Allied Cement Holdings Limited

聯合水泥控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1312)

PLACING AND PUBLIC OFFER

Sponsor

ALTUS CAPITAL LIMITED

Sole Bookrunner and Sole Lead Manager

新鴻基金融集團
SUN HUNG KAI FINANCIAL

Sun Hung Kai Investment Services Limited

IMPORTANT

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

Allied Cement Holdings Limited
聯合水泥控股有限公司

(Incorporated in the Cayman Islands with limited liability)

PLACING AND PUBLIC OFFER

Number of Offer Shares	:	**165,000,000 Shares**
Number of Placing Shares	:	**133,650,000 Shares**
Number of Public Offer Shares	:	**31,350,000 Shares**
Offer Price	:	**HK$1.00 per Share (payable in full upon application, plus brokerage of 1.0%, SFC transaction levy of 0.003% and Stock Exchange trading fee of 0.005%)**
Nominal value	:	**HK$0.01 each**
Stock code	:	**1312**

Sponsor

ALTUS CAPITAL LIMITED

Sole Bookrunner and Sole Lead Manager

Sun Hung Kai Investment Services Limited

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.

A copy of this prospectus, having been attached thereto the documents specified in the section headed "Documents delivered to the Registrar of Companies in Hong Kong and available for inspection" in Appendix VI, has been registered by the Registrar of Companies in Hong Kong as required by section 342C of the Hong Kong Companies Ordinance. The Securities and Futures Commission and the Registrar of Companies in Hong Kong take no responsibility for the contents of this prospectus or any other documents referred to above.

Prospective investors of the Share Offer should note that the Underwriter is entitled to terminate its obligations under the Underwriting Agreement by notice in writing to the Company given by the Underwriter upon the occurrence of any of the events set out in paragraph headed "Grounds for termination" under the section headed "Underwriting", at any time prior to 8:00 a.m. (Hong Kong time) on the Listing Date. Should the Underwriter terminate its obligations under the Underwriting Agreement in accordance with the terms of the Underwriting Agreement, the Share Offer will not proceed and will lapse.

30 December 2011

The Company will issue an announcement in Hong Kong to be published in The Standard (in English) and the Hong Kong Economic Times (in Chinese) and on the Company's website at *www.alliedcement.com.hk* and the website of the Stock Exchange at *www.hkexnews.hk* if there is any change in the following expected timetable of the Share Offer. All times and dates stated below refer to Hong Kong times and dates. Details of structure of the Share Offer, including conditions of the Share Offer, are set out in the section headed "Structure and conditions of the Share Offer" in this prospectus.

	2012
Latest time for lodging **PINK** Application Forms	4:00 p.m. on Monday, 9 January
Application lists open[(Note 1)]	11:45 a.m. on Tuesday, 10 January
Latest time for lodging **WHITE**, **YELLOW** and **BLUE** Application Forms	12:00 noon on Tuesday, 10 January
Application lists close[(Note 1)]	12:00 noon on Tuesday, 10 January
Announcement of the level of indication of interest in the Placing, the level of applications in the Public Offer and the Preferential Offering and the basis of allocation of the Public Offer Shares to be published on the website of the Stock Exchange at *www.hkexnews.hk* and the Company's website at *www.alliedcement.com.hk* on or before	Tuesday, 17 January
Announcement of results of allocation in the Public Offer (with successful applicants' identification document numbers, where appropriate) to be available through a variety of channels (see paragraph headed "How to apply for the Public Offer Shares and Reserved Shares — Results of Allocations") in this prospectus on or before	Tuesday, 17 January
Despatch of share certificates and refund cheques in respect of wholly or partially unsuccessful applications pursuant to the Public Offer on or before[(Notes 2, 3, 4 & 5)]	Tuesday, 17 January
Dealings in the Shares on the Stock Exchange expected to commence on	9:00 a.m. on Wednesday, 18 January

Notes:

1. If there is a "black" rainstorm warning or a tropical cyclone warning signal number 8 or above in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon on Tuesday, 10 January 2012, the application lists will not open or close on that day. Further information is set out in the paragraph headed "How to apply for the Public Offer Shares and Reserved Shares — When may applications be made — Effect of bad weather conditions on the opening of the application lists" in this prospectus. If the application lists do not open or close on Tuesday, 10 January 2012, the dates mentioned in this section headed "Expected timetable" may be affected. A press announcement will be made by the Company in such event.

2. Share certificates will only become valid certificates of title at 8:00 a.m. on Wednesday, 18 January 2012, provided that (i) the Share Offer has become unconditional in all respects and (ii) the right of termination in the Underwriting Agreement has not been exercised by the Underwriter in accordance with its terms. Investors who trade Shares on the basis of publicly available allocation details prior to the receipt of share certificates or prior to the share certificates becoming valid certificates of title do so entirely at their own risk.

3. Refund cheques will be issued in respect of wholly or partially unsuccessful applications. 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.

4. Applicants who have applied on **WHITE** Application Forms for 1,000,000 Shares or more or **BLUE** Application Forms for 1,000,000 Reserved Shares or more under the Public Offer and have indicated in their applications that they wish to collect refund cheques (where applicable) and share certificates (where applicable) in person, may do so and collect their share certificates and/or refund cheques from the Company's Hong Kong branch share registrar, Tricor Secretaries Limited at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong from 9:00 a.m. to 1:00 p.m. on Tuesday, 17 January 2012. Evidence of identity and/or authorisation documents acceptable to Tricor Secretaries Limited must be produced at the time of collection.

5. Applicants who have applied on **YELLOW** Application Forms for 1,000,000 Shares or more under the Public Offer and have indicated in their Application Forms that they wish to collect refund cheques (where applicable) in person may collect their refund cheques but may not elect to collect their share certificates, which will be deposited into CCASS for credit to their designated CCASS Participants' stock accounts or CCASS Investor Participant stock accounts, as appropriate. The procedure for collection of refund cheques for applicants who apply on **YELLOW** Application Forms for Shares is the same as that for **WHITE** or **BLUE** Application Form applicants. Share certificates and refund cheques not collected within the time specified for collection will be despatched by ordinary post (at the applicants' own risk) to the addresses specified in the relevant Application Forms. Further information is set out in the section headed "How to apply for the Public Offer Shares and Reserved Shares" in this prospectus. For details of the Structure of the Share Offer, including its conditions, please refer to the section headed "Structure and conditions of the Share Offer".

CONTENTS

You should rely only on the information contained in this prospectus and the Application Forms to make your investment decision. The Offer Shares are offered for subscription solely on the basis of the information contained and the representation made in this prospectus and the Application Forms, and on the terms and subject to the conditions set out herein and therein. The Company, the Sponsor, the Sole Bookrunner and Sole Lead Manager, and the Underwriter have not authorised anyone to provide you with information that is different from what is contained in this prospectus. Any information or representation not made in this prospectus must not be relied on by you as having been authorised by the Company, the Sponsor, the Sole Bookrunner and Sole Lead Manager, the Underwriter, any of their respective directors, officers, employees, agents or representatives or any other party involved in the Share Offer. The contents of the Company's website at www.alliedcement.com.hk do not form part of this prospectus.

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This summary aims to give you an overview of the information contained in this prospectus. As this is 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 the Offer Shares. ***There are risks associated with any investment. Some of the particular risks in investing in the Offer Shares are set out in the section headed "Risk factors" of this prospectus. You should read the section carefully before you decide to invest in the Offer Shares.***

OVERVIEW

We are a quality-focused clinker and cement company with operations in Shandong Province and Shanghai in the PRC. We differentiate ourselves among market players by positioning ourselves as a manufacturer with emphasis on maintaining consistency of our quality rather than competing on price. Our finished products are inspected and tested by applying a variety of national standards prior to delivery. Our team of staff's dedication towards maintaining quality control of our products is evidenced by the fact that in August 2010, our chief engineer was awarded as an excellent engineer in the year of 2009 (2009年全國水泥企業優秀總工程師) by the China Cement Association. Furthermore, supported by our stable and experienced management team and a team of skilled labour force, our Group was awarded with the Chinese Outstanding Entrepreneur Award 2008 (2008年度全國企業文化優秀成果獎) jointly by the China Enterprise Confederation (中國企業聯合會) and the China Enterprise Directors Association (中國企業家協會) in 2008. We had not received material complaints on our product quality during the Track Record Period. Details of our quality control measures are described in the paragraph headed "Quality control" under the section headed "Business".

Our manufacturing plants are located in Taierzhuang District, Zaozhuang City, Shandong Province. Prior to our Premises Vacation in December 2009, we owned and operated a plant in Shanghai. Since our Premises Vacation, our Shanghai operations are involved in trading activities only. Our products are mainly sold to customers in the provinces of Shandong, Jiangsu and Anhui as well as Shanghai under the trademark "泰立" (Titan) and are primarily used in infrastructure projects including roads, highways, bridges, railways and building construction. Our subsidiary, Shanghai SAC, has renewed the registration of the trademark "泰立" (Titan) for 10 years up to November 2016 and also owns patents for certain of its production technologies.

During the Track Record Period, our revenue was mainly derived from manufacture and sale of cement and clinker, trading of cement and provision of technical services. The breakdowns of the source of our revenue and gross profit are as follows:

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

Gross profit	Year ended 31 December			Six months ended 30 June	
	2008	2009	2010	2010	2011
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Manufacture and sale of cement and clinker	43,726	31,058	45,628	3,201	56,003
Trading of cement	—	—	5,885	1,116	5,962
Provision of technical services	3,068	—	335	—	—
Total	46,794	31,058	51,848	4,317	61,965

Our production facilities

During the Track Record Period, there had been changes to our production facilities and manufacturing activities where (i) our Shanghai plant had ceased operations in December 2009 following the Premises Vacation; (ii) Allied Wangchao had commenced cement production since end 2010; and (iii) Shandong SAC plant had ceased cement production and commenced slag production in April 2011. A summary of the changes in our Shanghai and Shandong operations on our financial performance and financial position can be found in the paragraph headed "Impact of changes in our Shanghai and Shandong operations on our financial performance and financial position during the Track Record Period" in the section headed "Financial information".

Shanghai

Prior to the Premises Vacation, we had three plants, being Shanghai plant, Shandong SAC plant and Allied Wangchao plant. As part of city planning and to facilitate the organisation of World Expo 2010 in Shanghai, we had vacated from our Shanghai plant in Xuhui District (徐滙區), Shanghai with a view to be relocated to the suburb Bailonggang (白龍港), Pudong, Shanghai at the periphery of Shanghai Sewage Treatment Plant (上海污水處理廠). In this connection, we entered into a site relocation compensation agreement with Shanghai Xuhui Binjiang, a local government entity, for land resumption on 27 November 2009. Following the complete cessation of production in December 2009, our Shanghai operations currently engage in trading of cement only which resulted in trading of cement becoming one of our sources of revenue from the year ended 31 December 2010. Our Shanghai operations will continue to engage in trading of cement before the commencement of operations of the new plant. Despite the cessation of production in Shanghai, we have been able to retain most of our customers in Shanghai by cement trading, whereby we resell the cement purchased from other cement producers to our existing customers.

For the above Premises Vacation, we are entitled to a total compensation of RMB799.9 million from Shanghai Xuhui Binjiang, of which RMB749.9 million had been received up to 30 June 2011. The remaining RMB50.0 million as at 30 June 2011 is expected to be received by June 2012. Meanwhile, a replacement site at Bailonggang (白龍港), Pudong, Shanghai is being negotiated with the Shanghai Municipal Government for us to construct a new plant. The new plant is expected to be equipped with two production lines with sludge treatment system (污泥處理系統) with a total daily clinker production capacity of approximately 4,000 tons and an annual cement production capacity of not more than 1.35 million tons. As at the Latest Practicable Date, we have not obtained the legal title to the relocation site and the development plan of the new plant is under review by the relevant government authorities. We

anticipate construction would commence by late 2012 if the negotiation and application processes are successful. If approved, the estimated total cost budgeted for the new cement production facilities is approximately RMB800.0 million (including estimated land cost of about RMB200.0 million) and will be funded by our internal resources (mainly from the land resumption compensation attributable to the Premises Vacation) and bank borrowings.

For illustrative purposes only, the following sets out the revenue and profit attributable to our Shanghai operations during the Track Record Period.

	Year ended 31 December						Six months ended 30 June			
	2008		2009		2010		2010		2011	
	HK$'000	as a % of the Group	HK$'000	as a % of the Group	HK$'000	as a % of the Group *(Note 2)*	HK$'000	as a % of the Group *(Note 2)*	HK$'000	as a % of the Group *(Note 2)*
Revenue	322,803	58.1	242,298	49.4	154,380	34.2	43,588	26.9	174,594	44.6
Gross profit	14,301	30.6	2,829	9.1	5,885	11.4	1,116	25.9	5,962	9.6
Gross profit margin	4.4%		1.2%		3.8%		2.6%		3.4%	
Profit before tax	17,012	29.5	3,817	40.2	19,093 *(Note 1)*	33.7	6,482 *(Note 1)*	N/A *(Note 3)*	12,213 *(Note 1)*	19.0
Goodwill written off	—	—	—	—	69,479	—	69,479	—	—	—

Notes:

1. The profit before tax for the year ended 31 December 2010, for the six months ended 30 June 2010 and 2011 did not include the gain on land resumption exercise of HK$528.4 million, HK$528.4 million (unaudited) and HK$5.8 million, respectively attributable to the Premises Vacation.

2. The calculation of profit before tax as a percentage of the Group for the year ended 31 December 2010, for the six months ended 30 June 2010 and 2011 did not include the respective gain on land resumption exercise and goodwill written off attributable to the Premises Vacation.

3. The profit before tax as a percentage of the Group from Shanghai operations amounted to over 100% for the six months ended 30 June 2010 as the Group (excluding its Shanghai operations) incurred a loss.

Shandong Province

We operate two plants in Shandong Province. Our principal products, cement and clinker, are produced using the cement and clinker production line of Allied Wangchao plant located in Taierzhuang District, Zaozhuang City, Shandong Province with a daily clinker production capacity of approximately 2,500 tons and a total annual cement production capacity of approximately 1.0 million tons. This production line consists of a raw mixture grinding system for preparing raw mixture, a rotary kiln for the calcination process of crushed raw mixture and a cement powder grinding system for grinding and blending of clinker and other raw materials to produce cement. There is an additional grind which is used as a backup in the event of maintenance or unexpected breakdown of the grind in-use. We have also installed a waste heat recovery system which collects waste heat from our production process and thereafter is used to generate electricity for our production. We are also operating a production line under Shandong SAC, at a rented plant located close to Allied Wangchao plant where the grinds in the plant are used for producing slag, which is a raw material for cement production, since April 2011. During the Track Record Period and before the commencement of the production of slag, Shandong SAC plant generated revenue for the Group through manufacture and sale of cement. Prior to Allied Wangchao's commencing cement production, the clinker it produced was sold to Shandong SAC for cement production. Following installation of the more advanced and efficient cement production facilities of Allied Wangchao, the clinker produced by Allied Wangchao is used for its own cement production. Consequently, Shandong SAC plant ceased its cement production. Shandong SAC plant commenced production of slag since April 2011. The slag produced is for our Group's own use. The change from producing cement to slag in April 2011 had not rendered any production facilities of Shandong SAC plant obsolete. Therefore, no provisions or write-offs to our property, plant and equipment has been necessary. For slag production, the Group has added a dryer to its existing production facilities at cost of approximately RMB1.27 million. The table below sets out the revenue and gross profit of each production plant for the years ended 31 December 2008, 2009 and 2010 and the six months ended 30 June 2010 and 2011.

	Shanghai plant	Shandong Allied Wangchao plant	Shandong SAC plant	Total
	HK$'000	HK$'000	HK$'000	HK$'000
Revenue				
For the year ended 31 December				
2008	322,803	157,678	75,434	555,915
Clinker	20	154,610	174	154,804
Grade 32.5 cement	—	—	12,666	12,666
Grade 42.5 cement	216,877	—	62,594	279,471
Grade 52.5 cement	105,906	—	—	105,906
All grade cement	322,783	—	75,260	398,043
Technical services income	—	3,068	—	3,068

	Shanghai plant	Shandong Allied Wangchao plant	Shandong SAC plant	Total
	HK$'000	HK$'000	HK$'000	HK$'000
2009	242,298	103,038	144,780	490,116
Clinker	—	103,038	—	103,038
Grade 32.5 cement	—	—	25,293	25,293
Grade 42.5 cement	166,439	—	118,869	285,308
Grade 52.5 cement	75,859	—	618	76,477
All grade cement	242,298	—	144,780	387,078
2010	154,380(Note 1)	144,634	152,430	451,444
Clinker	—	125,787	—	125,787
Grade 32.5 cement	—	—	25,525	25,525
Grade 42.5 cement	120,444	18,092	125,210	263,746
Grade 52.5 cement	33,936	—	1,695	35,631
All grade cement	154,380	18,092	152,430	324,902
Technical services income	—	755	—	755
For the six months ended 30 June				
2010	43,588(Note 1)	48,889	69,372	161,849
Clinker	—	48,889	—	48,889
Grade 32.5 cement	—	—	10,220	10,220
Grade 42.5 cement	29,257	—	58,219	87,476
Grade 52.5 cement	14,331	—	933	15,264
All grade cement	43,588	—	69,372	112,960
2011	174,594(Note 1)	188,119(Note 2)	28,946(Note 2)	391,659
Clinker	—	30,761	—	30,761
Grade 32.5 cement	—	18,053	826	18,879
Grade 42.5 cement	139,675	137,265	27,779	304,719
Grade 52.5 cement	34,919	2,040	341	37,300
All grade cement	174,594	157,358	28,946	360,898
Gross profit				
For the year ended 31 December				
2008	14,301	23,470	9,023	46,794
2009	2,829	9,121	19,108	31,058
2010	5,885(Note 1)	29,030	16,933	51,848
For the six months ended 30 June				
2010	1,116(Note 1)	2,116	1,085	4,317
2011	5,962(Note 1)	54,091	1,912	61,965

Notes:

1. Since the Premises Vacation, Shanghai plant had ceased cement manufacturing and is involving in cement trading activities only. The above revenue and gross profit were therefore derived from cement trading activities.

2. Among the revenue of HK$188.1 million of Shandong Allied Wangchao plant, approximately HK$86.2 million, representing 256,496 tons of cement, represented intercompany sales to Shandong SAC plant at market price. Shandong SAC then onward sold to our customers without mark-ups during the transitional period between which customers were being progressively transferred from Shandong SAC (prior to its cessation of cement production in April 2011) to Allied Wangchao. For presentation on such transitional arrangement, HK$86.2 million intercompany sales was added back to the revenue of Shandong Allied Wangchao plant and the same amount was deducted from the revenue of Shandong SAC plant.

The table below summarises our production capacity for cement, clinker and slag during the Track Record Period and up to the Latest Practicable Date.

	For the years ended 31 December			For the six months ended	From 1 April 2011 to the Latest
	2008	2009	2010	30 June 2011	Practicable Date
Cement					
Cement production capacity *(tons per annum) (Note 1)*					
— Shanghai plant	1,000,000	1,000,000	—	—	—
— Shandong SAC plant	700,000	700,000	700,000	700,000 *(Note 2)*	—
— Allied Wangchao plant	—	—	1,000,000	1,000,000	1,000,000
Total	1,700,000	1,700,000	1,700,000	1,700,000	1,000,000
Utilisation rate of cement production capacity (%)					
— Shanghai plant	91.7	84.6	—	—	—
— Shandong SAC plant	46.3	91.9	91.8	22.9 *(Note 2)*	—
— Allied Wangchao plant	N/A	N/A	*(Note 3)*	93.5	133.4
Clinker					
Clinker production capacity *(tons per day)*					
— Shanghai plant	2,000	2,000	—	—	—
— Allied Wangchao plant	2,500	2,500	2,500	2,500	2,500
Total	4,500	4,500	2,500	2,500	2,500

	For the years ended 31 December			For the six months ended 30 June 2011	From 1 April 2011 to the Latest Practicable Date
	2008	2009	2010		
Utilisation rate of clinker production capacity (%)					
— Shanghai plant *(Note 4)*	103.4	96.4	—	—	—
— Allied Wangchao plant *(Note 4)*	117.4	121.4	129.2	114.8	118.4
Slag					
Slag production capacity *(tons per annum)*					
— Shandong SAC plant *(Note 4)*	—	—	—	160,000	160,000
Total	—	—	—	160,000	160,000
Utilisation rate of slag production capacity (%)					
— Shandong SAC plant *(Note 4)*	—	—	—	62.3	115.5

Notes:

1. The production capacity of cement set out is quantified by tons per annum for each period. Specifically, tons of production capacity of each plant during the period measured in annual terms.

2. The production capacity and utilisation rate of cement of Shandong SAC plant represent its production capacity and utilisation before April 2011, where afterwards, it ceased to produce cement and engaged in production of slag only.

3. The production of cement by Allied Wangchao has been under trial production since October 2010. Please refer to the utilisation rate of the cement production facilities for the six months ended 30 June 2011. Trial production ceased when Allied Wangchao obtained production permit on 20 June 2011.

4. The Group has estimated the annual production capacity of clinker of approximately 620,000 tons (approximately 310,000 tons for six months) and 775,000 tons (approximately 387,500 tons for six months), respectively for Shanghai plant and Allied Wangchao plant based on the daily clinker production capacity of approximately 2,000 tons and 2,500 tons respectively and the number of operating days, being 310 days. The Group commenced production of slag since April 2011. The Group has estimated annual production capacity of slag of approximately 160,000 tons (approximately 80,000 tons for six months) based on the actual daily production volume, the expected operation days of the grinding system and the type of electricity used to generate the grinding systems.

   The aforesaid designed production capacity has taken into account downtime required (in general, 1.5 months) for maintenance. According to the Directors, as the actual downtime required was less than 1.5 months, we have been able to produce more cement, clinker and slag than the designed production capacity, resulting in utilisation rate of more than 100%. There are neither legal requirements governing the method of arriving at the designed production capacity nor restrictions on producing in excess of the designed production capacity.

Assuming the Bailonggang Project materialises and that there is no change to the current production plans and product mix for the Shandong SAC plant and Allied Wanchao plant, the total production capacity of the Group will be 2.35 million tons per annum for cement production, 6,500 tons per day for clinker production and 160,000 tons per annum for slag production.

We also operate a self-built dock on a piece of rented land next to our production facilities in Taierzhuang District, which allows us to deliver our finished products to our customers along the Grand Canal which passes through our target markets in Shandong Province, Jiangsu Province and Shanghai.

For the information of potential investors, the sales volume and average selling price for each of the Group's products for each year during the Track Record Period are set out as follows:

	Shanghai plant		Allied Wangchao plant		Shandong SAC plant	
	Cement	Clinker	Cement	Clinker	Cement	Clinker
	(tons)	(tons)	(tons)	(tons)	(tons)	(tons)
Sales Volume						
For the year ended 31 December						
2008	981,346	60	Nil	639,774	319,523	Nil
2009	865,436	Nil	Nil	510,886	644,098	Nil
2010	455,638	Nil	57,483	493,090	643,410	Nil
For the six months ended 30 June						
2010	154,827	Nil	Nil	236,851	323,992	Nil
2011	374,505	Nil	215,200	85,928	340,394	Nil

	Shanghai plant		Allied Wangchao plant		Shandong SAC plant	
	Cement	Clinker	Cement	Clinker	Cement	Clinker
	(RMB/ton)		(RMB/ton)		(RMB/ton)	
Average selling price						
For the year ended 31 December						
2008	289.4	299.6	N/A	212.7	207.9	N/A
2009	246.4	N/A	N/A	177.5	197.8	N/A
2010	294.8	N/A	273.8 *(Note)*	221.9	206.1 *(Note)*	N/A
For the six months ended 30 June						
2010	247.7	N/A	N/A	181.6	188.4	N/A
2011	387.0	N/A	274.4 *(Note)*	297.1	280.8 *(Note)*	N/A

Note: Average selling prices for cement for Shandong operation as a whole for year ended 31 December 2010 and six months ended 30 June 2011 are RMB211.7 and RMB278.3 per ton respectively.

Allied Wangchao plant and Shandong SAC plant are located close to each other, within a distance of 10 km. As the production of cement by Allied Wangchao plant commenced under trial production, which is legal and permissible under the relevant PRC rules and regulations, there was a transitional period during which customers were being progressively transferred from Shandong SAC (prior to its cessation of cement production in April 2011) to Allied Wangchao. Accordingly, up to end of April 2011, part of the cement produced by Allied Wangchao plant was sold to Shandong SAC at arm's length market price and on normal commercial terms, which was then onward sold to the Group's customers without mark-ups. Allied Wangchao obtained production permit in June 2011. For the six months ended 30 June 2011, the combined cement sales volume and combined cement production volume of both plants amounted to an aggregate of 555,594 tons and 547,839 tons respectively, reflecting such customer transitional arrangement. Details of production volume of cement are set out in the paragraph headed "Our current operation" under the section headed "Business".

