學明)	–	–	–
<i>Independent non-executive directors</i>			
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
	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	<u>5</u>	<u>5</u>	<u>5</u>

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 (<i>Note 26</i>)	3,034	8,123	22,434
– Depreciation (<i>Note 7</i>)	24,279	25,042	24,822
– Amortization (<i>Note 8</i>)	303	315	322
– Provision for impairment for trade receivables (<i>Note 12</i>)	786	939	79
– (Gain)/loss on disposal of property, plant and equipment (<i>Note 22</i>)	(112)	–	3,095
– Interest income (<i>Note 25</i>)	(78)	(59)	(134)
– Finance costs (<i>Note 25</i>)	2,094	4,514	7,323
– Dividend income on available-for-sale financial assets (<i>Note 21</i>)	–	(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	<u>(10,790)</u>	<u>48,537</u>	<u>72,060</u>

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 <i>RMB'000</i>	Face value <i>RMB'000</i>	Face value <i>RMB'000</i>
Borrowing matured in November 2011	–	100,000	–
Borrowing matured in June 2012	–	15,000	–
	<u>–</u>	<u>115,000</u>	<u>–</u>

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
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Authorized but not contracted for			
– Land use rights	5,584	5,584	–
	<u>5,584</u>	<u>5,584</u>	<u>–</u>

(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
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Not later than 1 year	180	329	150
Later than 1 year and not later than 5 years	45	–	–
	<u>225</u>	<u>329</u>	<u>150</u>

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 RMB'000	2010 RMB'000	2011 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)
	<u>35,000</u>	<u>63,300</u>	<u>43,000</u>

	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
	<u>25,220</u>	<u>159,466</u>	<u>75,532</u>
(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
	<u>31,200</u>	<u>91,800</u>	<u>177,218</u>
(c) Repayment to a related party			
– Far East International	<u>17,780</u>	<u>10,000</u>	<u>12,220</u>
(d) Expenses paid by a related party on behalf of the Group			
– Far East International	<u>–</u>	<u>–</u>	<u>2,896</u>
(iv) Consultancy fees paid to a related party			
– Orient Hengye	<u>–</u>	<u>600</u>	<u>–</u>
(v) Disposal of available-for-sale financial assets (Note 10(d))			
– Orient Hengxin	<u>–</u>	<u>–</u>	<u>22,096</u>

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	<u>6,369</u>	<u>3,024</u>	<u>2,450</u>

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	–	–	–
	<u>34,020</u>	<u>101,686</u>	<u>–</u>

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	<u>–</u>	<u>–</u>	<u>13,696</u>

The information set out below does not form part of the Accountant's Report prepared by the independent reporting accountant, PricewaterhouseCoopers, Certified Public Accountants, Hong Kong, as set out in Appendix I, and is included in this prospectus for information purposes only.

The unaudited pro forma financial information should be read in conjunction with the section entitled "Financial Information" and the Accountant's Report set out in Appendix I.

A. UNAUDITED PRO FORMA ADJUSTED NET TANGIBLE ASSETS

The following unaudited pro forma statement of adjusted net tangible assets of the Group prepared in accordance with Rule 4.29 of the Listing Rules is for illustrative purposes only, and is set out below to illustrate the effect of the Global Offering on the net tangible assets of the Group attributable to the equity holders of the Company as of 31 December 2011 as if the Global Offering had taken place on 31 December 2011 assuming the Over-allotment Option is not exercised.

This unaudited pro forma statement of adjusted net tangible assets has been prepared for illustrative purposes only and because of its hypothetical nature, it may not give a true picture of the consolidated net tangible assets of the Group as at 31 December 2011 or at any future dates following the Global Offering. It is prepared based on the consolidated net assets of the Group as at 31 December 2011 as set out in the Accountant's Report of the Group, the text of which is set out in Appendix I to this prospectus, and adjusted as described below. The unaudited pro forma statement of adjusted net tangible assets does not form part of the Accountant's Report.

	Audited consolidated net tangible assets attributable to equity holders of the Company as at 31 December 2011 ⁽¹⁾ RMB'000	Estimated net proceeds from the Global Offering ^{(2), (6)} RMB'000	Unaudited pro forma adjusted net tangible assets attributable to equity holders of the Company as at 31 December 2011 RMB'000	Unaudited pro forma adjusted net tangible assets per Share RMB ⁽³⁾ HK\$ ⁽⁶⁾	
Based on an Offer Price of HK\$1.00 per Share	<u>239,942</u>	<u>44,671</u>	<u>284,613</u>	<u>0.57</u>	<u>0.70</u>
Based on an Offer Price of HK\$1.28 per Share	<u>239,942</u>	<u>61,232</u>	<u>301,174</u>	<u>0.60</u>	<u>0.74</u>

Notes:

- (1) The audited consolidated net tangible assets attributable to the equity holders of the Company as at 31 December 2011 is based on the audited consolidated net assets of the Group attributable to the equity holders of the Company as at 31 December 2011 of RMB239,942,000.
- (2) The estimated net proceeds from the Global Offering are based on the indicative Offer Price of HK\$1.28 and HK\$1.00 per Share, being the higher end and lower end of the offer price range, after deduction of the underwriting fees and other related expenses payable by the Company and takes no account of any shares which may fall to be issued upon the exercise of the Over-allotment Option.
- (3) The unaudited pro forma adjusted net tangible assets per Share is arrived at after the adjustments referred to in the preceding paragraphs and on the basis that 500,000,000 Shares were in issue assuming that the Global Offering and the Capitalization Issue have been completed on 31 December 2011 but takes no account of any Shares which may fall to be issued upon the exercise of the Over-allotment Option or any Share which be allotted and issued or repurchased by the Company pursuant to the General Mandate to Issue Shares or the General Mandate to Repurchase Shares as described in the section headed "Share Capital" in this prospectus.
- (4) As at 30 April 2012, the Group's land use rights and buildings interests were revalued by Asset Appraisal Limited, an independent property valuer, and the relevant property valuation report is set out in Appendix III – Property Valuation. The revaluation surplus, representing the excess of market value of the land use rights and buildings over their book value, is approximately RMB27,624,000. Such revaluation surplus has not been included in the Group's consolidated financial information as at 31 December 2011. The above adjustment does not take into account the above revaluation surplus. Had the land use rights and buildings been stated at such valuation, and additional depreciation of RMB938,000 per annum would be charged against the consolidated statement of comprehensive income.
- (5) No adjustment has been made to reflect any trading result or other transactions of the Group entered into subsequent to 31 December 2011.
- (6) For the purpose of this unaudited pro forma adjusted net tangible assets, the balances stated in Renminbi are converted into Hong Kong dollars at a rate of RMB1.00 to HK\$1.23. No representation is made that Renminbi amounts have been, could have been or may be converted to Hong Kong dollars, or vice versa, at that rate.

B. REPORT FROM THE REPORTING ACCOUNTANT ON THE UNAUDITED PRO FORMA FINANCIAL INFORMATION

The following is the text of a report received from PricewaterhouseCoopers, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this prospectus.



羅兵咸永道

ACCOUNTANT'S REPORT ON UNAUDITED PRO FORMA FINANCIAL INFORMATION TO THE DIRECTORS OF DONGWU CEMENT INTERNATIONAL LIMITED

We report on the unaudited pro forma financial information of Dongwu Cement International Limited (the "Company") and its subsidiaries (hereinafter collectively referred to as the "Group") set out on pages II-1 to II-2 under the heading of "Unaudited Pro Forma Adjusted Net Tangible Assets" (the "Unaudited Pro Forma Financial Information") in Appendix II of the Company's prospectus dated 1 June 2012 (the "Prospectus"), in connection with the proposed initial public offering of the shares of the Company. The Unaudited Pro Forma Financial Information has been prepared by the directors of the Company, for illustrative purposes only, to provide information about how the proposed initial public offering might have affected the relevant financial information of the Group. The basis of preparation of the Unaudited Pro Forma Financial Information is set out on pages II-1 to II-2 of the Prospectus.

Respective Responsibilities of Directors of the Company and the Reporting Accountant

It is the responsibility solely of the directors of the Company to prepare the Unaudited Pro Forma Financial Information in accordance with paragraph 4.29 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and Accounting Guideline 7 "Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars" issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

It is our responsibility to form an opinion, as required by paragraph 4.29(7) of the Listing Rules, on the Unaudited Pro Forma Financial Information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the Unaudited Pro Forma Financial Information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

Basis of Opinion

We conducted our engagement in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 300 "Accountants' Reports on Pro Forma Financial Information in Investment Circulars" issued by the HKICPA. Our work, which involved no independent examination of any of the underlying financial information, consisted primarily of comparing the audited consolidated net

assets of the Group as at 31 December 2011 with the accountant's report as set out in Appendix I of the Prospectus, considering the evidence supporting the adjustments and discussing the Unaudited Pro Forma Financial Information with the directors of the Company.

We planned and performed our work so as to obtain the information and explanations we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the Unaudited Pro Forma Financial Information has been properly compiled by the directors of the Company on the basis stated, that such basis is consistent with the accounting policies of the Group and that the adjustments are appropriate for the purposes of the Unaudited Pro Forma Financial Information as disclosed pursuant to paragraph 4.29(1) of the Listing Rules.

The Unaudited Pro Forma Financial Information is for illustrative purposes only, based on the judgements and assumptions of the directors of the Company, and, because of its hypothetical nature, does not provide any assurance or indication that any event will take place in the future and may not be indicative of the adjusted net tangible assets of the Group as at 31 December 2011 or any future date.

Opinion

In our opinion:

- a) the Unaudited Pro Forma Financial Information has been properly compiled by the directors of the Company on the basis stated;
- b) such basis is consistent with the accounting policies of the Group; and
- c) the adjustments are appropriate for the purposes of the Unaudited Pro Forma Financial Information as disclosed pursuant to paragraph 4.29(1) of the Listing Rules.

PricewaterhouseCoopers

Certified Public Accountants

Hong Kong, 1 June 2012

The following is the text of a letter, summary of value and valuation certificate, prepared for the purpose of incorporation in this Prospectus received from Asset Appraisal Limited, an independent valuer, in connection with its valuation as at 30 April 2012 of the property interests held by the Group.



Asset Appraisal Limited
中誠達資產評值顧問有限公司

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No. 145 Hennessy Road Wanchai HK
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1 June 2012

The Board of Directors
Dongwu Cement International Limited

Dear Sirs,

Re: Valuation of property interests situated in the People's Republic of China

In accordance with the instructions from **Dongwu Cement International Limited** (referred to as the "Company") to value the property interests (referred to as the "properties") held by the Company or its subsidiaries (the Company and its subsidiaries are altogether referred to as the "Group") situated in the People's Republic of China (the "PRC"), we confirm that we have carried out inspections of the properties, made relevant enquiries and obtained such further information as we consider necessary for the purpose of providing you with our opinion of the market values of the properties as at **30 April 2012** (the "date of valuation").

BASIS OF VALUATION

Our valuation of the properties represents the market value which we would define as intended to mean "the estimated amount for which a property should exchange on the date of valuation between a willing buyer and a willing seller in an arm's-length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently, and without compulsion".

VALUATION METHODOLOGY

Due to the nature of the buildings and structures erected thereon, the property numbered 1 have been valued on the basis of depreciated replacement cost (DRC). The assessment of the DRC requires an estimate of the market value of the land in existing use and an estimate of the new replacement (reproduction) cost of the buildings and structures and other site works as at the date of valuation, from which deductions are then made to allow for age, condition, functional obsolescence, etc.. In valuing the market value of the land portions of the properties, the comparison method has been adopted.

We have ascribed no commercial value to the property rented by the Group under short term lease due to the non-assignable nature of the leasehold interest or the lack of substantial profit rent.

ASSUMPTIONS

Save for the property rented by the Group, our valuation has been made on the assumption that owners sell the properties on the market in their existing states without the benefit of deferred terms contracts, leaseback, joint ventures, management agreements or any similar arrangement which would serve to affect the value of the properties.

For those properties held by the owners by means of long term Land Use Rights granted by the Government, we have assumed that the owner has free and uninterrupted rights to use the properties for the whole of the unexpired term of the respective land use rights. We have also assumed that they can be freely transferred on the market free from any land premium or expenses of substantial amount payable to the Government.

Other special assumptions for our valuation (if any) would be stated out in the footnotes of the valuation certificate attached herewith.

TITLESHP

We have been provided with copies of legal documents regarding the properties. However, we have not verified ownership of the properties and the existence of any encumbrances that would affect ownership of them.

We have also relied upon the legal opinion provided by our PRC Legal Advisors, namely Deheng Law Firm, to the Company on the relevant laws and regulations in the PRC, on the nature of land use rights or leasehold interests in the properties.

LIMITING CONDITIONS

No allowance has been made in our report for any charges, mortgages or amounts owing on the properties nor for any expenses or taxation which may be incurred in effecting a sale. Unless otherwise stated, it is assumed that the properties are free from encumbrances, restrictions and outgoings of an onerous nature, which could affect its value. Our valuation have been made on the assumption that the seller sells the property on the market without the benefit of a deferred term contract, leaseback, joint venture, management agreement or any similar arrangement, which could serve to affect the values of the properties.

We have relied to a very considerable extent on the information given by the Company and have accepted advice given to us on such matters as tenure, planning approvals, statutory notices, easements, particulars of occupancy, lettings, and all other relevant matters.

We have not carried out detailed site measurements to verify the correctness of the site areas in respect of the properties but have assumed that the site areas shown on the documents and official site plans handed to us are correct. All documents and contracts have been used as reference only and all dimensions, measurements and areas are approximations.

We have carried out inspections of the properties. However, no structural survey has been made. In the course of our inspection, we did not note any serious defects. We are unable to report whether the buildings and structures of the properties are free of rot, infestation or any other structural defects. No test was carried out on any of the services of the buildings and structures of the properties.

We have had no reason to doubt the truth and accuracy of the information provided to us by the Company. We have also sought confirmation from the Company that no material factors have been omitted from the information supplied. We consider that we have been provided with sufficient information to reach an informed view, and we have no reason to suspect that any material information has been withheld.

In valuing the properties, we have complied with all the requirements contained in Chapter 5 and Practice Note 12 to the Rules Governing the Listing of Securities issued by The Stock Exchange of Hong Kong Limited; the HKIS Valuation Standards on Properties (First Edition 2005) published by The Hong Kong Institute of Surveyors effective from 1 January 2005.

Unless otherwise stated, all monetary sums stated in this report are in Renminbi (RMB).

Our summary of valuation and valuation certificate are attached herewith.

Yours faithfully,
for and on behalf of

Asset Appraisal Limited

Tse Wai Leung
MFin BSc MRICS MHKIS RPS(GP)
Director

Tse Wai Leung is a member of the Royal Institution of Chartered Surveyors, a member of The Hong Kong Institute of Surveyors, a Registered Professional Surveyor in General Practice and a qualified real estate appraiser in the PRC. He is on the list of Property Valuers for Undertaking Valuations for Incorporation or Reference in Listing Particulars and Circulars and Valuations in Connection with Takeovers and Mergers of the Hong Kong Institute of Surveyors, Registered Business Valuer under the Hong Kong Business Valuation Forum and has over 10 years' experience in valuation of properties in Hong Kong, in Macau and in the PRC.

SUMMARY OF VALUATION

Property	Market value in existing state as at 30 April 2012 <i>RMB</i>	Interest attributable to the Group as at 30 April 2012 <i>%</i>	Value of property interest attributable to the Group as at 30 April 2012 <i>RMB</i>
Group I – Property interests held and occupied by the Group			
1. Land, various buildings and structures located in southeastern side of Dong Da Qiao, Lili Town, Wujiang City, Jiangsu Province, the PRC.	136,500,000	100%	136,500,000
Sub-total:	<u>136,500,000</u>		<u>136,500,000</u>
Group II – Property rented by the Group			
2. Unit 2801, No. 319 Xianxia Road, Changning District, Shanghai City, the PRC.	No commercial value	–	No commercial value
Grand-total:	<u>136,500,000</u>		<u>136,500,000</u>

VALUATION CERTIFICATE

Group I – Property interests held and occupied by the Group

Property	Description and tenure	Particulars of occupancy	Market Value in existing state as at 30 April 2012 RMB
1. Land, various buildings and structures located in southeastern side of Dong Da Qiao, Lili Town, Wujiang City, Jiangsu Province, the PRC. (中國江蘇省吳江市黎里鎮東大橋南東側之土地、建築物及構築物)	The property comprises three parcels of industrial land with a total area of approximately 181,945.4 square metres abutting onto the Taipu River (太浦河). Currently, there are a total of 45 blocks of single to 4-storey buildings and ancillary structures are erected on the land. Those buildings and structures include dormitory, office buildings, warehouses, workshop, ancillary rooms, boiler room, canteen, chemical treatment plant, communication room, delivery room, distribution room, transformer room, generator room, guard room, laboratory, measuring room, pump room, shed and treatment room. Wharf and mooring facilities are for raw material and product transport are erected along the riverside of the property. The total gross floor area of the aforesaid buildings is approximately 32,667.42 square metres. The above buildings and ancillary structures were completed in between 2004 and 2011. The land use rights of a portion of the subject land with an area of 118,183.7 square metres have been granted for a term expiring on 30 November 2054 and 19 May 2059 for industrial use. The land use rights of another portion of the subject land with an area 19,387.7 square metres have been granted for a term of 50 years commencing on 1 December 2011 for industrial use.	The property is currently occupied by the Group for cement manufacturing purposes.	136,500,000 (100% interest attributable to the Group: 136,500,000)

Notes:

- As revealed from a State-owned Land Use Rights Contract dated 1 December 2004, the land use rights in a portion of the subject land with an area of 107,553.6 square metres were granted by the Wujiang Municipal Bureau of Land and Resources of Wujiang (吳江市國土資源局) to Suzhou Dongwu Cement Co., Ltd. (蘇州東吳水泥有限公司), an indirect wholly-owned subsidiary of the Company, for a land use right term of 50 years for industrial use. As confirmed by the Company, the land premium for the land grant has been settled in full by Suzhou Dongwu Cement Co., Ltd..
- Subsequently, a State-owned Land Use Rights Certificate (Ref: Wu Guo Yong (2004) Di No. 1004225 (吳國用(2004)第1004225號)) in relation to the aforesaid land portion with an area of 107,553.6 square metres was issued in the name of Suzhou Dongwu Cement Co., Ltd. on 3 December 2004. As mentioned in the Land Use Right Certificate, the land use rights have been granted for a term expiring on 30 November 2054 for industrial use.