Coal and electricity energy supply

We use a substantial amount of coal and electricity in our production. Coal price has been increasing generally in 2010 and the first half of 2011 due to higher transportation costs and increase in demand as a result of the recovery of the global economy. Our cost of coal constituted approximately 42.1%, 35.3%, 28.4% and 18.4% of our total cost of sales for the three years ended 31 December 2008, 2009 and 2010 and the six months ended 30 June 2011, respectively and the cost of coal was approximately RMB97.1, RMB70.7, RMB82.7, and RMB78.6 per ton of our products sold respectively, for the corresponding years/period.

Electricity constituted approximately 17.9%, 21.3%, 13.3% and 9.3% of our total cost of sales for the three years ended 31 December 2008, 2009 and 2010 and the six months ended 30 June 2011, respectively and the cost of electricity was approximately RMB41.2, RMB42.5, RMB38.8 and RMB39.8 per ton of our products sold respectively, for the corresponding years/period. Generally, the electricity prices for industrial enterprises are regulated by provincial governments in China and therefore the prices are affected by government's control and pricing policies.

Our business, financial condition and results of operations may be adversely affected by increases in coal or electricity prices, shortages of coal and electricity supply or government's policy on electricity supply. Such risk is further discussed in the section headed "Risk factors".

Our raw materials

Limestone is the principal raw material used in production of cement. We own limestone mining rights at the quarry at Lang Shan (狼山) in Taierzhuang District, which is located approximately 10 km away from our production facilities. Based on the surveyors' reports in 2004 and 2010, the quarry had a limestone reserves of approximately 60.0 million tons and approximately 54.0 million tons in 2004 and 2010 respectively. We estimate that there will be approximately 53.0 million tons remaining reserves at the year ending 31 December 2011 based on the calculation that approximately 1.0 million tons reserves on average per year have had been excavated from 2004 to 2010. The mining license is valid until September 2020. Our access to the limestone reserves provides us with a secure and stable supply of limestone at low transportation costs. Based on the above estimates and the scale of our current production, assuming our license will be renewed, we have sufficient reserves of limestone to meet the current production requirements of our existing production facilities for approximately 43 years. Apart

from limestone and slag which is produced by ourselves, other raw materials used for the cement production such as gypsum, fly ash and, pyrite cinder are mainly purchased from third party local suppliers.

Environmental-friendly initiatives

Our production line has adopted the NSP technology (as defined in the section headed "Glossary of technical terms"), which was used in the production of 80% of cement in PRC by the end of 2010, allows less energy consumption during the production process and enables production of cement with higher and more consistent quality. There is no specific license or requirement which has to be met before adopting this NSP technology. We have also adopted other environmentally-friendly initiatives such as installing a waste heat recovery system which commenced its trial electricity generation in September 2010. The system is classified as a construction in progress during its trial operation stage and the Company's relevant operation permits have been granted by relevant government authorities, while the final acceptance (竣工驗收) is under application. The system collects the waste heat released from combustions in our kiln, which enables us to recycle the excess energy to power our plants for production and therefore saves cost. We also focus on efficient utilisation of our raw materials, such as slag and replacing natural gypsum with desulfurization gypsum, both of which are cost effective as well as beneficial to our environment. Our Shanghai plant had been enjoying VAT refunds from the PRC government for using recycled waste materials and by-products. Our Shanghai plant also enjoyed a preferential enterprise income tax rate of 15% compared with the standard tax rate of 25% for being an advance new technology enterprise as recognised by the PRC government. Following the cessation of cement and clinker production of our Shanghai plant, there has been no preferential tax treatment to our Group.

Our customers

We primarily sell our clinker and cement products to our customers who are mainly construction companies, ready-mixed concrete stations, clinker or cement traders and downstream cement and cement products manufacturers. We also occasionally provide technical services.

The table below sets forth our revenue by customer type for the periods indicated, excluding the customers for our technical services.

	Year ended 31 December			Six months ended 30 June	
Customers	**2008**	**2009**	**2010**	**2010**	**2011**
	HK$'000	**HK$'000**	**HK$'000**	**HK$'000**	**HK$'000**
Construction companies	142,359	103,664	57,170	20,302	107,295
Ready-mixed concrete stations	194,235	203,406	187,339	70,241	143,292
Clinker or cement traders	29,794	63,266	58,993	13,616	70,729
Downstream manufacturers of cement and cement products	176,597	107,728	135,980	52,561	58,891
Others*(Note)*	9,862	12,052	11,207	5,129	11,452
Total	552,847	490,116	450,689	161,849	391,659

Note: Includes sales to other customers who do not fall into the categories of construction companies, ready-mixed concrete stations, clinker or cement traders and downstream cement and cement products manufacturers. It mainly included direct cash sales to individual retail customers, amounting to approximately HK$9.8 million, HK$11.8 million, HK$10.8 million, HK$5.1 million and HK$11.5 million during the years ended 31 December 2008, 2009 and 2010 and the six months ended 30 June 2010 and 2011 respectively.

The top five customers accounted for approximately 34.7%, 27.0%, 21.0% and 32.2% of the total turnover of our Group for the years ended 31 December 2008, 2009 and 2010 and the six months ended 30 June 2011 respectively. Their principal activities were mainly engaged in ready-mixed concrete stations, construction materials supply and downstream cement products. The largest customer for the years ended 31 December 2008, 2009 and 2010 and the six months ended 30 June 2011 accounted for approximately 8.0%, 8.8%, 4.8% and 14.8% of the total turnover of our Group, respectively. All the top five customers during the Track Record Period are Independent Third Parties.

Please refer to the analysis of revenue contributed by each type of customers in the paragraph headed "Revenue — Revenue breakdown by types of customer" under the section headed "Financial information".

The map below indicates the locations of our primary markets coverage as of the Latest Practicable Date:

△ *Existing production plants at Taierzhuang District, Zaozhuang City, Shandong Province*

■ *Major markets covered by our Group*

- - - - *the Grand Canal*

- - - - *Railway*

- - - - *Highway*

OUR STRENGTHS

We believe that our competitive strengths include the following:

- We are well positioned to capture the growth opportunities in the fast-growing construction industry in the south-western parts of Shandong Province, northern parts of Jiangsu Province, north-eastern parts of Anhui Province and Shanghai
- We have established a close relationship with our customers
- We possess the mining right of a quarry of limestone reserves and have convenient access to fuels and other raw materials as well as transportation channels
- We have a stable and experienced management team and a team of skilled labour force

OUR STRATEGY AND FUTURE PLANS

We will continue to position ourselves as a quality-focused clinker and cement company focusing on producing and selling high quality products to differentiate ourselves from our competitors and to lower our production cost. We intend to further strengthen our customer base and market position in the provinces of Shandong, Jiangsu and Anhui as well as Shanghai and to achieve continued growth in our revenue and net profit. To achieve our goals, we plan to implement the following strategies:

- Further enhance our production facilities and capacities
- Strengthen our market position through maintaining the relationships with our existing customers and enlarging our customer base
- Further strengthen our sales and marketing capabilities
- Continue to lower our costs through technological improvement

The Premises Vacation necessitated the shift of the raw mixture and cement grinding systems from Shanghai plant to Allied Wangchao plant in Shandong Province. Cement production commenced in October 2010 at Allied Wangchao plant and it becomes our major production facility for manufacturing clinker and cement. Meanwhile, the raw mixture and cement grinding systems at the rented Shandong SAC plant, which were previously used for cement production, are currently used for producing slag being a raw material, for our own cement production at Allied Wangchao plant. Our Shanghai operations currently engage in the trading of cement following the cessation of production in December 2009. It will continue to engage in the trading of cement before the commencement of the operations, subject to relevant approvals, of our new plant in Bailonggang (白龍港) in Pudong District, Shanghai, of which construction is expected to commence by late 2012.

The Directors are aware that the Bailonggang Project may not materialise. In particular, bidding may be required for the replacement site and if bidding is required, there is no guarantee that the Group will be successful in the bidding process. In the event that the approval for operating our new plant in Bailonggang is not obtained, we may consider other acquisition opportunities in the current business. We had however not identified any such opportunities as at the Latest Practicable Date.

SUMMARY OF HISTORICAL FINANCIAL INFORMATION

The following summary of financial information for the years ended 31 December 2008, 2009 and 2010 and for the six months ended 30 June 2010 and 2011 has been derived from our financial information included in the Accountants' Report as set out in Appendix I to this prospectus. Potential investors should read the entire financial statements, including the notes thereto, included in Appendix I to this prospectus for more details.

Summary of combined statements of comprehensive income

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

Revenue decreased by 11.8% from HK$555.9 million for the year ended 31 December 2008 to HK$490.1 million for the year ended 31 December 2009. The decrease was mainly attributable to the falling clinker and cement market price in 2009 resulting from the contraction in the construction industry and excess capacity of cement industry during the year. During the years ended 31 December 2008 and 2009, the Group sold cement and clinker at the prevailing market prices in the respective regions and the decrease in average selling prices for Shanghai and Shandong operations in 2009 was in line with the market trend.

Revenue decreased by 7.9% to HK$451.4 million for the year ended 31 December 2010 from HK$490.1 million for the year ended 31 December 2009, mainly due to the cessation of manufacture and sale of cement and clinker in Shanghai upon the Premises Vacation in December 2009.

Revenue increased by 142.0% to HK$391.7 million for the six months ended 30 June 2011 compared with the corresponding period in previous year as our average selling price increased. Allied Wangchao commenced its trial cement production since October 2010 with a total annual cement production capacity of approximately 1.0 million tons (approximately 0.5 million tons for six months), where the cement grinding system was shifted from Shanghai plant following the Premises Vacation.

The profit after tax of our Group were approximately HK$53.1 million, HK$10.0 million, HK$374.5 million, HK$332.0 million and HK$53.3 million, representing net profit margins of 9.5%, 2.0%, 83.0%, 205.1% and 13.6% for the years ended 31 December 2008, 2009 and 2010 and the six months ended 30 June 2010 and 2011 respectively. The net profit margin decreased to 2.0% in 2009 from 9.5% in 2008 due to the decrease in revenue and gross profit margin amid the weak cement market as abovementioned. At the same time, there was no net foreign exchange gain in 2009 compared to a net foreign exchange gain of HK$25.6 million in 2008. Moreover, the distribution and selling expenses and administrative expenses for the year ended 31 December 2009 had remained more or less the same as that for the year ended 31 December 2008. The net profit margin increased significantly to 83.0% for the year ended 31 December 2010 mainly due to the gain on land resumption exercise of HK$528.4 million in relation to the Premises Vacation as abovementioned.

The gain on land resumption exercise in relation to the Premises Vacation for the year ended 31 December 2010, which contributed to the significant increase in the profit after tax of our Group, was non-recurring in nature. A reconciliation of the profit to the adjusted profit for the year attributable to owners of the Company excluding the non-recurring items in relation to the Premises Vacation is presented as follows:

For the year ended 31 December 2010

	HK$' million	HK$' million
Profit for the year attributable to owners of the Company		168.3
Adjusted for:		
Gain on land resumption exercise	(528.4)	
Goodwill attributable to relocated Shanghai factory written off under other expenses	69.5	
Taxation attributable to gain on land resumption exercise	132.1	
Adjusted profit for the year attributable to non-controlling interests	198.2	
		(128.6)
Adjusted profit for the year attributable to owners of the Company		39.7

Accordingly the adjusted net profit margin after adjusting for the above items was approximately 10.6% for the year ended 31 December 2010 which increased in line with gross profit margin compared with that of 2009.

The Group recorded an improved net profit margin of 13.6% for the six months ended 30 June 2011, which was consistent with the increase in gross profit margin resulted mainly from the substantial increase in our average selling price and sales volume while our cost of sales remained relatively stable.

Our operating performance during the four months from July to October 2011

Based on our management accounts, during the four months from July to October 2011, we recorded revenue of HK$226.6 million, or a monthly average of approximately HK$56.6 million. Comparatively, during the six months ended 30 June 2011, our revenue was HK$391.7 million, or a monthly average of approximately HK$65.3 million. The decline was due to (i) lower monthly sales volume, especially in respect of our cement trading business, as we adopted a more cautious sales approach in view of the recent uncertainties of the global economies, and in particular the PRC real estate market; and (ii) lower selling prices for our cement products. For example, the average selling price for cement trading business during the four months from July to October 2011 was approximately RMB359.4 per ton compared with RMB387.0 per ton during the six months ended 30 June 2011. Comparatively, cement and clinker manufacturing activities had been stable where monthly sales volume during the four months from July to October 2011 had maintained at similar levels compared with the six months ended 30 June 2011. Average selling price for cement and clinker manufacturing activities was about 6% lower than that of the six months ended 30 June 2011. While our revenue had slowed and

average selling price had decreased during the four months from July to October 2011, the Directors confirm that, save as aforesaid, there has been no material adverse change in our businesses since 30 June 2011, being the date of the Group's last audited financial statements as set out in Appendix I to this prospectus.

The Directors have noted the recent credit tightening in the PRC financial markets. Given that we do not have heavy reliance on bank loans to finance our business, the Directors are of the view that we will not be materially adversely affected by such tightening. The Directors also noted signs of deterioration of the PRC real estate market in the past months and believe our business will not be materially adversely affected as we have a diversified group of customers which supplies to different infrastructure projects such as roads, highways, bridges, railways and building construction. The Directors are however aware that continued uncertainties in these markets may result in lower demand for cement as well as lower cement prices, and will monitor the situation closely.

Impact to the profit and loss account of the Group for the year ending 31 December 2011 due to the expenses relating to the Listing

As a result of the Listing, our Directors expect that a sum of approximately HK$12.9 million will be recognised by the Group as listing expenses and such amount will be allocated and charged to the profit and loss account of the Group for the year ending 31 December 2011. Our Directors would like to emphasise that the aforesaid sum is a current estimate for reference only and the final amount to be charged to the profit or loss account of the Group for the year ending 31 December 2011 is subject to audit.

Summary of combined statements of financial position

	At 31 December			At 30 June
	2008	2009	2010	2011
	HK$'000	HK$'000	HK$'000	HK$'000
Total non-current assets	564,914	327,577	361,713	381,898
Total current assets				
— Trade and bills receivables	216,369	186,353	191,873	328,198
— Time deposits	—	—	282,353	217,139
— Bank balances and cash	59,161	506,011	269,619	70,098
— Other current assets	119,965	328,651	320,977	632,796
	395,495	1,021,015	1,064,822	1,248,231
Total assets	960,409	1,348,592	1,426,535	1,630,129
Total current liabilities				
— Trade and bills payables	47,908	23,588	92,818	173,440
— Deposit received on land resumption	—	568,382	—	—
— Amounts due to related parties	326,433	304,175	362,808	372,646
— Tax liabilities	33	1,629	142,666	151,224
— Other current liabilities	234,099	49,799	67,341	106,632
	608,473	947,573	665,633	803,942
Total non-current liabilities	42,356	90,233	114,051	108,975
Total liabilities	650,829	1,037,806	779,684	912,917
Net current (liabilities) assets	(212,978)	73,442	399,189	444,289
Net assets	309,580	310,786	646,851	717,212
EQUITY				
Share capital	10,000	10,000	—	—
Reserves	106,848	113,557	250,043	304,799
Equity attributable to owners of the Company	116,848	123,557	250,043	304,799
Non-controlling interests	192,732	187,229	396,808	412,413
Total equity	309,580	310,786	646,851	717,212

Summary of combined statements of cash flows

	For the year ended 31 December			For the six months ended 30 June
	2008	2009	2010	2011
	HK$'000	HK$'000	HK$'000	HK$'000
Net cash from operating activities	55,594	39,798	115,805	6,069
Net cash from (used in) investing activities	14,121	558,676	(371,885)	(234,230)
Net cash (used in) from financing activities	(48,765)	(151,624)	8,128	31,540
Net increase (decrease) in cash and cash equivalents	20,950	446,850	(247,952)	(196,621)
Cash and cash equivalents at the beginning of the year/period	35,772	59,161	506,011	269,619
Effect of foreign exchange rate changes	2,439	—	11,560	(2,900)
Cash and cash equivalents at the end of the year/period, represented by bank balances and cash	59,161	506,011	269,619	70,098

Trade and bills receivables

The following is the aging analysis of our trade and bills receivables, net of allowance for bad and doubtful debts for the Track Record Period:

	At 31 December			At 30 June
	2008	2009	2010	2011
	HK$'000	HK$'000	HK$'000	HK$'000
0–90 days	173,285	103,665	130,906	260,740
91–180 days	33,830	44,035	27,545	56,009
181–365 days	7,364	23,855	11,331	8,927
Over 1 year	1,890	14,798	22,091	2,522
	216,369	186,353	191,873	328,198
Debtors' turnover days *(note)*	142	139	155	153

Note: Debtors' turnover days are calculated based on the ending trade and bills receivables of a given year/period divided by the revenue for the corresponding year/period and multiplied by 365 days for the years ended 31 December 2008, 2009 and 2010 and by 183 days for the six months ended 30 June 2011.

Our Shandong operations typically require customer to settle the payment before or upon delivery of our products. Meanwhile, Shanghai SAC usually requires customers to settle the payments in full by cash or bank transfers with credit periods of normally ranging from 120 days to 1 year. The debtors' turnover days of the Group were 142 days, 139 days, 155 days and 153 days as at 31 December, 2008,

2009 and 2010 and the six months ended 30 June 2011 respectively. The credit periods we grant to customers are relatively longer compared to some other cement companies in the PRC market due to the following:

(i) Shanghai, one of our major markets, is comparatively more matured in terms of practice for financial settlements where customers typically expect credit periods and the use of bank acceptance bills as a form of settlement. The trade and bills receivables attributable to the Shanghai operation as at 31 December 2008, 2009 and 2010 and 30 June 2011 amounted to HK$180.4 million, HK$165.7 million, HK$168.9 million and HK$262.7 million respectively, representing 83.4%, 88.9%, 88.0% and 80.0% of our total trade and bills receivables as at the corresponding years/period end. In comparison, markets in more rural central and western parts of the PRC may generally have shorter or no credit periods and may require cash settlement upon delivery. While our acceptance of three to six-month credit bills from customers will result in longer debtors' turnover days, we noted that the credit risk would have effectively been transferred from our customers to the issuing banks; and

(ii) our ability to provide longer credit periods selectively to customers helps enhance the competitiveness of our cement trading activities. The Directors believe we are able to finance the working capital requirement for granting longer credit periods given our financial strengths, especially in respect of our Shanghai operations.

The Spin-off of the Group

Our Group is being spun off from Tian An which together with its subsidiaries (the "Tian An Group") are principally engaged in the development of high-end apartments, villas, office buildings and commercial properties, property investment and property management, as well as the manufacture, sale and trading of cement and clinker in the PRC (the "Spin-off"). Tian An spins off its existing cement business, being our Group, by way of a public offering of the Shares, and a separate listing of the Shares on the Main Board of the Stock Exchange. Following the Spin-off, our Company becomes a non-wholly owned subsidiary of Tian An.

For reference, reasons for and benefits of the Spin-off to investors of Tian An are set out as follows:

(i) the Spin-off will provide our Group with financial flexibility and a separate fund raising platform to raise funds from the capital markets to support its growth and future expansion as and when needed;

(ii) the Spin-off will essentially separate the cement business from property investment, development and property management of Tian An Group. Such segregation enables investors and financiers to appraise separately the value, strategies, functional exposure, risks and return of two sectors of business which are different in nature. This will facilitate their analysis of the two different businesses and their investment decisions. Investors will have a choice to invest in either Tian An Group or our Group and invest in either one or both of the business models;

(iii) the Spin-off will enable the management team of Tian An Group and our Group to focus on their respective core businesses, thereby enhancing efficiency, the decision-making process and its responsiveness to market changes;

(iv) the Spin-off is expected to improve the operational and financial transparency of our Group and provide investors, the market and rating agencies with greater clarity on the business as well as the respective financial status of Tian An Group and our Group;

(v) Tian An intends to maintain not more than 75% equity interest in our Group. Accordingly, Tian An will continue to benefit from any potential upside on the cement business to be owned by our Group through consolidation of the financial results generated by our Group;

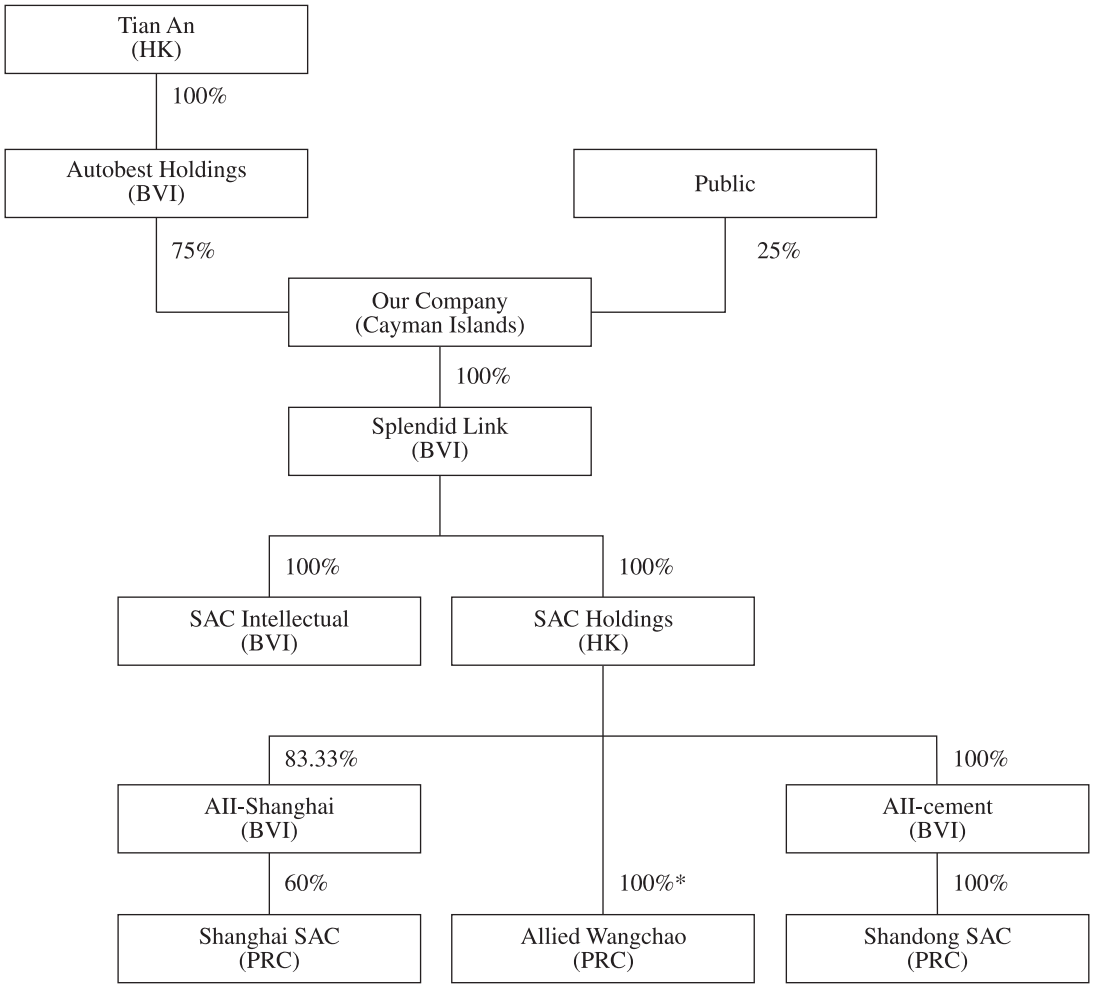
(vi) the net cash proceeds from the Share Offer will provide our Group funding to repay shareholders' and bank loans, and provide additional working capital for our operations; and

(vii) the Spin-off will enable the Qualifying TA Shareholders (through the Assured Entitlement) to have direct shareholding interests in our Group and business. For details, please refer to the paragraph headed "The Preferential Offering" under the section headed "Structure and conditions of the Share Offer".

SUMMARY OF CORPORATE STRUCTURE AND REORGANISATION

Our Company was incorporated in the Cayman Islands under the Companies Law as an exempted company with limited liability on 21 March 2011. We have 8 subsidiaries, namely Splendid Link, SAC Intellectual, SAC Holdings, AII-Shanghai, AII-cement, Shanghai SAC, Allied Wangchao and Shandong SAC. We underwent the Reorganisation to streamline our group structure in preparation for the Listing, and as a result, our Company became the holding company of Splendid Link. For further information about the corporate structure, shareholding structure and principal steps involved in the Reorganisation, please refer to the sections headed "Corporate reorganisation and group structure" and "Appendix V — Statutory and general information" in this prospectus.

The following chart sets out our corporate structure after the Reorganisation and immediately following completion of the Share Offer:



* *AII-Shanghai holds 25.63% of the equity interest of Allied Wangchao on trust for SAC Holdings.*

OFFER STATISTICS

	Based on an Offer Price of HK$1.00 per Offer Share
Market capitalisation of the Shares *(Note 1)*	HK$660 million
Historical price/earnings multiple *(Note 2)*	3.92 times
Unaudited pro forma adjusted net tangible assets per Share *(Notes 3 and 4)*	HK$0.67

Notes:

1. The calculation of the market capitalisation is based on 660,000,000 Shares expected to be in issue following the completion of the Share Offer.