3. As revealed from another State-owned Land Use Rights Contract dated 8 May 2009, the land use rights in another portion of the subject land with an area of 10,630.1 square metres were granted by the Wujiang Municipal Bureau of Land and Resources to Suzhou Dongwu Cement Co., Ltd. for a land use right term of 50 years for industrial use. As confirmed by the Company, the land premium of RMB2,678,760 for the land grant has been settled in full by Suzhou Dongwu Cement Co., Ltd..
4. Subsequently, a State-owned Land Use Rights Certificate (Ref: Wu Guo Yong (2010) Di No. 1007033 (吳國用(2010)第1007033號)) in relation to the aforesaid land portion with an area of 10,630.1 square metres was issued in the name of Suzhou Dongwu Cement Co., Ltd. on 17 December 2010. As mentioned in the Land Use Right Certificate, the land use rights have been granted for a term expiring on 19 May 2059 for industrial use.
5. As revealed from another State-owned Land Use Rights Contract dated 1 December 2011, the land use rights in relation to another portion (known as Lot No. WJ-G-2011-251) of the subject land with an area of 19,387.7 square metres were granted by the Wujiang Municipal Bureau of Land and Resources to Suzhou Dongwu Cement Co., Ltd. for a land use right of 50 years commencing from the date of the Land Use Rights Contract for industrial (non-metal product processing) use. As confirmed by the Company, the land premium of RMB5,583,658 for the land grant has been settled in full by Suzhou Dongwu Cement Co., Ltd..
6. Subsequently, a State-owned Land Use Rights Certificate (Ref: Wu Guo Yong (2012) Di No. 1007376 (吳國用(2012)第1007376號)) in relation to the aforesaid land portion with an area of 19,387.7 square metres was issued in the name of Suzhou Dongwu Cement Co., Ltd. on 17 February 2012. As mentioned in the Land Use Right Certificate, the land use rights have been granted for a term expiring on 31 December 2061 for industrial use.
7. As revealed from a Taipu River Waterway Construction Works Occupation Agreement (太浦河河道工程佔用合同) dated 11 February 2004, Suzhou Dongwu Cement Co., Ltd. has been granted by the Wujiang City Taipu River Work Administration Office (吳江市太浦河工程管理所) the rights to occupy and carry out operations on a strip of river bank land abutting to the Taipu River (太浦河) with an area of 44,374 square metres and a coastal line of approximately 730 metres for an unspecified term. The current land use fee payable by Suzhou Dongwu Cement Co., Ltd. is RMB180,000.
8. A Construction Works Occupation Agreement (河道工程佔用證) (Ref: Wu Shui (2011) Zhan Zhi No. 056 (吳水2011佔字第056號)) in relation to the aforesaid river bank land parcel was issued in the name of Suzhou Dongwu Cement Co., Ltd. by the Wujiang City Water Work Bureau (吳江市水利局) on 28 October 2011. The permit is valid for a period commencing on 12 March 2011 and expiring on 28 October 2012. As confirmed by the Company, such permit shall be renewed upon expiry when Suzhou Dongwu Cement Co., Ltd. passes the corporate evaluation.
9. As revealed by the Planning Permit on Land for Construction Use (建設用地規劃許可證) (Ref: Wu Cheng Qui (2003)030693 (吳城規(2003)030693)) on 29 September 2003, the permitted town planning use of the subject land parcel is manufacturing.
10. As revealed by the Planning Permit on Construction Works (建設工程規劃許可證) (Ref: Wu Cheng Qui (2003)030404 (吳城規(2003)030404)) dated 29 September 2003, the construction works of property with planned gross floor area of 44,400 square metres are in compliance with the construction work requirements and have been approved.
11. As revealed by the Working Permit on Construction Works (建築工程施工許可證) (Ref: 320525200411020301) issued by the Wujiang Construction Bureau (吳江市建設局) on 2 November 2004, the construction of the subject buildings has been allowed.
12. A Building Ownership Certificate (Ref: Wu Fang Quan Zheng Li Li Zi Di No. 05003082 (吳房權證黎里字第05003082號)) was issued in the name of Suzhou Dongwu Cement Co., Ltd. by the Municipal Government of Wujiang City in connection with 35 subject buildings of the property with a total gross floor area of 22,509.60 square metres.
13. Another Building Ownership Certificate (Ref: Wu Fang Quan Zheng Fen Hu Zi Di No. 06011569 (吳房權證汾湖字第06011569號)) dated 29 November 2011 was issued by the Wujiang City Housing and Construction Bureau (吳江市住房和城鄉建設局) in the name of Suzhou Dongwu Cement Co., Ltd. in connection with 2 subject buildings of the property with a total gross floor area of 976.25 square metres.

14. The Building Ownership Certificate of the remaining buildings with a total gross floor area of approximately 9,181.57 square metres has not yet been issued. In the course of our valuation, we have assumed that these buildings has been duly examined and approved by the relevant government authorities as safe for use and in compliance with all the relevant requirements for industrial use. In addition, we have assumed that Suzhou Dongwu Cement Co., Ltd. shall have no legal impediment and subject to no substantial costs for obtaining Building Ownership Certificates for these buildings.
15. In accordance with the information provided by the Group, the status of title and grant of major approvals and licences are as follows:
- | | | |
|---|-----|--|
| State-owned Land Use Rights Contract | Yes | |
| State-owned Land Use Rights Certificate | Yes | |
| River Work Occupation Permit | Yes | (regarding the river bank land parcel with an area of 44,374 square metres and a coastal line of 730 metres) |
| Construction Land Use Planning Permit | Yes | |
| Planning Permit for Construction Works | Yes | |
| Construction Works Commencement Permits | Yes | |
| Building Ownership Certificate | Yes | (regarding 37 subject buildings of the property with a total 23,485.85 square metres) |
16. The land use rights of one of the subject land parcels with an area of 107,553.6 square metres and building ownership rights 35 subject buildings of the property with a total gross floor area of 22,509.60 square metres are subject to a mortgage in favour of China Merchants Bank – Mudu Sub-Branch (招商銀行木瀆支行) for a maximum loan amount of RMB30,300,000 for a term commencing from 30 August 2010 to 30 August 2012.
17. We have ascribed no commercial value to the river bank land parcel with an area of 44,374 square metres on the ground that the land use rights held by Suzhou Dongwu Cement Co., Ltd. on the land parcel are non-assignable in nature.
18. The opinion from the PRC Legal Advisors of the Company on the property is as follows:
- i. Pursuant to a State-owned Land Use Rights Contract dated 1 December 2004, the land use rights in the subject land with an area of 107,553.6 square metres were granted by Wujiang Municipal Bureau of Land Resources to Suzhou Dongwu Cement Co., Ltd. for a land use right term of 50 years for industrial use. As confirmed by the Company, the land premium for the land grant has been settled in full by Suzhou Dongwu Cement Co., Ltd..
 - ii. Pursuant to a State-owned Land Use Rights Contract dated 8 May 2009, the land use rights in the subject land with an area of 10,630.1 square metres were granted by Wujiang Municipal Bureau of Land Resources to Suzhou Dongwu Cement Co., Ltd. for a land use right term of 50 years for industrial use. As confirmed by the Company, the land premium for the land grant has been settled in full by Suzhou Dongwu Cement Co., Ltd..
 - iii. Pursuant to a State-owned Land Use Rights Contract dated 1 December 2011, the land use rights in a portion of the subject land with an area of 19,387.7 square metres were granted by Wujiang Municipal Bureau of Land and Resources of Wujiang to Suzhou Dongwu Cement Co., Ltd. for a land use right term of 50 years for industrial use. As confirmed by the Company, the land premium for the land grant has been settled in full by Suzhou Dongwu Cement Co., Ltd..
 - iv. Suzhou Dongwu Cement Co., Ltd. has been issued with a State-owned Land Use Right Certificate (Ref: Wu Guo Yong (2004) Di No. 1004225 (吳國用(2004)第1004225號)) on 3 December 2004 of a portion of the subject land of the property with a site area of 107,553.6 square metres and holds the land use rights of the property for a term expiring on 30 November 2054 for industrial use.

- v. Suzhou Dongwu Cement Co., Ltd. has been issued with a State-owned Land Use Right Certificate (Ref: Wu Guo Yong (2010) Di No. 1007033 (吳國用(2010)第1007033號)) on 17 December 2010 of a portion of the subject land of the property with a site area of 10,630.1 square metres and holds the land use rights of the property for a term expiring on 19 May 2059 for industrial use.
- vi. Suzhou Dongwu Cement Co., Ltd. has been issued with a State-owned Land Use Right Certificate (Ref: Wu Guo Yong (2012) Di No. 1007376 (吳國用(2012)第1007376號)) on 17 February 2012 of a portion of the subject land of the property with a site area of 19,387.7 square metres and holds the land use rights of the property for a term expiring on 31 December 2061 for industrial use.
- vii. Suzhou Dongwu Cement Co., Ltd. has been issued with a Building Ownership Certificate (Ref: Wu Fang Quan Zheng Li Li Zi Di No. 05003082 (吳房權證黎里字第05003082號)) in connection with 35 subject buildings of the property with a total gross floor area of 22,509.60 square metres.
- viii. Suzhou Dongwu Cement Co., Ltd. has been issued with a Building Ownership Certificate (Ref: Wu Fang Quan Zheng Fen Hu Zi Di No. 06011569 (吳房權證汾湖字第06011569號)) on 29 November 2011 in connection with 2 subject buildings of the property with a total gross floor area of 976.25 square metres.
- ix. Pursuant to a maximum loan contract (Ref: 2010 Nian Su Yin Di Zi No. 6401100807 (2010年蘇招銀抵字第6401100807)) dated 10 August 2010, the land use rights of a portion of the subject land the property (as granted under the Land Use Rights Certificate Ref: Wu Guo Yong (2004) Di No. 1004225 (吳國用(2004)第1004225號)) with an area of 107,553.6 square metres and building ownership rights of 35 subject buildings of the property (as granted under the Building Ownership Right Certificates Ref: Wu Fang Quan Zheng Li Li Zi Di No. 05003082 (吳房權證黎里字第05003082號)) with a total gross floor area of 22,509.60 square metres are subject to a mortgage in favour of China Merchants Bank – Mudu Sub-Branch (招商銀行木瀆支行) for a maximum loan amount of RMB30,300,000 for a term commencing from 30 August 2010 to 30 August 2012. Suzhou Dongwu Cement Co., Ltd. is not entitled to transfer, lease, re-mortgage or by other means disposal of the mortgaged property without written consent form the mortgagee.
- x. The land use rights and the building ownership rights of the property are not subject to lawsuit, dispute, third party interests or any circumstance causing material adverse effect on them.
- xi. Suzhou Dongwu Cement Co., Ltd. is the sole legal owner of the land use rights of the 3 subject land parcels and building ownership rights of the 37 subject buildings of the property and has the rights to occupy, use, lease, transfer, mortgage or otherwise dispose of the land use rights and building ownership rights of them throughout the valid term stipulated in the State-owned Land Use Right Certificates.
- xii. Suzhou Dongwu Cement Co., Ltd. is not entitled to transfer, lease, re-mortgage or by other means disposal of the mortgaged property without written consent form the mortgagee within the mortgage period.
- xiii. For the portion of the subject land parcel with an area of 19,387.7 square metres of which land use right certificate has not yet been issued, Suzhou Dongwu Cement Co., Ltd. entered the Land Use Right Grant Contract with the Wujiang Municipal Bureau of Land Resources and applying for land use rights certificate. As confirmed by the Group, Suzhou Dongwu Cement Co., Ltd. has already paid off the land premium of the land grant and shall have no legal impediment for completing the land grant procedures and obtaining land use right certificate for the land parcel.
- xiv. The 3 subject land parcels of the property as mentioned above were originally transferred to Suzhou Dongwu Cement Co., Ltd. by Wujiang Lili Town Collectively-owned Asset Company (吳江市黎里鎮集體資產經營公司) in 2003. As Wujiang Municipal Government was not authorized to act as the grantor to grant the land use rights of the Property to Suzhou Dongwu Cement Co., Ltd., Suzhou Dongwu Cement Co., Ltd. was required to go through such formal land grant procedures as Land Use Right Grant Contract execution, settlement of land

premium and application of Land Use Right Certificate in order to secure the land use rights of the subject land parcels. Due to the maximum limit of land grant quota of the Government, the land grant procedures for the 3 subject land parcels could not be completed in one go but have to be processed in 3 phases of which the first and second phases covering a total land area of 118,183.7 square metres have been completed and the third phase (being Lot No. WJ-G-2011-251) covering a land area of 19,387.7 square metres have been completed subsequently. In this regard, the occupation of Lot No. WJ-G-2011-251 by Suzhou Dongwu Cement Co., Ltd. does not constitute illegal and unauthorized use of land and shall not subject to any punishments from the Government.

- xv. For the 5 out of 8 buildings of the property with a total gross floor area of 7,833.66 square metres of which the Building Ownership Certificate has not yet been issued on the ground that the relevant filing and registration procedures for their construction work completion have not yet been completed, Suzhou Dongwu Cement Co., Ltd. may be subject to penalty imposed under the Building Structure and Urban Facility Work Completion Examination Filing Administration Rules (房屋建築和市政基礎設施工程竣工驗收備案管理辦法). Pursuant to a Letter of Commitment issued by TSEUNG HOK MING (the controlling shareholder of Suzhou Dongwu Cement Co., Ltd.) has committed to indemnify the Company from any penalty and consequential loss arising from the aforesaid inconformity. As Suzhou Dongwu Cement Co., Ltd. has already obtained Planning Permit on Land for Construction Use (建設用地規劃許可證) (Ref: Wu Cheng Qui (2003)030693 (吳城規(2003)030693)), Planning Permit on Construction Work (建設工程規劃許可證) (Ref: Wu Cheng Qui (2003)030404 (吳城規(2003)030404)), Working Permit on Construction Works (建築工程施工許可證) (Ref: 320525200411020301) for the construction of the property with a planned land area and a planned gross floor area of 188,200 square metres and 44,400 square metres respectively and also own the land use rights of the land portion on which the aforesaid buildings are erected. In this regard, Suzhou Dongwu Cement Co., Ltd. has the rights to use the 5 subject buildings in the absence of Building Ownership Certificate. Even though Suzhou Dongwu Cement Co., Ltd. is penalized by the Government due to the failure to undergo work completion registration procedures, it shall not cause material impact on the business operations of Suzhou Dongwu Cement Co., Ltd..
- xvi. The remaining 3 buildings with a total gross floor area of 1,347.91 square metres which are erected on the river bank land of the property are not eligible to obtain Building Ownership Certificate. As long as Suzhou Dongwu Cement Co., Ltd. can renew the Construction Works Occupation Agreement (河道工程佔用證) by passing annual evaluation of the Government authorities, it is eligible to use the 3 aforesaid buildings. Further, the absence of the aforesaid 3 buildings, which are not being used for core production operations of Suzhou Dongwu Cement Co., Ltd., shall have no material impact on its business operations.
- xvii. The existing use of the property by Suzhou Dongwu Cement Co., Ltd. does not violate the permitted uses of the property.
- xviii. As revealed from a Taipu River Waterway Construction Works Occupation Agreement (太浦河河道工程佔用合同) dated 11 February 2004, Suzhou Dongwu Cement Co., Ltd. is entitled to occupy and carry out operations over a parcel of coastal land with an area of 44,374 square metres for an unspecified term at a current annual fee payment of RMB180,000.
- xix. As revealed from a Construction Works Occupation Agreement (河道工程佔用證) (Ref: Wu Shui (2011) Zhan Zi Di No. 056 (吳水(2011)佔字第056號)) dated 28 October 2011, Suzhou Dongwu Cement Co., Ltd. can occupy and manage the aforesaid river bank land parcel with an area of 44,374 square metres. The permit is valid for a period spanning between 12 March 2011 and 28 October 2012.

- xx. Suzhou Dongwu Cement Co., Ltd. has obtained a valid Construction Works Occupation Agreement (河道工程佔用證) and has paid annual fee for occupying the river bank land parcel and has successfully passed all annual evaluations to renew the river occupation permit since 2003. Its occupation of the river bank land does not violate the relevant PRC laws, regulations and directives governing occupation of river bank land. However, if the land parcel is required by the Government for river work, flood or drought prevention measures, Suzhou Dongwu Cement Co., Ltd. is required to vacate, clear and handover the river bank land parcel to the Government.

- xxi. the possibility of the river bank land parcel being resumed by the Government shall cause no operational risk to Suzhou Dongwu Cement Co., Ltd. as those facilities erected thereon can be relocated elsewhere of the property.

VALUATION CERTIFICATE

Group II – Property rented by the Group

Property	Description and tenure	Particulars of occupancy	Market Value in existing state as at 30 April 2012 RMB
2. Unit 2801, No. 319 Xianxia Road, Changning District, Shanghai City, the PRC. (中國上海市長寧區 仙霞路319號2801室)	The property comprises an office unit on Level 28 of a 31-storey office building which was completed in about 1999. The gross floor area of the property is approximately 200.51 square metres. The property is held by the Group under a tenancy for a term commencing on 1 January 2012 and expiring on 31 December 2012 at a annual rental of RMB800,000 inclusive of management fee, water and electricity charges.	The property is currently occupied by the Group as office.	No Commercial Value

Notes:

1. Pursuant to a tenancy agreement dated 30 December 2011, Suzhou Dongwu Cement Co., Ltd. (蘇州東吳水泥有限公司) rented the property from Shanghai Zhongze International Trading Co., Ltd. (上海中澤國際貿易有限公司) which is an independent third party for a term commencing on 1 January 2012 and expiring on 31 December 2012 at a annual rental of RMB800,000 inclusive of management fee, water and electricity charges.
2. The opinion from the PRC Legal Advisors of the Company on the property is as follows:
 - i. Shanghai Zhongze International Trading Co., Ltd. has been issued the Building Ownership Certificate of the property;
 - ii. Shanghai Zhongze International Trading Co., Ltd. as the sole legal owner of the property has the rights to enter into the tenancy agreement with Suzhou Dongwu Cement Co., Ltd., a wholly-owned subsidiary of the Company;
 - iii. The tenancy agreement of the property is legal, valid and enforceable between both parties. The tenancy agreement is currently still in force and the use of the property by Suzhou Dongwu Cement Co., Ltd. does not contravene any PRC laws and regulations;
 - iv. As at the date of the PRC legal opinion, the tenancy agreement has been registered in the relevant authority.