2. The calculation of historical price/earnings multiples is based on the historical earnings attributable to equity holders of the Company for the financial year ended 31 December 2010 of approximately HK$168.3 million, the Offer Price of HK$1.00 per Share and assuming that our Company has been listed since 1 January 2010 and a total of 660,000,000 Shares (being the number of Shares expected to be in issue following the completion of the Share Offer).

   For illustration purposes, the historical price/earnings multiple after excluding the non-recurring items in relation to the Premises Vacation as set out in the paragraph headed "Summary of historical financial information" under this section would be approximately 16.61 times.

3. The number of Shares used for the calculation of unaudited pro forma adjusted net tangible assets attributable to owners of our Company per Share is based on 660,000,000 Shares to be in issue immediately after the Share Offer, which included the 142,292,167 Shares issued for the loan capitalisation as stated in note 4 below, and without taking into account any Shares which may be issued upon the exercise of any options which may be granted under the Share Option Scheme.

4. Subsequent to 30 June 2011, shareholders' loans due to Tian An Group with an aggregate amount of approximately HK$227,305,000 have been capitalised for the consideration of the issuance of 142,292,167 Shares. No pro forma adjustment has been made to the net tangible assets of our Group in connection to these shareholders' loans capitalisation. If the shareholders' loans capitalisation were to be adjusted to the pro forma net tangible assets of our Group, the unaudited pro forma adjusted net tangible assets per Share would have been approximately HK$1.01.

DIVIDEND POLICY

Our Directors may recommend that dividends be declared after taking into account, among other things, our results of operations, cash flows and financial condition, operating and capital requirements, the amount of distributable profits, reserves available for distribution based on HKFRS, our Memorandum and Articles of Association, the Companies Law, applicable laws and regulations and other factors that our Directors deem relevant. Under our Articles of Association, declaration of final dividends is subject to the Shareholders' approval at our annual general meeting, while our Directors have been granted the authority to pay interim dividends without Shareholders' approval.

Any distributable profits that are not distributed in any given year may be retained and be made available for distribution in subsequent years. To the extent profits are distributed as dividends, such portion of profits will not be available for reinvestment 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. 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, the Directors do not expect to declare any dividend for the year ending 31 December 2011.

USE OF PROCEEDS

Net proceeds from the Share Offer, based on the Offer Price of HK$1.00 per Offer Share and after deducting underwriting commissions and professional fees, is expected to amount to approximately HK$145.0 million. As discussed in the paragraph headed "Our strategy and future plans" in the section headed "Business" in this prospectus, we intend to use such net proceeds in the following manner:

(a) as to approximately HK$130.0 million, representing approximately 89.7% of the net proceeds from the Share Offer for repaying our loans owed to related parties, being Sunwealth[(Note 1)] and Tian An[(Note 2)] upon the Listing;

(b) as to approximately HK$10.0 million, representing approximately 6.9% of the net proceeds from the Share Offer for repayment of a bank loan partially due within 12 months from the Listing. The outstanding principal of this unsecured loan as at the Latest Practicable Date was approximately HK$50.5 million. The final maturity is on 16 December 2012 and the loan carries an interest rate of HIBOR plus 2.3%. The proceeds of this loan have been used primarily for our Shandong operations; and

(c) as to approximately HK$5.0 million, representing approximately 3.4% of the net proceeds from the Share Offer for general working capital of our Group.

To the extent the net proceeds of the Share Offer are not immediately used for the purposes described above, we intend to place the proceeds in short term bank deposits.

Notes:

1. Sunwealth is a wholly-owned subsidiary of Tian An. Approximately HK$128.2 million of the net proceeds will be used to repay a loan owing by our Group to Sunwealth. Such loan was part of the loan previously owed by SAC Holdings to ChinaVision Media which was subsequently assumed by Sunwealth as part of the sale and purchase agreement dated 21 May 2009. Details of which are set out in the section headed "Corporate reorganisation and group structure". This loan is non-interest bearing and is repayable on demand.

2. The amount owing to Tian An represents guarantee fee payable to Tian An for its provision of financial guarantee to certain current lenders. This amount owing is non-interest bearing and is repayable on demand.

In this prospectus, the following expressions have the following meanings, unless the context otherwise requires:

"AII-cement"	AII-cement Limited, a company incorporated in the BVI with limited liability on 5 January 2001 and a wholly-owned subsidiary of SAC Holdings
"Allied Properties"	Allied Properties (H.K.) Limited, a company incorporated in Hong Kong with limited liability on 18 July 1960, the securities of which are listed on the Main Board of the Stock Exchange (Stock Code: 56 and Warrant Code: 1183) and is interested in approximately 46.85% of the entire issued share capital of Tian An through its wholly-owned subsidiaries, namely China Elite Holdings Limited and Fine Class Holdings Limited
"AII-Shanghai"	AII-Shanghai Inc., a company incorporated in the BVI with limited liability on 1 March 1993 and whose issued share capital is held as to 83.33% by SAC Holdings and as to 16.67% by an Independent Third Party
"Allied Wangchao"	Shandong Allied Wangchao Cement Limited (山東聯合王晁水泥有限公司), a company incorporated in the PRC with limited liability on 29 December 2003 and whose entire equity interest is beneficially interested by SAC Holdings (25.63% of which is held by AII-Shanghai on trust for SAC Holdings), which carries out our operations in Shandong Province
"Allied Wangchao plant"	the plant operated by Allied Wangchao
"Altus Capital"	Altus Capital Limited, a corporation licensed to carry on type 4 (advising on securities), type 6 (advising on corporate finance) and type 9 (asset management) regulated activities under the SFO, appointed as the Sponsor
"Application Form(s)"	**WHITE** application form(s), **YELLOW** application form(s), **PINK** application form(s) and **BLUE** application form(s) or, where the context so requires, any of them which is used in the Public Offer
"Articles" or "Articles of Association"	the Amended and Restated Articles of Association of the Company, adopted on 20 December 2011 with effect from the Listing Date, and as amended from time to time, a summary of which is set out in "Appendix IV — Summary of the constitution of the Company and Cayman Islands Companies Law" to this prospectus
"associate(s) "	has the meaning ascribed thereto in the Listing Rules

"Assured Entitlement(s)"	the entitlement(s) of a Qualifying TA Shareholder to apply for Reserved Shares under the Preferential Offering on the basis of an assured allotment of one (1) Reserved Share for every integral multiple of forty nine (49) shares in Tian An held by each Qualifying TA Shareholder as at 5:00 p.m. on the Record Date or otherwise announced
"Autobest Holdings"	Autobest Holdings Limited, a company incorporated in the BVI with limited liability on 11 March 2011 and which will directly hold approximately 75% voting rights in the general meeting of the Company upon the completion of the Share Offer and a direct wholly-owned subsidiary of Tian An
"Bailonggang Project"	the proposed construction of a new plant at the periphery of Shanghai Sewage Treatment Plant (上海污水處理廠) in Bailonggang (白龍港), Pudong, Shanghai, currently under negotiation with the Shanghai Municipal Government
"Board"	the board of Directors from time to time
"Business Day(s)"	any day (excluding a Saturday or a Sunday) on which banks in Hong Kong are generally open for normal banking business
"BVI"	the British Virgin Islands
"CAGR"	compound annual growth rate
"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
"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

"ChinaVision Media"	ChinaVision Media Group Limited (previously known as Shanghai Allied Cement Limited and Interform Ceramics Technologies Limited respectively), a company incorporated in Bermuda with limited liability, the shares of which are listed on the Main Board of the Stock Exchange (stock code: 1060) and the Singapore Exchange Limited as a secondary listing
"Companies Law" or "Cayman Companies Law"	the Companies Law (2011 Revision) of the Cayman Islands as amended, supplemented or otherwise modified from time to time.
"Companies Ordinance"	the Companies Ordinance (Chapter 32 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
"Company"	Allied Cement Holdings Limited (聯合水泥控股有限公司), a company incorporated in the Cayman Islands with limited liability on 21 March 2011
"connected person(s)"	has the meaning ascribed thereto in the Listing Rules
"Controlling Shareholder(s)"	has the meaning ascribed thereto in the Listing Rules and unless the context requires otherwise, refers to Autobest Holdings and its beneficial owner, Tian An, which will control the exercise of approximately 75% voting rights in the general meeting of the Company immediately after the Share Offer
"Director(s)"	the director(s) of the Company
"Eligible Employee(s)"	all full-time employee(s) of our Group who joined our Group on or before the Latest Practicable Date who have a Hong Kong address (other than the chief executive or directors of the Company or its subsidiaries, existing beneficial owners of Shares or any of their respective associates and any other connected persons of the Company)
"Employee Preferential Offering"	the offer of up to 1,485,000 Public Offer Shares to Eligible Employees as described in the paragraph headed "Employee Preferential Offering" under the section headed "Structure and conditions of the Share Offer" in this prospectus
"Employee Reserved Shares"	the 1,485,000 Public Offer Shares (representing 0.9% of the Offer Shares available under the Share Offer) available in the Employee Preferential Offering and which are to be allocated out of the Public Offer Shares
"Euro"	European dollars, the official currency of the European Union
"FAI"	fixed asset investment

"GDP"	gross domestic product (all references to GDP growth rates are to real as opposed to nominal rates of GDP growth), unless otherwise stated
"Grand Canal"	Beijing Hangzhou Grand Canal starting from Beijing to the city of Hangzhou
"Group"	the Company and its subsidiaries or, where the context so requires or permits, in respect of the period prior to the Company becoming the holding company of its present subsidiaries, the present subsidiaries of the Company
"HIBOR"	Hong Kong interbank offer rates
"HK$" and "HK cents"	Hong Kong dollars and cents, respectively, the lawful currency of Hong Kong
"HKFRS"	Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants
"HKSCC"	the Hong Kong Securities Clearing Company Limited
"HKSCC Nominees"	HKSCC Nominees Limited, a wholly-owned subsidiary of HKSCC
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC
"Hong Kong Branch Registrar"	Tricor Secretaries Limited, being the Hong Kong branch share registrar and transfer office
"Independent Third Party(ies)"	person(s) or company(ies) which is (are) not connected person(s) (as defined in the Listing Rules) of the Group and Tian An Group
"Latest Practicable Date"	22 December 2011, being the latest practicable date prior to the printing of this prospectus for ascertaining certain information contained herein
"Listing"	the listing of the Shares on the Main Board of the Stock Exchange
"Listing Committee"	the Listing Committee of the Stock Exchange
"Listing Date"	the date, expected to be on or about Wednesday, 18 January 2012, on which the Shares are first listed and from which dealings therein are permitted to take place on the Stock Exchange

"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange
"Main Board"	the Main Board of the Stock Exchange (excludes the option market) operated by the Stock Exchange which is independent from and operated in parallel with the Growth Enterprise Market of the Stock Exchange
"Non-competition Deed"	a deed of non-competition dated 20 December 2011 entered into between the Company and Tian An as further described in "Non-Competition Deed" under the section headed "Relationship with the Controlling Shareholders" in this prospectus
"Offer Price"	the price per Offer Share of HK$1.00 per Share (exclusive of brokerage, SFC transaction levy and Stock Exchange trading fee)
"Offer Shares"	the Public Offer Shares and the Placing Shares; and "Offer Share" means any one of these Offer Shares
"Overseas TA Shareholders"	registered holders of shares in Tian An, whose addresses on the register of members of Tian An were outside Hong Kong at 5:00 p.m. on the Record Date
"Placing"	the conditional placing of 133,650,000 Placing Shares by the Underwriter on behalf of the Company with professional, institutional and/or other investors for cash at the Offer Price, as further described in the section headed "Structure and conditions of the Share Offer" in this prospectus
"Placing Shares"	the 133,650,000 Shares being offered for subscription under the Placing
"PRC", "China" or "State"	the People's Republic of China, but for the purposes of this prospectus and unless otherwise indicated, excludes Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
"Preferential Offering"	the preferential offer to the Qualifying TA Shareholders of up to 16,500,000 Reserved Shares as further described in the section headed "Structure and conditions of the Share Offer" in this prospectus
"Premises Vacation"	the vacation of the Shanghai plant in Xuhui District (徐滙區), Shanghai as part of city planning and to facilitate the organisation of the World Expo 2010 in Shanghai, and for which site relocation compensation agreement was entered into between Shanghai SAC and the Shanghai Xuhui Binjiang for land resumption on 27 November 2009

"Public Offer"	the offering by the Company of 31,350,000 Shares for subscription by the public in Hong Kong (subject to adjustment as described in the section headed "Structure and conditions of the Share Offer" in this prospectus) for cash at the Offer Price on the terms and conditions described in this prospectus and the Application Forms
"Public Offer Shares"	the 31,350,000 new Shares (subject to adjustment as described in the section headed "Structure and conditions of the Share Offer" in this prospectus) initially being offered by the Company for subscription at the Offer Price under the Public Offer
"Qualifying TA Shareholder(s)"	holder(s) of shares in Tian An whose names appear on the register of members of Tian An at 5:00 p.m. on the Record Date who shall be entitled to the Shares under the Preferential Offering, other than those holding less than forty nine (49) shares of Tian An at 5:00 p.m. (or otherwise announced) on the Record Date and those Overseas TA Shareholders who the board of directors of Tian An, after making enquiries regarding the legal restrictions under the laws of the relevant places or the requirements of the relevant regulatory bodies and stock exchange in those places, considers the exclusion of which is necessary or expedient
"Record Date"	23 December 2011, being the record date for ascertaining the Assured Entitlements
"Regulation S"	Regulation S under the US Securities Act
"Remaining Group" or "Tian An Group"	Tian An and its remaining subsidiaries of Tian An excluding our Group
"Reorganisation"	the reorganisation of the corporate structure of our Group as referred to in the sections headed "Corporate reorganisation and group structure" and "Appendix V — Statutory and general information" in this prospectus
"Reserved Shares"	the 16,500,000 Offer Shares (representing approximately 10% of the Offer Shares initially available under the Share Offer) available in the Preferential Offering and which are to be allocated out of the Public Offer Shares
"RMB" or "Renminbi"	Renminbi, the lawful currency of the PRC
"SAC Holdings"	Shanghai Allied Cement Holdings Limited, a company incorporated in Hong Kong with limited liability on 21 May 2001 and a wholly-owned subsidiary of Splendid Link

"SAC Intellectual"	SAC Intellectual Properties Limited, a company incorporated in the BVI with limited liability on 11 March 2010 and a wholly-owned subsidiary of Splendid Link
"SAC Investments"	SAC Investments Limited, a company incorporated in the BVI with limited liability on 23 May 2001 and an indirect wholly-owned subsidiary of Tian An
"Shandong SAC"	Shandong Shanghai Allied Cement Co., Ltd. (山東上聯水泥發展有限公司), a company incorporated in the PRC with limited liability on 8 June 2001, and whose entire equity interest is held as to 100% by AII-cement, which carries out the operations in Shandong Province
"Shandong SAC plant"	the plant operated by Shandong SAC
"Shanghai Building Material"	Shanghai Building Material (Group) General Company* (上海建築材料(集團)總公司), a state-owned enterprise and the company holding the entire interest of Shanghai Cement Factory
"Shanghai Cement Factory"	Shanghai Cement Factory* (上海水泥廠), a company incorporated in the PRC and a wholly-owned subsidiary of Shanghai Building Material
"Shanghai SAC"	Shanghai Allied Cement Co., Ltd. (上海聯合水泥有限公司), a company incorporated in the PRC with limited liability on 31 December 1993 and whose equity interest is held as to 60% by AII-Shanghai and as to 40% by Shanghai Cement Factory, an Independent Third Party, which carries out the operations in Shanghai
"Shanghai plant"	the plant operated by Shanghai SAC
"Shanghai Xuhui Binjiang"	Shanghai Xuhui Binjiang Development Investment Company Limited* (上海徐滙濱江開發投資建設有限公司)
"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
"Share(s)"	share(s) of HK$0.01 each in the share capital of the Company
"Shareholder(s)"	holder(s) of the Share(s) from time to time
"Share Offer"	the Public Offer and the Placing

"Share Option Scheme"	the share option scheme conditionally adopted by the Company on 28 April 2011, the principal terms of which are summarised in the paragraph headed "Share Option Scheme" in Appendix V to this prospectus
"Sole Bookrunner" or "Sole Lead Manager"	Sun Hung Kai Investment Services Limited, a licensed corporation for Type 1 (dealing in securities) and Type 4 (advising on securities) regulated activities under the SFO, being the sole lead manager and sole bookrunner of the Share Offer
"Splendid Link"	Splendid Link Limited, a company incorporated in the BVI with limited liability on 19 November 2010 and a direct wholly-owned subsidiary of the Company
"Sponsor"	Altus Capital, being the sponsor to the Listing
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"subsidiary" or "subsidiaries"	a company which is for the time being and from time to time a subsidiary (within the meaning of the Companies Ordinance) of the Company, whether incorporated in Hong Kong or elsewhere and subsidiaries shall be constructed accordingly
"Substantial Shareholder(s)"	shall have the meaning ascribed to it under rule 1.01 of the Listing Rules
"Sunwealth"	Sunwealth Holdings Limited, a company incorporated in the BVI with limited liability on 22 February 2005 and an indirect wholly-owned subsidiary of Tian An
"TACHP"	Tian An China Hotel and Property Investments Company Limited, a company incorporated in Hong Kong with limited liability on 3 June 1987 and a wholly-owned subsidiary of Tian An
"Takeovers Code"	the Hong Kong Code on Takeovers and Mergers, as amended from time to time
"Tian An"	Tian An China Investments Company Limited, a company incorporated in Hong Kong with limited liability on 24 October 1986, the shares of which are listed on the Main Board of the Stock Exchange (Stock Code: 28) and a Controlling Shareholder
"Tian An China"	Tian An China Enterprise Limited, a company incorporated in Hong Kong with limited liability on 3 July 1987 and a direct wholly-owned subsidiary of Tian An

"Tian An Shanghai"	Tian An (Shanghai) Investments Co., Ltd. (天安（上海）投資有限公司), a company incorporated in the PRC with limited liability on 22 July 1992 and a wholly-owned subsidiary of Tian An
"Track Record Period"	the period comprising the years ended 31 December 2008, 2009 and 2010 and the six-month period ended 30 June 2011
"Trading Day"	a day on which trading of the Shares takes place on the Stock Exchange
"Underwriter"	the underwriter in respect of the Public Offer and the Placing named in the section headed "Underwriting" in this prospectus
"Underwriting Agreement"	the Underwriting Agreement dated 29 December 2011 entered between, among others, the Company, the executive Directors, the Controlling Shareholders and the Underwriter, particulars of which are summarised in the section headed "Underwriting" in this prospectus
"US"	the United States of America
"US$"	US dollars, the lawful currency of the US
"VAT"	value added tax
"Wangchao Coal"	Shandong Wangchao Coal Group Co., Ltd* (山東王晁煤電集團有限公司), a company incorporated in the PRC with limited liability and an Independent Third Party
"we", "us" or "our"	the Company or our Group (as the context may require)
"%"	per cent.

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

In this prospectus, unless otherwise stated, certain amounts denominated in RMB have been translated into HK$ at an exchange rate of RMB0.83 to HK$1.00. Certain amounts denominated in US$ have also been translated into HK$ at an exchange rate of US$1.00 to HK$7.80. Such conversions shall not be construed as representations that amounts in RMB or US$ were or could have been or could be converted into HK$ at such rates or any other exchange rates on such date or any other date.

If there is any inconsistency between the Chinese name of the PRC entities mentioned in this prospectus and their English translations, the Chinese version shall prevail.

* *For identification purpose only*

The following sets out a list of glossary which contains certain terms and definition used in this prospectus in connection to our Group's business and operations . The terms and their meanings may not correspond to the standard industry meanings or usage of those terms.

"cement"	slurry blended with water, which can glue appropriate materials such as sand. It is a hydraulic cementitious material which can harden in water and air
"clinker"	a production produced by appropriate proportion of raw meal calcined until partially melting. It mainly composed of calcium silicate, namely, the Portland Cement clinker
"Common Portland Cement"	a general name for Portland Cement, Portland Ordinary Cement, Portland Slag Cement, Portland Fly Ash Cement, Portland Pozzolana Cement and Portland Composite Cement in the PRC. The production of Common Portland Cement is standardized by the National Standard of the PRC (GB175–2007) in Common Portland Cement implemented on 1 June 2008
"concrete"	an artificial stonelike material made by evenly blending mixing cement and various aggregates in an appropriate proportion, with chemical admixture added when necessary. It is made by mixing cement and various aggregates such as sand, pebbles, gravel, shale and water and allowing the mixture to harden. It is used in the construction industry for various structural purposes
"fly ash"	ash collected from dust collectors of coalfired power plants, which is usually used as aggregates
"gypsum"	a mineral mainly composed of calcium sulphate dehydrate which is a versatile material and construction material and can be used as a set-controlling agent
"hydraulic cement"	a generic term that includes Portland Cement and other blended cement for specific applications. All hydraulic cement sets and hardens by reacting chemically with water
"installed capacity"	the full-load continuous rating of a generator as designated by the manufacturer
"km"	kilometres
"limestone"	a mineral primarily composed of calcium carbonate, CaCO3, used as a major raw material in the production of clinker and other building materials and various industries
"MW"	megawatt, the standard unit of measure for the amount of power produced from a plant. One megawatt is 1,000 kilowatts

"MWh"	megawatt-hour, the standard unit of energy used in the electric power production. One megawatt-hour is the amount of energy that would be produced by a generator producing one million watts for one hour
"Mpa"	megapascal (one million pascals), a unit in the International System of Units for measuring compressive strength
"NSP Technology"	a large scale and automatic modern cement production method characterised by modern and advanced science and technology and conforms with the requirements of quality, high production, energy saving and being environmental friendly. It takes Suspension Pre-heat Technology and Precalcinator Technology as its core and applies the latest results of modern science and technology and industrialised production throughout the general process of cement production
"Portland Cement"	a hydraulic cementitious material produced by blending Portland Cement clinker, 0 to 5% limestone granulated blast furnace slag and right amount of gypsum, which is called Portland Cement and is classified as PI or PII
"Portland Composite Cement"	a mixture comprising clinkers and gypsum used in Portland Cement and up to 50% of other constituents
"Portland Fly Ash Cement"	a mixture comprising clinkers and gypsum used in Portland Cement and up to 40% of fly ash
"Portland Ordinary Cement"	a mixture comprising clinkers and gypsum used in Portland Cement and up to 20% of slag, pozzolana and fly ash
"Portland Pozzolana Cement"	a mixture comprising clinkers and gypsum used in Portland Cement and up to 40% of pozzolana
"Portland Slag Cement"	a mixture comprising clinkers and gypsum used in Portland Cement and up to 70% of blast furnace slag
"rotary kiln"	a rotary calcinator which is a large, cylindrical steel tube used to heat the raw materials to produce clinker
"sq.ft." and "sq.m."	square feet and square metres, respectively
"ton(s)"	metric ton(s), equivalent to 1,000 kilograms
"30% Recycling Rate"	the utilisation of recycling/waste materials in the cement production process, where such amount is no less than 30% of the total raw materials used

We have included in this prospectus forward-looking statements. Statements that are not historical facts, including statements about our intentions, beliefs, expectations or predictions for the future, are forward-looking statements.

These forward-looking statements include, without limitation, statements relating to:

- our business prospects;
- our future debt levels and capital needs;
- our dividend policy;
- future developments, trends and conditions of the cement market in the PRC and the rest of the world;
- our strategies, plans, objectives and goals;
- general economic conditions;
- changes to regulatory or operating conditions in the market in which we operate;
- our ability to acquire more customers, increase market shares, and increase revenue in rental and trading businesses;
- our ability to reduce costs;
- capital market developments;
- the actions and developments of our competitors;
- certain statements in "Financial information" with respect to trends in prices, volumes, operations, margins, overall market trends, risk management and exchange rates; and
- other statements in this prospectus that are not historical facts.

In some cases, we use the words "aim","anticipate", "believe", "continue", "could", "estimate", "expect", "going forward", "intend", "ought to", "may", "plan", "potential", "predict", "project", "seek", "should", "will", "would", and similar expressions to identify forward-looking statements.

These forward-looking statements are based on current plans and estimates, and apply only as of the date they are made. We undertake no obligation to update or revise any forward-looking statement in light of new information, future events or otherwise. Forward-looking statements involve inherent risks and uncertainties and are subject to assumptions, some of which are beyond our control. We caution you that a number of important factors could cause actual outcomes to differ, or to differ materially, from those expressed in any forward-looking statement.

Due to these risks, uncertainties and assumptions, the forward-looking events and circumstances discussed in this prospectus might not occur in the way we expect, or at all. Accordingly, you should not place undue reliance on any forward-looking information. All forward looking statements contained in this prospectus are qualified by reference to this cautionary statement.

In this prospectus, unless otherwise stated, statements of or references to our intentions of those of any of our Directors are made as at the date of this prospectus. Any such intentions may change in light of future developments.

Potential investors should consider carefully all of the information set out in this prospectus and, in particular, should consider the following risks and special considerations associated with an investment in the Company before making any investment decision in relation to the Company. You should pay particular attention to the fact that the Company is incorporated in the Cayman Islands and a significant part of our Group's operations are conducted in the PRC and are governed by legal and regulatory environments which in some respects may differ from that in Hong Kong. Any of the risks and uncertainties described below could have a material adverse effect on our business, results of operations, financial condition or the trading price of the Shares, and could cause you to lose all or part of your investment.

We believe that there are certain risks involved in our operations. Many of these risks are beyond our control and can be categorised into: (i) risks relating to our business; (ii) risks relating to the cement industry in the PRC; (iii) risks relating to the PRC; (iv) risks relating to ownership of Shares; and (v) risks relating to the Share Offer.

RISKS RELATING TO OUR BUSINESS

Our business depends significantly on the market conditions in the construction industry in China

Cement is the basic material for building works, and is therefore dependent on the demand for construction activities and the aggregate growth of the economy. Since 2006, the GDP and FAI in China have maintained consistently high growth rates. From 2006 to 2010, the CAGR of China's GDP amounted to 16.5% and that of FAI amounted to 26.1%. The PRC government also initiated a RMB4 trillion economic stimulus package in 2008, commenced the constructions of high-speed railways, development of West China, urbanisation of rural areas and expanded the constructions of government-subsidized housing which boosted the infrastructure development in the country. These all signified strong growth in the construction industry in China, which drove a CAGR of 11.0% in cement consumption. Nevertheless, in view of the overheated economy in the PRC, the PRC government has been formulating and implementing various fiscal policies to stabilise the economic development of the PRC. For example, on 28 January 2011, the PRC government has announced a property tax ranging from 0.4% to 1.2% to be charged on the property price for those properties with transaction price higher than the average market selling price. Shanghai and Chongqing are the first two trial cities for the implementation of such policy. Such tightening policy may lower the demand for real estate property which in turn may influence the construction industry in the PRC and we cannot assure you that the PRC government will not expand the coverage of regions and/or increase the property tax of the abovementioned property tax policy in the future. Therefore there is no assurance as to whether there will be a continuous growth in the construction industry and the economy in China as a whole in the future.

Our financial operating results experienced significant fluctuations during the Track Record Period. The significant increase in the Group's net profit for the year ended 31 December 2010 was mainly contributed by the gain on land resumption exercise which is non-recurring in nature. We may not be able to stabilise our operating results, or we may have difficulties in managing our future growth

We recorded significant fluctuations in our revenue and net profit during the three years ended 31 December 2010. For the years ended 31 December 2008, 2009 and 2010, our revenue was approximately HK$555.9 million, HK$490.1 million and HK$451.4 million respectively, representing a CAGR of -9.9%, and our net profit for the same periods was approximately HK$53.1 million, HK$10.0 million and HK$374.5 million respectively, representing a CAGR of 165.6%. The decrease in our revenue was mainly due to the cessation of production in our Shanghai plant since December 2009. Our Shanghai operations currently engage in trading of cement only, while revenue from our plants in Shandong Province has been increasing during these respective periods due to the growth in the demand for our products stimulated by the growth of the general economy and the overall construction industry in the PRC. Meanwhile, there was a significant increase in our net profit for the year ended 31 December 2010 which was mainly the result of the gain on land resumption exercise totalling approximately HK$528.4 million. As part of city planning and to facilitate the organisation of the World Expo 2010 in Shanghai, a land resumption compensation agreement regarding the Premises Vacation was entered into between our Group and Shanghai Xuhui Binjiang, a local government entity, for land resumption on 27 November 2009. In connection with the Premises Vacation, we are entitled to a total compensation of RMB799.9 million, of which RMB749.9 million had been received by 30 June 2011, which resulted in a gain upon completion of deregistering the land use right certificates and completing the site demolition.

The significant increase in the Group's net profit for the year ended 31 December 2010 was mainly contributed by the gain on land resumption exercise which is non-recurring in nature. The adjusted profit attributable to owners of our Company excluding the non-recurring items in relation to the Premises Vacation will be approximately HK$39.7 million. Reconciliation of profit to adjusted profit for the year attributable to owners of our Company excluding the non-recurring items in relation to the Premises Vacation is presented in the paragraph headed "Selected combined statements of comprehensive income — net profit margin" under the section headed "Financial information".

By taking into account the non-recurring items in relation to the Premises Vacation, mainly including a gain on land resumption exercise amounting to approximately HK$528.4 million, there were significant differences in the profit attributable to owners of the Company as set out in the aforementioned reconciliation. Potential investors should note that net profit of our Group may fluctuate due to any non-recurring events to our Group. Details of the Premises Vacation are disclosed in the sub-paragraph headed "Our facilities — The Premises Vacation" under the section headed "Business".

Comparing with the six months ended 30 June 2010, our revenue for six months ended 30 June 2011 increased from HK$161.8 million to HK$391.7 million and our net profit for the same periods was approximately HK$332.0 million and HK$53.3 million respectively. Adjusted for the gain on land

resumption exercise of approximately HK$528.4 million for the six months ended 30 June 2010, our net profit margin for the six months ended 30 June 2011 was actually higher. Details of which are set out in the paragraph headed "Net profit margin" under the section headed "Financial information".

Our Group had invested in investment products to enhance the return on our Group's cash holdings after receiving the abovementioned land resumption compensation and accordingly fair value gains of HK$5.5 million and HK$4.3 million on investments in principal protected-structured deposits with banks had been recognised by our Group for the year ended 31 December 2010 and for the six months ended 30 June 2011 respectively. In addition, our inventory, debtors' and creditors' turnover days had increased for the year ended 31 December 2010 and for the six months ended 30 June 2011 compared with those for the years ended 31 December 2008 and 2009 with the commencement of trading activities of our Shanghai operations. Details of which are set out in the paragraph headed "Gains on investment products" and "Changes in inventory, debtors' and creditors' turnover days" under the section headed "Financial information".

We may not be able to stabilise our operating results taking into account the material changes to our production facilities, in terms of revenue, net profit and inventory, debtors' and creditors' turnover days. Any plan to expand capacity in certain markets may involve our construction of additional production lines and acquisitions of other companies, which in turn may strain our managerial, operational, technical support as well as financial and human resources. As a result, we may not be able to manage such expansion in a cost effective manner. Failure to effectively manage our expansion could have a material adverse effect on our business, financial condition and results of operations, and could impair our ability to achieve our business strategies and maintain our market position.

There are uncertainties on the Bailonggang Project, in which case we may have to rely solely on our cement production lines in Shandong Province

Prior to the Premises Vacation, we had three plants, one of which was situated in Shanghai and two in Shandong Province. As described in the paragraph above, the operations of our production line in Shanghai ceased completely in December 2009. Upon the Premises Vacation, the raw mixture and cement grinding systems were shifted from our Shanghai plant to our Allied Wangchao plant. Thereafter, our Shanghai operations has been engaged in trading of cement only. Since then, our cement productions rely solely on the production lines in Shandong Province.

Our Group recorded a gain on land resumption exercise of approximately HK$528.4 million from the relocation compensation agreement during 2010 and a new plant is proposed to be built on a site negotiated with the relevant government at the suburb Bailonggang (白龍港), Pudong, Shanghai. As at the Latest Practicable Date, we had not obtained the legal title to the Bailonggang site and the development plan of the new plant is to be submitted to the National Development and Reform Commission ("NDRC") (國家發展與改革委員會). There is no assurance that the Bailonggang Project will materialise and that the construction plan will be approved by the relevant government authorities, or that the new plant will be successfully constructed at the proposed site within the proposed time frame. In particular, bidding may be required for the replacement site and if bidding is required, there is no guarantee that the Group will be successful in the bidding process. Any impediment to our construction of the new plant, including but not limited to the rejection or delay in approval by the government on the development plan and attainment of the Bailonggang site, increased costs of construction due to a surge in workers' wages and raw material prices, extreme climatic and weather

conditions, fires, natural disasters, epidemics, raw material supply shortages, equipment and system failures and labour force shortages, may have a negative impact on our plan, which in turn may adversely affect our business, financial condition and results of operations. If such a case happens, our cement manufacturing business will solely depend on the production lines in Shandong Province.

We may not be able to retain our customers in Shanghai after the cessation of production

As described above, after the cessation of cement production in Shanghai, our Shanghai operations currently engage in trading of cement only, whereby we resell the cement we purchased from other cement producers to our existing customers. Despite having been able to retain many of our customers in Shanghai as at the Latest Practicable Date through trading of cement, there is no assurance that these customers will continue the business relationships with us in the foreseeable future and/or after the commencement of operations of the new plant in Bailonggang, of which its construction is expected to commence by late 2012, if there is no impediment to the application for necessary approval and permit by the relevant government authorities and other unforeseen difficulties. We may face more intense competitions for customers with the existence of more financially potent cement enterprises. Failure to compete successfully with those competitors may adversely affect our business, financial condition and results of operations.

Our financial operating results may experience significant fluctuations along with the fluctuations of the selling price of our products

During the Track Record Period and up to the Latest Practicable Date, we derived our revenue mainly from manufacture and sale of cement and clinker and trading of cement. There is no government price control on cement and clinker products, and the average selling price of our cement and clinker fluctuates along with the market demand and supply of cement, clinker and concrete in the regions we operate. In line with industry practice, we are typically not able to fix the price of our products with our customers until the placing of purchase order.

For our cement trading business in Shanghai, our selling price of cement is also correlated to the prevailing market price. Generally, our customers may source cement from other suppliers if their prices are more competitive. In the event that we are not able to supply cement at a competitive price, our revenue from trading of cement may decrease, which in turn will adversely affect our profitability and financial performance.

For reference, a sensitivity analysis on price fluctuations of our major products during the Track Record Period is set out as follow, which shows the effect on the increase or decrease of our revenue with 34% increase or decrease of the selling prices of our products, representing the maximum fluctuation of the selling price of our products during the Track Record Period.

	% change in selling price	Increase or decrease in revenue of Shanghai plant		Increase or decrease in revenue of Shandong SAC plant and Allied Wangchao plant		Total increase or decrease in the Group's revenue
		Cement	Clinker	Cement	Clinker	
		RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
For the year ended 31 December						
2008	+/– 34%	+/– 96,577	+/– 6	+/– 22,570	+/– 46,259	+/– 165,412
2009	+/– 34%	+/– 72,496	N/A	+/– 43,318	+/– 30,829	+/– 146,643
2010	+/– 34%	+/– 45,666	N/A	+/– 50,440	+/– 37,208	+/–133,314
For the six months ended 30 June						
2011	+/– 34%	+/– 49,270	N/A	+/– 52,575	+/– 8,681	+/– 110,526

During the Track Record Period, the average selling price of our cement products in Shanghai was approximately RMB289.4, RMB246.4, RMB294.8 and RMB387.0 per ton, respectively; the average selling price of our cement products in Shandong were approximately RMB207.9, RMB197.8, RMB211.7 and RMB278.3 per ton, respectively; and the average selling price of our clinker products in Shandong were approximately RMB212.7, RMB177.5, RMB221.9, RMB297.1 per ton, respectively.

Our business, financial condition and results of operations may be adversely affected by increases in coal or electricity prices, shortages of coal and electricity supply or government's policy on coal and electricity supply

Prices

We use a substantial amount of coal and electricity in our production. As a result, increase in coal and electricity prices will in turn increase our costs of sales. The pricing for coal in our letters of intent with coal suppliers is directly linked to market prices, so we bear the risk of coal price fluctuations which are dependent upon factors such as the overall market demand, weather conditions and seasonal factors, and possible government's intervention. Coal price has been increasing generally in 2010 and the first half of 2011 due to higher transportation costs and increase in demand as a result of the recovery of the global economy. Coal is essential for heating up the kilns during the calcination process of raw materials for the production of clinker. Our cost of coal constitutes approximately 42.1%, 35.3%, 28.4%, 33.6% and 18.4% of our total cost of sales for the years ended 31 December 2008, 2009 and 2010 and the six months ended 30 June 2010 and 2011 respectively. Future price trends and price volatility of coal could therefore have material pressure on our costs of production.

Electricity, which is critical to our production for the operations of the raw mixture and cement powder grinding systems, constitutes approximately 17.9%, 21.3%, 13.3%, 16.5% and 9.3% of our total cost of sales for the three years ended 31 December 2008, 2009 and 2010 and the six months ended 30 June 2010 and 2011, respectively. During the Track Record Period, our average electricity purchase price amounted to RMB0.6 per KWh. Generally, the electricity prices for industrial enterprises are regulated by provincial governments in China and therefore the prices are affected by government's control and pricing policies.

Supply

We use a substantial amount of coal and electricity in our production, and any shortage or interruption in the supply of coal or electricity could disrupt our operations.

Under the National Standard of the PRC GB/T7563-2000 on Technical Condition of Coal for Cement Rotary Kiln, the PRC Government has, for example, stipulated certain requirements relating to using coal in cement production, and imposed restrictions on the utilisation of certain low quality coal due to environmental concerns. For our cement production, we use coal with heating value above 5,000 cal/kg which meets the stipulated standards. While the policy above is not expected to affect our production process, the restrictions above may result in higher demand for higher quality coal which in turn may result in their shortages. The Directors have also noted instances where supply of coal was affected by temporary closures of coal mines as a result of industrial accidents at these mines.

In respect of electricity supply, the PRC Government's policy on reducing pollution and energy consumption by 2010 has led to limitation on electricity supply in Yangtze River Delta regions, for example during the fourth quarter of 2010. Such control on electricity supply may result in stoppages in our production process and therefore we may not be able to produce sufficient amount of cement to satisfy our customers' demand.

For reference, a sensitivity analysis on fluctuations of the coal and electricity costs during the Track Record Period is set out as follow, which shows the effect on the decrease or increase of our cost of sales with 33% increase or decrease of the cost of coal, representing the maximum fluctuation of the cost of coal during the Track Record Period and up to the end of November 2011; and with 9% increase or decrease of the cost of electricity, representing the maximum fluctuation of the cost of electricity during the Track Record Period.

	% change in cost of coal	Increase or decrease in cost of sales	% change in cost of electricity	Increase or decrease in cost of sales	Total increase or decrease in the Group's cost of sales
		RMB'000		RMB'000	RMB'000
For the year ended 31 December					
2008	+/– 33%	+/– 62,171	+/– 9%	+/– 7,205	+/– 69,376
2009	+/– 33%	+/– 47,105	+/– 9%	+/– 7,734	+/– 54,839
2010	+/– 33%	+/– 32,587	+/– 9%	+/– 4,168	+/– 36,755
For the six months ended 30 June					
2011	+/– 33%	+/– 16,644	+/– 9%	+/– 2,297	+/– 18,941

During the Track Record Period, the cost of coal was approximately RMB97.1, RMB70.7, RMB82.7, and RMB78.6 per ton of our products sold, respectively, and the cost of electricity was approximately RMB41.2, RMB42.5, RMB38.8 and RMB39.8 per ton of our products sold, respectively.

For illustrative purposes, sensitivity analysis, which shows the effects on the decrease or increase of our cost of sales with 40%, 45% and 50% increase or decrease of the cost of coal respectively, in the event of fluctuations in coal prices due to the implementation of the aforementioned rules and restrictions on coal supply, is set out as follow:

	% change in cost of coal	Increase or decrease in cost of sales	% change in cost of electricity	Increase or decrease in cost of sales	Total increase or decrease in the Group's cost of sales
		RMB'000		RMB'000	RMB'000
For the year ended 31 December					
2008	+/– 40%	+/– 75,359	+/– 9%	+/– 7,205	+/– 82,564
2009	+/– 40%	+/– 57,097	+/– 9%	+/– 7,734	+/– 64,831
2010	+/– 40%	+/– 39,499	+/– 9%	+/– 4,168	+/– 43,667
For the six months ended 30 June					
2011	+/– 40%	+/– 20,174	+/– 9%	+/– 2,297	+/– 22,471

	% change in cost of coal	Increase or decrease in cost of sales	% change in cost of electricity	Increase or decrease in cost of sales	Total increase or decrease in the Group's cost of sales
		RMB'000		RMB'000	RMB'000
For the year ended 31 December					
2008	+/– 45%	+/– 84,779	+/– 9%	+/– 7,205	+/– 91,984
2009	+/– 45%	+/– 64,234	+/– 9%	+/– 7,734	+/– 71,968
2010	+/– 45%	+/– 44,437	+/– 9%	+/– 4,168	+/– 48,605
For the six months ended 30 June					
2011	+/– 45%	+/– 22,696	+/– 9%	+/– 2,297	+/– 24,993

	% change in cost of coal	Increase or decrease in cost of sales	% change in cost of electricity	Increase or decrease in cost of sales	Total increase or decrease in the Group's cost of sales
		RMB'000		RMB'000	RMB'000
For the year ended 31 December					
2008	+/– 50%	+/– 94,199	+/– 9%	+/– 7,205	+/– 101,404
2009	+/– 50%	+/– 71,371	+/– 9%	+/– 7,734	+/– 79,105
2010	+/– 50%	+/– 49,374	+/– 9%	+/– 4,168	+/– 53,542
For the six months ended 30 June					
2011	+/– 50%	+/– 25,218	+/– 9%	+/– 2,297	+/– 27,515

Any significant increase in the prices of coal or electricity or any shortage or interruption in their supply could increase our cost of sales and/or cause disruptions to our operations, which could have a material adverse effect on our business, financial condition and results of operations.

We operate in a competitive market and, if we are unable to compete successfully, our business, financial condition and results of operations may be adversely affected

The cement industry is highly competitive in China, including our regional markets of the provinces of Shandong, Jiangsu and Anhui as well as Shanghai. Information on major cement companies which are listed on the Stock Exchange and have presence in the markets which we operate in, is set out in the paragraph headed "Competition" under the section headed "Business". Some of these are conglomerates under the control of State-owned Assets Supervision and Administration Commission (國務院國有資產監督管理委員會) and therefore able to operate at much larger scale in comparison with our Group. In addition, some larger cement companies have expanded their operations in Shandong Province and therefore our Group will be facing more intense and direct competition in the region.

We compete with such and other competitors for customers, raw materials, energy resources, distribution network and skilled labour force. Our current and potential competitors may have better competitive advantages over brand recognition in local markets, economy of scale, pricing and/or financial, technical or marketing resources than us. We compete primarily on the basis of pricing of our products, our service, variety of product offerings, access to resources, sales and marketing, network, production efficiency and brand image. Failure to compete successfully with the existing and/or potential competitors may adversely affect our business, financial condition and results of operations.

We may not be able to renew our existing mining rights or secure additional mining rights, the resource tax we pay to local governments may increase, and we may exhaust our existing mine reserves

Under the Mineral Resources Law of the PRC (中華人民共和國礦產資源法), all mineral resources in China are owned by the State. We are required to obtain mining rights before undertaking any mining activities, and the mining rights are limited to a specific area during a fixed license period. We are also required to pay a resource tax of RMB2.0 for every ton of limestone excavated to the local government where our quarry situated. For the years ended 31 December 2008, 2009 and 2010 and the six months ended 30 June 2010 and 2011, we paid approximately RMB2.03 million, RMB1.87 million, RMB1.83 million, RMB0.9 million and RMB0.9 million resource tax for the limestone excavated from our quarry, respectively. The amount of this resource tax may increase in the future, which could have a negative impact on our profitability and our results of operations.

As of the Latest Practicable Date, we owned a mining license for the limestone quarry at Langshan (狼山) in Taierzhuang District, Shandong Province which is due to expire in September 2020. While our PRC legal advisers advised that they are not aware of any legal impediment as to the future renewal of the mining licence, we cannot assure you that such mining license will be renewed upon expiration, or, if renewed, on terms that are commercially reasonable. The total limestone reserves at Langshan quarry amounted to approximately 60 million tons in 2004 and approximately 54 million tons in 2010. It is estimated that there will be approximately 53 million tons remaining reserves at the year ending 31 December 2011 based on the calculation that approximately 1 million tons reserves per year on average have had been excavated from 2004 to 2010. If we are unable to renew this license or renew this license

at a reasonable cost, or if we exhaust our existing mine reserves, we may have to seek alternative sources of limestone that may be farther away from our production facilities which will result in higher transportation costs.

Limestone is the principal raw material in our production of clinker and cement. If we are unable to find alternative sources of limestone, we may not be able to continue our operations, in which case our business, financial condition and results of operations will be materially and adversely affected. As part of our growth strategy, we may have to acquire additional limestone reserves. However, we cannot assure you that we will be able to acquire suitable limestone reserves in the future and obtain the mining rights for them. If we are unable to secure additional mining rights, our operations and growth prospects may be materially and adversely affected. Our financial performance and results of operations could also be adversely affected if we fail to pass on any increase in the cost of limestone excavation and purchases to our customers.

We rely on one single third-party contractor to excavate limestone from our limestone quarry and we may be liable for its failure to comply with applicable laws and regulations or its contractual obligations

We engage one single third-party contractor to excavate limestone from our Langshan quarry in Shandong Province for which we have acquired the mining right. The agreement will expire in September 2014. We are not able to guarantee that this third-party contractor would continue to provide the limestone excavation services to us and, if it ceases to provide such services or it fails to perform to our satisfaction, whether we would be able to locate suitable replacement to ensure a continuous supply of limestone for our production of cement products, in which case we may have to engage other third party contractors at possibly higher cost and our results of operation and financial performance could be adversely affected. Currently, we are paying RMB11.88 to the contractor for every ton of limestone excavated and delivered to our production facilities. We cannot predict whether a higher excavating fee would be applicable upon expiry of the current agreement.

We ensure that our contractor is in compliance with the relevant PRC laws and regulations by requiring them to provide us with the applicable licenses and renewed certificates as well as conduct safety inspections at the quarry on a regular basis. However, we may still be held liable by the authorities if our contractor failed to comply with relevant PRC laws and regulations and we may be subject to fine or other penalty and as a result our results of operation and financial performance may be adversely affected.

The prices of raw materials may continue to rise, and we may be unable to pass on some or all of the increases to our customers

Apart from limestone, certain raw materials are used in our production, such as gypsum, fly ash, pyrite cinder and slag. All these raw materials are subject to price volatility caused by external conditions, including commodity price fluctuations and changes in governmental policies. For the years ended 31 December 2008, 2009 and 2010 and the six months ended 30 June 2010 and 2011, our cost of raw materials accounted for approximately 26.2%, 27.8%, 12.8%, 14.4% and 13.1% of our total costs of sales, respectively.

Except for limestone which is excavated from our own quarry and certain slag produced at the Shandong SAC plant for our own use, most of our raw materials are purchased from suppliers which are Independent Third Parties through tenders or negotiations. We cannot assure you that our key suppliers will continue to provide us with raw materials at reasonable prices, or that our raw materials prices will remain stable in the future. In addition, our bargaining power on purchasing raw materials in the future is uncertain due to the growth of more financially potent cement enterprises. If we are not able to transfer some or all of the increase in costs in our raw materials to our customers, any increase or material fluctuation in the prices of our raw materials could have a material adverse effect on our business, financial condition and results of operations.

The profit of our Group may rely on certain PRC Government incentives we previously enjoyed. Without these incentives, our business, financial condition and results of operations could be adversely affected

The PRC government is currently offering VAT refunds to cement producers that are able to demonstrate at least 30% Recycling Rate, pursuant to the *Notice regarding Policies relating to Value-Added Tax on Products Made Through Comprehensive Utilization of Resources and Certain Other Products* promulgated 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). Therefore, we enjoyed VAT rebates for cement products by virtue of 30% Recycling Rate by our previous Shanghai plant before the Premises Vacation, as we utilized slag and fly ash as raw materials and replacing natural gypsum with desulfurization gypsum. In addition, we enjoyed a preferential enterprise income tax rate of 15% at our Shanghai plant compared with the regular national enterprise income tax rate of 25% for being recognised by the PRC government as an advanced technology enterprise. Following the cessation of cement and clinker production of our Shanghai plant, there has been no preferential tax treatment to our Group.

Our Group's financial performance has relied partly on such government incentives in the Track Record Period. For the years ended 31 December 2008 and 2009, we received VAT refunds amounted to HK$19.7 million and HK$13.9 million, respectively. There were no VAT refunds for the year ended 31 December 2010 and for the six months ended 30 June 2011 due to the cessation of cement and clinker production of our Shanghai plant. Therefore, discontinuance of these benefits may have impact on the profitability and sustainability of our Group. We are not aware of any intention of the PRC government to discontinue such tax refund policy and preferential tax treatments. Nevertheless, following the Premises Vacation with the cessation of cement production in Shanghai, we can no longer enjoy the abovementioned VAT refund and preferential tax treatments as it was the Shanghai plant which was qualified for such government incentives during the Track Record Period. The absence of these preferential treatments and incentives in the future may adversely affect our business, financial condition and results of operations.

Shandong SAC had not renewed its National Industrial Products Production Permit (the "Permit") upon its expiration in August 2008. There is no assurance that any changes in government policies would not impose retrospective actions on us

Under Trial Regulations on Manufacturing License for Industrial Products (1984) and Cement Production Permit Replacement (Issuance) Implementation Details (水泥生產許可證換（發）證實施細則(2000年)), Shandong SAC is prohibited to manufacture cement products without the Permit.