**APPENDIX IV SUMMARY OF THE CONSTITUTION OF OUR COMPANY
AND CAYMAN ISLANDS COMPANY LAW**

Set out below is a summary of certain provisions of the Memorandum and Articles of Association of the Company and of certain aspects of Cayman company law.

The Company was incorporated in the Cayman Islands as an exempted company with limited liability on 29 November, 2011 under the Companies Law, Cap 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands (the “Companies Law”). The Memorandum of Association (the “Memorandum”) and the Articles of Association (the “Articles”) comprise its constitution.

1. MEMORANDUM OF ASSOCIATION

- (a) The Memorandum states, inter alia, that the liability of members of the Company is limited to the amount, if any, for the time being unpaid on the Shares respectively held by them and that the objects for which the Company is established are unrestricted (including acting as an investment company), and that the Company shall have and be capable of exercising all the functions of a natural person of full capacity irrespective of any question of corporate benefit, as provided in section 27(2) of the Companies Law and in view of the fact that the Company is an exempted company that the Company will not trade in the Cayman Islands with any person, firm or corporation except in furtherance of the business of the Company carried on outside the Cayman Islands.
- (b) The Company may by special resolution alter its Memorandum with respect to any objects, powers or other matters specified therein.

2. ARTICLES OF ASSOCIATION

The Articles were conditionally adopted on 28 May 2012. The following is a summary of certain provisions of the Articles:

(a) Directors

(i) Power to allot and issue shares and warrants

Subject to the provisions of the Companies Law and the Memorandum and Articles and to any special rights conferred on the holders of any shares or class of shares, any share may be issued with or have attached thereto such rights, or such restrictions, whether with regard to dividend, voting, return of capital, or otherwise, as the Company may by ordinary resolution determine (or, in the absence of any such determination or so far as the same may not make specific provision, as the board may determine). Subject to the Companies Law, the rules of any Designated Stock Exchange (as defined in the Articles) and the Memorandum and Articles, any share may be issued on terms that, at the option of the Company or the holder thereof, they are liable to be redeemed.

The board may issue warrants conferring the right upon the holders thereof to subscribe for any class of shares or securities in the capital of the Company on such terms as it may from time to time determine.

Subject to the provisions of the Companies Law and the Articles and, where applicable, the rules of any Designated Stock Exchange (as defined in the Articles) and without prejudice to any special rights or restrictions for the time being attached to any shares or any class of shares, all unissued shares in the Company shall be at the disposal of the board, which may offer, allot, grant options over or otherwise dispose of them to such persons, at such times, for such consideration and on such terms and conditions as it in its absolute discretion thinks fit, but so that no shares shall be issued at a discount.

Neither the Company nor the board shall be obliged, when making or granting any allotment of, offer of, option over or disposal of shares, to make, or make available, any such allotment, offer, option or shares to members or others with registered addresses in any particular territory or territories being a territory or territories where, in the absence of a registration statement or other special formalities, this would or might, in the opinion of the board, be unlawful or impracticable. Members affected as a result of the foregoing sentence shall not be, or be deemed to be, a separate class of members for any purpose whatsoever.

(ii) Power to dispose of the assets of the Company or any subsidiary

There are no specific provisions in the Articles relating to the disposal of the assets of the Company or any of its subsidiaries. The Directors may, however, exercise all powers and do all acts and things which may be exercised or done or approved by the Company and which are not required by the Articles or the Companies Law to be exercised or done by the Company in general meeting.

(iii) Compensation or payments for loss of office

Pursuant to the Articles, payments to any Director or past Director of any sum by way of compensation for loss of office or as consideration for or in connection with his retirement from office (not being a payment to which the Director is contractually entitled) must be approved by the Company in general meeting.

(iv) Loans and provision of security for loans to Directors

There are provisions in the Articles prohibiting the making of loans to Directors.

(v) *Disclosure of interests in contracts with the Company or any of its subsidiaries.*

A Director may hold any other office or place of profit with the Company (except that of the auditor of the Company) in conjunction with his office of Director for such period and, subject to the Articles, upon such terms as the board may determine, and may be paid such extra remuneration therefor (whether by way of salary, commission, participation in profits or otherwise) in addition to any remuneration provided for by or pursuant to any other Articles. A Director may be or become a director or other officer of, or otherwise interested in, any company promoted by the Company or any other company in which the Company may be interested, and shall not be liable to account to the Company or the members for any remuneration, profits or other benefits received by him as a director, officer or member of, or from his interest in, such other company. Subject as otherwise provided by the Articles, the board may also cause the voting power conferred by the shares in any other company held or owned by the Company to be exercised in such manner in all respects as it thinks fit, including the exercise thereof in favour of any resolution appointing the Directors or any of them to be directors or officers of such other company, or voting or providing for the payment of remuneration to the directors or officers of such other company.

Subject to the Companies Law and the Articles, no Director or proposed or intended Director shall be disqualified by his office from contracting with the Company, either with regard to his tenure of any office or place of profit or as vendor, purchaser or in any other manner whatsoever, nor shall any such contract or any other contract or arrangement in which any Director is in any way interested be liable to be avoided, nor shall any Director so contracting or being so interested be liable to account to the Company or the members for any remuneration, profit or other benefits realized by any such contract or arrangement by reason of such Director holding that office or the fiduciary relationship thereby established. A Director who to his knowledge is in any way, whether directly or indirectly, interested in a contract or arrangement or proposed contract or arrangement with the Company shall declare the nature of his interest at the meeting of the board at which the question of entering into the contract or arrangement is first taken into consideration, if he knows his interest then exists, or in any other case, at the first meeting of the board after he knows that he is or has become so interested.

A Director shall not vote (nor be counted in the quorum) on any resolution of the board approving any contract or arrangement or other proposal in which he or any of his associates is materially interested, but this prohibition shall not apply to any of the following matters, namely:

- (aa) any contract or arrangement for giving to such Director or his associate(s) any security or indemnity in respect of money lent by him or any of his associates or obligations incurred or undertaken by him or any of his associates at the request of or for the benefit of the Company or any of its subsidiaries;

- (bb) any contract or arrangement for the giving of any security or indemnity to a third party in respect of a debt or obligation of the Company or any of its subsidiaries for which the Director or his associate(s) has himself/themselves assumed responsibility in whole or in part whether alone or jointly under a guarantee or indemnity or by the giving of security;
- (cc) any contract or arrangement concerning an offer of shares or debentures or other securities of or by the Company or any other company which the Company may promote or be interested in for subscription or purchase, where the Director or his associate(s) is/are or is/are to be interested as a participant in the underwriting or sub-underwriting of the offer;
- (dd) any contract or arrangement in which the Director or his associate(s) is/are interested in the same manner as other holders of shares or debentures or other securities of the Company by virtue only of his/their interest in shares or debentures or other securities of the Company; or
- (ee) any proposal or arrangement concerning the adoption, modification or operation of a share option scheme, a pension fund or retirement, death, or disability benefits scheme or other arrangement which relates both to Directors, his associates and employees of the Company or of any of its subsidiaries and does not provide in respect of any Director, or his associate(s), as such any privilege or advantage not accorded generally to the class of persons to which such scheme or fund relates.

(vi) *Remuneration*

The ordinary remuneration of the Directors shall from time to time be determined by the Company in general meeting, such sum (unless otherwise directed by the resolution by which it is voted) to be divided amongst the Directors in such proportions and in such manner as the board may agree or, failing agreement, equally, except that any Director holding office for part only of the period in respect of which the remuneration is payable shall only rank in such division in proportion to the time during such period for which he held office. The Directors shall also be entitled to be prepaid or repaid all travelling, hotel and incidental expenses reasonably expected to be incurred or incurred by them in attending any board meetings, committee meetings or general meetings or separate meetings of any class of shares or of debentures of the Company or otherwise in connection with the discharge of their duties as Directors.

Any Director who, by request, goes or resides abroad for any purpose of the Company or who performs services which in the opinion of the board go beyond the ordinary duties of a Director may be paid such extra remuneration (whether by way of salary, commission, participation in profits or otherwise) as the board may determine and such extra remuneration shall be in addition to or in substitution for any ordinary remuneration as a Director. An executive Director appointed to be a managing director, joint managing director, deputy managing director or other executive officer shall receive such remuneration (whether by way of salary, commission or participation in profits or otherwise or by all or any of those modes) and such other benefits (including pension and/or gratuity and/or other benefits on retirement) and allowances as the board may from time to time decide. Such remuneration may be either in addition to or in lieu of his remuneration as a Director.

The board may establish or concur or join with other companies (being subsidiary companies of the Company or companies with which it is associated in business) in establishing and making contributions out of the Company's monies to any schemes or funds for providing pensions, sickness or compassionate allowances, life assurance or other benefits for employees (which expression as used in this and the following paragraph shall include any Director or ex-Director who may hold or have held any executive office or any office of profit with the Company or any of its subsidiaries) and ex-employees of the Company and their dependents or any class or classes of such persons.

The board may pay, enter into agreements to pay or make grants of revocable or irrevocable, and either subject or not subject to any terms or conditions, pensions or other benefits to employees and ex-employees and their dependents, or to any of such persons, including pensions or benefits additional to those, if any, to which such employees or ex-employees or their dependents are or may become entitled under any such scheme or fund as is mentioned in the previous paragraph. Any such pension or benefit may, as the board considers desirable, be granted to an employee either before and in anticipation of, or upon or at any time after, his actual retirement.

(vii) Retirement, appointment and removal

At each annual general meeting, one third of the Directors for the time being (or if their number is not a multiple of three, then the number nearest to but not less than one third) will retire from office by rotation provided that every Director shall be subject to retirement at an annual general meeting at least once every three years. The Directors to retire in every year will be those who have been longest in office since their last re-election or appointment but as between persons who became or were last reelected Directors on the same day those to retire will (unless they otherwise agree among themselves) be determined by lot. There are no provisions relating to retirement of Directors upon reaching any age limit.

The Directors shall have the power from time to time and at any time to appoint any person as a Director either to fill a casual vacancy on the board or as an addition to the existing board. Any Director appointed to fill a casual vacancy shall hold office until the first general meeting of members after his appointment and be subject to re-election at such meeting and any Director appointed as an addition to the existing board shall hold office only until the next following annual general meeting of the Company and shall then be eligible for re-election. Neither a Director nor an alternate Director is required to hold any shares in the Company by way of qualification.

A Director may be removed by an ordinary resolution of the Company before the expiration of his period of office (but without prejudice to any claim which such Director may have for damages for any breach of any contract between him and the Company) and may by ordinary resolution appoint another in his place. Unless otherwise determined by the Company in general meeting, the number of Directors shall not be less than two. There is no maximum number of Directors.

The office of director shall be vacated:

- (aa) if he resigns his office by notice in writing delivered to the Company at the registered office of the Company for the time being or tendered at a meeting of the Board;
- (bb) becomes of unsound mind or dies;
- (cc) if, without special leave, he is absent from meetings of the board (unless an alternate director appointed by him attends) for six (6) consecutive months, and the board resolves that his office is vacated;
- (dd) if he becomes bankrupt or has a receiving order made against him or suspends payment or compounds with his creditors;
- (ee) if he is prohibited from being a director by law;
- (ff) if he ceases to be a director by virtue of any provision of law or is removed from office pursuant to the Articles.

The board may from time to time appoint one or more of its body to be managing director, joint managing director, or deputy managing director or to hold any other employment or executive office with the Company for such period and upon such terms as the board may determine and the board may revoke or terminate any of such appointments. The board may delegate any of its powers, authorities and discretions to committees consisting of such Director or Directors and other persons as the board thinks fit, and it may from time to time revoke such delegation or revoke the appointment of and discharge any such committees either wholly or in part, and either as to persons or purposes, but every committee so formed shall, in the exercise of the powers, authorities and discretions so delegated, conform to any regulations that may from time to time be imposed upon it by the board.

(viii) Borrowing powers

The board may exercise all the powers of the Company to raise or borrow money, to mortgage or charge all or any part of the undertaking, property and assets (present and future) and uncalled capital of the Company and, subject to the Companies Law, to issue debentures, bonds and other securities of the Company, whether outright or as collateral security for any debt, liability or obligation of the Company or of any third party.

Note: These provisions, in common with the Articles in general, can be varied with the sanction of a special resolution of the Company.

(ix) Proceedings of the Board

The board may meet for the despatch of business, adjourn and otherwise regulate their meetings as they think fit. Questions arising at any meeting shall be determined by a majority of votes. In the case of an equality of votes, the chairman of the meeting shall have an additional or casting vote.

(x) Register of Directors and Officers

The Companies Law and the Articles provide that the Company is required to maintain at its registered office a register of directors and officers which is not available for inspection by the public. A copy of such register must be filed with the Registrar of Companies in the Cayman Islands and any change must be notified to the Registrar within thirty (30) days of any change in such directors or officers.

(b) Alterations to constitutional documents

The Articles may be rescinded, altered or amended by the Company in general meeting by special resolution. The Articles state that a special resolution shall be required to alter the provisions of the Memorandum, to amend the Articles or to change the name of the Company.

(c) Alteration of capital

The Company may from time to time by ordinary resolution in accordance with the relevant provisions of the Companies Law:

- (i) increase its capital by such sum, to be divided into shares of such amounts as the resolution shall prescribe;
- (ii) consolidate and divide all or any of its capital into shares of larger amount than its existing shares;
- (iii) divide its shares into several classes and without prejudice to any special rights previously conferred on the holders of existing shares attach thereto respectively any preferential, deferred, qualified or special rights, privileges, conditions or restrictions as the Company in general meeting or as the directors may determine;
- (iv) sub-divide its shares or any of them into shares of smaller amount than is fixed by the Memorandum, subject nevertheless to the provisions of the Companies Law, and so that the resolution whereby any share is sub-divided may determine that, as between the holders of the shares resulting from such sub-division, one or more of the shares may have any such preferred or other special rights, over, or may have such deferred rights or be subject to any such restrictions as compared with the others as the Company has power to attach to unissued or new shares; or
- (v) cancel any shares which, at the date of passing of the resolution, have not been taken, or agreed to be taken, by any person, and diminish the amount of its capital by the amount of the shares so cancelled.

The Company may subject to the provisions of the Companies Law reduce its share capital or any capital redemption reserve or other undistributable reserve in any way by special resolution.

(d) Variation of rights of existing shares or classes of shares

Subject to the Companies Law, all or any of the special rights attached to the shares or any class of shares may (unless otherwise provided for by the terms of issue of that class) be varied, modified or abrogated either with the consent in writing of the holders of not less than three-fourths in nominal value of the issued shares of that class or with the sanction of a special resolution passed at a separate general meeting of the holders of the shares of that class. To every such separate general meeting the provisions of the Articles relating to general meetings will *mutatis mutandis* apply, but so that the necessary quorum (other than at an adjourned meeting) shall be two persons holding or representing by proxy not less than one-third in nominal value of the issued shares of that class and at any adjourned meeting two holders present in person or by proxy whatever the number of shares held by them shall be a quorum. Every holder of shares of the class shall be entitled to one vote for every such share held by him.

The special rights conferred upon the holders of any shares or class of shares shall not, unless otherwise expressly provided in the rights attaching to the terms of issue of such shares, be deemed to be varied by the creation or issue of further shares ranking *pari passu* therewith.

(e) Special resolution-majority required

Pursuant to the Articles, a special resolution of the Company must be passed by a majority of not less than three-fourths of the votes cast by such members as, being entitled so to do, vote in person or, in the case of such members as are corporations, by their duly authorized representatives or, where proxies are allowed, by proxy at a general meeting of which notice of not less than twenty-one (21) clear days and not less than ten (10) clear business days specifying the intention to propose the resolution as a special resolution, has been duly given. Provided that if permitted by the Designated Stock Exchange (as defined in the Articles), except in the case of an annual general meeting, if it is so agreed by a majority in number of the members having a right to attend and vote at such meeting, being a majority together holding not less than ninety-five per cent. (95%) in nominal value of the shares giving that right and, in the case of an annual general meeting, if so agreed by all Members entitled to attend and vote thereat, a resolution may be proposed and passed as a special resolution at a meeting of which notice of less than twenty-one (21) clear days and less than ten (10) clear business days has been given.

A copy of any special resolution must be forwarded to the Registrar of Companies in the Cayman Islands within fifteen (15) days of being passed.

An ordinary resolution is defined in the Articles to mean a resolution passed by a simple majority of the votes of such members of the Company as, being entitled to do so, vote in person or, in the case of corporations, by their duly authorized representatives or, where proxies are allowed, by proxy at a general meeting held in accordance with the Articles.

(f) Voting rights

Subject to any special rights or restrictions as to voting for the time being attached to any shares by or in accordance with the Articles, at any general meeting on a poll every member present in person or by proxy or, in the case of a member being a corporation, by its duly authorized representative shall have one vote for every fully paid share of which he is the holder but so that no amount paid up or credited as paid up on a share in advance of calls or installments is treated for the foregoing purposes as paid up on the share. A member entitled to more than one vote need not use all his votes or cast all the votes he uses in the same way.

At any general meeting a resolution put to the vote of the meeting is to be decided by way of a poll save that the chairman of the meeting may in good faith, allow a resolution which relates purely to a procedural or administrative matter to be voted on by a show of hands in which case every member present in person (or being a corporation, is present by a duly authorized representative), or by proxy(ies) shall have one vote provided that where more than one proxy is appointed by a member which is a clearing house (or its nominee(s)), each such proxy shall have one vote on a show of hands.

If a recognised clearing house (or its nominee(s)) is a member of the Company, it may authorize such person or persons as it thinks fit to act as its representative(s) at any meeting of the Company or at any meeting of any class of members of the Company provided that, if more than one person is so authorized, the authorization shall specify the number and class of shares in respect of which each such person is so authorized. A person authorized pursuant to this provision shall be deemed to have been duly authorized without further evidence of the facts and be entitled to exercise the same powers on behalf of the recognised clearing house (or its nominee(s)) as if such person was the registered holder of the shares of the Company held by that clearing house (or its nominee(s)) including, where a show of hands is allowed, the right to vote individually on a show of hands.

Where the Company has any knowledge that any shareholder is, under the rules of the Designated Stock Exchange (as defined in the Articles), required to abstain from voting on any particular resolution of the Company or restricted to voting only for or only against any particular resolution of the Company, any votes cast by or on behalf of such shareholder in contravention of such requirement or restriction shall not be counted.