For the purpose of development of local economy and maintenance of stable livelihood, the local government requested Shandong SAC to continue carrying out manufacturing activity.

A certificate had also been issued on 2 April 2011 by Bureau of Quality and Technical Supervision of Taierzhuang District, Zaozhuang City (棗莊市質量技術監督局台兒莊分局), the relevant government department overseeing cement production companies, confirming that it has continued carrying out routine sample checking as well as ordinary supervision over the Shandong SAC plant and facility since August 2008. It is confirmed that the cements manufactured during the period without the Permit was under their due supervision in respect of national standard on cement quality and that Shandong SAC had not been involved in any incidents caused by substandard cement. No penalty has been imposed by the government on Shandong SAC due to any non-compliance of production laws, rules and regulations. On this basis, it will not pursue any action against the fact that Shandong SAC has operated without the Permit. The PRC legal advisers have confirmed that this bureau is a competent authority to supervise, inspect, and decide administrative penalties and to issue the relevant certificate. Based on the above, the PRC legal advisers confirm that the risk of Shandong SAC being penalised is low.

Shandong SAC plant had ceased to produce cement since April 2011 and the Group confirmed that it currently has no plan to resume cement production at the Shandong SAC plant. Currently, the grinding systems at the Shandong SAC plant are being used for the production of slag. The PRC legal advisers have confirmed that the Group is not required to obtain any production permit for the production of slag.

Nevertheless, we cannot assure you that the interpretation and implementation of the relevant government authorities' policies on the Permit will remain consistent in the future. If there is any change in rules and regulations with retrospective effect, any future changes in the interpretation and implementation regarding the policies on the Permit which are adverse to us or any claims against us for conducting production without the Permit could have a material and adverse impact on our business, financial condition and results of operations.

We have not obtained the project establishment approval (立項批准) from the PRC government for the construction of the dock currently in use

We operate a self-built dock on a piece of land next to our production facilities in Taierzhuang District. The construction costs of the dock was approximately RMB10.0 million. We entered into a leasing agreement with Zaozhuang City Taierzhuang District Dundong Village (棗莊市台兒莊區頓東村). While we have complied with the construction requirements and the final acceptance (竣工驗收) of the dock has been obtained, we have not obtained the project establishment approval (立項批准) from the PRC government for the dock construction. We have been operating the dock since December 2004 and there has been no dispute or challenge over the use of the piece of land and we have been paying the annual rental regularly. The dock enables us to ship our products to our target markets in Jiangsu Province and Shanghai at competitive costs giving us a competitive advantage. The dock is important to our operation to the extent that an alternative delivery choice could be offered to our customers.

However, there is no assurance that the government's policy will not become more stringent, requesting the attainment of project establishment approval (立項批准). In such event, our dock may have to be demolished and we may have to rely on road transportation for delivery of products and raw materials, which could possibly result in higher cost and our results of operation and financial performance could be adversely affected. The PRC legal adviser confirmed that the maximum penalty in

monetary term for not obtaining project establishment approval is RMB10,000 pursuant to Regulation of River Course Management (河道管理條例). During the six months period ended 30 June 2011, approximately 17% of the sales of our Shandong operations had been delivered via river transportation through our dock. In the event of demolition, we may lose these customers which require river transportation.

We have submitted the application for the relevant approval in April 2011 and it is expected that the relevant approval can be obtained from Shandong Development and Reform Commission (山東省發展和改革委員會) by the end of 2012.

The PRC legal advisers noted from our Directors that Allied Wangchao had missed the initial step of application of project establishment approval from Shandong Development and Reform Commission after we obtained approval from the government authority which is responsible for the management of rivers and canals, and it was unintentional. The PRC legal advisers confirmed that we have carried out reasonable steps in rectifying this non-compliance properly and confirmed that they are not aware of any legal impediments as at the Latest Practicable Date in obtaining the relevant approval. The PRC legal advisers confirmed that given rectification measures have been appropriately conducted, the risk of demolition being ordered is low.

We may be subject to liabilities in connection with accidents arising from our business and operations. We may not have sufficient insurance coverage for such liabilities

Our business involves the operation of heavy machinery, which, if operated improperly, may result in physical injury or even death. We face various risks, including the risk of liability for personal injury and loss of life, damage to or destruction of facilities and equipment, transportation damages and delays, environmental pollution, and risks posed by natural disasters in connection with our business. Apart from one accident, the details of which can be found in the paragraph headed "Legal proceedings" under the section headed "Business", no material accidents have happened in the past due to improper operation of machinery, machinery malfunction or employee negligence. There can be no assurance that accidents will not happen in the future. We may be liable for medical and other payments to the employees and their families, and possible fines or penalties if accidents involving injuries and/or deaths of employees occur. Furthermore, we may be forced to shut down certain equipment or suspend our operations due to government investigation or government requirement to implement additional safety measures. Such business interruptions will result in loss of profit to us. We cannot assure you that all risks have been covered adequately by our existing insurance policy. If we incur substantial liabilities and they are not covered by our insurance policies, our business, financial condition and results of operations could be materially and adversely affected.

Our results of operations are subject to climatic and seasonal fluctuations

Demand for our products is subject to seasonal fluctuations during the year. We usually record lower sales during the period from January to March each year, especially in February, which is common in the cement industry, due to the Chinese New Year's holidays and cold weather in most of our markets which affect construction activities. Certain climate conditions, such as snow, storms and heavy or sustained rainfall, also negatively affect our sales because of the relatively lower level of activity in the construction industry under those conditions. We generally experience a higher sales volume of our products in the second and third quarters because of improved weather conditions, and the higher level of construction activities. Due to the global climatic change in recent years, we cannot

assure you that our sales in future will not be adversely affected by the extreme or unfavourable weather conditions which may lead to material impact on our business, financial condition and results of operations.

The cement industry is highly capital intensive, and our future growth depends to a large extent on our ability to obtain external financing

The cement industry in which we operate is capital intensive. We require a significant amount of capital to build our production and operation facilities, to purchase production equipment and to develop and implement new technologies. In addition, we are planning to construct an additional production plant in Shanghai, and may pursue external expansion by acquiring suitable targets. We expect that this capacity expansion plan will allow us to capture additional market share in China where the construction and infrastructure industries are growing rapidly. As a result, we expect to contribute significant capital to fund our future growth.

Notwithstanding our current significant cash balance and financial resources as a result of the gain on land resumption exercise, there is no assurance that our internally generated capital resources and available bank facilities will be sufficient to finance our capital expenditure and growth plans, and we may have to seek additional financing from third parties, including but not limited to banks, venture capitalists, joint-venture partners and other strategic investors. If we are unable to obtain additional financing in a timely manner, at a reasonable cost and on reasonable terms, we may be forced to delay our expansion plans, which may have a material and adverse effect on our business, financial condition and results of operation.

Our business depends substantially on the sustainability of certain major customers

We have a customer base in the provinces of Shandong, Jiangsu and Anhui as well as Shanghai. The customer base mainly comprises of construction companies, ready-mixed concrete stations, clinker or cement traders and downstream cement and cement products manufacturers. During the Track Record Period, our top five customers accounted for approximately 34.7%, 27.0%, 21.0% and 32.2% of the total turnover of our Group for the years ended 31 December 2008, 2009 and 2010 and the six months ended 30 June 2011 respectively. Also, there has been no material change in the customer base in Shanghai despite the Premises Vacation which resulted in the cessation of our production.

While we have a network of customers, contracts with these customers are usually of one-year term and therefore our business depends substantially on the sustainability of relationships with these customers. We cannot assure you that the Shanghai customers can be sustained after the Premises Vacation and the completion of the Bailonggang Project, should it materialise. In addition, there is no assurance that the relationships with the customers can be maintained and the loss of one or more major customers and/or delay or rejection of contract renewals from customers may adversely affect our business, financial condition and results of operations.

Our business depends substantially on the continuing efforts of our executive directors, senior management, key personnel, and our ability to maintain a skilled labour force

A team of experienced senior management and skilled labour is vital to the success of companies in the cement industry. We are dependent on the ability and expertise of our senior management for our daily business operations and formulating and implementing our business strategies. If one or more of

our executive Directors or senior management in particular, Mr. Ng Qing Hai and Mr. Yu Zhong (both being executive Directors) are unable or unwilling to continue in their present positions, we may be unable to identify and recruit suitable replacements in a timely manner, or at all. In addition, if any member of our senior management were to join a competitor or forms a competing company, we may lose some of our know-how and customers.

Furthermore, recruiting and retaining capable personnel, particularly experienced engineers and technicians familiar with our production processes, are essential to maintaining the quality of our products, continuously improving our production processes and supporting the expansion of our production capacity. There is intense competition for qualified personnel in the cement industry and with the surging labour wages in the PRC, we cannot assure you that we will be able to attract or retain qualified personnel at the same costs. If we are unable to attract and retain qualified employees, key personnel and senior management, our business, financial condition and results of operations may be materially and adversely affected.

Any unauthorised use of our brand names, trademarks and other intellectual property rights may adversely affect our business

It always takes time and is costly to establish a brand name or trademark in the market. We depend on the PRC intellectual property and competition laws and contractual restrictions to protect our brand names, trademarks and other intellectual property rights, which are vital to our business. Our cement products are principally sold under an established trademark "泰立" (Titan) which was registered by Shanghai SAC and the registration is valid until November 2016. We have also obtained various patents for our advanced production technologies applied in our cement production process and production facilities. As we are differentiated from other competitors by our high quality cement produced using more advanced production technologies, any unauthorised use of our brand name, trademark, and other intellectual property rights by third parties could adversely affect our reputation, business and market position.

We cannot assure you that the measures we take to protect our brand name, trademark and other intellectual property rights will be sufficient. In addition, the application and interpretation of the PRC laws governing intellectual property rights in China are uncertain and still evolving, which could expose us to substantial risks. Any failure to adequately protect our brand name, trademark and other intellectual property rights will put our business, financial condition and results of operations at risk.

Product liability claims may be brought against us and may materially and adversely harm our business, financial condition, and results of operations

We are exposed to risks associated with product liability claims if the use of our cement products results in damage or injury. Cement products must pass applicable industry tests and comply with contractual specifications and regulatory requirements. We cannot assure you that product liability claims against us will not arise in the future, whether due to product malfunctions, defects or other causes. We do not maintain product liability insurance, which the Directors confirm is consistent with general industry practice. As a result, any dispute regarding the quality of our products may give rise to claims against us for losses and damages. Any such claims, regardless of whether they are ultimately successful, could cause us to incur litigation costs, harm our business reputation and disrupt our

operations. If any such claims were ultimately successful, we could be required to pay substantial damages, which could materially and adversely affect our business, financial condition and results of operations.

Any failure to maintain an effective quality control system and any breakdown at our production facilities could have a material and adverse effect on our business, financial condition and results of operations

We focus on the consistency of the quality of our cement products as the product quality is essential to the success of our business. The quality of our products is dependent on the effectiveness of our quality control system, which in turn depends on a number of factors, including the design of the system, the quality control training program, and our ability to ensure that our employees adhere to our quality control policies and guidelines. Any failure of our quality control system could result in the production of defective or substandard products, which in turn may impair our reputation, result in delays in the delivery of our products and the need to replace defective or substandard products, which could have a material and adverse impact on our business, financial condition and results of operations.

Furthermore, smooth and consistent daily operations of our production facilities are highly crucial to our business. Regular repair and maintenance programs for our production facilities are scheduled by our production departments twice a year, once during the period within January to February and once within July to August and each of which takes approximately half a month to complete to ensure our production facilities are in good conditions. During the Track Record Period, there had been no material breakdown at our production facilities. There had been incidents where minor cracks on the kiln were detected by our staff during routine daily inspection during the Track Record Period which did not cause material impact on the operations of our production facilities. Although such inspections enable us to carry out necessary repairs and we have implemented regular repair and maintenance programs, we cannot assure you that we will discover all the faults and defects whenever they exist or occur so as to execute repair works or take appropriate measures before any harm be caused to our plant, staff or production. Furthermore, we cannot assure you that there will be no sudden malfunction or stoppage of our production facilities during our daily operations and if any breakdown or malfunctions of machinery happened, our business, financial condition and results of operations could be adversely impacted.

If we fail to identify suitable acquisition targets or complete the acquisitions, our growth and competitiveness may be materially and adversely affected

The cement industry in the PRC is highly fragmented. The government aims to promote corporate restructuring and consolidation at regional levels through gradual integration of operation and the optimization of resources allocation in order to concentrate the production effort and enhance competitiveness of cement producers generally. In recent years, major cement producers in the PRC have started the industry consolidation process in various parts of the PRC via mergers and acquisitions. The aim is to increase their market share and competitiveness. The PRC government intends to reduce the number of cement producers from 5,000 in 2006 to 2,000 in 2020. Cement producers in the eastern provinces of the PRC have already begun consolidating other cement producers of smaller scale and size and consolidations are expected to spread in the western provinces of the PRC in the coming few years.

The identification and completion of such acquisitions are dependent upon various factors, including prospective market conditions, geographic locations of the targets, mines for limestones and other resources in relation to our existing plants and customers, satisfactory completion of due diligence,

negotiation of definitive agreements and our ability to compete with other entities to acquire attractive targets. We do not have any acquisition plan at present or in the near future. There can be no assurance that in the future we will be able to identify and acquire appropriate acquisition targets on commercially acceptable terms, if at all, or that we will have sufficient capital to fund such acquisitions. Failure to identify or acquire suitable acquisition targets in the future could materially and adversely affect our growth. Our bargaining power on purchases such as raw materials, energy, transportation services would be lower which in turn could adversely affect our competitiveness in the consolidation process of cement producers.

Our scale of operations is small relative to certain national and regional cement producers, and in the consolidation process of the cement industry, we may become a consolidatee

Consolidating the cement market is one of the main focuses of the PRC government as stated in the Policies on Cement Industry Development (水泥工業產業發展政策) issued in October 2006. Consolidation of the fragmented market through mergers and acquisitions by the larger and/or foreign cement producers is accelerating under the PRC government's aim to save energy and reduce pollutants emission. The goal is to reduce the number of cement producers from 5,000 in 2006 to 2,000 by 2020 as abovementioned.

During the process of this industry consolidation, there is no assurance that we will not become a consolidatee instead. In such event, our prospects will depend on the strengths and competitiveness of our acquirer; and investment return to our shareholders will depend on the price offered by these acquirers for our business. There is no assurance that our prospects will be enhanced if such consolidation occurs. The price offered by the acquirer in the event that our business is being acquired may be lower than our shareholders' original costs of investment.

We rely on third party transportation companies to take and deliver cement or clinker products to our customers and there is thus no assurance of their service quality, and we have had lapses in our logistic control

Sales of our cement or clinker products are normally conducted on the basis that our customers arrange for their transportation and deliveries. There are also exceptional cases that we may be requested by our customers to arrange transportation for delivery of cement or clinker products to their stipulated destination on their behalf, where transportation costs are included in our sale prices and we separately settle the costs with the transportation companies. Since we do not maintain our own transportation team and vehicles such as trucks and barges, such delivery will be undertaken by Independent Third Parties transportation companies. We do not maintain our own transportation team and vehicles as it is not cost effective. Our Directors also believe there are ample choices of transportation companies in the market which we can engage as and when necessary. We have been engaging the services of more than 20 transportation companies in Shanghai and Shandong for road and river transportations. Our working relationships with our main transportation companies range from 2 years to 3 years.

For the three years ended 31 December 2008, 2009 and 2010 and for the six months ended 30 June 2011, approximately 88.7%, 94.7%, 94.8% and 98.5% of our cement and clinker sales were conducted on the basis that our customers arranged for their own transportation and deliveries respectively.

Consequently, transportation costs amounted to approximately 0.7%, 0.6%, 2.3% and 0.5% of our cost of goods sold (excluding cost of purchase of cement products for trading) during the corresponding years/period.

Our Directors believe that given the competitive nature of road and river transportation companies, there is no indication that there will be material increases in transportation costs in Shanghai and Shandong. Notwithstanding the above, if there is an increase in customer requests for transportation costs to be included in our selling prices and if we are not able to transfer such costs fully to our customers, or if there are material increases in transportation costs, our financial performance may be adversely affected.

In December 2009, upon our customer's request and on its behalf, we engaged a third party transportation company to take delivery from a cement manufacturer for delivery to our customer. A staff of the cement manufacturer wrongly dispensed slag as cement into the truck while our customer's staff failed to examine the products upon delivery by the transportation company. For details of this incident, please refer to paragraph headed "Logistic control" under section headed "Business" of this prospectus. While we have taken measures to prevent recurrence of such incident, there is no assurance that similar incident or lapses in logistic control will not recur.

RISKS RELATING TO THE CEMENT INDUSTRY IN THE PRC

The cement industry is subject to significant regulations by the PRC government

We are subject to regulations from various PRC government authorities, including but not limited to the Ministry of Land and Resources, the State Environmental Protection Administration, the General Administration of Quality Supervision Inspection and Quarantine ("GAQSIQ"), the Ministry of Commerce of the PRC, or MOFCOM, and the Ministry of Construction of the PRC. These authorities are empowered to issue and implement regulations governing different aspects of cement production and excavation activities of raw materials.

In order to engage in cement production and excavation activities, we are required to maintain certain licenses and permits such as National Industrial Products Production Permit and the production safety permit in China. Furthermore, our products are required to meet certain standards stipulated by various PRC government authorities. For example, GAQSIQ issued the GB175-2007 standards that govern certain aspects of the production and sales of cement products. All cement producers in the PRC must comply with these standards, and cement products that fail to meet the relevant quality standards may not be sold in the PRC. These standards provide strict guidelines regarding the composition and technical specifications for cement products. In addition, they standardize the testing methods for cement products and the types of packaging permitted. We may need to incur additional expenses to ensure compliance should there be any change to the existing requirements or new requirements applicable to our cement products and therefore we cannot assure you 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, we may be subject to fines or penalties and our products may not be sold in the market which in turn may adversely and materially affect our business, financial condition and results of operations.

Traditionally, the cement industry has been subject to government control at the policy level in terms of production method and volume, product mix and environmental protection whereas the PRC Government's current policies are generally market oriented. The PRC government closely monitors the development of the cement industry and may regulate the industry by issuing and implementing new regulations and policies in a timely manner. For example, according to 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 by the NDRC on 18 February 2007, local governments are required to gradually phase out cement producers with annual capacity of less than 200,000 tons and those with production methods that are less environmentally friendly. In addition, according to 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) promulgated on 26 September 2009, the industrial policies on the cement industry in the PRC are, among others, to control newly added cement capacities and phase out obsolete cement production capacity. As at the Latest Practicable Date, our production line in the PRC has had an annual production capacity of over 200,000 tons, and they comply with the relevant environmental requirements. Our production facilities therefore meet the production scale and environmental requirements of the PRC government and therefore such policies implemented by the PRC government does not have any adverse impact on us.

In addition, projects involving significant capital investment are subject to approval or filing requirements at different levels of the PRC government. In order to comply with these government regulations and policies and efforts to obtain such approvals may result in significant deviations from our current or future development plans, increase our costs and divert our management resources, which may adversely affect our profitability and growth prospects.

Compliance with environmental regulations can be expensive, and any failure to comply with these regulations could result in adverse impact on our reputation, fines and suspension of our business operations

The PRC has been imposing various environmental regulations in the cement industry as this industry is categorized by the PRC Government as a high energy consumption industry. As a result, we are subject to a variety of national and local environmental protection law and regulations, such as the requirement to use the more environmentally friendly NSP production technology. Government requirements that affect our operations include those relating to noise, dust, air quality, solid waste management, and waste water treatment. Failure to comply with these regulations may result in the assessment of damages or imposition of penalties, fines, administrative sanctions, proceedings and/or suspension of production or cessation of our operations or revocation of our licenses or permits to conduct our business. As at the Latest Practicable Date, our production line in the PRC has adopted the NSP technology and therefore such requirement by the PRC government does not have any impact on us.

In response to the growing concerns of environmental protection issues, we anticipate that the PRC environmental regulatory framework will become increasingly stringent. The implementation of more stringent laws and regulations or stricter interpretation of the existing laws and regulations may require us to incur additional expenses for compliance purposes including but not limited to expenses in conducting research and development for environmentally friendly production technology and more frequent and detailed environmental protection checks for the cement production process. Such

environmental protection related expenses can be costly and we cannot assure you that we will be able to comply with any additional environmental regulations in the future, or enhanced implementation of existing environmental regulations on a cost-effective basis, or at all. In such circumstances, our business, financial condition and results of operations could be materially and adversely affected.

We are subject to safety and health laws and regulations in China, and any failure to comply could adversely affect our reputation and operations

Cement industry requires operations of heavy machinery of which improper operation or malfunction would result in serious consequences. We are required to comply with the applicable production safety standards related to our production processes. Our production plants and facilities are subject to regular inspections by the regulatory authorities for compliance with the Production Safety Law (安全生產法). Moreover, under the Labour Law (勞動法) and the Law on Prevention and Control of Occupational Diseases (中華人民共和國職業病防治法), we must ensure that our facilities comply with PRC standards and requirements on occupational safety and health conditions for employees. We also provide our employees with labour safety training and education, all necessary protective tools and facilities and regular health examinations for those who may be exposed to risks of occupational hazards. Any failure to meet the relevant legal requirements on production safety and labour safety could subject us to warnings from relevant governmental authorities and governmental orders to rectify such non-compliance within a specified time frame. We may be required to suspend our production temporarily or cease our operations permanently for significant non-compliance, which may in turn have a material adverse effect on our reputation, business, financial condition and results of operations.

RISKS RELATING TO THE PRC

Changes in the economic, political and social conditions in the PRC and the global market may materially and adversely affect our business, financial condition and results of operations

We derive our turnover from the sale of our products to customers in the PRC, in particular, the provinces of Shandong, Jiangsu and Anhui as well as Shanghai. As a result, our business developments, financial condition and results of operations are directly correlated to the economic, political and social developments in the PRC. Generally, the demand for our products is closely related to the level of activity and the growth in the construction industry of the PRC. Accordingly, the real estate policies, mortgage and interest rate levels, inflation rate, labour market conditions, GDP growth and consumer confidence also greatly influence the growth of the construction industry, which in turn, the demand for our products.

With an increasingly important position in the global market, the PRC government has been formulating and implementing various measures, reforms and policies to align the PRC with the pace of the international market in regards to the economic, political and social aspects. According to the National Bureau of Statistics of China, for the three years ended 31 December 2008, 2009 and 2010, the GDP reached RMB31,404.5 billion, RMB34,090.3 billion and RMB39,798.3 billion respectively, representing a real growth rate of 9.6%, 9.2% and 10.3% respectively over the corresponding prior year. The encouraging measures implemented by the PRC government have benefited the overall PRC economy, whereas some measures are put in place to soften the overly heated economy which may negatively affect the real estate market, which in turn impede the development of the construction industry. For example, on 28 January 2011, the PRC government has announced a residential property

tax of 0.4% to 1.2% on the property price for the properties with transaction price higher than the average market selling price. Shanghai, one of our target regional markets and Chongqing are the first two trial cities for the implementation of such policy. This kind of tightening measure may lower the demand for the real estate properties in the PRC which may weaken the growth of the construction industry and therefore our business, financial condition and results of operations could be adversely affected.

Furthermore, the global capital and credit markets have been experiencing extreme volatility and disruption in recent periods. Declining residential real estate market in the United States and elsewhere, volatile oil prices and increased unemployment may contribute to global economic slowdown and/or a possible prolonged global recession, which may impair consumer confidence. The PRC, the economic condition of which is highly interdependent with the developments of the global economy, may be exposed to an increasingly volatile and fragile business environment. Any economical slowdown and/or global recession may materially affect our business, financial condition and results of operations.

PRC government policy may disrupt and materially affect our Group's operation

As described in the earlier paragraph, our Shanghai plant ceased production completely in December 2009. Although a new site is being negotiated for us to construct a new plant in Bailonggang and we will receive a total compensation of RMB799.9 million, it caused disruption and material effects to our operation the repercussions of which to our future development are not yet entirely certain.

Since our business operations are situated in the PRC, we may be subject to other unforeseen government policies which may materially and adversely affect our business, financial condition and results of operations. There is no assurance that we would be compensated under such other government policies similar to the Premises Vacation or at all.

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

Our business is conducted within China and is governed by PRC laws, rules and regulations. The PRC legal system is a civil law system based on written statutes and prior court decisions can only be used as reference. With a view to develop a comprehensive system of commercial law, the PRC government has promulgated laws and regulations with regards to economic matters such as foreign investment, corporate organisation and governance, commerce, taxation and trade since late 1970s. Nonetheless, the PRC has not yet developed a fully integrated and comprehensive legal system. The lack of an integrated legal system, combined with the limited volume of published cases available and the non-binding nature of prior court decisions, the interpretations of many recently enacted laws, rules and regulations involve a degree of uncertainty, inconsistency and unpredictability. Furthermore, the PRC legal system is based in part on government policies and administrative rules that may have a retroactive effect and consequently, we may not be aware of our violation of these rules and regulations until the promulgation of the relevant laws, rules or regulations. Moreover, we may only have limited legal protection under these laws, rules and regulations. Any litigation or regulatory enforcement action in China may be protracted and could incur significant costs and diversion of resources and management attention, which in turn may materially and adversely affect our business, financial condition and results of operations.

We rely principally on dividends and other distributions paid by our subsidiaries, and limitations on their ability to pay dividends to us could have a material adverse effect on our business, financial condition and results of operations

We are a holding company incorporated in the Cayman Islands, and our business operations are primarily conducted through our PRC subsidiaries. We rely on dividends and other distributions paid by our PRC subsidiaries for our future cash needs which cannot be provided for by equity issuances or borrowings outside of China, including the funds necessary to pay dividends to our Shareholders, to service any debt we may incur and to pay our operating expenses.

As entities established in China, our PRC subsidiaries are subject to limitations with respect to dividend payments. Regulations in the PRC currently permit payment of dividends by PRC subsidiaries only out of accumulated profits as determined in accordance with the PRC GAAP. According to applicable PRC laws and regulations, each of our PRC subsidiaries is required to maintain a general reserve fund, a staff welfare fund and a bonus fund. Each of our PRC subsidiaries is also required to set aside at least 10% of its after-tax profit based on PRC GAAP each year for general reserves until the cumulative amount of such reserves reaches 50% of its registered capital. These reserves are not distributable as dividends. Contributions to such reserves are made from each of our PRC subsidiaries' net profit after taxation. In addition, if any of our PRC subsidiaries incurs debt in the future, the instruments governing the debt may restrict its ability to transfer its net profit to us in the form of dividends. If our PRC subsidiaries cannot pay dividends due to government policies or regulations, or because they cannot generate sufficient cash flow, we may not be able to pay dividends, service our debt or pay our expenses, which may have a material adverse effect on our business, financial condition and results of operations.

We may be deemed a PRC resident enterprise under the new PRC Enterprise Income Tax Law and be subject to PRC taxation on our worldwide income

According to the new PRC Enterprise Income Tax Law effective from 1 January 2008, enterprises established outside China whose "de facto management bodies" are located in China are considered "resident enterprises" and will generally be subject to the uniform 25% enterprise income tax rate on their worldwide income. The State Council of the PRC has announced implementation rules of this new tax law which defines "de facto management body" as an organisation that exercises substantial and overall management and control over an enterprise's manufacturing or business operation, finance and property. Furthermore, the *Notice of the SAT on Issues Relating to Determining the Resident Enterprise Status of Overseas Registered Chinese Holding Enterprises Based on the "de facto Management bodies" Standard* (國家稅務總局關於境外註冊中資控股企業依據實際管理機構標準認定為居民企業有關問題的通知), that was issued on 22 April 2009 and has a retrospective effect since 1 January 2008, provides specific tests regarding under what situations an enterprise's "de facto management body" would be considered to be located in China.

Although substantially all of our management and business operations are currently based in China, in particular, Shanghai and Shandong Province, and we expect them to continue to be located in China for the foreseeable future, it is unclear when PRC tax authorities will start the determination process. In the event that we are treated as a "resident enterprise" for enterprise income tax purposes, our worldwide income, excluding dividends received from our China subsidiaries, will be subject to PRC income tax.

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

With the increasing concerns with labour protection, the PRC government has adopted the PRC Labour Contract Law, which has become effective on 1 January 2008, imposing requirements on employers concerning 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. In addition, the PRC Labour Contract Law requires the employer to contribute to social insurance and housing provident funds on behalf of its employees. Neither can we assure you that the PRC Labour Contract Law will not affect our current employment policies due to different interpretations and implementation policies by local bureaus nor can we assure you that our employment policies do not or will not violate the PRC Labour Contract Law and that we will not be subject to related penalties, fines or legal fees.

As a result of the PRC Labour Contract Law, together with the forecasted labour shortage in the coming years in the PRC, our labour costs may increase, which may in turn lead to an increase in our cost of sales. We may not be able to pass on the cost increments 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, financial condition and results of operations may be materially and adversely affected.

We may be subject to a fine for breach of General Rule on Lending

According to General Rule of Lending, granting of financial assistance to another corporation is prohibited. People's Bank of China may impose a maximum fine up to 5 times of the interest income derived from such financial assistance. The Group had, during the Track Record Period, granted financial assistance of RMB40 million to a related company, Tian An Shanghai, at an interest rate of 4% per annum. While the outstanding balance has been settled in full on 29 July 2011, there is still a risk that the General Rule of Lending may be enforced against our Group and a maximum fine of approximately RMB5.5 million (equivalent to approximately HK$6.6 million) may be imposed.

Government control of currency conversion may affect the value of your investment in our Shares and impede our effective utilisation of our cash

Under existing PRC foreign exchange regulations, payment 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, whereas payment of capital expenses which have to be remitted out of China, such as the repayment of loans denominated in foreign currencies, requires the approval from SAFE or its local branch. The PRC government may also at its discretion restrict access in the future to foreign currencies for current account transactions.

At present, RMB is not freely convertible to other currencies. Although our operations are based in China and that all our turnover and substantial portion of our daily transactions are denominated in Renminbi, we may have to convert a portion of our Renminbi revenue or profit to meet our foreign currency obligations, such as the payment of dividends, if declared. Moreover, any expansions, mergers and acquisitions or in other cases in the future may require us to satisfy foreign currency-denominated obligations, purchase goods and services outside the PRC or fund our business activities conducted in foreign currencies. We may be unable to pay dividends in foreign currencies to our Shareholders and/or

unable to accomplish the foreign currency-denominated obligations if the restrictions from the PRC government prevent us from obtaining sufficient foreign currency, which in turn may materially or adversely affect the value of your investment in our Shares, our business, financial condition and results of operations.

The PRC government may allow free conversion of Renminbi in the future due to its increasing interdependent position with the global markets. Nonetheless, we cannot predict the timeline for its implementation or if implemented, the effectiveness of its execution and therefore there is no assurance that we will obtain sufficient foreign currency when it is in need and our results of operations and market position may be materially affected.

The appreciation, decline or fluctuation of Renminbi exchange rate may materially or adversely affect our business, financial condition and results of operations and the value of your investment in our Shares

Our Group's business operates principally in the PRC. As payment of dividends to the Shareholders will be made in Hong Kong dollars, such payment will be subject to fluctuation of the exchange rate. Although the exchange rate of Renminbi has appreciated against Hong Kong dollars during the recent years, the exchange rate may also decline or fluctuate against other currencies under factors including but not limited to the global economy, market conditions, PRC government policy, and international politics. The appreciation, decline or fluctuation of Renminbi exchange rate may impact on the PRC economy and materially and adversely affect our business, financial condition and results of operations and the value of your investment in our Shares.

You may experience difficulties in effecting service of legal process and enforcing judgment against us and our management

Our Company was incorporated in the Cayman Islands. Our production line and a majority of our executive Directors are based in the PRC. Our assets are almost entirely situated in the PRC. Accordingly, it may not be possible for you to effect service of legal process upon us or our Directors or management in the PRC. The PRC has not yet developed an integrated comprehensive legal system and treaties providing for reciprocal recognition and enforcement of judgments of courts with Hong Kong, the US, the United Kingdom or most other western countries. As a result, you may experience difficulties in enforcing against us and our Directors or management in the PRC any judgments obtained from non-PRC courts.

Our results of operations and the trading price of our Shares may be adversely affected by the occurrence of an epidemic or health related factors

With the advent of increasing globalisation, the world health problems attributable to urbanisation, poverty, environmental degradation and inadequate public health infrastructures are threatening different parts of the world, including China, which has been getting increasingly industrialised. A threatened or actual outbreak of any widespread public health problem in China, such as severe acute respiratory syndrome, avian influenza, swine influenza or other infectious diseases, could negatively affect our results of operations and the trading price of our Shares. Our operations may be affected by a number of health-related factors, including but not limited to quarantines or closure of some of our offices and production facilities, travel restrictions, the sickness or death of our key officers and employees, import and export restrictions and a general slowdown in China's national and regional economy.

RISKS RELATING TO OWNERSHIP OF SHARES

The trading price of the Shares may be volatile which could result in substantial losses for investors in the Share Offer

Following the Share Offer, the market price of our Shares may fluctuate significantly as a result of, among other things, the following factors, some of which are beyond our control:

- variations in our business and financial performance;
- performance and fluctuation of the market prices of the competitors with their securities listed in Hong Kong;
- level of liquidity of our Shares;
- changes in securities analysts' estimates of our financial performance;
- investors' perceptions of our Group and the general investment environment;
- changes in laws, regulations and taxation systems which affect our operations;
- success or failure of our efforts in implementing business and growth strategies;
- involvement in litigation;
- recruitment or departure of key personnel; and
- general economic and stock market conditions.

Save as described above, the stock markets in general may experience fluctuations in transaction price and volume regardless of our actual operating performance. As such, the volatility of our Share price may be beyond our control.

No prior market exists for our Shares and an active or liquid market for our Shares may not develop

Prior to the Share Offer, there has been no public market for our Shares. The Offer Price was determined between us and the Underwriter, and the Offer Price may differ significantly from the market price of our Shares following the Share Offer. The Stock Exchange will be the only market on which our Shares are listed. We are not able to assure investors that an active public market will develop or be sustained after this Share Offer. There is also no assurance that the market price of our Shares will not decline below the Offer Price. If an active trading market for our Shares does not develop or is not sustained after the Share Offer, the market price and liquidity of our Shares may be materially and adversely affected.

Future sale of the Shares or major divestment of Shares by any major shareholder could adversely affect the Share price

The sale of a significant number of Shares in the public market after the Share Offer, or the perception that these sales may occur, could adversely affect the market price of our Shares. There is no assurance that our major Shareholders would not dispose of their shareholdings. Any significant disposal of the Shares by any of the major Shareholders may materially affect the prevailing market price of the Shares. In addition, these disposals may induce more difficulties for us to issue new Shares in the future at a time and price we deem appropriate, thereby limiting our ability to raise further capital.

Investors in the Share Offer may experience dilution if we issue additional Shares in the future

In order to expand our business, we may consider issuing additional Shares in the future. Investors of our Shares may experience immediate 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 then net tangible asset book value per Share.

The interest of our Controlling Shareholders may not always coincide with our interests and those of our other shareholders

Upon the completion of the Share Offer, our Controlling Shareholder will own 75.0% of our Shares. The Controlling Shareholder will be in a position which has significant influence over the operations and business strategy of our Company, and may have the ability to require us to effect corporate actions according to their own wills. The interests of our Controlling Shareholder may not always coincide with our or your best interests. If the interests of our Controlling Shareholder conflict with our and/or your interests, or if our Controlling Shareholder chooses to cause our business to pursue strategic objectives that conflict with our and/or your interests, our Company or those other Shareholders or investors may be adversely affected as a result.

RISKS RELATING TO THE SHARE OFFER

Certain facts, forecasts and other statistics with respect to the demographic information, economy and construction sectors in the PRC contained in this prospectus have not been independently verified

Facts, forecasts and other statistics in this prospectus relating to the PRC, the global and the PRC economy, the global and the PRC cement industry have been derived from various official government publications, press articles, other media or third party sources. These public sources included recognised cement industry associations in the PRC, major press in the PRC, government ministries and bureau such as National Bureau of Statistics of China. However, we cannot guarantee the quality or reliability of such source materials. While our Directors have taken reasonable care in extracting and reproducing such information and 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, they have not been prepared or independently verified by us, the Sponsor, the Underwriter or any of our or their respective affiliates, directors or advisers and, therefore, the aforementioned or parties involved in the Share Offer make no representation as to the accuracy of such facts, forecasts and statistics contained in such official government publications.

The facts and other statistics included in the sections headed "Risk factors", "Industry overview", and "Business". Due to possible 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 you should not place undue reliance on them. Further, we cannot assure you that they are stated or compiled on the same basis or with the same degree of accuracy as similar statistics presented elsewhere. In all cases, you should consider carefully how much weight or importance you should attach to or place on such facts or statistics.

In preparation for the Listing, we have sought the following waiver from strict compliance with the relevant provision of the Listing Rules:

MANAGEMENT PRESENCE

Rule 8.12 of the Listing Rules requires that a new applicant applying for a primary listing on the Stock Exchange must have a sufficient management presence in Hong Kong. This normally means that at least two of its executive Directors must be ordinarily resident in Hong Kong.

Our Group's business has been and will continue to be focused primarily on the PRC markets.

The Board will comprise 3 executive Directors and 3 independent non-executive Directors. Out of the 3 executive Directors, Mr. Li Chi Kong, who is mainly responsible for the day-to-day operations of our Group's business in Hong Kong, ordinarily resides in Hong Kong. Mr. Ng Qing Hai and Mr. Yu Zhong, being the executive Directors, are required to be based in Shanghai but could travel regularly between Hong Kong and the PRC.

Due to the diverse geographical focus of our Group's business as set out above, the Directors consider that it would be practically difficult and commercially not feasible for us to appoint two Executive Directors who are ordinary residents in Hong Kong and station them in Hong Kong merely for the purpose of complying with Rule 8.12 of the Listing Rules.

An application has thus been made to the Stock Exchange for a waiver from strict compliance with the requirement to have a sufficient management presence in Hong Kong under Rule 8.12 of the Listing Rules and such waiver has been granted by the Stock Exchange. The arrangements proposed by our Company for maintaining at all times regular, adequate and effective communication with the Stock Exchange for the purpose of Rule 8.12 of the Listing Rules are as follows:

(a) we have appointed two authorised representatives pursuant to Rule 3.05 of the Listing Rules who are ordinary residents in Hong Kong and will act as our principal communication channel with the Stock Exchange and will ensure that our Group complies with the Listing Rules at all times. The two authorised representatives appointed are Mr. Li Chi Kong, an executive Director, and Ms. Wong Ka Hang, the company secretary. Each of the authorised representatives will be available to meet with the Stock Exchange in Hong Kong within a reasonable time frame upon the request of the Stock Exchange and will be readily contactable by telephone, facsimile and email. Each of the two authorised representatives is authorised to communicate on behalf of us with the Stock Exchange;

(b) we shall promptly inform the Stock Exchange if there are any change to the authorised representatives;

(c) all the authorised representatives have means to contact all members of the Board (including the independent non-executive Directors) and the senior management team promptly at all times as and when the Stock Exchange wishes to contact any of them for any matters. To enhance the communications between the Stock Exchange, the authorised representatives and the Directors, we will implement a number of policies whereby (i) each Director will provide his or her mobile phone number, residential phone number, office phone number, fax number (if applicable) and email address (if applicable) to the authorised representatives; (ii) in the

event that each Director expects to travel and be out of office, he or she will provide contact details or means of communication to the authorised representatives; and (iii) each Director and our authorised representatives will provide his or her mobile phone number, office phone number, fax number (if applicable) and email address (if applicable) to the Stock Exchange;

(d) if circumstances require, meeting of the Board can be summoned and held in a manner as permitted under the Articles at short notice to discuss and address any issue with which the Stock Exchange is concerned in a timely manner;

(e) Mr. Li Chi Kong, being an executive Director, Ms. Wong Ka Hang, being the company secretary and Mr. Chan Sze Chung, Mr. Cheng Kin Chung and Ms. Yang Yan Tung Doris, all three being independent non-executive Directors, are ordinary residents in Hong Kong and will serve as our additional channels of communication with the Stock Exchange;

(f) all the Directors have confirmed that they possess valid travel documents to travel freely to Hong Kong and will be able to come to Hong Kong and meet the Stock Exchange upon reasonable short notice, when required; and

(g) the Company shall appoint Altus Capital as compliance adviser pursuant to Rule 3A.19 of the Listing Rules to provide us with professional advice on continuing obligations under the Listing Rules, who will also act at all times, in addition to our two authorised representatives, as the principal channel of communication between us and the Stock Exchange, from the Listing Date to the date when we published our annual report for the first full financial year immediately after the Listing Date.

DIRECTORS' RESPONSIBILITY FOR THE CONTENTS OF THIS PROSPECTUS

This prospectus, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Companies Ordinance, the Securities and Futures (Stock Market Listing) Rules of Hong Kong and the Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm 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 matter the omission of which would make any statement herein or this prospectus misleading.

ALL OFFER SHARES ARE UNDERWRITTEN

This prospectus is published solely in connection with the Share Offer in Hong Kong which is sponsored by the Sponsor. All the Offer Shares will be underwritten by the Underwriter pursuant to the Underwriting Agreement. For further information about the Underwriter and the Share Offer and underwriting arrangements, please refer to the section headed "Underwriting" in this prospectus.

RESTRICTIONS ON SALE OF SHARES

No action has been taken to permit a public offer of the Offer Shares or the general distribution of this prospectus and/or the related Application Forms in any jurisdiction other than Hong Kong. Accordingly, this prospectus may not be used for the purposes of, and does not constitute, an offer or invitation in any jurisdiction or in any circumstance in which such an offer or invitation is not authorised or to any person to whom it is unlawful to make such an offer or invitation. The distribution of this prospectus and the offering and sales of the Offer Shares in other jurisdictions are subject to restrictions and may not be made except as permitted under the applicable securities laws of such jurisdictions pursuant to registration with or authorisation by the relevant securities regulatory authorities or an exemption therefrom. Each person acquiring the Public Offer Shares under the Public Offer will be required to confirm, or be deemed by his acquisition of Public Offer Shares to confirm, that he is aware of the restrictions on offers and sales of the Offer Shares described in this prospectus.

The Offer Shares are offered for subscription 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 authorised in connection with the Share Offer to give any information, or to make any representation, not contained in this prospectus, and any information or representation not contained in this prospectus must not be relied upon as having been authorised by the Company, the Underwriter, the Sponsor, the Sole Lead Manager, any of their respective directors, officers, employees, agents or representatives, or any other persons or parties involved in the Share Offer.

APPLICATION FOR LISTING ON THE STOCK EXCHANGE

Application has been made to the Listing Committee for the listing of, and permission to deal in, the Shares in issue and to be issued pursuant to the Share Offer (including any Shares which may be issued pursuant to the exercise of options that may be granted under the Share Option Scheme). No part of the share or loan capital of our Company is listed or dealt in on any other stock exchange and no such listing or permission of dealing is being or is proposed to be sought.

Save as disclosed herein, no part of the share or loan capital of our Company 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 the near future.

Under section 44B(1) of the Companies Ordinance, any allotment made in respect of any application will be invalid if the listing of, and permission to deal in, the Offer Shares to be listed on the Stock Exchange is refused before the expiration of three weeks from the date of the closing of the Share Offer, or such longer period (not exceeding six weeks) as may, within the said three weeks, be notified to our Company by the Stock Exchange, any allotment made on an application in pursuance of this prospectus shall, whenever made, be void.

HONG KONG BRANCH REGISTER OF MEMBERS AND STAMP DUTY

All Shares in issue or to be issued pursuant to the Share Offer and any Shares to be issued upon exercise of any option which may be granted under the Share Option Scheme for dealing on the Stock Exchange will be registered on our Company's branch register of members to be maintained in Hong Kong. Our Company's principal register of members will be maintained by our Company's principal share registrar in the Cayman Islands. Only Shares registered on our Company's branch register of members maintained in Hong Kong may be traded on the Stock Exchange.

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

Unless determined otherwise by our Company, dividends payable in Hong Kong dollars in respect of Shares will be paid to the Shareholders listed on the Hong Kong branch register of members of our Company, by ordinary post, at the Shareholders' risk, to the registered address of each Shareholder of our Company.

SHARES WILL BE ELIGIBLE FOR ADMISSION INTO CCASS

Subject to the granting of the approval for listing of, and permission to deal in, the Shares on the Stock Exchange and the Company's compliance with the stock admission requirements of HKSCC, the 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 as HKSCC chooses.

Settlement of transaction 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 the Shares to be admitted into CCASS. Investors should seek the advice of their stockbrokers or other professional advisers for details of those settlement arrangements and how such arrangements will affect their rights and interests.

PROFESSIONAL TAX ADVICE RECOMMENDED

Applicants for the Offer Shares are recommended to consult their professional advisers if they are in any doubt as to the taxation implications of the subscription for, purchase, holding or disposal of, dealing in, or exercise of any rights in relation to, the Offer Shares. It is emphasised that none of our Company, Directors, Sponsor, Underwriter, any of their respective directors, agents or advisers or any other persons involved in the Share Offer accepts responsibility for any tax effects on or liabilities of any holder of Shares resulting from the subscription for, purchase, holding or disposal of, dealing in, or the exercise of any rights in relation to, the Offer Shares.

STRUCTURE OF THE SHARE OFFER

Details of the structure of the Share Offer, including its conditions, are set out in the section headed "Structure and conditions of the Share Offer" in this prospectus.

EXCHANGE RATE CONVERSION

Solely for your convenience, this prospectus contains translations of certain Renminbi and/or US dollar amounts into Hong Kong dollar amounts or vice versa at specified rates. You should not construe these translations as representations that Renminbi and/or US dollar amounts could actually be converted into Hong Kong dollar amounts or vice versa at the rates indicated or at all. For the purpose of this prospectus, unless we indicate otherwise, the translation of Renminbi amounts into Hong Kong dollar amounts have been made at the rate of RMB0.83 to HK$1.00, and the translation of US dollar amounts into Hong Kong dollar amounts have been made at the rate of US$1.00 to HK$7.80.

Name	Address	Nationality
Executive Directors		
Mr. Ng Qing Hai (黃清海)	Room 2501 No. 1, Lane 506 South Huangpi Road Shanghai, PRC	Chinese
Mr. Li Chi Kong (李志剛)	Flat F, 24th Floor Block 16, Yee Tsui Court South Horizons Apleichau Hong Kong	British
Mr. Yu Zhong (余忠)	602, No. 29, Lane 3166 Longhua Road, Xuhui Shanghai, PRC	Chinese
Independent Non-Executive Directors		
Mr. Chan Sze Chung (陳思聰)	Flat G, 11th Floor Block 5, Castello 69 Siu Lek Yuen Road Shatin, New Territories Hong Kong	Chinese
Mr. Cheng Kin Chung (鄭建中)	1st Floor, Block F 34 Mount Butler Drive Jardine Court Jardine's Lookout Hong Kong	Chinese
Ms. Yang Yan Tung Doris (楊紉桐)	Flat B, 15th Floor Block 3, Les Saisons 28 Tai On Street Sai Wan Ho Hong Kong	Chinese
Sponsor	Altus Capital Limited 8th Floor, Hong Kong Diamond Exchange Building 8 Duddell Street, Central Hong Kong	
Underwriter	Sun Hung Kai Investment Services Limited 42nd Floor, The Lee Gardens 33 Hysan Avenue Causeway Bay	

Legal advisers to the Company	*As to Hong Kong Laws* P. C. Woo & Co. 12th Floor, Prince's Building 10 Chater Road, Central Hong Kong *As to the PRC Laws* Beijing Zhong Lun W&D Law Firm 19 Floor, Golden Tower No. 1 Xibahe South Road Chaoyang District Beijing PRC *As to Cayman Islands Laws* Appleby 2206–19 Jardine House 1 Connaught Place Central Hong Kong
Legal advisers to the Sponsor and the Underwriter	Mason Ching & Associates 1803, 18th Floor World-Wide House 19 Des Voeux Road Central Hong Kong
Auditors and reporting accountants	Deloitte Touche Tohmatsu *Certified Public Accountants* 35th Floor One Pacific Place 88 Queensway Hong Kong
Valuer	Norton Appraisals Limited Unit 01, 21st Floor Emperor Group Centre 288 Hennessy Road Wanchai Hong Kong
Receiving bank	Standard Chartered Bank (Hong Kong) Limited 15th Floor, Standard Chartered Tower 388 Kwun Tong Road Kwun Tong Hong Kong

Registered office	Clifton House 75 Fort Street P.O. Box 1350 Grand Cayman KY1-1108 Cayman Islands
Head office and principal place of business in Hong Kong	22nd Floor, Allied Kajima Building 138 Gloucester Road Wanchai Hong Kong
Company homepage	www.alliedcement.com.hk
Company Secretary	Ms. Wong Ka Hang *(ACIS, ACS)*
Authorised representatives	Mr. Li Chi Kong Room F, 24th Floor Block 16, Yee Tsui Court South Horizons Apleichau Hong Kong Ms. Wong Ka Hang Flat D, 5th Floor Fung Yu Building 182–190 Third Street Sai Ying Pun Hong Kong
Audit Committee	Mr. Cheng Kin Chung *(Chairman)* Mr. Chan Sze Chung Ms. Yang Yan Tung Doris
Credit and Risks Management Committee	Mr. Cheng Kin Chung *(Chairman)* Mr. Chan Sze Chung Mr. Li Chao Mr. Li Chi Kong Mr. Ng Qing Hai Ms. Yang Yan Tung Doris
Executive Committee	Mr. Ng Qing Hai *(Chairman)* Mr. Li Chi Kong Mr. Yu Zhong
Nomination Committee	Mr. Cheng Kin Chung *(Chairman)* Mr. Chan Sze Chung Mr. Ng Qing Hai Ms. Yang Yan Tung Doris

Remuneration Committee	Mr. Cheng Kin Chung *(Chairman)* Mr. Chan Sze Chung Ms. Yang Yan Tung Doris
Share Dealing Committee	Mr. Ng Qing Hai *(Chairman)* Mr. Li Chi Kong Mr. Yu Zhong
Principal share registrar and transfer office	Appleby Trust (Cayman) Ltd. Clifton House 75 Fort Street P.O. Box 1350 Grand Cayman KY1-1108 Cayman Islands
Hong Kong branch share registrar and transfer office	Tricor Secretaries Limited 26th Floor Tesbury Centre 28 Queen's Road East Wanchai Hong Kong
Principal bankers	China Construction Bank Corporation No. 67 Jinguang Road Taierzhuang District Zaozhuang City PRC CITIC Bank International Limited 1st Floor, Lippo Branch 89 Queensway Hong Kong Industrial and Commercial Bank of China Limited Room 101, Building 2 No. 3000 Longdong Main Road Shanghai PRC Shenzhen Development Bank Co., Ltd. No. 1661 North Sichuan Road Shanghai PRC Standard Chartered Bank (Hong Kong) Limited 14/F, Standard Chartered Bank Building 4–4A Des Voeux Road Central Central, Hong Kong
Compliance Adviser	Altus Capital Limited

INTRODUCTION

Cement is a basic and essential construction material. Portland Cement is the most common type of cement which is produced by grinding and mixing different proportions of lime, gypsum, blast furnace slag and other additives with clinker, an intermediate product produced in the cement manufacturing process and hardened under water. The functions and performance of cements are determined by the different proportions of clinker and other raw materials used during the production process.