(g) Requirements for annual general meetings

An annual general meeting of the Company must be held in each year, other than the year of adoption of the Articles (within a period of not more than fifteen (15) months after the holding of the last preceding annual general meeting or a period of eighteen (18) months from the date of adoption of the Articles, unless a longer period would not infringe the rules of any Designated Stock Exchange (as defined in the Articles)) at such time and place as may be determined by the board.

(h) Accounts and audit

The board shall cause true accounts to be kept of the sums of money received and expended by the Company, and the matters in respect of which such receipt and expenditure take place, and of the property, assets, credits and liabilities of the Company and of all other matters required by the Companies Law or necessary to give a true and fair view of the Company's affairs and to explain its transactions.

The accounting records shall be kept at the registered office or at such other place or places as the board decides and shall always be open to inspection by any Director. No member (other than a Director) shall have any right to inspect any accounting record or book or document of the Company except as conferred by law or authorized by the board or the Company in general meeting.

A copy of every balance sheet and profit and loss account (including every document required by law to be annexed thereto) which is to be laid before the Company at its general meeting, together with a printed copy of the Directors' report and a copy of the auditors' report, shall not less than twenty-one (21) days before the date of the meeting and at the same time as the notice of annual general meeting be sent to every person entitled to receive notices of general meetings of the Company under the provisions the Articles; however, subject to compliance with all applicable laws, including the rules of the Designated Stock Exchange (as defined in the Articles), the Company may send to such persons summarised financial statements derived from the Company's annual accounts and the directors' report instead provided that any such person may by notice in writing served on the Company, demand that the Company sends to him, in addition to summarised financial statements, a complete printed copy of the Company's annual financial statement and the directors' report thereon.

Auditors shall be appointed and the terms and tenure of such appointment and their duties at all times regulated in accordance with the provisions of the Articles. The remuneration of the auditors shall be fixed by the Company in general meeting or in such manner as the members may determine.

The financial statements of the Company shall be audited by the auditor in accordance with generally accepted auditing standards. The auditor shall make a written report thereon in accordance with generally accepted auditing standards and the report of the auditor shall be submitted to the members in general meeting. The generally accepted auditing standards referred to herein may be those of a country or jurisdiction other than the Cayman Islands. If so, the financial statements and the report of the auditor should disclose this fact and name such country or jurisdiction.

(i) Notices of meetings and business to be conducted thereat

An annual general meeting shall be called by notice of not less than twenty-one (21) clear days and not less than twenty (20) clear business days and any extraordinary general meeting at which it is proposed to pass a special resolution shall (save as set out in sub-paragraph (e) above) be called by notice of at least twenty-one (21) clear days and not less than ten (10) clear business days. All other extraordinary general meetings shall be called by notice of at least fourteen (14) clear days and not less than ten (10) clear business days. The notice must specify the time and place of the meeting and, in the case of special business, the general nature of that business. In addition, notice of every general meeting shall be given to all members of the Company other than such as, under the provisions of the Articles or the terms of issue of the shares they hold, are not entitled to receive such notices from the Company, and also to the auditors for the time being of the Company.

Notwithstanding that a meeting of the Company is called by shorter notice than that mentioned above if permitted by the rules of the Designated Stock Exchange, it shall be deemed to have been duly called if it is so agreed:

- (i) in the case of a meeting called as an annual general meeting, by all members of the Company entitled to attend and vote thereat; and
- (ii) in the case of any other meeting, by a majority in number of the members having a right to attend and vote at the meeting, being a majority together holding not less than ninety-five per cent (95%) in nominal value of the issued shares giving that right.

All business shall be deemed special that is transacted at an extraordinary general meeting and also all business shall be deemed special that is transacted at an annual general meeting with the exception of the following, which shall be deemed ordinary business:

- (aa) the declaration and sanctioning of dividends;
- (bb) the consideration and adoption of the accounts and balance sheet and the reports of the directors and the auditors;
- (cc) the election of directors in place of those retiring;
- (dd) the appointment of auditors and other officers;
- (ee) the fixing of the remuneration of the directors and of the auditors;

- (ff) the granting of any mandate or authority to the directors to offer, allot, grant options over or otherwise dispose of the unissued shares of the Company representing not more than twenty per cent (20%) in nominal value of its existing issued share capital; and
- (gg) the granting of any mandate or authority to the directors to repurchase securities of the Company.

(j) Transfer of shares

All transfers of shares may be effected by an instrument of transfer in the usual or common form or in a form prescribed by the Designated Stock Exchange (as defined in the Articles) or in such other form as the board may approve and which may be under hand or, if the transferor or transferee is a clearing house or its nominee(s), by hand or by machine imprinted signature or by such other manner of execution as the board may approve from time to time. The instrument of transfer shall be executed by or on behalf of the transferor and the transferee provided that the board may dispense with the execution of the instrument of transfer by the transferee in any case in which it thinks fit, in its discretion, to do so and the transferor shall be deemed to remain the holder of the share until the name of the transferee is entered in the register of members in respect thereof. The board may also resolve either generally or in any particular case, upon request by either the transferor or the transferee, to accept mechanically executed transfers.

The board in so far as permitted by any applicable law may, in its absolute discretion, at any time and from time to time transfer any share upon the principal register to any branch register or any share on any branch register to the principal register or any other branch register.

Unless the board otherwise agrees, no shares on the principal register shall be transferred to any branch register nor may shares on any branch register be transferred to the principal register or any other branch register. All transfers and other documents of title shall be lodged for registration and registered, in the case of shares on a branch register, at the relevant registration office and, in the case of shares on the principal register, at the registered office in the Cayman Islands or such other place at which the principal register is kept in accordance with the Companies Law.

The board may, in its absolute discretion, and without assigning any reason, refuse to register a transfer of any share (not being a fully paid up share) to a person of whom it does not approve or any share issued under any share incentive scheme for employees upon which a restriction on transfer imposed thereby still subsists, and it may also refuse to register any transfer of any share to more than four joint holders or any transfer of any share (not being a fully paid up share) on which the Company has a lien.

The board may decline to recognise any instrument of transfer unless a fee of such maximum sum as any Designated Stock Exchange (as defined in the Articles) may determine to be payable or such lesser sum as the Directors may from time to time require is paid to the Company in respect thereof, the instrument of transfer, if applicable, is properly stamped, is in respect of only one class of share and is lodged at the relevant registration office or registered office or such other place at which the principal register is kept accompanied by the relevant share certificate(s) and such other evidence as the board may reasonably require to show the right of the transferor to make the transfer (and if the instrument of transfer is executed by some other person on his behalf, the authority of that person so to do).

The registration of transfers may be suspended and the register closed on giving notice by advertisement in a relevant newspaper and, where applicable, any other newspapers in accordance with the requirements of any Designated Stock Exchange (as defined in the Articles), at such times and for such periods as the board may determine and either generally or in respect of any class of shares. The register of members shall not be closed for periods exceeding in the whole thirty (30) days in any year.

(k) Power for the Company to purchase its own shares

The Company is empowered by the Companies Law and the Articles to purchase its own Shares subject to certain restrictions and the Board may only exercise this power on behalf of the Company subject to any applicable requirements imposed from time to time by any Designated Stock Exchange (as defined in the Articles).

(l) Power for any subsidiary of the Company to own shares in the Company and financial assistance to purchase shares of the Company

There are no provisions in the Articles relating to ownership of shares in the Company by a subsidiary.

Subject to compliance with the rules and regulations of the Designated Stock Exchange (as defined in the Articles) and any other relevant regulatory authority, the Company may give financial assistance for the purpose of or in connection with a purchase made or to be made by any person of any shares in the Company.

(m) Dividends and other methods of distribution

Subject to the Companies Law, the Company in general meeting may declare dividends in any currency to be paid to the members but no dividend shall be declared in excess of the amount recommended by the board.

The Articles provide dividends may be declared and paid out of the profits of the Company, realized or unrealized, or from any reserve set aside from profits which the directors determine is no longer needed. With the sanction of an ordinary resolution, dividends may also be declared and paid out of share premium account or any other fund or account which can be authorized for this purpose in accordance with the Companies Law.

Except in so far as the rights attaching to, or the terms of issue of, any share may otherwise provide, (i) all dividends shall be declared and paid according to the amounts paid up on the shares in respect whereof the dividend is paid but no amount paid up on a share in advance of calls shall for this purpose be treated as paid up on the share and (ii) all dividends shall be apportioned and paid pro rata according to the amount paid up on the shares during any portion or portions of the period in respect of which the dividend is paid. The Directors may deduct from any dividend or other monies payable to any member or in respect of any shares all sums of money (if any) presently payable by him to the Company on account of calls or otherwise.

Whenever the board or the Company in general meeting has resolved that a dividend be paid or declared on the share capital of the Company, the board may further resolve either (a) that such dividend be satisfied wholly or in part in the form of an allotment of shares credited as fully paid up, provided that the shareholders entitled thereto will be entitled to elect to receive such dividend (or part thereof) in cash in lieu of such allotment, or (b) that shareholders entitled to such dividend will be entitled to elect to receive an allotment of shares credited as fully paid up in lieu of the whole or such part of the dividend as the board may think fit. The Company may also upon the recommendation of the board by an ordinary resolution resolve in respect of any one particular dividend of the Company that it may be satisfied wholly in the form of an allotment of shares credited as fully paid up without offering any right to shareholders to elect to receive such dividend in cash in lieu of such allotment.

Any dividend, interest or other sum payable in cash to the holder of shares may be paid by cheque or warrant sent through the post addressed to the holder at his registered address, or in the case of joint holders, addressed to the holder whose name stands first in the register of the Company in respect of the shares at his address as appearing in the register or addressed to such person and at such addresses as the holder or joint holders may in writing direct. Every such cheque or warrant shall, unless the holder or joint holders otherwise direct, be made payable to the order of the holder or, in the case of joint holders, to the order of the holder whose name stands first on the register in respect of such shares, and shall be sent at his or their risk and payment of the cheque or warrant by the bank on which it is drawn shall constitute a good discharge to the Company. Any one of two or more joint holders may give effectual receipts for any dividends or other moneys payable or property distributable in respect of the shares held by such joint holders.

Whenever the board or the Company in general meeting has resolved that a dividend be paid or declared, the board may further resolve that such dividend be satisfied wholly or in part by the distribution of specific assets of any kind.

All dividends or bonuses unclaimed for one year after having been declared may be invested or otherwise made use of by the board for the benefit of the Company until claimed and the Company shall not be constituted a trustee in respect thereof. All dividends or bonuses unclaimed for six years after having been declared may be forfeited by the board and shall revert to the Company.

No dividend or other monies payable by the Company on or in respect of any share shall bear interest against the Company.

(n) Proxies

Any member of the Company entitled to attend and vote at a meeting of the Company is entitled to appoint another person as his proxy to attend and vote instead of him. A member who is the holder of two or more shares may appoint more than one proxy to represent him and vote on his behalf at a general meeting of the Company or at a class meeting. A proxy need not be a member of the Company and shall be entitled to exercise the same powers on behalf of a member who is an individual and for whom he acts as proxy as such member could exercise. In addition, a proxy shall be entitled to exercise the same powers on behalf of a member which is a corporation and for which he acts as proxy as such member could exercise if it were an individual member. Votes may be given either personally (or, in the case of a member being a corporation, by its duly authorized representative) or by proxy.

(o) Call on shares and forfeiture of shares

Subject to the Articles and to the terms of allotment, the board may from time to time make such calls upon the members in respect of any monies unpaid on the shares held by them respectively (whether on account of the nominal value of the shares or by way of premium). A call may be made payable either in one lump sum or by installments. If the sum payable in respect of any call or instalment is not paid on or before the day appointed for payment thereof, the person or persons from whom the sum is due shall pay interest on the same at such rate not exceeding twenty per cent. (20%) per annum as the board may agree to accept from the day appointed for the payment thereof to the time of actual payment, but the board may waive payment of such interest wholly or in part. The board may, if it thinks fit, receive from any member willing to advance the same, either in money or money's worth, all or any part of the monies uncalled and unpaid or installments payable upon any shares held by him, and upon all or any of the monies so advanced the Company may pay interest at such rate (if any) as the board may decide.

If a member fails to pay any call on the day appointed for payment thereof, the board may serve not less than fourteen (14) clear days' notice on him requiring payment of so much of the call as is unpaid, together with any interest which may have accrued and which may still accrue up to the date of actual payment and stating that, in the event of nonpayment at or before the time appointed, the shares in respect of which the call was made will be liable to be forfeited.

If the requirements of any such notice are not complied with, any share in respect of which the notice has been given may at any time thereafter, before the payment required by the notice has been made, be forfeited by a resolution of the board to that effect. Such forfeiture will include all dividends and bonuses declared in respect of the forfeited share and not actually paid before the forfeiture.

A person whose shares have been forfeited shall cease to be a member in respect of the forfeited shares but shall, notwithstanding, remain liable to pay to the Company all monies which, at the date of forfeiture, were payable by him to the Company in respect of the shares, together with (if the board shall in its discretion so require) interest thereon from the date of forfeiture until the date of actual payment at such rate not exceeding twenty per cent. (20%) per annum as the board determines.

(p) Inspection of register of members

Pursuant to the Articles, the register and branch register of members shall be open to inspection for at least two (2) hours during business hours by members without charge, or by any other person upon a maximum payment of HK\$2.50 or such lesser sum specified by the board, at the registered office or such other place at which the register is kept in accordance with the Companies Law or, upon a maximum payment of HK\$1.00 or such lesser sum specified by the board, at the Registration Office (as defined in the Articles), unless the register is closed in accordance with the Articles.

(q) Quorum for meetings and separate class meetings

No business shall be transacted at any general meeting unless a quorum is present when the meeting proceeds to business, but the absence of a quorum shall not preclude the appointment of a chairman.

Save as otherwise provided by the Articles, the quorum for a general meeting shall be two members present in person (or, in the case of a member being a corporation, by its duly authorized representative) or by proxy and entitled to vote. In respect of a separate class meeting (other than an adjourned meeting) convened to sanction the modification of class rights, the necessary quorum shall be two persons holding or representing by proxy not less than one-third in nominal value of the issued shares of that class.

A corporation being a member shall be deemed, for the purpose of the Articles, to be present in person if represented by its duly authorized representative, being the person appointed by resolution of the directors or other governing body of such corporation to act as its representative at the relevant general meeting of the Company or at any relevant general meeting of any class of members of the Company.

(r) Rights of the minorities in relation to fraud or oppression

There are no provisions in the Articles relating to rights of minority shareholders in relation to fraud or oppression. However, certain remedies are available to shareholders of the Company under Cayman law, as summarised in paragraph 3(f) of this Appendix.

(s) Procedures on liquidation

A resolution that the Company be wound up by the court or be wound up voluntarily shall be a special resolution.

Subject to any special rights, privileges or restrictions as to the distribution of available surplus assets on liquidation for the time being attached to any class or classes of shares (i) if the Company shall be wound up and the assets available for distribution amongst the members of the Company shall be more than sufficient to repay the whole of the capital paid up at the commencement of the winding up, the excess shall be distributed *pari passu* amongst such members in proportion to the amount paid up on the shares held by them respectively and (ii) if the Company shall be wound up and the assets available for distribution amongst the members as such shall be insufficient to repay the whole of the paid-up capital, such assets shall be distributed so that, as nearly as may be, the losses shall be borne by the members in proportion to the capital paid up, or which ought to have been paid up, at the commencement of the winding up on the shares held by them respectively.

If the Company shall be wound up (whether the liquidation is voluntary or by the court) the liquidator may, with the authority of a special resolution and any other sanction required by the Companies Law divide among the members in specie or kind the whole or any part of the assets of the Company whether the assets shall consist of property of one kind or shall consist of properties of different kinds and the liquidator may, for such purpose, set such value as he deems fair upon any one or more class or classes of property to be divided as aforesaid and may determine how such division shall be carried out as between the members or different classes of members. The liquidator may, with the like authority, vest any part of the assets in trustees upon such trusts for the benefit of members as the liquidator, with the like authority, shall think fit, but so that no contributory shall be compelled to accept any shares or other property in respect of which there is a liability.

(t) Untraceable members

Pursuant to the Articles, the Company may sell any of the shares of a member who is untraceable if (i) all cheques or warrants in respect of dividends of the shares in question (being not less than three in total number) for any sum payable in cash to the holder of such shares have remained uncashed for a period of 12 years; (ii) upon the expiry of the 12 year period, the Company has not during that time received any indication of the existence of the member; and (iii) the Company has caused an advertisement to be published in accordance with the rules

of the Designated Stock Exchange (as defined in the Articles) giving notice of its intention to sell such shares and a period of three (3) months, or such shorter period as may be permitted by the Designated Stock Exchange (as defined in the Articles), has elapsed since the date of such advertisement and the Designated Stock Exchange (as defined in the Articles) has been notified of such intention. The net proceeds of any such sale shall belong to the Company and upon receipt by the Company of such net proceeds, it shall become indebted to the former member of the Company for an amount equal to such net proceeds.

(u) Subscription rights reserve

The Articles provide that to the extent that it is not prohibited by and is in compliance with the Companies Law, if warrants to subscribe for shares have been issued by the Company and the Company does any act or engages in any transaction which would result in the subscription price of such warrants being reduced below the par value of a share, a subscription rights reserve shall be established and applied in paying up the difference between the subscription price and the par value of a share on any exercise of the warrants.

3. CAYMAN ISLANDS COMPANY LAW

The Company is incorporated in the Cayman Islands subject to the Companies Law and, therefore, operates subject to Cayman law. Set out below is a summary of certain provisions of Cayman company law, although this does not purport to contain all applicable qualifications and exceptions or to be a complete review of all matters of Cayman company law and taxation, which may differ from equivalent provisions in jurisdictions with which interested parties may be more familiar:

(a) Operations

As an exempted company, the Company's operations must be conducted mainly outside the Cayman Islands. The Company is required to file an annual return each year with the Registrar of Companies of the Cayman Islands and pay a fee which is based on the amount of its authorized share capital.