In PRC, Common Portland Cement is graded based on its compressive strength measured in MPa. Common Portland Cement are commonly graded with 32.5, 42.5, 52.5 and 62.5 (where applicable). Different grades of cement are applied in different construction projects depending on the requirements of compressive strengths of the corresponding building structures.

Types, Characteristics and Uses of Cement

Main types of cement in Common Portland Cement are Portland Ordinary Cement (PO), Portland Slag Cement (PS) and Portland Composite Cement (PC).

Portland Ordinary Cement has a stronger compressive strength and therefore it is usually used in construction projects. It is also more resistant to abrasion, which makes it suitable for structures such as roads and bridges.

Portland Slag Cement is highly resistant to heat and adheres to steel bars well. It has a relatively low initial compressive strength than Portland Ordinary Cement. It is made by mixing clinker with blast furnace slag and other raw materials. Due to its attributes, Portland Slag Cement is usually used in constructions of underground buildings and underwater and sea projects.

Portland Composite Cement is a mixture comprising clinkers and gypsum used in Portland Cement and 20% to 50% of slag, pozzolana, fly ash and limestone. As a result, it has similar attributes to Portland Ordinary Cement but with a lower compressive strength. It is usually used in constructions requiring lower quality concrete such as small buildings and farm houses.

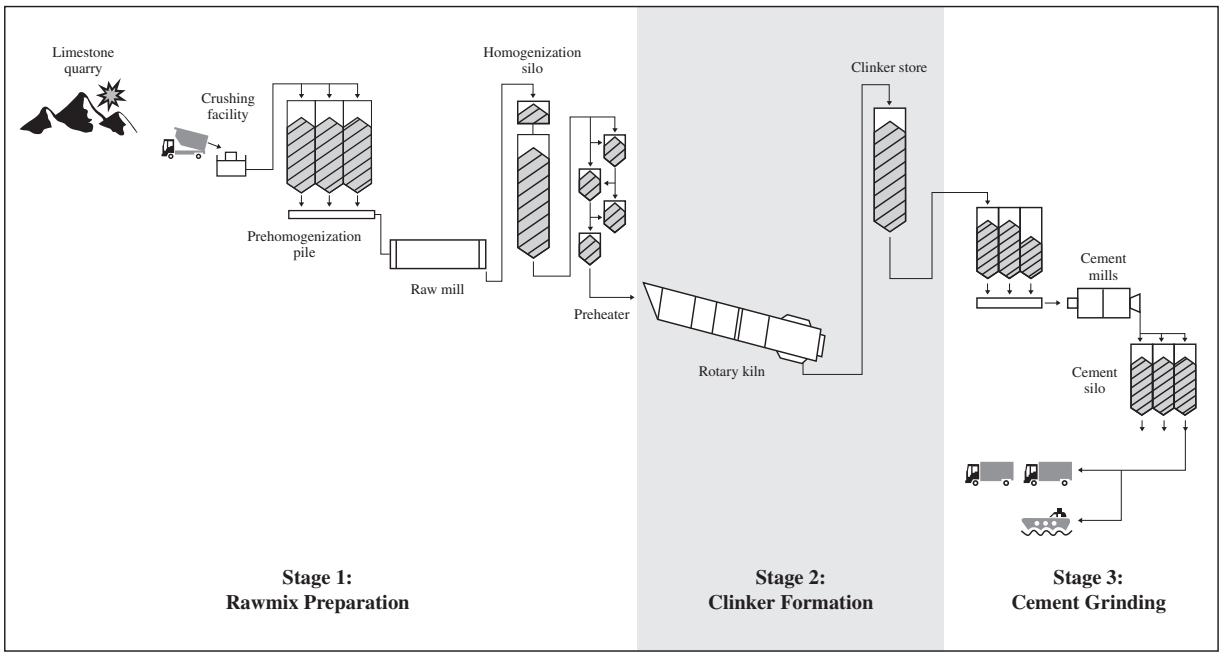
The most important use of cement is to produce concrete and mortar — strong and durable buildings materials in the face of normal environmental effects. Concrete is made by mixing cement with water and aggregates (such as gravels and sand). Mortar is also made from cement mixed with water and sand and mainly used as binding material for indoor tiling work and brick walls.

CEMENT PRODUCTION

Production process

Chart 1 shows the cement production process:

Chart 1



The three major stages are: (1) preparing the raw mixture; (2) producing the clinker; and (3) grinding and blending of clinker to produce cement.

Preparation of raw mixture

Limestone is excavated from our quarry at Langshan (狼山) in Taierzhuang District, Shandong Province and is transferred into our crushing facilities, where it is ground with other purchased raw materials from suppliers, such as fly ash and pyrite cinder, to form a fine compound.

The crushed raw materials will then go through either a dry or wet process. In the wet process, the crushed raw materials are ground with water to form a muddy mixture of slurry while in the dry process, the crushed raw materials are ground and mixed without water to form a raw meal. In a semi-dry process, a slightly wet mixture is formed. The raw mixture will then be transferred into the kiln for calcinations.

Clinker Formation

In the large cylindrical steel kiln positioned horizontally at a slight angle, the raw mixture is fed in the higher end and heated up to a temperature between 1,400 and 1,500 degrees Celsius. Complex series of physical and chemical reactions will take place in the kiln under the high temperature, releasing certain elements in the form of gases. Small, marble-sized pieces of a new substance, clinker, will be formed at the lower end of the kiln.

Cement Grinding

Clinker is mixed with other raw materials, in particular, gypsum, which adjusts the setting time of the cement when it is eventually used in producing concrete, and then ground in the cement mill to form a fine cement powder. The cement is then transferred into a silo for storage. The cement will be delivered to customers either in bags or as bulk powder blown from a pressure vehicle into the customer's silo. The quality of cement is controlled through a series of physical and chemical tests and specification analyses in the production process.

Waste Heat Recovery

Our waste heat recovery power system started trial operation in September 2010 and was endorsed to full operations on 8 June 2011. It can provide us with an economical, efficient and environmental-friendly ways of utilising our resources. The plant collects the waste heat released from combustions in our kiln, which enables us to recycle the excess energy to power our plants.

Comparisons: Cement production processes, types of kilns and cement production technologies

There are two main different processes in clinker production as mentioned above, namely the wet and dry processes. Before transferring to the kiln, the raw materials are ground and mixed with water to form slurry in the wet process, while they are ground and mixed without water in the dry process. The dry process is more fuel-efficient and less polluting, but the two processes are basically the same in other respects.

Two main types of kilns are employed in the cement production process, namely vertical kilns and rotary kilns. Vertical kilns are traditional and therefore adopting less advanced production technologies which are less energy-efficient. It can only be used in semi-dry production process and produce lower quality clinker. In contrast, rotary kilns can be used in wet, dry or semi-dry processes and employ more advanced technologies (including NSP technology). Thus, using rotary kilns for producing clinker is more environmental friendly while better quality clinker can be produced.

NSP technology, or New Suspension Preheater technology, is characterised by its ability to pre-heat the raw materials for clinker production before the raw materials being mixed and fed into the rotary kiln. In this way, the raw materials are substantially decomposed before transferral to the kiln, rendering the calcinations and clinker formation in the kiln more energy-efficient. NSP technology is more efficient than non-NSP technology, where no pre-heating of raw materials is involved.

To improve economical and production efficiency, cement producers began to use rotary kilns with advanced NSP technology in recent years as vertical kilns consume much more coal and energy than rotary kilns, rendering vertical kiln plants more exposed to power shortages and price volatility of coal and electricity. In addition, vertical kilns discharge much more pollutants than rotary kilns which goes against the world's environmental protection concerns.

Chart 2 below shows a comparison between vertical and rotary kilns:

Chart 2

	Technology	Product quality	Production efficiency	Pollution
Vertical kilns				
Semi-dry process	Old	Low	Low	High
Rotary kilns				
Wet process	Old	Higher	Low	Low
Semi-dry process	Old	Higher	Higher	Low
Dry process — NSP	Latest	Highest	Highest	Lowest

In recent years, there has been increasingly widespread use of rotary kilns in the cement production lines in the PRC, replacing the less advanced and less environmental friendly vertical kilns. Rotary kiln, adopting the 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, contributed approximately 80% of total cement produced in 2010 which is more than five-folds of that in 2001, according to China Cement Association.

CEMENT MARKET IN THE PRC

Chart 3 below sets forth the amounts and growth rates of GDP, FAI and cement production and consumption in the PRC for the periods indicated.

Chart 3

	Year ended 31 December					CAGR (%)
	2006	2007	2008	2009	2010	2006–2010
GDP:						
RMB (in billions)	21,631.4	26,581.0	31,404.5	34,090.3	39,798.3	16.5%
Growth rate (%)	12.7	14.2	9.6	9.2	10.3	—
FAI:						
RMB (in billions)	10,999.8	13,732.4	17,282.8	22,459.9	27,814.0	26.1%
Growth rate (%)	23.9	24.8	25.9	30.0	23.8	—
Cement Production:						
Tons (in millions)	1,236.8	1,361.0	1,388.0	1,646.0	1,868.0	10.9%
Growth rate (%)	15.7	10.0	2.0	18.6	13.5	—
Cement Consumption:						
Tons (in millions)	1,220.6	1,344.8	1,368.8	1,620.5	1,851.0	11.0%
Growth rate (%)	16.4	10.2	1.8	18.4	14.2	—

Source: National Bureau of Statistics of China

China's economy has demonstrated rapid growth in recent years. From 2006 to 2010, China's GDP increased significantly from approximately RMB21,631.4 billion in 2006 to approximately RMB34,090.3 billion in 2009 and reached approximately RMB39,798.3 billion in 2010. This CAGR of 16.5% (up to 2010) makes the PRC one of the fastest growing economies in the world.

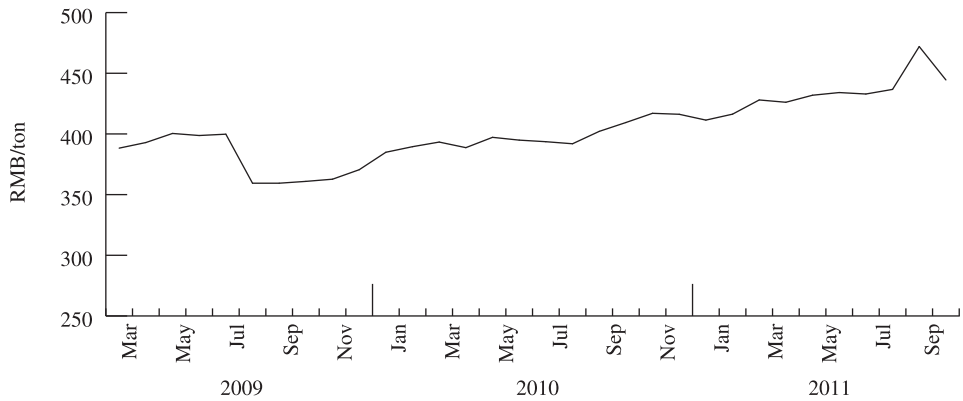
In line with the astonishing economic growth, the construction industry in the China has also experienced significant expansion in recent years. The FAI grew from approximately RMB10,999.8 billion in 2006 to approximately RMB27,814.0 billion in 2010, representing a CAGR of 26.1%. Such expansion has in turn induced the growth of cement production and consumption. China's total cement production increased from 1,236.8 million tons in 2006 to 1,868.0 million tons in 2010, representing a CAGR of 10.9%. Similarly, China's total cement consumption increased from 1,220.6 million tons in 2006 to 1,851.0 million tons in 2010, representing a CAGR of 11.0%.

Coal price

The production of cement consumes a large amount of coal and energy. For reference, ex-factory prices of general bituminous coal for the period from March 2009 to October 2011 are set out in Chart 4 as follows:

Chart 4

Ex-factory prices of general bituminous coal



Source: National Bureau of Statistics of China

Effect of the financial tsunami

In response to the global financial crisis in the latter half of 2008 and in 2009, the PRC government has launched a RMB4 trillion economic stimulus package to boost domestic consumption and maintain domestic economic growth. The package aims to encourage investments in infrastructure projects and social welfare expansion. Government construction projects, such as housing, rural development, power grid, transportation and post-disaster reconstructions, were thus accelerated and has driven a material increase in FAI, especially in the first quarter of 2009. Benefited from this stimulus package, various transportation projects have been implemented in Shanghai and Shandong including Beijing-Shanghai High-Speed Railway (京滬高速鐵路), Huhang Passenger Dedicated Line (滬杭客運專線), Shanghai-Kunming Passenger Dedicated Line (滬昆客運專線), Qingdao-Rongcheng Intercity Rail (青榮城際鐵路), Shiji Passenger Railway (石濟客運專線) and Haitian-Qingdao Railway (海青鐵路).

The production and sale of cement tend to be regionally concentrated due to cement's inherent nature of low value-to-weight ratio. Cement producers are significantly impacted by the transportation distances as it would affect the delivery cost of raw materials and finished goods. In the past, such constraints on one hand prevent cement producers from dominating the nationwide market, while on the other hand, it also deter foreign competitors from selling their cement products to the existing markets in the PRC which lessened the competitions of the cement market in the PRC. However, the competition has become tenser in China upon its entry into the World Trade Organisation (WTO) as international cement companies started to tap into the PRC market by either moving their cement production bases into China or acquiring local cement producers.

Key industry trends in the PRC

Shifting towards the use of rotary kilns and NSP technology

Most industrialised countries began to replace vertical kilns with rotary kilns since 1970s with increasing environmental protection awareness. Currently, in the developed countries such as Japan and Germany, the use of NSP technology has reached approximately 95%. China has started to phase out vertical kilns in recent years by introducing the more energy-efficient NSP technology in 1980s. Chart 5 below sets out the percentage of total cement production with NSP technology in the PRC for the periods indicated.

Chart 5

	Year ended 31 December									
	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
NSP technology	14.1%	17.1%	22.1%	32.8%	44.9%	48.8%	55.0%	63.0%	76.9%	80.0%

Source: China Cement Association (Digital Cement Net)

With the continuing effort of the PRC government, 80% of cement in China was produced using NSP technology by the end of 2010 for which the government's aim with 70% NSP output by 2010 as stated in the *Policies on Cement Industry Development* (水泥工業產業發展政策) issued in 2006 has already been achieved. The increasing popularity of NSP technology is partly the result of substantial cost reduction in cement production after the cement producers could master the equipment manufacturing skills. According to the Twelfth Five-Year Plan for Cement Industry (水泥工業「十二五」發展規劃) issued on 8 November 2011, the PRC government will continue to promote adoption of NSP technology by cement industry for it is more environmental friendly and can foster recycle of urban waste.

The PRC government has announced a series of regulations and policies to phase out obsolete production technologies and vertical kilns. The *Policies on Cement Industry Development* (水泥工業產業發展政策) and 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) (a restatement of Policies on Cement Industry Development) issued by the NDRC on 17 October 2006 and 18 February 2007 respectively have outlawed the establishment of new production facilities with vertical kilns and less advanced technology. Cement producers with an annual production capacities of less than 200,000 tons are to be phased out.

The Notice Regarding Accelerating of Obsolete Production Capability (國務院關於進一步加強淘汰落後產能工作的通知) issued by the State Council on 10 April 2010 further emphasised on accelerating the phase-out of the manufacturers with obsolete production technologies in various highly polluting industries, including cement industry. All vertical kilns with less than three metres diametre and all the production lines adopting wet process have to cease operation by the end of 2012.

There are also regulations issued to stress the use of higher quality cement, which can only be produced with rotary kilns, for large-scale construction projects such as high-rise buildings. Moreover, the government is offering VAT rebates to cement manufacturers that can demonstrate 30% Recycling Rate, a standard that is not practical for vertical kilns to achieve.

Industry consolidation

The production and sale of cement is regional in nature, and the absence of dominant industrial leaders creates a fragmented market for the cement production industry. According to information from Digital Cement Net, there were over 5,000 cement producers in the PRC as of November 2010. The PRC government has started to take measures to plan for the healthy development of the cement industry and to endorse cement producers with leading market positions to merge with and acquire other small-scale cement producers in order to optimise the industrial environment.

Consolidation of the fragmented market through mergers and acquisitions by the larger and/or foreign cement producers is accelerating under the government's aim to save energy and reduce pollutants emission. By the end of 2010, the 10 largest PRC cement producers only contributed to approximately 25.3% of the total capacity in China and the current average annual cement production capacity per producer in China was approximately 0.3 million tons which is much lower than the global average.

Consolidating the cement market is one of the main focuses by the PRC government as stated in the "Policies on the Development of Cement Industry" (水泥工業產業發展政策) issued in October 2006. The PRC government targeted to reduce the number of cement producers from 5,000 in 2006 to 2,000 by 2020. In particular, among the 2,000 cement producers, 10 shall have annual production capacity of not less than 30 million tons and 40 shall have annual production capacity of not less than 5 million tons.

On 31 December 2006, the NDRC, the Ministry of Land and Resources and the PBOC jointly issued a notice stating that the 12 cement companies classified as "National Companies" and the 48 regional cement companies classified as "Regional Companies", will have priority in receiving government support on project approvals, land use right grants and credit approvals in respect of project investments or mergers and acquisitions. Set forth below are the National Companies listed in the notice (in the order listed):

Anhui Conch Cement Company Limited (安徽海螺水泥股份有限公司)
Shandong Shanshui Cement Group Company Limited (山東山水水泥集團有限公司)
Zhejiang Leomax Group (浙江三獅集團有限公司)
Huaxin Cement Co., Ltd. (湖北華新水泥股份有限公司)
Tangshan Jidong Cement Company Limited (河北唐山冀東水泥股份有限公司)
China United Cement Corporation (中國聯合水泥有限責任公司)
Jilin Yatai (Group) Co., Ltd. (吉林亞泰(集團)股份有限公司)
China National Materials Group Corporation (中國材料工業科工集團公司)
BBMG Corporation (北京金隅集團有限責任公司)
Henan Tianrui Group Corporation (河南天瑞集團公司)
Hongshi Holding Group Co., Ltd. (紅獅控股集團有限公司)
Gansu Qilianshan Cement Group Co., Ltd. (甘肅祁連山水泥集團股份有限公司)

Our subsidiary, Shanghai SAC, which we own jointly with Shanghai Building Material, is on the list under the category of Regional Companies in the aforesaid notice.

Under these policies, small-scale cement producers with obsolete production technologies that are not environmentally friendly shall be phased out. The Directors noted that (i) we are on the list under the category of Regional Companies to have priority in receiving government support on project approvals, land use right grants and credit approvals in respect of project investments or mergers and acquisitions; (ii) we compete to a large extent based on product quality, location of production facilities and access to resources instead of production volume; (iii) our financial strength and public recognition would improve after Listing which provides us with favourable grounds for acquisition; and (iv) the Bailonggang Project, if it materialises, will further increase our annual cement production capacity by approximately 1.35 million tons and daily clinker production capacity by approximately 4,000 tons and our industry position are expected to strengthen.

Notwithstanding the above, our market share remains comparatively small compared with some of the National Companies and Regional Companies. The Directors are therefore of the view that it is currently unclear whether we will be a consolidator or a consolidatee in the industry consolidation process; and there is a possibility that we may be a consolidatee. Such possibility is further discussed in the section headed "Risk factors".

The government also encourages the larger and more efficient enterprises to merge with or acquire the smaller and excessively polluting factories by giving them priority in application of relevant project approvals, land use right and credit. It is further confirmed in the *State Council's Opinions on Facilitating the Merger and Restructuring of Enterprises* (國務院關於促進企業兼併重組的意見) issued by the Ministry of Industry and Information Technology on 28 August 2010. According to the Twelfth Five-Year Plan for Cement Industry (水泥工業「十二五」發展規劃) issued on 8 November 2011, the government aims to increase the aggregate market share of the 10 largest PRC cement producers to 35% with an average production volume of over 70 million tons by 2015 and therefore it is expected that the consolidation process will become more trendy in the PRC cement market with the government's continuing encouragements.

Curbing oversupply

The PRC government has implemented measures to curb the over-expansion of the cement industry in China. According to 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 1 January 2011, states that new or expanded production lines should comply with local cement industrial policies. The annual growth of cement production capacity shall not exceed 10% in provinces in which cement production lines adopting NSP technology. In addition, applicants for new cement production lines must have at least three years of experience in the industry, have limestone resources sufficient for at least 30 years of excavation for the proposed cement production as well as 35% self-owned capital. The government also intends not to examine and approve the projects from cement producers aiming solely at capacity expansion in the proposed *Policies on Cement Industry Development (Source: China Cement Net — No more approvals on production capacity expansion projects under the 12th Five-Year Plan* ("十二五" 將不再審批單純擴大產能項目).

Increasing focus on environmental protection

Various measures and regulations have been put in place by the PRC government to control pollutant emissions and reduce energy consumption in recent years. The *Notice Regarding Several Opinions for Accelerating Adjustments of Cement Industrial Structure* (關於加快水泥工業結構調整的若干意見), issued by the PRC government on 13 April 2006, stipulated that by the end of 2010, the heat consumption of coal equivalent for clinker production with NSP technology should be decreased from 130 kg/ton to 110 kg/ton, the percentage of production lines with waste heat recovery systems should reach 40% and the utilisation rate of limestone resource should be increased from 60% to at least 80%. Our production facilities complied with such relevant requirements by the end of 2010 such that our production facilities at Shandong Province was able to lower the heat consumption level of coal equivalent to the level within 110 kg/ton. Our production lines have equipped with waste heat recovery systems and we have utilised over 98% of limestone excavated from our limestone quarry during Track Record Period.

In addition, *The Notice Regarding Several Opinions for Saving Energy and Reducing Emissions of Cement Industry* (關於水泥工業節能減排的指導意見) issued by the Ministry of Industry and Information Technology on 24 December 2010 expressed opinions and suggestions to local governments and related regulatory bodies on energy saving and pollutant emissions reduction of cement producers including recycling of waste by-products, lowering heat consumption for clinker production to 93 kg/ton of coal equivalent by 2015 and formulating effective incentive programs for the qualified cement enterprises from the environmental aspects.

In recent years China's cement research institutions have developed key technologies to reduce or eliminate toxins from substances that have been considered hazardous previously so that they may be recycled or reused in kilns. These technologies allow producers to recycle what was formerly treated as a waste by-product into reusable raw materials or fuel. With the development of such technologies, further developments of recycling techniques in the cement industry have been strengthened.

CEMENT MARKETS IN SHANGHAI, SHANDONG AND JIANGSU PROVINCES

Shanghai

Shanghai, one of the four direct-controlled municipalities in China, is a global city with a population of approximately 23.0 million as at 1 November 2010, rendering it one of the most populous cities in China. Since the commencement of modern development following the economic reforms in 1992, Shanghai has grown to become a business centre in mainland China. In early 2009, China's State Council approved Shanghai's plans to position itself as one of the world's leading financial and trading centre by 2020, which reflects the financial strength and strong base of manufacturing and technology of Shanghai and the expectation that Shanghai will continue to boom and thrive in the coming years. With the largely successful hosting of the World Expo 2010 Shanghai, China has enhanced Shanghai's new global status in the 21st century. Moreover, the establishment of Shanghai Disneyland, expected to be operational in 2014 or 2015, may drive up the demand of cement for the constructions of the surrounding infrastructures including an efficient transportation system.