(b) Share capital

The Companies Law provides that where a company issues shares at a premium, whether for cash or otherwise, a sum equal to the aggregate amount of the value of the premiums on those shares shall be transferred to an account, to be called the "share premium account". At the option of a company, these provisions may not apply to premiums on shares of that company allotted pursuant to any arrangement in consideration of the acquisition or cancellation of shares in any other company and issued at a premium. The Companies Law provides that the share premium account may be applied by the company subject to the provisions, if any, of its memorandum and articles of association in (a) paying distributions or dividends to members; (b) paying up unissued shares of the company to be issued to members as fully paid bonus

shares; (c) the redemption and repurchase of shares (subject to the provisions of section 37 of the Companies Law); (d) writing-off the preliminary expenses of the company; and (e) writing-off the expenses of, or the commission paid or discount allowed on, any issue of shares or debentures of the company.

No distribution or dividend may be paid to members out of the share premium account unless immediately following the date on which the distribution or dividend is proposed to be paid, the company will be able to pay its debts as they fall due in the ordinary course business.

The Companies Law provides that, subject to confirmation by the Grand Court of the Cayman Islands (the “Court”), a company limited by shares or a company limited by guarantee and having a share capital may, if so authorized by its articles of association, by special resolution reduce its share capital in any way.

The Articles includes certain protections for holders of special classes of shares, requiring their consent to be obtained before their rights may be varied. The consent of the specified proportions of the holders of the issued shares of that class or the sanction of a resolution passed at a separate meeting of the holders of those shares is required.

(c) Financial assistance to purchase shares of a company or its holding company

Subject to all applicable laws, the Company may give financial assistance to Directors and employees of the Company, its subsidiaries, its holding company or any subsidiary of such holding company in order that they may buy Shares in the Company or shares in any subsidiary or holding company. Further, subject to all applicable laws, the Company may give financial assistance to a trustee for the acquisition of Shares in the Company or shares in any such subsidiary or holding company to be held for the benefit of employees of the Company, its subsidiaries, any holding company of the Company or any subsidiary of any such holding company (including salaried Directors).

There is no statutory restriction in the Cayman Islands on the provision of financial assistance by a company to another person for the purchase of, or subscription for, its own or its holding company’s shares. Accordingly, a company may provide financial assistance if the directors of the company consider, in discharging their duties of care and acting in good faith, for a proper purpose and in the interests of the company, that such assistance can properly be given. Such assistance should be on an arm’s-length basis.

(d) Purchase of shares and warrants by a company and its subsidiaries

Subject to the provisions of the Companies Law, a company limited by shares or a company limited by guarantee and having a share capital may, if so authorized by its articles of association, issue shares which are to be redeemed or are liable to be redeemed at the option of the company or a shareholder and the Companies Law expressly provides that it shall be lawful for the rights attaching to any shares to be varied, subject to the provisions of the company's articles of association, so as to provide that such shares are to be or are liable to be so redeemed. In addition, such a company may, if authorized to do so by its articles of association, purchase its own shares, including any redeemable shares. However, if the articles of association do not authorize the manner and terms of purchase, a company cannot purchase any of its own shares unless the manner and terms of purchase have first been authorized by an ordinary resolution of the company. At no time may a company redeem or purchase its shares unless they are fully paid. A company may not redeem or purchase any of its shares if, as a result of the redemption or purchase, there would no longer be any issued shares of the company other than shares held as treasury shares. A payment out of capital by a company for the redemption or purchase of its own shares is not lawful unless immediately following the date on which the payment is proposed to be made, the company shall be able to pay its debts as they fall due in the ordinary course of business.

Shares purchased by a company shall be treated as cancelled unless, subject to the memorandum and articles of association of the company, the directors of the company resolve to hold such shares in the name of the company as treasury shares prior to the purchase. Where shares of a company are held as treasury shares, the company shall be entered in the register of members as holding those shares, however, notwithstanding the foregoing, the company shall not be treated as a member for any purpose and shall not exercise any right in respect of the treasury shares, and any purported exercise of such a right shall be void, and a treasury share shall not be voted, directly or indirectly, at any meeting of the company and shall not be counted in determining the total number of issued shares at any given time, whether for the purposes of the company's articles of association or the Companies Law. Further, no dividend may be declared or paid, and no other distribution (whether in cash or otherwise) of the company's assets (including any distribution of assets to members on a winding up) may be made to the company, in respect of a treasury share.

A company is not prohibited from purchasing and may purchase its own warrants subject to and in accordance with the terms and conditions of the relevant warrant instrument or certificate. There is no requirement under Cayman Islands law that a company's memorandum or articles of association contain a specific provision enabling such purchases and the directors of a company may rely upon the general power contained in its memorandum of association to buy and sell and deal in personal property of all kinds.

Under Cayman Islands law, a subsidiary may hold shares in its holding company and, in certain circumstances, may acquire such shares.

(e) Dividends and distributions

With the exception of section 34 of the Companies Law, there is no statutory provisions relating to the payment of dividends. Based upon English case law, which is regarded as persuasive in the Cayman Islands, dividends may be paid only out of profits. In addition, section 34 of the Companies Law permits, subject to a solvency test and the provisions, if any, of the company's memorandum and articles of association, the payment of dividends and distributions out of the share premium account (see paragraph 2(m) above for further details).

(f) Protection of minorities

The Cayman Islands courts ordinarily would be expected to follow English case law precedents which permit a minority shareholder to commence a representative action against or derivative actions in the name of the company to challenge (a) an act which is ultra vires the company or illegal, (b) an act which constitutes a fraud against the minority and the wrongdoers are themselves in control of the company, and (c) an irregularity in the passing of a resolution which requires a qualified (or special) majority.

In the case of a company (not being a bank) having a share capital divided into shares, the Court may, on the application of members holding not less than one fifth of the shares of the company in issue, appoint an inspector to examine into the affairs of the company and to report thereon in such manner as the Court shall direct.

Any shareholder of a company may petition the Court which may make a winding up order if the Court is of the opinion that it is just and equitable that the company should be wound up or, as an alternative to a winding up order, (a) an order regulating the conduct of the company's affairs in the future, (b) an order requiring the company to refrain from doing or continuing an act complained of by the shareholder petitioner or to do an act which the shareholder petitioner has complained it has omitted to do, (c) an order authorizing civil proceedings to be brought in the name and on behalf of the company by the shareholder petitioner on such terms as the Court may direct, or (d) an order providing for the purchase of the shares of any shareholders of the company by other shareholders or by the company itself and, in the case of a purchase by the company itself, a reduction of the company's capital accordingly.

Generally claims against a company by its shareholders must be based on the general laws of contract or tort applicable in the Cayman Islands or their individual rights as shareholders as established by the company's memorandum and articles of association.

(g) Management

The Companies Law contains no specific restrictions on the power of directors to dispose of assets of a company. However, as a matter of general law, every officer of a company, which includes a director, managing director and secretary, in exercising his powers and discharging his duties must do so honestly and in good faith with a view to the best interests of the company and exercise the care, diligence and skill that a reasonably prudent person would exercise in comparable circumstances.

(h) Accounting and auditing requirements

A company shall cause proper books of account to be kept with respect to (i) all sums of money received and expended by the company and the matters in respect of which the receipt and expenditure takes place; (ii) all sales and purchases of goods by the company; and (iii) the assets and liabilities of the company.

Proper books of account shall not be deemed to be kept if there are not kept such books as are necessary to give a true and fair view of the state of the company's affairs and to explain its transactions.

(i) Exchange control

There are no exchange control regulations or currency restrictions in the Cayman Islands.

(j) Taxation

Pursuant to section 6 of the Tax Concessions Law (1999 Revision) of the Cayman Islands, the Company has obtained an undertaking from the Governor-in-Cabinet:

- (1) that no law which is enacted in the Cayman Islands imposing any tax to be levied on profits, income, gains or appreciation shall apply to the Company or its operations; and
- (2) that the aforesaid tax or any tax in the nature of estate duty or inheritance tax shall not be payable on or in respect of the shares, debentures or other obligations of the Company.

The undertaking for the Company is for a period of twenty years from 20 December 2011.

The Cayman Islands currently levy no taxes on individuals or corporations based upon profits, income, gains or appreciations and there is no taxation in the nature of inheritance tax or estate duty. There are no other taxes likely to be material to the Company levied by the Government of the Cayman Islands save certain stamp duties which may be applicable, from time to time, on certain instruments executed in or brought within the jurisdiction of the Cayman Islands. The Cayman Islands are not party to any double tax treaties.

(k) Stamp duty on transfers

No stamp duty is payable in the Cayman Islands on transfers of shares of Cayman Islands companies except those which hold interests in land in the Cayman Islands.

(l) Loans to directors

There is no express provision in the Companies Law prohibiting the making of loans by a company to any of its directors.

(m) Inspection of corporate records

Members of the Company will have no general right under the Companies Law to inspect or obtain copies of the register of members or corporate records of the Company. They will, however, have such rights as may be set out in the Company's Articles.

An exempted company may maintain its principal register of members and any branch registers at such locations, whether within or without the Cayman Islands, as the directors may, from time to time, think fit. A branch register shall be kept in the same manner in which a principal register is by the Companies Law required or permitted to be kept. The company shall cause to be kept at the place where the company's principal register is kept a duplicate of any branch register duly entered up from time to time. There is no requirement under the Companies Law for an exempted company to make any returns of members to the Registrar of Companies of the Cayman Islands. The names and addresses of the members are, accordingly, not a matter of public record and are not available for public inspection.

(n) Winding up

A company may be wound up compulsorily by order of the Court voluntarily; or, under supervision of the Court. The Court has authority to order winding up in a number of specified circumstances including where it is, in the opinion of the Court, just and equitable to do so.

A company may be wound up voluntarily when the members so resolve in general meeting by special resolution, or, in the case of a limited duration company, when the period fixed for the duration of the company by its memorandum or articles expires, or the event occurs on the occurrence of which the memorandum or articles provides that the company is to be dissolved,

or, the company does not commence business for a year from its incorporation (or suspends its business for a year), or, the company is unable to pay its debts. In the case of a voluntary winding up, such company is obliged to cease to carry on its business from the time of passing the resolution for voluntary winding up or upon the expiry of the period or the occurrence of the event referred to above.

For the purpose of conducting the proceedings in winding up a company and assisting the Court, there may be appointed one or more than one person to be called an official liquidator or official liquidators; and the Court may appoint to such office such qualified person or persons, either provisionally or otherwise, as it thinks fit, and if more persons than one are appointed to such office, the Court shall declare whether any act hereby required or authorized to be done by the official liquidator is to be done by all or any one or more of such persons. The Court may also determine whether any and what security is to be given by an official liquidator on his appointment; if no official liquidator is appointed, or during any vacancy in such office, all the property of the company shall be in the custody of the Court. A person shall be qualified to accept an appointment as an official liquidator if he is duly qualified in terms of the Insolvency Practitioners Regulations. A foreign practitioner may be appointed to act jointly with a qualified insolvency practitioner.

In the case of a members' voluntary winding up of a company, the company in general meeting must appoint one or more liquidators for the purpose of winding up the affairs of the company and distributing its assets. A declaration of solvency must be signed by all the directors of a company being voluntarily wound up within twenty-eight (28) days of the commencement of the liquidation, failing which, its liquidator must apply to Court for an order that the liquidation continue under the supervision of the Court.

Upon the appointment of a liquidator, the responsibility for the company's affairs rests entirely in his hands and no future executive action may be carried out without his approval. A liquidator's duties are to collect the assets of the company (including the amount (if any) due from the contributories), settle the list of creditors and, subject to the rights of preferred and secured creditors and to any subordination agreements or rights of set-off or netting of claims, discharge the company's liability to them (*pari passu* if insufficient assets exist to discharge the liabilities in full) and to settle the list of contributories (shareholders) and divide the surplus assets (if any) amongst them in accordance with the rights attaching to the shares.

As soon as the affairs of the company are fully wound up, the liquidator must make up an account of the winding up, showing how the winding up has been conducted and the property of the company has been disposed of, and thereupon call a general meeting of the company for the purposes of laying before it the account and giving an explanation thereof. At least twenty-one (21) days before the final meeting, the liquidator shall send a notice specifying the time, place and object of the meeting to each contributory in any manner authorized by the company's articles of association and published in the Gazette in the Cayman Islands.

(o) Reconstructions

There are statutory provisions which facilitate reconstructions and amalgamations approved by a majority in number representing seventy-five per cent. (75%) in value of shareholders or class of shareholders or creditors, as the case may be, as are present at a meeting called for such purpose and thereafter sanctioned by the Court. Whilst a dissenting shareholder would have the right to express to the Court his view that the transaction for which approval is sought would not provide the shareholders with a fair value for their shares, the Court is unlikely to disapprove the transaction on that ground alone in the absence of evidence of fraud or bad faith on behalf of management.

(p) Compulsory acquisition

Where an offer is made by a company for the shares of another company and, within four (4) months of the offer, the holders of not less than ninety per cent. (90%) of the shares which are the subject of the offer accept, the offeror may at any time within two (2) months after the expiration of the said four (4) months, by notice in the prescribed manner require the dissenting shareholders to transfer their shares on the terms of the offer. A dissenting shareholder may apply to the Court within one (1) month of the notice objecting to the transfer. The burden is on the dissenting shareholder to show that the Court should exercise its discretion, which it will be unlikely to do unless there is evidence of fraud or bad faith or collusion as between the offeror and the holders of the shares who have accepted the offer as a means of unfairly forcing out minority shareholders.

(q) Indemnification

Cayman Islands law does not limit the extent to which a company's articles of association may provide for indemnification of officers and directors, except to the extent any such provision may be held by the court to be contrary to public policy (e.g. for purporting to provide indemnification against the consequences of committing a crime).

4. GENERAL

Conyers Dill & Pearman (Cayman) Limited, the Company's special legal counsel on Cayman Islands law, have sent to the Company a letter of advice summarising certain aspects of Cayman Islands company law. This letter, together with a copy of the Companies Law, is available for inspection as referred to in the paragraph headed "Documents available for inspection" in Appendix VI. Any person wishing to have a detailed summary of Cayman Islands company law or advice on the differences between it and the laws of any jurisdiction with which he is more familiar is recommended to seek independent legal advice.

A. FURTHER INFORMATION ABOUT OUR GROUP**1. Incorporation**

Our Company was incorporated in the Cayman Islands under the Cayman Companies Law as an exempted company with limited liability on 29 November 2011. Our Company is registered as a non-Hong Kong company under Part XI of the Companies Ordinance on 29 February 2012 and our Company's principal place of business in Hong Kong is at Unit 4308, Far East Finance Centre, 16 Harcourt Road, Admiralty, Hong Kong. Li & Partners has been appointed as the authorized representative of our Company for the acceptance of services of process and notices in Hong Kong.

As our Company was incorporated in the Cayman Islands, it operates subject to the relevant laws of the Cayman Islands and its constitution which comprises a memorandum of association and articles of association. A summary of the relevant aspects of the company law in the Cayman Islands and certain provisions of the Articles of Association is set out in Appendix V to this prospectus.

2. Changes in share capital of our Company

Our Company was incorporated with an authorized share capital of HK\$10,000 divided into 10,000 shares of HK\$1.00 each.

On 29 November 2011, 1 share of HK\$1.00 was allotted and issued to our Company's initial subscriber at par value, which was then transferred to Goldview on the same date. On 29 November 2011, an additional fully paid 69 shares of HK\$1.00 each and 30 shares of HK\$1.00 each were allotted and issued to Goldview and Concord at par value respectively.

On 28 May 2012, the Shareholders have resolved, among other things, to (i) 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, and (ii) increase the authorized share capital from HK\$10,000 to HK\$100,000,000 divided into 10,000,000,000 Shares of a par value of HK\$0.01 each by the creation of an additional 9,999,000,000 Shares.

Immediately following completion of the Global Offering and the Capitalization Issue and assuming that the Over-allotment Option is not exercised, the authorized share capital of our Company will be HK\$100,000,000 divided into 10,000,000,000 Shares, of which 500,000,000 Shares will be issued fully paid or credited as fully paid, and 9,500,000,000 Shares will remain unissued. Other than pursuant to the general mandate to issue Shares referred to in the paragraph headed "Written resolutions of our Shareholders passed on 28 May 2012" in this Appendix, our Directors do not have any present intention to issue any of the authorized but unissued share capital of our Company and, without prior approval of the Shareholders in general meeting, no issue of Shares will be made which would effectively alter the control of our Company.

Saved as disclosed in this Appendix, there has been no alternation in the share capital of our Company since the date of our incorporation.

3. Change in share capital of our subsidiaries

The alternations in the share capital (or registered capital, as the case might be) of our subsidiaries which have taken place within two years preceding the date of this prospectus are set out as follows:

Dongwu Cement

At the time of establishment, Jiangsu Orient and Orient Expressway (HK) held 75% and 25% equity interests, respectively, in Dongwu Cement.

Accordingly, on 20 April 2006, Jiangsu Orient and Orient Expressway (HK) entered into an equity transfer agreement pursuant to which Jiangsu Orient transferred its 75% equity interest in Dongwu Cement to Orient Expressway (HK) at a consideration of RMB40,748,000, being the bidding price at the public auction held on 24 January 2006. The above equity transfer was approved by Wujiang Municipal Bureau of Foreign Trade and Economic Cooperation (吳江市對外貿易經濟合作局) on 24 April 2006. An updated business licence was granted to Dongwu Cement on 26 April 2006. Upon completion of this equity transfer, Jiangsu Orient ceased to hold any equity interest in Dongwu Cement and Dongwu Cement has since then become a wholly-owned subsidiary of Orient Expressway (HK).

On 1 December 2008, Dongwu Cement resolved to increase its registered capital from US\$15 million to US\$25 million. In connection with this capital increase, Far East International had contributed US\$2 million, US\$3 million, US\$2.5 million and US\$2.5 million to Dongwu Cement on 24 December 2008, 28 April 2009, 3 July 2009 and 6 December 2010 as its increased share capital, respectively.

On 26 December 2011, Far East International and Dongwu HK entered into the Reorganization Equity Transfer Agreement pursuant to which Far East International transferred its 100% equity interest in Dongwu Cement to Dongwu HK at a consideration of US\$33 million. The above equity transfer was approved by Wujiang Municipal Bureau of Commerce (吳江市商務局) on 27 December 2011. An updated business licence was granted to Dongwu Cement on 28 December 2011. Upon completion of this equity transfer, Dongwu Cement became a wholly-owned subsidiary of Dongwu HK.

Save as described above and in the section headed “Company History and Reorganization” in this prospectus, there has been no other alteration in the share capital of the subsidiaries of our Company within the two years preceding the date of this prospectus.

4. Written resolutions of our Shareholders passed on 28 May 2012

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

- (a) our Company conditionally approved and adopted the Articles of Association;

- (b) 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;
- (c) the authorized share capital of our Company was increased from HK\$10,000 to HK\$100,000,000 by the creation of an additional 9,999,000,000 Shares;
- (d) conditional on (i) the Listing Committee of the Hong Kong Stock Exchange granting the listing of, and permission to deal in, the Shares in issue and to be issued as mentioned in this prospectus (including any additional Shares which may be issued pursuant to the Over-allotment Option or the exercise of any options which may be granted under the Share Option Scheme); (ii) the entering into of the agreement on the Offer Price between the Sole Global Coordinator (acting for itself and on behalf of the Underwriters) and our Company (acting of ourselves and on behalf of the Selling Shareholder) on the Price Determination Date; and (iii) the obligations of the Underwriters under the Underwriting Agreements becoming unconditional and not being terminated in accordance with the terms therein or otherwise, in each case on or before such dates as may be specified in the Underwriting Agreements:
 - (i) the Global Offering and the Over-allotment Option were approved and our Directors were authorized to allot and issue new Shares under the Global Offering and such number of Shares as may be allotted and issued upon the exercise of the Over-allotment Option;
 - (ii) conditional on the share premium account of our 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 our Company by applying such sum in paying up in full at par 424,990,000 Shares for allotment and issue to the persons whose names appear on the register of members of our Company at 8:00 a.m. (Hong Kong time on the Listing Date) in proportion to their respective shareholdings (as nearly as possible without involving fractions) in our Company, and the Shares to be allotted and issued shall rank pari passu in all respects with the existing issued Shares (the “Capitalization Issue”);
 - (iii) the rules of the Share Option Scheme were approved and adopted, and our Directors were authorized, at their absolute discretion, to (i) administer the Share Option Scheme, (ii) modify/amend the Share Option Scheme from time to time as requested by the Hong Kong Stock Exchange, (iii) grant options to subscribe for Shares under the Share Option Scheme, (iv) allot, issue and deal with the Shares issued pursuant to the Share Option Scheme, (v) make application at the appropriate time or times to the Hong Kong Stock Exchange for the listing of, and permission to deal in, any Shares or any part thereof that may hereafter from time to time be issued and allotted pursuant to the exercise of the options granted under the Share Option Scheme, and (vi) take all such steps as they consider necessary or desirable to implement the Share Option Scheme;

- (e) a general unconditional mandate was given to our Directors to allot, issue and deal with (including the power to make an offer or agreement, or grant securities which would or might require Shares to be allotted and issued), otherwise than pursuant to a rights issue or pursuant to any scrip dividend schemes or similar arrangements providing for the allotment and issue of Shares in lieu of the whole or part of a dividend on Shares in accordance with the Articles of Association or pursuant to the grant of options under the Share Option Scheme or other similar arrangement or pursuant to a specific authority granted by our Shareholders in a general meeting, Shares with a total nominal value not exceeding 20% of the aggregate nominal value of the share capital of our Company in issue and to be issued immediately following completion of the Global Offering and the Capitalization Issue but without taking into account any Shares which may be allotted and issued upon exercise of the Over-allotment Option and the options which may be granted under the Share Option Scheme, such mandate to remain in effect until whichever is the earliest of: (i) the conclusion of the next annual general meeting of our Company, (ii) the expiration of the period within which the next annual general meeting of our Company is required by the Articles of Association or any applicable laws to be held, or (iii) until revoked or varied by an ordinary resolution of our Shareholders in general meeting of our Company;
- (f) a general unconditional mandate was given to our Directors to exercise all powers of our Company to repurchase on the Hong Kong Stock Exchange or on any other stock exchange on which the securities of our Company may be listed and which is recognized by the SFC and the Hong Kong Stock Exchange for this purpose such number of Shares as will represent up to 10% of the aggregate nominal value of the share capital of our Company in issue immediately following completion of the Global Offering and the Capitalization Issue but without taking into account any Shares which may be allotted and issued upon exercise of the Over-allotment Option and the options which may be granted under the Share Option Scheme, such mandate to remain in effect until whichever is the earliest of: (i) the conclusion of the next annual general meeting of our Company, (ii) the expiration of the period within which the next annual general meeting of our Company is required by the Articles of Association or any applicable laws to be held, or (iii) until revoked or varied by an ordinary resolution of our Shareholders in general meeting of our Company, and
- (g) the general unconditional mandate mentioned in paragraph (e) above was extended by the addition to the aggregate nominal value of the share capital of our Company which may be allotted or agreed conditionally or unconditionally to be allotted, issued or dealt by our Directors pursuant to such general mandate of an amount representing the aggregate nominal value of the share capital of our Company repurchased by our Company pursuant to the mandate to repurchase Shares referred to in paragraph (f) above provided that such extended amount shall not exceed 10% of the aggregate of the total nominal value of the share capital of the Company in issue and to be issued immediately following completion of the Global Offering and the Capitalization Issue but without taking into account any Shares which may be allotted and issued upon exercise of the Over-allotment Option and the options that were granted under the Share Option Scheme.

5. Repurchase of our Shares

This section includes information relating to the repurchases of securities, including information required by the Hong Kong Stock Exchange to be included in this prospectus concerning such repurchase.

(a) *Provisions of the Listing Rules*

The Listing Rules permit companies whose primary listing is on the Hong Kong Stock Exchange to repurchase their securities on the Hong Kong Stock Exchange subject to certain restrictions, the most important of which are summarized below:

(i) *Shareholders' approval*

All proposed repurchases of Shares must be approved in advance by an ordinary resolution of the Shareholders in a general meeting, either by way of general mandate or by specific approval of a particular transaction.

Pursuant to the written resolutions passed on 28 May 2012 by all our Shareholders, a general unconditional mandate (the "Repurchase Mandate") was granted to the Directors to exercise all powers of our Company to repurchase on the Hong Kong Stock Exchange, or on any other stock exchange on which the securities of our Company may be listed and which is recognized by the SFC and the Hong Kong Stock Exchange for this purpose, in accordance with all applicable laws and the requirements of the Listing Rules or equivalent rules or regulations of such other stock exchange, such number of Shares with an aggregate nominal value not exceeding 10% of the aggregate nominal amount of the share capital of our Company in issue or to be issued immediately following completion of the Global Offering and the Capitalization Issue (without taking into account of any Shares which may be allotted and issued pursuant to the exercise of the Over-allotment Option and options that may be granted under the Share Option Scheme), at any time until the conclusion of the next annual general meeting of our Company, the expiration of the period within which the next annual general meeting of our Company is required by any applicable laws or the Articles of Association to be held or when such mandate is revoked or varied by an ordinary resolution of then Shareholders in general meeting, whichever is the earliest.

(ii) *Source of funds*

Any repurchases of Shares by us must be paid out of funds legally available for the purpose in accordance with the Articles of Association, the Listing Rules and the Cayman Companies Law. We are not permitted to repurchase our Shares on the Hong Kong Stock Exchange for a consideration other than cash or for settlement otherwise than in accordance with the trading rules of the Hong Kong Stock Exchange from time to time.

(b) Reasons for repurchases

Our Directors believe that it is in the best interests of our Company and our Shareholders for our Directors to have general authority from the Shareholders to enable our Company to repurchase Shares in the market. Such repurchases may, depending on the market conditions and funding arrangements at the time, lead to an enhancement of the net asset value per Share and/or earnings per Share and will only be made when our Directors believe that such repurchases will benefit our Company and our Shareholders.

(c) Funding of repurchases

In repurchasing Shares, our Company may only apply funds legally available for such purpose in accordance with the Articles of Association, the Listing Rules and the Cayman Companies Law. Any repurchase of Shares will be made out of the profits of our Company, or out of a fresh issue of Shares made for the purpose of the purchases or, if authorized by the Articles of Association and subject to the Cayman Companies Law, out of capital and, in the case of any premium payable on the purchase, out of either or both of the profits of our Company or from sum standing to the credit of the share premium account of our Company, or if authorized by the Articles of Association and subject to the Cayman Companies Law, out of capital.

On the basis of our Company's current financial position as disclosed in this prospectus and taking into account its current working capital position, our Directors consider that, if the Repurchase Mandate is exercised in full, it might have a material position disclosed in this prospectus. However, our Directors do not propose to exercise the Repurchase Mandate to such an extent as would, in the circumstances, have a material adverse effect on the working capital requirements of our Company or its gearing levels which, in the opinion of our Directors, as from time to time appropriate for our Company.

(d) General

None of our Directors nor, to the best of their knowledge, having made all reasonable enquiries, any of their respective associates (as defined in the Listing Rules), has any present intention to sell any Shares to our Company or its subsidiaries.

The Directors have undertaken to the Hong Kong Stock Exchange that, so far as the same may be applicable, they will exercise the Repurchase Mandate in accordance with the Listing Rules and the applicable laws and regulations of the Cayman Islands.

If, as a result of a securities repurchase pursuant to the Repurchase Mandate, a shareholder's proportionate interest in the voting rights is increased, such increase will be treated as acquisition for the purposes of the Hong Kong Takeovers Code. Accordingly, a shareholder or a group of shareholders acting in concert could obtain or consolidate control of our Company and become obliged to make a mandatory offer in accordance with Rule 26 of the Takeovers Code. Save as aforesaid, our Directors are not aware of any consequences which would arise under the Takeovers Code as a consequence of any repurchases pursuant to the Repurchase Mandate.

No connected person has notified our Company that he/she or it has a present intention to sell Shares to our Company, or has undertaken not to do so, if the Repurchase Mandate is exercised.

6. The Reorganization

The companies comprising the Group underwent the Reorganization in preparation for the listing of the Shares on the Hong Kong Stock Exchange. For information with regard to our Reorganization, please refer to the section “Company History and Reorganization” in this prospectus for details.

7. Particulars of our PRC subsidiary

Our Company has the following subsidiary established in the PRC, the basic information of which as at the Latest Practicable Date is set out as follows:

Dongwu Cement

Date of Incorporation:	5 June 2003
Term:	5 June 2003 – 4 June 2053
Nature:	limited liability company (wholly foreign owned)
Registered capital:	US\$25,000,000
Attributable interest:	100%
Scope of business:	manufacture of clinker, cement and related products as well as sales of self-produced products

B. FURTHER INFORMATION ABOUT OUR BUSINESS

1. Summary of the Material Contracts

The following contracts (not being contracts entered into in the ordinary course of business) have been entered into by our Group within the two years preceding the date of this prospectus and are or may be material:


- (a) the Reorganization Equity Transfer Agreement dated 26 December 2011 entered into between Far East International and Dongwu HK, pursuant to which Far East International transferred 100% equity interest in Dongwu Cement to Dongwu HK at a consideration of US\$33 million;
- (b) the Dongwu HK Novation Deed dated 27 December 2011 entered into among Far East International, Dongwu HK and our Company, pursuant to which our Company has agreed to pay, on behalf of Dongwu HK, the consideration of US\$33 million payable under the Reorganization Equity Transfer Agreement to Far East International whilst Far East International has agreed to discharge Dongwu HK’s payment obligations under the Reorganization Equity Transfer Agreement;

- (c) the Company Novation Deed dated 27 December 2011 entered into among Far East International, our Company, Goldview and Concord, pursuant to which Goldview and Concord have agreed to pay, on behalf of our Company, the consideration of US\$33 million payable under the Dongwu HK Novation Deed to Far East International in proportion to their then respective shareholdings in our Company whilst Far East International has agreed to discharge our Company's payment obligations under the Dongwu HK Novation Deed;
- (d) an equity transfer agreement dated 27 December 2011 entered into between Dongwu Cement and Orient Hengxin Capital Holding Group Company Limited (東方恒信資本控股集團有限公司, "Orient Hengxin"), pursuant to which Dongwu Cement has agreed to transfer 6.667% equity interest in Wujiang Luxiang Rural Small Loan Co., Ltd. (吳江市鱸鄉農村小額貸款股份有限公司) to Orient Hengxin at a consideration of RMB20 million;
- (e) an equity transfer agreement (the "Rongshengda Equity Transfer Agreement") dated 27 December 2011 entered into between Dongwu Cement and Orient Hengxin, pursuant to which Dongwu Cement has agreed to transfer 4.789% equity interest in Suzhou Rongshengda Investment Holdings Co., Ltd. (蘇州融盛達投資控股有限公司) to Orient Hengxin at a consideration (the "Consideration") of RMB2 million;
- (f) a supplementary agreement to the Rongshengda Equity Transfer Agreement dated 31 December 2011 entered into between Dongwu Cement and Orient Hengxin, pursuant to which Orient Hengxin has agreed to increase the Consideration from RMB2 million to RMB2.096 million;
- (g) the Deed of Non-competition dated 28 May 2012 entered into among the Covenantors and our Company, details of which are disclosed in the section headed "Relationship with Controlling Shareholders" in this prospectus;
- (h) a deed of indemnity dated 28 May 2012 entered into among the Indemnifiers and our Company, pursuant to which the Indemnifiers have agreed to give certain indemnities in favour of our Company for itself and as trustee for its subsidiaries; and
- (i) the Hong Kong Underwriting Agreement.

2. Intellectual properties rights of our Group

(a) Trademarks

As of the Latest Practicable Date, our Group has registered the following trademarks in the PRC:

Trademark	Place of Registration	Class	Registration Number	Registration Date	Expiry Date
	PRC	19	3753953	14 April 2006	13 April 2016

As of the Latest Practicable Date, our Group has registered the following trademarks in Hong Kong:

Trademark	Place of Application	Class(es)	Registration Number	Registration Date
A. 	Hong Kong	19, 35	30207222	31 October 2011
B. 				
	Hong Kong	19, 35	302072204	31 October 2011
A. 	Hong Kong	19, 35	302074392	2 November 2011
B. 				

(b) Domain name

As of the Latest Practicable Date, our Group had registered the following domain names:

Domain Name	Registered Owner	Expiry Date
WWW.DONGWUCEMENT.COM	Dongwu Cement	3 February 2015
WWW.DONGWUCEMENT.CN	Dongwu Cement	3 February 2015

C. DISCLOSURE OF INTERESTS**1. Interests and short position of Directors and the chief executive in the shares, underlying shares or debentures of our Company and its associated corporations**

Immediately following completion of the Global Offering (assuming the Over-allotment Option will not be exercised) and the Capitalization Issue, based on the information available on the Latest Practicable Date, the interests or short positions of the Directors and the chief executive of our Company in the shares, underlying shares and debentures of our Company and its associated corporations (within the meaning of part XV of the SFO) which will have to be notified to our Company and the Hong Kong Stock Exchange pursuant to divisions 7 and 8 of part XV of the SFO (including interests and short positions which he is taken or deemed to have under such provisions of the SFO) or which will be required, pursuant to section 352 of the SFO, to be recorded in the register referred to therein or which will be required to be notified to our Company and the Hong Kong Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies contained in appendix 10 to the Listing Rules, will be as follows:

Name of Director	Capacity/ Nature of interest	Number of Shares	Approximate percentage of shareholding interest (%)
Mr. Tseung	Interest of controlled corporation/ Long position ^(Note 1)	297,500,000	59.5%
Mr. Jin	Interest of controlled corporation/ Long position ^(Note 2)	77,500,000	15.5%

Notes:

1. Mr. Tseung is deemed to be interested in the Shares held by Goldview by virtue of Goldview being wholly-owned and controlled by Mr. Tseung.
2. Mr. Jin is deemed to be interested in the Shares held by Concord by virtue of Concord being wholly-owned and controlled by Mr. Jin.

Save as disclosed above, based on the information available on the Latest Practicable Date, immediately following completion of the Global Offering (assuming the Over-allotment Option will not be exercised) and the Capitalization Issue, none of the Directors or chief executive of our Company has any interest or short position in the shares, underlying shares or debentures of our Company or any of its associate corporations which will have to be notified to our Company and the Hong Kong Stock Exchange pursuant to divisions 7 and 8 of part XV of the SFO (including interests and short positions which he will be taken or deemed to have under the SFO), or which will be required, pursuant to section 352 of the SFO, to be entered in the register referred to therein or which will be required,

pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers as set out in appendix 10 to the Listing Rules relating to securities transactions by Directors to be notified to our Company and the Hong Kong Stock Exchange once our Shares are listed.

2. Interests and short positions of substantial shareholders in the shares or underlying shares of our Company

Information on person(s), not being Directors or chief executive of our Company, who (based on the information available on the Latest Practicable Date) will have, immediately following the Global Offering (assuming the Over-allotment Option will not be exercised) and the Capitalization Issue, the interests or short positions in the shares or underlying shares of our Company which will fall to be disclosed to our Company under the provisions of divisions 2 and 3 of part XV of the SFO is set out below:

Name	Capacity/ Nature of interest	Number of Shares	Approximate percentage of shareholding interest (%)
Goldview	Beneficial owner/ Long position ^(Note 1)	297,500,000	59.5%
Concord	Beneficial owner/ Long position ^(Note 2)	77,500,000	15.5%

Notes:

1. The entire issued share capital of Goldview is legally and beneficially owned by Mr. Tseung, who is deemed to be interested in the Shares held by Goldview by virtue of Goldview being his wholly-owned company.
2. The entire issued share capital of Concord is legally and beneficially owned by Mr. Jin, who is deemed to be interested in the Shares held by Concord by virtue of Concord being his wholly-owned company.

Save as set out above, based on the information available on the Latest Practicable Date, taking no account of any Shares which may be taken up under the Global Offering, the Directors are not aware of any person (not being a Director or chief executive of our Company) who will, immediately following the completion of the Global Offering and the Capitalization Issue, be interested, directly or indirectly, in an interest or short position in the shares or underlying Shares of our Company which would fall to be disclosed to our Company under the provisions of divisions 2 and 3 of part XV of the SFO.

3. Interests of the substantial shareholders of any member of our Group (other than our Company)

Save as set out above, the Directors are not aware of any person (not being a Director or chief executive of our Company) who will, immediately following the completion of the Global Offering and the Capitalization Issue, be interested, directly or indirectly, in 10% or more of the nominal amount of any class of share capital carrying rights to vote in all circumstances at general meetings of any member of our Group (other than our Company) or any options in respect of such capital.

4. Particulars of service contracts

(a) Executive Directors

Each of the executive Directors has entered into a service contract with our Company for an initial term of three years with effect from their respective dates of appointment unless terminated by not less than three months' notice in writing served by either the executive Director or our Company.

Under their respective service contracts, the executive Director is entitled to a fixed basic salary. In other certain circumstances, the agreement can also be terminated by our Company, including but not limited to certain breaches of the Directors' obligations under the agreement or certain misconducts. The appointments of the executive Directors are also subject to the provisions of retirement and rotation of Directors under the Articles of Association. The executive Directors are officially stationed in the PRC, but may be required to work in Hong Kong or in other places, as may be determined by the Board of Directors from time to time.

The service contracts further provide that during the term of the service contract and within one year upon the termination of service, each executive Director cannot engage in any business which is competing or is likely to compete, either directly or indirectly, with the business of our Group unless otherwise approved by our Company in general meeting.

(b) Non-executive Director and independent non-executive Directors

The non-executive Director and each of the independent non-executive Directors has signed an appointment letter with our Company for a term of three years with effect from their respective dates of appointment.

Under their respective appointment letters, the non-executive Director and each of the independent non-executive Directors is entitled to a monthly salary. The appointments are subject to the provisions of retirement and rotation of Directors under the Articles of Association.

(c) Others

- (i) Save as disclosed above, none of the Directors has entered into any service contract with any member of our Group (excluding contracts expiring or determinable by the employer within one year without payment of compensation other than statutory compensation).
- (ii) For the three years ended 31 December 2009, 2010 and 2011, the aggregate of the remuneration (including fees, salaries, contributions to pension schemes, housing allowances and other allowances and discretionary bonuses) paid and benefits granted to our Directors was nil, nil and nil. Details of the Directors' remuneration are also set out in note 29 to the Accountant's Report set out in Appendix I to this prospectus.
- (iii) Under the arrangements currently in force, the aggregate of the remuneration and benefits in kind payable to the Directors for the year ending 31 December 2012 is estimated to be approximately RMB825,000.
- (iv) None of the directors or any past directors of any member of our Group has been paid any sum of money for the three years ended 31 December 2009, 2010 and 2011 (i) as an inducement to join or upon joining our Company or (ii) for loss of office as a director of any member of our Group or of any other office in connection with the management of the affairs of any member of our Group.
- (v) There has been no arrangement under which a Director has waived or agreed to waive any remuneration or benefits in kind for the three years ended 31 December 2009, 2010 and 2011.

5. Agency fees or commissions received

None of the Directors, the promoter (if any) of our Company or the persons named under "Consent of experts" in this Appendix had received any discounts, brokerages or other special terms, agency fees or commissions from our Group in connection with the issue or sale of any capital of any member of our Group within the two years immediately preceding the date of this prospectus.

The Underwriters will receive such commission(s), fee(s) and/or expense(s) as mentioned in the section headed "Underwriting" in this prospectus.

6. Disclaimers

- (a) Save as disclosed in this prospectus, none of the Directors or any of the persons whose names are listed in the paragraph headed "Consent of experts" in this Appendix are directly or indirectly interested in the promotion of our Company or in any assets which have

been, within the two years immediately preceding the date of this prospectus, acquired or disposed of by or leased to any member of our Group, or are proposed to be acquired or disposed of by or leased to any member of our Group.

- (b) Save as set out above, none of the Directors nor any of the persons whose names are listed in the paragraph headed “Consent of experts” in this Appendix are materially interested in any contract or arrangement subsisting at the date of this prospectus which is significant in relation to the business of our Group.
- (c) Save as set out in the sections headed “Underwriting” and “Structure of the Global Offering”, none of the persons whose names are listed in the paragraph headed “Consent of experts” in this Appendix have any shareholding in any member of our Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for shares in any member of our Group or is an officer or a servant or partner of or in the employment of an officer or a servant of our Group.
- (d) We have no outstanding convertible securities.
- (e) None of the equity and debt securities of our Company is listed or dealt with in any other stock exchange nor is any listing or permission to deal being or proposed to be sought from any other stock exchange.
- (f) Save as disclosed in this prospectus and so far as is known to the Directors, none of the Directors, their respective associates (as defined under the Listing Rules) or Shareholders who are interested in more than 5% of the issued share capital of the Company has any interests in the five largest customers or the five largest suppliers of the Group.

D. OTHER INFORMATION

1. Share Option Scheme

The following is a summary of the principal terms of the Share Option Scheme (the “Scheme”) conditionally approved by a written resolution of our Shareholders passed on 28 May 2012 and adopted by a resolution of the Board on 28 May 2012 (the “Adoption Date”). The terms of the Scheme are in accordance with the provisions of Chapter 17 of the Listing Rules.

For the purpose of this section, unless the context otherwise requires:

“Date of Grant” means date of grant of the Option in accordance with the Scheme;

“Grantee” means any Eligible Person (as defined below) who accepts an offer of grant of any Option in accordance with the terms of the Scheme of (where the context so permits) a person who is entitled, in accordance with the laws of succession, to any Option in consequence of the death of the original Grantee;

“Option” means a right to subscribe for Shares granted pursuant to the Scheme;

“Option Period” means the period of time where the Grantee may exercise the Option, which period shall not be more than 3 years from the Date of Grant;

“Shares” means shares of HK\$0.01 each in the share capital of our Company (or of such other nominal amount as shall result from a sub-division, consolidation, reclassification or reconstruction of the share capital of our Company from time to time).

(1) Who may join

The Directors may at their absolute discretion grant Options to all Directors (whether executive or non-executive and whether independent or not), any employee (whether full-time or part-time), any consultant or adviser of or to our Company or our Group (whether on an employment or contractual or honorary basis and whether paid or unpaid), who, in the absolute opinion of the Board, have contributed to our Company or our Group and each of the persons mentioned above is referred to as an “Eligible Person”.

(2) Purpose of the Scheme

The purpose of the Scheme is to provide person(s) and parties working for the interests of our Group with an opportunity to obtain an equity interest in our Company, thus linking their interests with the interests of our Group and thereby providing them with an incentive to work better for the interests of our Group.

(3) Conditions

The Scheme shall take effect subject to and is conditional upon:

- (i) the passing of the necessary resolution to approve and adopt the Scheme by the Shareholders in a general meeting or by written resolutions;
- (ii) the Listing Committee granting approval of the listing of, and permission to deal in, any Shares which may be issued pursuant to the exercise of Options granted under the Scheme;
- (iii) the obligations of the Underwriters under the Underwriting Agreements being unconditional (including, where applicable, waiver of relevant conditions) and not being terminated in accordance with the terms therein; and
- (iv) the commencement of dealings in the Shares on the Stock Exchange.

(4) *Duration and administration*

The Scheme shall continue in force for the period commencing from the Adoption Date and expiring at the close of business on the third anniversary of the Adoption Date (the “Scheme Period”), after which period no further Options shall be granted but the provisions of the Scheme shall remain in full force and effect in all other respects in respect of the Options remaining outstanding and exercisable on the expiry of the Scheme Period.

The Scheme shall be subject to the administration of the Board whose decision (save as otherwise provided in the Scheme) shall be final and binding on all parties.

(5) *Grant of Options*

An offer of the grant of an Option shall be made to an Eligible Person in writing in such form as the Board may from time to time determine specifying, inter alia, the maximum number of Shares in respect of which such offer is made and requiring the Eligible Person to undertake to hold the Option on the terms of which it is to be granted and to be bound by the provisions of the Scheme and shall remain open for acceptance by the Eligible Person to whom the offer is made for a period of 21 days (or such other period as the Board may determine) from the date upon which the offer is issued provided that no such offer shall be open for acceptance after the expiry of the Scheme Period or after the Scheme has been terminated in accordance with the terms of the Scheme.

On and subject to the terms of the Scheme, the Board shall be entitled at any time during the Scheme Period to offer to grant an Option to any Eligible Person as the Board may at its absolute discretion select, and subject to such conditions and restrictions as the Board may think fit.

An offer shall be deemed to have been accepted when the duplicate letter comprising acceptance of the Option, duly signed by the Eligible Person, together with the remittance of HK\$1 in favor of our Company, irrespective of the number of Shares in respect of which the Option is accepted, as consideration for the grant is received by our Company.

The Date of Grant shall be the date on which the offer relating to such Option is duly approved by the Board in accordance with the Scheme.

(6) *Price sensitive information*

No offer of Options shall be made after a price sensitive development has occurred or a price sensitive matter has been the subject of a decision, until such price sensitive information has been published by our Company. In particular, during the period commencing one month immediately preceding the earlier of (i) the date of the Board meeting for the approval of our Company’s annual, interim or quarterly results, and (ii) the deadline of our Company to publish its annual, interim or quarterly results announcement under our Company’s listing agreement,

and ending on the date of the results announcement, no Options may be granted. The period during which no Option may be granted will cover any period of delay in the publication of a results announcement.

(7) *Grant of Options to connected persons*

Any grant of Options to a connected person of our Company under the Scheme must be approved by the independent non-executive Directors (excluding any independent non-executive Director who is the Grantee of the Option).

Where any Options granted to a substantial shareholder (as defined in the Listing Rules) of our Company or an independent non-executive Director or any of their respective associates would result in the number and value of Shares issued and to be issued upon exercise of all Options already granted and to be granted (including the Options exercised, cancelled and outstanding but excluding the Options which have lapsed) to such person in the 12-month period up to and including the date of such grant (i) exceeding in aggregate over 0.1% of the Shares in issue; and (ii) exceeding an aggregate value of HK\$1 million (based on the closing price of the Shares on the Stock Exchange on the Date of Grant), such further grant of Options must be approved by the Shareholders by taking of a poll in a general meeting. Our Company must send a circular to the Shareholders. All connected persons of our Company must abstain from voting at the general meeting (except that any connected person may vote against the relevant resolution at the general meeting provided that his intention to do so has been stated in the circular). The circular must contain: (i) details of the number and terms (including the Subscription Price (as defined below)) of the Options to be granted to each Eligible Person, which must be fixed before the general meeting concerned; (ii) a recommendation from the independent non-executive Directors (excluding any independent non-executive Director who is the Grantee of the Options) to the independent Shareholders as to voting; and (iii) the information required under the relevant provisions of Chapter 17 of the Listing Rules.

(8) *Subscription price*

The subscription price in respect of any particular Option shall be such price as the Board may at its absolute discretion determine at the time of the grant of the relevant Option (and shall be stated in the letter containing the offer of the grant of the Option (the “Subscription Price”)), but in any case the Subscription Price must be at least the highest of (i) the closing price of the Shares as stated in the Stock Exchange’s daily quotations sheet on the Date of Grant, which must be a business day; (ii) the average closing price of the Shares as stated in the Stock Exchange’s daily quotations sheets for the 5 business days immediately preceding the Date of Grant; and (iii) the nominal value of a Share. For the purpose of calculating the Subscription Price where our Company has been listed for less than 5 business days, the Offer Price shall be used as the closing price of any business day falling within the period before Listing.

(9) Rights are personal to Grantee

An Option shall be personal to the Grantee and shall not be transferable or assignable and no Grantee shall in any way sell, transfer, charge, mortgage, encumber or create any interest (legal or beneficial) in favor or any third party over or in relation to any Option or attempt to do so.

(10) Exercise of Options

Subject to any condition or restriction in connection with the exercise of the Option which may be imposed by the Board when granting the Option and other provisions of the Scheme, the Option may be exercised by the Grantee (or his or her legal personal representative) at any time during the Option Period, provided that paragraph (11), (12), (13), (14), (15) or (16) below has been satisfied.

(11) Rights on ceasing employment or appointment

In the event the Grantee ceases to be an Eligible Person by reason of resignation, retirement or expiration or termination of employment contract for any reason other than on the Grantee's death, or for any one or more reasons as set out in paragraph (19) below, the Option (to the extent not already exercised) granted to such Grantee shall lapse on the date of cessation and will not be exercisable, unless the Board, in its sole and absolute discretion, determines to extend the exercise period in which event the Grantee may exercise the Option in accordance with the terms of the Scheme within such period of extension. For the avoidance of doubt, such extended period, if any, shall in any event end at the earlier of the expiry of 1 month after the Grantee has ceased to be an Eligible Person and the expiry of the Option Period.

(12) Rights on death

In the event that the Grantee ceases to be an Eligible Person by reason of death and none of the events which would be grounds for termination of his or her employment or appointment under paragraph (19)(vii) or (19)(viii) arises (as the case may be), the legal personal representative(s) of the Grantee shall be entitled within a period of 12 months from the date of death (or such longer period as the Board may determine) to exercise the Option in full (to the extent not already exercised) up to the entitlement of such Grantee as of the date of death.

(13) Rights on takeover or share repurchase

In the event of a general or partial offer by way of takeover or share repurchase, other than by way of scheme of arrangement as set out in paragraph (14) below, being made to all holders of Shares or all such holders other than the offeror and/or any person controlled by the offeror and/or any person acting in association or in concert with the offeror (within the meaning Hong Kong Takeovers Code), and if such offer becomes or is declared unconditional on

the expiry date of the relevant Option, the Grantee (or his or her legal personal representatives) may exercise the Option (to the extent not already exercised) at any time within 1 month after the offer becomes or is declared unconditional.

(14) Rights on scheme of arrangement

In the event of a scheme of arrangement by way of agreement being made to all Shareholders and having been approved by the necessary number of Shareholders at general meeting, the Grantee (or his or her legal personal representatives) may thereafter, but before such time as shall be notified by us, by giving a notice in writing to our Company, to exercise the Option (to the extent not already exercised) as specified in such notice.

(15) Rights on a compromise or amalgamation

In the event of a compromise or amalgamation, other than a scheme of arrangement contemplated under the Scheme, between our Company and its members or creditors being proposed in connection with any scheme for the reconstruction or amalgamation of our Company, our Company shall give notice thereof to all Grantees on the same day as it gives notice of the meeting to its members or creditors to consider such a scheme or arrangement and the Grantee (or his or her legal personal representatives) may, by giving a notice in writing to our Company, accompanied by the remittance for the Subscription Price in respect of the relevant Option (such notice must be received by our Company not later than 2 business days prior to the proposed meeting), exercise the Option (to the extent not already exercised) either to its full extent or to the extent specified in the relevant notice. Thereafter, our Company shall, as soon as possible and in any event no later than the business day immediately prior to the date of the proposed meeting, allot and issue such number of Shares to the Grantee, which falls to be issued on such exercise, credited as fully paid, and register the Grantee as holder thereof.

(16) Rights on winding-up

In the event that a notice is given by our Company to our Shareholders to convene a Shareholders' meeting to consider and, if thought fit, approve a resolution to voluntarily wind-up our Company, our Company shall forthwith give notice thereof to all Grantees and any Grantee (or his or her legal personal representatives) may, by giving an notice in writing to our Company, accompanied by the remittance for the Subscription Price in respect of the relevant Option (such notice must be received by our Company not later than 2 business days prior to the proposed meeting), exercise the Option (to the extent not already exercised) either to its full extent or to the extent notified by us, and we shall as soon as possible and in any event no later than the business day immediately prior to the date of the proposed Shareholders' meeting, allot, issue, credited as fully paid, and register in the name of the Grantee such number of Shares to the Grantee which falls to be issued on such exercise.

(17) Ranking of Shares

The Shares to be allotted and issued upon exercise of an Option will be subject to the Articles of Association in force at that time and will rank *pari passu* in all respects with the fully paid Shares in issue as of the date of allotment and thereafter the holders thereof will be entitled to participate in all dividends or other distributions paid or made on or after the date of allotment other than any dividends or other distributions previously declared or recommended or resolved to be paid or made if the record date therefor shall be before the date of allotment.

(18) Performance target

The Grantee will not be required to achieve, meet or exceed any performance targets before that particular Grantee can exercise the Option(s) granted, except those otherwise imposed by the Board pursuant to paragraph (5) above and/or stated in the offer of grant of the Option.

(19) Lapse of Options

An Option shall lapse automatically (to the extent not already exercised) on the earliest of:-

- (i) the expiry of the Option Period;
- (ii) the expiry of any of the periods referred to in paragraphs (11), (12) and (15) above;
- (iii) subject to a court of competent jurisdiction not making an order prohibiting the offeror from acquiring the remaining Shares in the offer;
- (iv) subject to the scheme of arrangement becoming effective and the expiry of the period referred to in paragraph (14) above;
- (v) the date of commencement of the winding-up of our Company;
- (vi) the date when the proposed compromise or amalgamation becomes effective;
- (vii) the date on which a Grantee ceases to be an Eligible Person by reason of the termination of employment or engagement for any reason other than on the Grantee's death or for any one or more reasons as set out in sub-paragraph (viii) below. Intra-group transfer shall not be considered as termination of employment;
- (viii) the date on which the Grantee ceases to be an Eligible Person by reason of his guilty of misconduct or in breach of the terms of employment or contracts, or appears either to be unable to pay or to have no reasonable prospect of being able to pay debts or has committed an act of bankruptcy or has made any arrangement or composition with his creditors generally, or has been convicted of any criminal

offence involving his integrity or honesty or any other reasons determined by the Board on any other ground on which an employer would be entitled to terminate his employment pursuant to common law or any applicable laws, or under the Grantee's service contract with the Company or its relevant subsidiary. A resolution of the Board or the board of directors of the relevant subsidiary of the Company to the effect that the employment or other relevant contract of the Grantee has or has not been terminated on one or more of the grounds specified in this clause shall be conclusive and binding on the Grantee;

- (ix) the date on which the Grantee has committed a breach of paragraph (9) above; or
- (x) the date on which the Board terminates the Option in accordance with the terms of the Scheme.

(20) *Maximum number of Shares available for subscription*

The maximum aggregate number of Shares which may be issued upon exercise of all outstanding Options granted and yet to be exercised under the Scheme and any other schemes of our Company must not exceed in aggregate 30% of the Shares of our Company in issue from time to time (the "Overall Scheme Limit"). No Option may be granted under any schemes of our Company (or its subsidiaries) if such grant will result in the Overall Scheme Limit being exceeded. The total number of Shares which may be issued upon exercise of all Options to be granted under the Scheme and any other schemes must not in aggregate exceed 10% of the Shares of our Company (or its subsidiaries) as of the Listing Date, being 50,000,000 Shares (the "Scheme Mandate Limit") for this purpose. Any Option lapsed in accordance with the terms of the Scheme shall not be counted for the purpose of calculating the Scheme Mandate Limit.

Subject to the Overall Scheme Limit, our Company may seek approval from its Shareholders in general meeting for "refreshing" the "Scheme Mandate Limit". However, the total number of Shares which may be issued upon exercise of all Options to be granted under all of the schemes of our Company under the limit as "refreshed" must not exceed 10% of the Shares in issue as of the date of approval by the Shareholders of the renewed limit (the "Refreshed Scheme Mandate Limit"); Options previously granted under any existing schemes (including those outstanding, cancelled or lapsed in accordance with the Scheme or exercised Options) shall not be counted for the purpose of calculating the Refreshed Scheme Mandate Limit. Our Company must send a circular to its Shareholders containing the information required under the relevant provisions of Chapter 17 of the Listing Rules.

Unless approved by Shareholders in general meeting at which the relevant Eligible Person and his or her associates abstain from voting in the manner prescribed by the relevant provisions of Chapter 17 of the Listing Rules, the total number of Shares issued and to be issued upon exercise of the Options granted to such Eligible Person (including exercised, cancelled and outstanding Options) in any 12-month period must not exceed 1% of the Shares in issue (the "Individual Limit") at such time. With respect to any further grant of Options to an Eligible

Person exceeding in aggregate the Individual Limit, our Company must send a circular to its Shareholders and the circular must disclose the identity of the Eligible Person, the number and terms of the Options to be granted (and Options previously granted to such Eligible Person), and the information required under the relevant provisions of Chapter 17 of the Listing Rules. The number and terms (including the Subscription Price) of Options to be granted to such Eligible Person must be fixed before the general meeting at which the same are approved, and the date of the Board meeting for proposing such further grant should be taken as the Date of Grant for the purpose of calculating the Subscription Price.

(21) Cancellation of Options

The Board may cancel the granted but not exercised options with the approval of the relevant Grantee (such approval shall not be unreasonably rejected). New Option may be issued to a Grantee in place of his or her cancelled Options only if there are available unissued Options (excluding the cancelled Options) within the Scheme Mandate Limit or the Refreshed Scheme Mandate Limit or such enlarged limit that may be approved by the Shareholders in accordance with paragraph (20) above.

(22) Reorganization of capital structure

In the event of any alteration in the capital structure of our Company whilst any Option remains exercisable, whether by way of capitalization issue, rights issue, subdivision, consolidation, or reduction of the share capital of our Company or otherwise howsoever in accordance with the legal requirements and requirements of the Stock Exchange excluding any alteration in the capital structure of our Company as a result of an issue of Shares as consideration in respect of a transaction to which our Company is a party, such corresponding alterations (if any) shall be made to:

- (i) the number or nominal amount of Shares subject to the Option granted and unexercised;
- (ii) the Subscription Price; and/or
- (iii) the method of exercise of the Option (if applicable),

and an independent financial adviser or the auditors for the time being of our Company shall at the request of the Board certify in writing to the Directors, either generally or as regards any particular Grantee, to be in their opinions fair and reasonable and that any such alterations shall satisfy the requirements set out in the note to Rule 17.03(13) of the Listing Rules and shall give a Grantee the same proportion of the issued share capital of our Company as that to which the Grantee was previously entitled (as interpreted in accordance with the Supplementary Guidance attached to the letter from the Stock Exchange dated September 5, 2005 to all issuers relating to share option schemes and/or any future guidance or interpretation of the Listing Rules issued by the Stock Exchange from time to time), provided that no such alterations shall be made the effect of which would be to enable a Share to be issued at less

than its nominal value. The capacity of the independent financial adviser or the auditors for the time being of our Company in this paragraph is that of experts and not of arbitrators and their certification shall, in the absence of manifest error, be final and binding on our Company and the Grantees. The costs of the independent financial adviser or the auditors for the time being of our Company shall be borne by our Company.

(23) Alteration of the Scheme

Except with the prior sanction of our Company in general meeting (with the Eligible Persons and their associates abstaining from voting), the Board may not amend:

- (i) any of the provisions of the Scheme relating to matters contained in Rule 17.03 of the Listing Rules to the advantage of the Eligible Persons or Grantees;
- (ii) any terms and conditions of the Scheme which are of a material nature or affect the power of the Board except where such alterations take effect automatically under the existing terms of the Scheme;
- (iii) any provisions on the authority of the Board or the administrators of the Scheme in relation to any alteration to the terms of the Scheme.

(24) Termination of the Scheme

Our Company, by resolution in general meeting, or the Board may at any time terminate the operation of the Scheme and in such event no further Options will be offered but in all other respects the provisions of the Scheme shall remain in full force and effect. Options complying with the provisions of Chapter 17 of the Listing Rules which are granted during the Scheme Period and which remain unexercised immediately prior to the termination of the operation of the Scheme shall, subject to the terms of the Scheme, continue to be valid and exercisable thereafter.

As of the Latest Practicable Date, no Option has been granted or agreed to be granted under the Scheme. An application has been made to the Listing Committee for the granting of the listing of, and permission to deal in, the 50,000,000 Shares which may fall to be issued pursuant to the exercise of the Options granted under the Scheme.

2. Tax and other indemnity and estate duty

(a) Tax Indemnity

The Indemnifiers have, pursuant to the deed of indemnity (the “Deed of Indemnity”) referred to in the paragraph headed “Summary of the material contracts” in this Appendix, given indemnities against:

- (I) any depletion in, or reduction in, the value of their respective assets, or increase in their respective liabilities, or any loss or depreciation of any Relief (as defined in the Deed of Indemnity) by any of the members of our Group, as a result of:–
 - (i) the amount of any and all Taxation (as defined in the Deed of Indemnity) falling on any of the members of our Group resulting from or by reference to any income, profits, gains, transactions, events, matters or things earned, accrued, received, entered into (or deemed to be so earned, accrued, received or entered into) or occurring on or before the Listing Date, whether alone or in conjunction with any circumstances whenever occurring and whether or not such Taxation is chargeable against or attributable to any other person, firm or company, including any and all Taxation resulting from the receipt by any member of our Group of any amounts paid by the Indemnifiers under the Deed of Indemnity, unless such liability to Taxation is also discharged by such other person, firm or company;
 - (ii) without prejudice to paragraph (i) above, the amount of any surtaxes and penalties imposed on any of the members of our Group relating to any enterprise income tax liability as a result of the relevant tax authorities in the PRC having determined that the relevant member(s) of our Group is or are not entitled to the favourable enterprise income tax rate pursuant to the PRC laws and regulations;
 - (iii) all reasonable costs (including all legal costs on a fully indemnified basis), expenses or other liabilities which any of the members of our Group may incur in connection with:–
 - (i) investigation, assessment or the contesting of any Claim (as defined in the Deed of Indemnity);
 - (ii) settlement of any Claim under the Deed of Indemnity;
 - (iii) any legal proceedings in which any of the members of our Group claims under or in respect of the Deed of Indemnity; and/or
 - (iv) enforcement of any settlement or judgment in respect of any legal proceedings referred to in paragraph (iii) above; and

- (iv) any actions, Claims, losses, damages, costs (including legal costs on a fully indemnified basis), charges or expenses made against or suffered or incurred by the Company or any of the members of our Group in respect of or arising directly or indirectly from or on the basis of or in connection with any Taxation or Taxation Claim (as defined in the Deed of Indemnity) which is covered by the indemnities given under the paragraphs (i) to (iii) above.
- (II) any actions, Claims, losses, damages, costs (including legal costs on a fully indemnified basis), charges or expenses made against or suffered or incurred by the Company or any of the members of our Group in respect of or arising directly or indirectly from or on the basis of or in connection with any Taxation or Taxation Claim which is covered by the indemnities given under section (I) above.

The above tax indemnity in the Deed of Indemnity shall not apply in the following circumstances:

- i. to the extent that full provision, reserve or allowance has been made for such Taxation in the audited consolidated accounts of the member of our Group as set out in Appendix I to this prospectus or the audited accounts of the relevant member of our Group for each of the three years ended 31 December 2009, 2010 and 2011 (the "Audited Accounts") and/or accounts of the relevant member of our Group covering the period from 31 December 2011 to the Listing Date which are prepared on a basis consistent with that made in the Audited Accounts of that relevant member of our Group (the "Management Accounts"); or
- ii. to the extent that the liability for such Taxation would not have arisen but for some act or omission of, or transaction voluntarily effected by, any member of our Group (whether alone or in conjunction with some other act, omission or transaction, whenever occurring) other than any such act, omission or transaction carried out or effected in the ordinary course of business or in the ordinary course of acquiring and disposing of capital assets after the Listing Date; or
- iii. to the extent of any provision or reserve or allowance made for Taxation in the audited accounts of any member of the members of our Group up to 31 December 2011 which is finally established to be an over-provision or an excessive reserve provided that the amount of any such provision or reserve applied to reduce the Indemnifiers' liability in respect of Taxation shall not be available in respect of any such liability arising thereafter; or
- iv. the Taxation Claim arises or is incurred as a result of the imposition of Taxation as a consequence of any retrospective change in the law or practice coming into force after the Listing Date or to the extent that such Taxation Claim arises or is increased by an increase in rates of Taxation after such date with retrospective effect.

(b) Properties indemnities

Dongwu Cement fails to obtain (i) the relevant approval regarding the environmental impact assessment from the PRC governmental authorities at the national level during the construction of its cement production line; and (ii) the building ownership certificates of eight (8) buildings which the members of our Group are currently using for storage of raw materials and other purposes (collectively, the “Defects”).

Each of the Indemnifiers, pursuant to the Deed of Indemnity, has irrevocably agreed and undertook jointly and severally to fully indemnify the members of our Group and each of them and at all times keep the same fully indemnified from and against any losses, damages, penalties and liabilities suffered and all costs (including legal costs on a fully indemnified basis) and expenses incurred by any of the member of our Group as a result of or otherwise arising from, whether directly or indirectly, any of the Defects, including, without limitation:

- (i) all charges and penalties imposed by the relevant authority in the PRC;
- (ii) all losses, costs and expenses (including legal costs) incurred by any of the members of our Group as a result of any litigations, arbitrations, other legal proceedings, claims and/or demands brought by any third parties in connection with the Defects;
- (iii) all loss of profits and other consequential damages suffered by any of the members of our Group;
- (iv) all relocation costs (including, without limitation, removal costs, agency fees, and legal fees, taxes and duties in respect of the alternative premises entered into by any of the members of our Group) and other expenses incurred for or in connection with the relocation and installation of the facilities of any of the members of our Group; and
- (v) any excess of the rental or other payment payable by any of the members of our Group for the alternative premises over the rental previously paid by the member of our Group (as the case may be).

Nevertheless, the indemnity contained in this section (b) shall not apply to the extent that provision, reserve or allowance has been made for such non-compliance in the Audited Accounts and/or the Management Accounts of the relevant member of our Group.

(c) Other indemnities

Each of the Indemnifiers, pursuant to the Deed of Indemnity, has further irrevocably agreed and undertakes jointly and severally to fully indemnify the members of our Group and each of them will fully indemnify and at all times keep the same fully indemnified from and against all losses, payments, suits, settlement payment, costs (including legal costs on a fully indemnified basis), liabilities, damages, charges, fees, fines or expenses which any of the members of Group may incur or suffer, accrue, directly or indirectly, from any act of the

members our Group arising from and/or in connection with any of the non-compliances of any of the members of our Group on or before the Listing Date and/or as a result of and/or in relation to all litigations, arbitration, Claims (including counter-claims), actions, complaints, demands, judgments and/or legal proceedings by or against any of the members of our Group which was issued, accrued and/or arising from any act of any of the members of our Group at any time on or before the Listing Date (the “Proceedings”).

The Proceedings shall, without limitation, include:–

- (i) the failure of Dongwu Cement to register with the Managing Center of Housing Fund, establish an account of housing fund in an entrusted bank for its employees and make contributions for the housing fund for all of its employees; and
- (ii) any non-compliance of the members of our Group with all the applicable laws, regulations and policies as disclosed in the Prospectus.

Nevertheless, the indemnity contained in this section (c) shall not apply to the extent that provision, reserve or allowance has been made for such non-compliance in the Audited Accounts and/or the Management Accounts of the relevant member of our Group.

(d) Estate duty

The Directors have been advised that no material liability for estate duty is likely to fall on any member of our Group in the Cayman Islands, Hong Kong, the BVI and the PRC, being jurisdictions in which the companies comprising our Group are incorporated.

3. Litigation

As of the Latest Practicable Date, neither our Company or any of its subsidiaries is engaged in any litigation or arbitration of material importance and no litigation, arbitration or claim of material importance is known by the Directors to be pending or threatened by or against any member of our Group.

4. Application for listing of Shares

The Sole Sponsor has made an application for and on behalf of our Company to the Listing Committee for the listing of, and permission to deal in, all our Shares in issue, our Shares to be issued as mentioned in this prospectus and any Shares which may fall to be issued pursuant to the exercise of any Options granted under the Share Option Scheme.

5. Preliminary expenses

The preliminary expenses of our Company are estimated to be approximately HK\$20,000 and are payable by our Company.

6. Promoter

Our Company has no promoter for the purposes of the Listing Rules.

7. Qualifications of experts

The followings are the qualifications of the experts who have given opinion or advice which are contained in this prospectus:

Name	Qualifications
Guotai Junan Capital Limited	A licensed corporation licensed to conduct type 6 (advising on corporate finance) of the regulated activities under the SFO
PricewaterhouseCoopers	Certified Public Accountants
Deheng Law Offices	PRC Legal Advisors
Conyers Dill & Pearman (Cayman) Limited	Cayman Islands attorneys-at-law
Asset Appraisal Limited	Property valuer

8. Consent of experts

Each of the experts whose names are set out in paragraph 7 above has given and has not withdrawn its written consent to the issue of this prospectus with the inclusion of its report and/or letter and/or valuation certificate and/or the references to its name included herein in the form and context in which they are respectively included.

9. Particulars of the Vendor

The particulars of the Vendor of the Sale Shares are as follows:-

Name	Description	Address	Date of Incorporation	Number of the Sale Shares
Concord (<i>Note</i>)	Corporation	P.O. Box 3152, Road Town, Tortola, BVI	25 October 2000	50,000,000

Note: The entire issued share capital of Concord is legally and beneficially owned by Mr. Jin.

10. Binding effect

This prospectus shall have the effect, if an application is made in pursuance hereof, of rendering all persons concerned bound by all of the provisions (other than the penal provisions) of Sections 44A and 44B of the Companies Ordinance insofar as applicable.

11. Miscellaneous

- (a) Save as disclosed in this prospectus, within the two years preceding the date of this prospectus:
 - (i) no share or loan capital of our Company or any of its subsidiaries has been issued or agreed to be issued fully or partly paid either for cash or for a consideration other than cash;
 - (ii) no share or loan capital of our Company or any of its subsidiaries is under option or is agreed conditionally or unconditionally to be put under option;
 - (iii) no founders or management or deferred shares of our Company or any of its subsidiaries have been issued or agreed to be issued;
 - (iv) no commissions, discounts, brokerages or other special terms have been granted in connection with the issue or sale of any capital of our Company or any of its subsidiaries; and
 - (v) no commission has been paid or payable, except for the commission payable to the Underwriters, for subscription of, agreeing to subscribe or procuring subscription of any shares in our Company or any of its subsidiaries.
- (b) The Directors confirm that up to the Latest Practicable Date, save as disclosed in this prospectus:
 - (i) there has been no material adverse change in the financial or trading position or prospects of our Group since 31 December 2011 (being the date to which the latest audited financial statements of our Group were prepared); and
 - (ii) there has not been any interruption in the business of our Group which may have or have had a material adverse effect on the financial position of our Group in the 12 months preceding the date of this prospectus.
- (c) The register of members of our Company will be maintained in Hong Kong by Computershare Hong Kong Investor Services Limited. Unless the Company maintains its branch register of members in any other jurisdictions and the Directors otherwise agree, all transfers and other documents of title of Shares must be lodged for registration with and registered by our Company's Share Registrar in Hong Kong.
- (d) No company within our Group is presently listed on any stock exchange or traded on any trading system.
- (e) All necessary arrangements have been made to enable our Shares to be admitted into CCASS for clearing and settlement.

12. Bilingual prospectus

The English and the Chinese versions of this prospectus are being published separately in reliance upon the exemption provided by Section 4 of the Companies Ordinance (Exemption of Companies and Prospectuses from Compliance with Provisions) Notice (Chapter 32L of the laws of Hong Kong).

A. DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES

The documents attached to the copy of this prospectus delivered to the Registrar of Companies in Hong Kong for registration were (i) copies of the **White, Yellow and Green** Application Forms, (ii) the written consents referred to under the paragraph headed “8. Consent of experts” under the section headed “D. Other information” in Appendix V to this prospectus, (iii) the statement of particulars of the Selling Shareholder, and (iv) copies of the material contracts referred to in the section headed “1. Summary of the Material Contracts” in Appendix V to this prospectus.

B. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection at the office of Li & Partners at 22nd Floor, World-Wide House, 19 Des Voeux Road Central, Hong Kong during normal business hours up to and including the date which is 14 days from the date of this prospectus:

- (a) the Memorandum and the Articles;
- (b) the Accountant’s Report prepared by PricewaterhouseCoopers, the text of which is set out in Appendix I to this prospectus;
- (c) the report from PricewaterhouseCoopers relating to the unaudited pro forma financial information of our Group, the text of which is set out in Appendix II to this prospectus;
- (d) the letter, summary of valuation and valuation certificate relating to the property interests of the Group prepared by Asset Appraisal Limited, the texts of which are set out in Appendix III to this prospectus;
- (e) the letter of advice prepared by Conyers Dill & Pearman (Cayman) Limited referred to in the section headed “Summary of the constitution of our Company and Cayman Islands company law” in Appendix IV to this prospectus;
- (f) the PRC legal opinions prepared by Deheng Law Offices, our PRC Legal Advisors in respect of our Group’s overall business operation in the PRC and properties located in the PRC;
- (g) the Cayman Companies Law;
- (h) the statement of particulars of the Selling Shareholder;

- (i) the material contracts referred to in the paragraph headed “1. Summary of the material contracts” under the section headed “B. Further information about our business” in Appendix V to this prospectus;
- (j) the service contracts and appointment letters referred to in the paragraph headed “4. Particulars of service contracts” under the section headed “C. Disclosure of interests” in Appendix V to this prospectus;
- (k) the written expert consents referred to in the paragraph headed “8. Consent of experts” under the section headed “D. Other information” in Appendix V to this prospectus;
and
- (l) the Share Option Scheme.



DONGWU CEMENT INTERNATIONAL LIMITED
東吳水泥國際有限公司