Chart 6 below sets forth the amounts and growth rates of GDP and FAI in Shanghai and the PRC for the periods indicated.

Chart 6

	Year ended 31 December					CAGR (%)
	2006	2007	2008	2009	2010	2006–2010
GDP: RMB (in billions)						
Shanghai	1,057.2	1,249.4	1,407.0	1,504.6	1,716.6	12.9%
GDP Growth rate: (%)						
Shanghai	12.7	15.2	9.7	8.2	10.3	12.9%
China	12.7	14.2	9.6	9.2	10.3	16.5%
FAI: RMB (in billions)						
Shanghai	392.5	445.9	482.9	527.3	531.8	7.9%
FAI Growth rate: (%)						
Shanghai	10.8	13.6	8.3	9.2	0.9	7.9%
China	23.9	24.8	25.9	30.0	23.8	26.1%

Source: National Bureau of Statistics of China, Shanghai Statistical Information Net

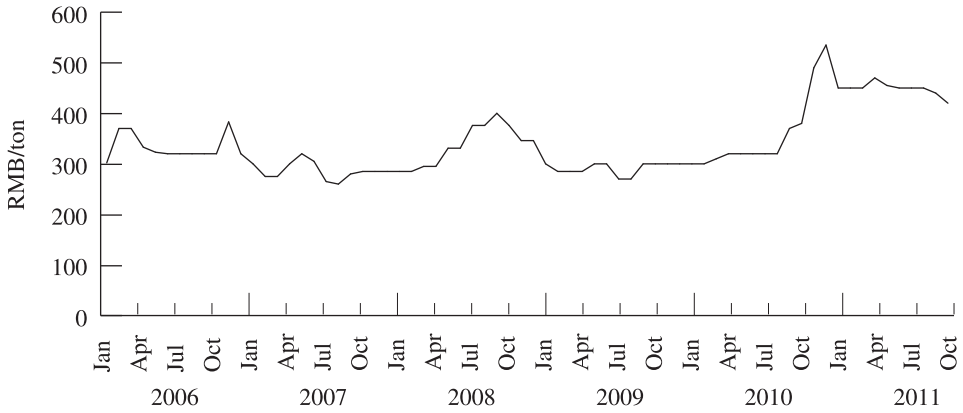
Shanghai's GDP reached RMB1.69 trillion for the year ended 31 December 2010. Amongst the provincial-level divisions in China, its GDP has ranked between 7th and 9th since 1990s, contributing to approximately 4.2% of the China's GDP as at 31 December 2010. Nonetheless, it has the highest GDP per capita among all administrative divisions in China. As at 31 December 2010, Shanghai reached RMB73,297 GDP per capita which is more than three folds of China's average of RMB29,940. Shanghai's GDP grew from RMB1,057.2 billion in 2006 to RMB1,687.2 billion in 2010, representing a CAGR of approximately 12.4%. The potent financial base has attracted both domestic and overseas investments into Shanghai. FAI in Shanghai rose from RMB392.5 billion in 2006 to RMB531.8 billion in 2010, representing a CAGR of approximately 7.9%. With demand from both domestic and overseas investors, infrastructures and properties are being constructed in Shanghai in recent years and therefore stimulating up the construction industry in Shanghai which favours its cement market accordingly.

The price of cement (presented in this section based on prices including value added tax of 17%) has increased significantly in recent years. Chart 7 below shows the monthly price trend per ton of Portland Ordinary Cement (PO 42.5), a commonly used cement in the construction industry, of Shanghai during the period from January 2006 to October 2011. The price of Portland Ordinary Cement per ton has generally increased during the aforesaid period, with a low in 2009 reflecting the global financial crisis in the latter half of 2008. The cement price increased significantly from below RMB300 per ton in mid 2009 to over RMB500 by the end of 2010. The price hit a high in December 2010 at RMB535 per ton. The surge in cement price in Shanghai is largely due to the limitation of electricity supply imposed on cement producers as a result of the government's goal to reduce energy consumption and to curb the oversupply of cement. On the other hand, there was an increasing demand for cement especially after the closing of the World Expo 2010 in October due to the commencement of construction projects which were previously being held back.

In 2011, the price per ton of Portland Ordinary Cement dropped and stabilised between RMB400 to RMB500 per ton throughout the period up to October 2011. Chart 7 sets out the movement of monthly price trend per ton of Portland Ordinary Cement (PO 42.5) in Shanghai from January 2006 to October 2011.

Chart 7

Monthly Prices of Portland Ordinary Cement (PO 42.5) in Shanghai



Source: China Building Material Industry Association

Note: In contrast to our average selling price shown in this prospectus, which has excluded VAT of 17%, the chart above shows the prices of Portland Ordinary Cement (PO 42.5) including VAT of 17% .

Shandong Province

Shandong is the second most populous province in China with population approximately 95.8 million by the end of 2010 and it is the third most affluent provinces in China with its GDP reaching approximately RMB3,941.6 billion for the year ended 31 December 2010, contributing to approximately 9.8% of the China's GDP. Shandong ranked the ninth among the provinces in terms of GDP per capita with RMB41,147 as at December 2010. Chart 8 below sets forth the amounts and growth rates of GDP and FAI in Shandong and the PRC for the periods indicated.

Chart 8

	Year ended 31 December					CAGR (%)
	2006	2007	2008	2009	2010	2006–2010
GDP: RMB (in billions)						
Shandong	2,190.0	2,577.7	3,093.3	3,389.7	3,941.6	15.8%
GDP Growth rate: (%)						
Shandong	14.7	14.2	12.0	12.2	12.5	15.8%
China	12.7	14.2	9.6	9.2	10.3	16.5%
FAI: RMB (in billions)						
Shandong	1,113.6	1,253.7	1,543.6	1,903.1	2,327.9	20.2%
FAI Growth rate: (%)						
Shandong	5.6	12.6	23.1	23.3	22.3	20.2%
China	23.9	24.8	25.9	30.0	23.8	26.1%

Source: National Bureau of Statistics of China, Shandong Statistical Information Net

Shandong is under rapid economic growth and the real estate sector is one of the important industries contributing to its prosperity. GDP in Shandong Province grew from RMB2,190.0 billion in 2006 to RMB3,941.6 billion in 2010, representing a CAGR of approximately 15.8% and FAI increased from RMB1,113.6 billion to RMB2,327.9 billion from 2006 to 2010, representing a CAGR of 20.2%.

In 2010, Shandong was the second largest cement production province, with production volume of 147.5 million tons, contributing 7.90% of the total cement production in China. The table below ranks China's major provinces in terms of cement production volume in 2010.

Chart 9

Ranking of China's major provinces in terms of cement production volume for the year 2010

No.	Location	Production Volume (million tons)	Percentage of Total Production Volume (%)
1	Jiangsu	156.5	8.38
2	Shandong	147.5	7.90
3	Sichuan	132.3	7.08
4	Hebei	125.9	6.74
5	Guangdong	115.4	6.18
6	Henan	114.8	6.15
7	Zhejiang	112.8	6.04
8	Hubei	89.8	4.81
9	Hunan	87.0	4.66
10	Anhui	78.7	4.22
11	Guangxi	74.6	3.99
12	Jiangxi	62.2	3.33
13	Fujian	57.9	3.10
14	Yunnan	56.1	3.00
15	Liaoning	47.8	2.56
	Total	1,459.2	78.12

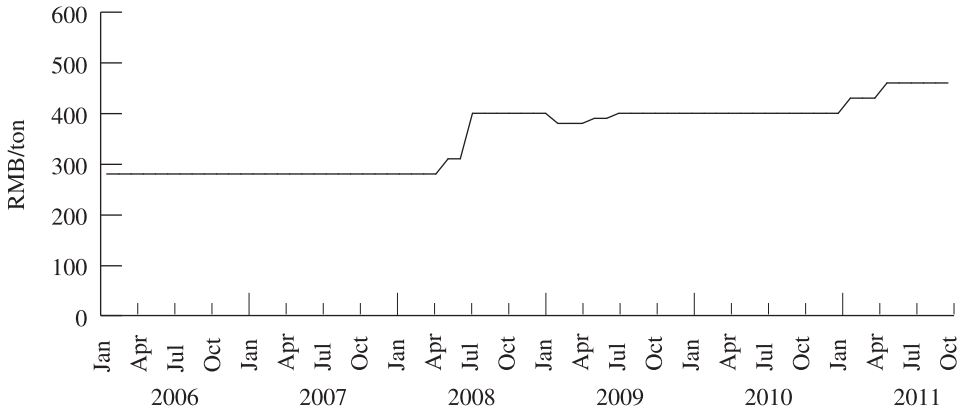
Source: China Cement Association

According to China Cement Net: The Review of the Development of Cement Industry in the 11th Five-Year Plan (十一五水泥工業發展回顧), with the increasing use of more advanced cement production facilities and technologies, Shandong has achieved lower coal consumption and pollutant emissions as well as an increase in the use of waste/recycling materials during the cement production process. By the end of 2010, Shandong achieved NSP output of approximately 74.5% and its coal consumption from the cement production had been lowered from approximately 124.4 kg/ton of coal equivalent in 2005 to 93.32 kg/ton in 2010. Moreover, it is expected that all vertical kilns will be phased-out by the end of 2015.

The price of cement (presented in this section based on prices including value added tax of 17%) in Shandong has also experienced an increase over the years. Chart 10 below sets forth the movement of monthly price trend per ton of Portland Ordinary Cement (PO 42.5) in Jinan, the capital of Shandong Province from January 2006 to October 2011.

Chart 10

Monthly Prices of Portland Ordinary Cement (PO 42.5) in Jinan, Shandong



Source: China Building Material Industry Association

Note: In contrast to our average selling price shown in this prospectus, which has excluded VAT of 17%, the chart above shows the prices of Portland Ordinary Cement (PO 42.5) including VAT of 17%.

The cement price in Jinan, Shandong remained at a constant level of RMB280 per ton throughout the period from January 2006 to April 2008. The cement price increased to RMB400 per ton in July 2008 and maintained at that level until the price increase further to RMB460 per ton in May 2011.

Jiangsu Province

Jiangsu is also one of the most populous provinces in China with population of approximately 78.7 million by the end of 2010 and it is the second most affluent provinces in China. Its GDP reached approximately RMB4.09 trillion for the year ended 31 December 2010, contributing to approximately 10.2% of the China's GDP. It ranked the fourth among the provinces in terms of GDP per capita with approximately RMB52,000 as at December 2010. Chart 11 below sets forth the amounts and growth rates of GDP and FAI in Jiangsu and the PRC for the periods indicated.

Chart 11

	Year ended 31 December					CAGR (%)
	2006	2007	2008	2009	2010	2006–2010
GDP: RMB (in billions)						
Jiangsu	2,174.2	2,601.8	3,098.2	3,445.7	4,090.3	17.1%
GDP Growth rate: (%)						
Jiangsu	14.9	14.9	12.7	12.4	12.6	17.1%
China	12.7	14.2	9.6	9.2	10.3	16.5%
FAI: RMB (in billions)						
Jiangsu	1,007.1	1,226.8	1,506.0	1,895.0	2,318.7	23.2%
FAI Growth rate: (%)						
Jiangsu	15.2	21.8	22.8	25.8	22.4	23.2%
China	23.9	24.8	25.9	30.0	23.8	26.1%

Source: National Bureau of Statistics of China, Jiangsu Statistical Information Net

As shown in Chart 9, in 2010, Jiangsu Province had the largest cement production volume of approximately 156.5 million tons, contributing approximately 8.38% of the total production volume in China.

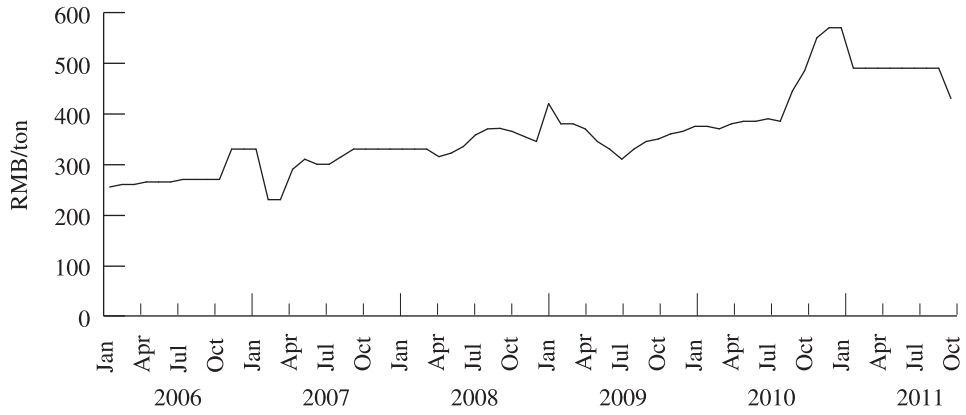
According to the Digital Cement Net, the government will invest approximately RMB65 billion on development of Nanjing, the capital city of Jiangsu. The city development plan includes the construction of six railway networks which expands the current railway networks farther to the cities of Luhe and Lishui, the construction of a high-technology park in Jiangning District and the construction of government subsidised housing of a total of approximately six million square metres in Nanjing. Furthermore, under the 12th Five-Year-Plan, the government will invest approximately RMB14.3 billion on constructing two expressways and expanding an existing expressway in Taizhou city of Jiangsu Province. All of the above, if implemented, will require vast amount of capital injection from the government and are expected to boost up FAI and the demand for construction materials which in turn favours the cement industry.

In addition, Lianyungang was the fastest growing city in Jiangsu Province during the 11th Five-Year-Plan. The completion of the construction of the Yun Tai Shan Tunnel in Lianyungang, the longest tunnel in Jiangsu by the end of 2010, is expected to further improve the accessibility of the cities within the province, which may accelerates the overall economic development of Jiangsu.

Cement price (presented in this section based on prices including value added tax of 17%) in Jiangsu had been stable at approximately RMB250 to RMB350 per ton in past few years up to 2009, while the price experienced a significant increase in 2010. Similar to Shanghai, Jiangsu government has limited the electricity supply on cement producers in the second half of 2010 from August to November, resulting in a surge in cement price. Chart 12 below sets forth the movement of the monthly price trend per ton of Portland Ordinary Cement (PO 42.5) in Nanjing, the capital of Jiangsu from January 2006 to October 2011.

Chart 12

Monthly prices of Portland Ordinary Cement (PO 42.5) in Nanjing, Jiangsu



Source: China Building Material Industry Association

Note: In contrast to our average selling price shown in this prospectus, which has excluded VAT of 17%, the chart above shows the prices of Portland Ordinary Cement (PO 42.5) including VAT of 17%.

It was noted that the cement price in Nanjing, Jiangsu had risen during the second half of 2010. Following the onset of the policy of electricity limitation in August 2010, the average price of PO42.5 cement increased by approximately 16% from RMB385 per ton in August 2010 to RMB445 per ton in September 2010. The cement price had increased in October and November and a significant surge in price to RMB570 per ton was noted in December 2010. Since February 2011, the cement price in Nanjing, Jiangsu has remained stable at RMB490 per ton.

The information presented in this section has been derived from various government sources. The Directors believe that the sources of this information are appropriate sources for such information and have taken reasonable care in extracting and reproducing such information. The Directors 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 the Company, the Sponsor, the Sole Bookrunner, the Underwriter, their respective advisers or affiliates or any other party involved in the Share Offer and no representation is given as to its accuracy. The Directors, who have taken reasonable care in the compilation and reproduction of the information, make no representation as to its accuracy, and accordingly, the information contained herein should not be unduly relied upon.

This section summarises the principal PRC laws and regulations which are relevant to our business and operations. These include the laws and regulations relating to our cement production and sales in the PRC and the relevant mineral resources, environmental protection, taxation, labour and foreign exchange laws and regulations. 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 CEMENT INDUSTRY

Consolidation of Cement Industry

Pursuant to the "Twelfth Five-Year Development Plan of Cement Industry" (水泥工業"十二五"發展規劃) (the "Plan") promulgated by the Ministry of Industry and Information Technology on 8 November 2011, it is expected that by 2015, the number of cement producers will be reduced by one third as compared to 2010; and the aggregate cement production volume of the top 10 cement producers, in terms of production capacity, should account for at least 35% of the total cement production capacity of the PRC. The PRC government has started to take measures to plan for the healthy development of the cement industry and to endorse cement producers with leading market positions to merge with and acquire other small-scale cement producers in order to optimise the industrial environment. The State encourages and supports the merger and reorganisation in different locations, different industries and for different forms of companies, as well as the consolidation of small-scale and medium-scale enterprises and cement grinding mills in order to enhance concentration. The State will control the increase of production capacity in the provinces where the capacity of new dry process production exceeds 900 kilograms per person. For the provinces where the capacity of new dry process production is 900 kilograms or below per person, it is required to enhance technology, eliminate obsolete production capacity and speed up merger and reorganisations. The production capacity in the area of Shanghai shall not be increased in principle. In view that the production scale is large in Shandong Province, the State will control the increase of production capacity and will emphasise the technological improvement of cement producers.

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 which became effective on 17 October 2006, the State encourages the consolidation of the cement industry through mergers and reorganisations.

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 which became effective on October 17, 2006, the number of cement producers shall be reduced from 5,000 to 2,000 by 2020. The number of cement producers with annual production capacity of 30 million tons or above shall be 10 and that of 5 million tons or above shall be 40.

On 31 December 2006, the NDRC, the Ministry of Land and Resources and the People's Bank of China jointly issued the "Notice of Large-scale Enterprises 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.

Industry Policy

Pursuant to the "Interim Provisions on Promoting Industrial Structure Adjustment" (促進產業結構調整暫行規定) promulgated by the State Council and the "Guiding Catalogue of Industrial Structure Adjustment 2011" (產業結構調整指導目錄(2011年本)) promulgated by the NDRC on 27 March 2011, disposal of industrial waste, urban mud and non-industrial waste using the existing new dry process cement furnace with a daily production capacity of 2,000 tons or more and energy-saving modifications to grinding system belong to the "encouraged" category of business. Newly-built new dry process clinker production lines with a daily production capacity of 2,000 tons or below and newly constructed cement grinding systems with annual production capacity of 0.6 million tons or below belong to the "restricted" category of business. Vertical kiln cement production lines of 3 metres in diameter or less (2012), dry hollow kilns, Lepol kilns, wet process kilns and cement grinding equipment of 3 metres in diameter or less belong to the "eliminated" category of business. New investments in the "eliminated" category are prohibited. All regions, departments and enterprises concerned are required to adopt measures to eliminate the prescribed production technology, equipment and products within a prescribed timeframe. For enterprises which fail to do so, the local governments at all levels and competent authorities shall order suspension or closure in accordance with relevant PRC laws and regulations. If the products of such enterprises are regulated under the production permit system, the competent authorities shall revoke the production permits in accordance with the law. The industry and commerce administration shall supervise and urge the enterprises to undergo procedures for modification or cancellation of their registration in accordance with the law. The environmental protection and management authorities shall revoke the pollutant discharge permits of such enterprises. If the relevant requirement is not fulfilled, the person with direct responsibilities and the related leadership shall be prosecuted and held liable.

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 which became effective on 17 October 2006, the State encourages local governments and enterprises to eliminate technology that has low production capacity and to promote the development of cement production using the NSP technology. The State supports projects for the construction of cement production plants with a daily clinker production capacity of 4,000 tons or above using the NSP technology in areas with appropriate resources, the construction of large-scale clinker production bases and the construction of large-scale cement grinding mills at locations near the relevant markets. Local governments at all levels should close down and rationalise the production capacities of enterprises with annual production capacity of less than 200,000 tons or are not in compliance with

environmental protection requirements or which cement quality is not up to the standards in accordance with the law. By the end of 2008, cement producers shall cease using production technology and equipment with less-advanced technologies, including dry hollow kilns and wet kilns; further reduce the production capacity of vertical kilns, and where possible, eliminate all vertical kilns.

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 which became effective on 17 October 2006, the State encourages the construction of large-scale production line using NSP technology with daily clinker production capacity of 4,000 tons or above. Except for special regions restricted by market volume and transportation conditions, the construction of cement project with daily production capacity of less than 2,000 tons is not allowed. The construction of any obsolete cement production capacity and the small-scale cement plant that causes significant pollution to the environment and serious damages to resources should be eliminated in accordance with the law. As the new dry process cement production in western region does not develop well, support should be given to it on the basis of reducing stress on transportation and satisfying the regional needs to develop and build production lines with daily production capacity of more than 2,000 tons using the NSP technology, speed up the elimination of obsolete production capacity and promote the structural upgrade of the industry in the western region. According to this plan, goals of the development of cement industry are that the proportion of new dry process cement shall be above 70% and the technical equipment, energy consumption, environmental protection and resource utilisation of new dry process cement shall reach the level of moderately developed countries by 2010. Cement industry shall achieve basic modernisation and have stronger international competitive capacity by 2020; new dry process cement and clinker production volume shall be controlled at about 700 million tons; the number of enterprises shall decrease from currently 5,000 to 2,000; the number of enterprises with a production capacity of 30 million tons shall be 10 and the number of those with production capacity of 5 million shall be 40.

According to the "Guidance Catalogue of Industries for Foreign Investment" (外商投資產業指導目錄) jointly promulgated by the NDRC and the Ministry of Commerce on 31 October 2007, cement production project is listed in the "permissible" category for foreign investment.

According to the "Opinions Regarding Restrain on Overcapacity and Duplicated Construction Leading to Healthy Development of Certain Industries" (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) jointly promulgated by the NDRC, the Ministry of Industry and Information Technology, the Ministry of Supervision, the Ministry of Finance, the Ministry of Land and Resources, the Ministry of Environmental Protection, the People's Bank of China, the General Administration of Quality Supervision, Inspection and Quarantine, the China Banking Regulatory Commission and the China Securities Regulatory Commission and agreed by the State Council on 26 September 2009, the industrial policies on the cement industry in China are to control additions of cement capacities and to suspend and review the construction of projects that have yet to commence construction before 30 September 2009. Projects which are not in compliance with the above principles are forbidden to commence the construction. Each province, district and city shall put in place a schedule to eliminate obsolete capacities within three years. Enterprises are encouraged to generate power by using waste heat recovery systems, increasing the efficiency of grinding systems and re-utilising industrial wastes. Heat consumption of cement and clinker burning of newly constructed projects shall be lower than 105 kg of standard coal per ton of clinker and the electricity consumption for cement shall be lower than 90 KWh per ton of cement; the limestone reserve life shall be oven 30 years; the density of waste gas and dust content shall be lower than 50 mg per standard cubic metre.

According to the "Notice of the State Council on Further Strengthening the Elimination of Obsolete Production Capacities" (國務院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, iron and steel and electricity are the key industries which are subject to the elimination of obsolete capacities in the short term. Obsolete cement production capacities including mechanised shaft kiln cement production lines with a kiln diameter below 3.0 metres, dry process hollow kiln 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 metres, cement mills with a diameter below 3.0 meters (excluding those for producing special cement), cement earth kilns (egg-shape) and ordinary shaft kilns, shall be eliminated before 2012. All cement production lines currently operated by us are new dry process kilns.

According to the "Entrance Conditions for Cement Industry" (水泥行業准入政策) promulgated by the Ministry of Industry and Information Technology on 16 November 2010 and which became effective on 1 January 2011, the construction of new cement (clinker) production line should use NSP technology with daily clinker production capacity of 4,000 tons or above. Except for special regions restricted by market volume and transportation conditions, the construction of cement project with daily production capacity of less than 3000 tons is not allowed (exclusive of special cement and the cement made of carbide slag). Newly constructed cement (clinker) production line is required to have low temperature waste heat power generation. Limestone reserve should have life of over 30 years and in compliance with the laws of exploration, design and prospection of mines. The scale of newly constructed cement grinding system is required to achieve 600,000 tons or above and the scale of those in outlying areas should not be less than 300,000 tons. The construction of cement grinding system shall be located close to its target market, provided with the sufficient and stable supply source of clinker and equipped with over 70% bulk capacity. The construction of cement (clinker) production line shall be assigned to contractors who possess related qualification in the fields of project inspection, design, construction and supervision.

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) (the "Production License Regulations")", promulgated by the State Council on 9 July 2005 and which became effective on 1 September 2005, and the "Measures for the Implementation of 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), revised by the General Administration of Quality Supervision, Inspection and Quarantine on 21 April 2010 and which became effective on 1 June 2010, the State adopted a production license system for the administration of major industrial products which affect public safety, human health, life and property. The catalog of industrial products in respect of which the State adopts the production license system shall be formulated by the authorities in charge of industrial product production licenses under the State Council and the relevant authorities of the State Council, and shall be subject to approval by the State Council. Any enterprise without a production license shall not produce any product governed under the production license system, and any unit or individual shall not sell or use such products in operating activities that are within these categories, and any unit or individual shall not sell or use any products in operating activities which are without production licenses.

Pursuant to the Production License Regulations and "Catalogue of Implementation of Production License Managements" (實行生產許可證制度管理的產品目錄), cement is one of the industrial products which requires a production license. The General Administration of Quality Supervision, Inspection and Quarantine is responsible for the centralised administration of the production licenses of industrial products across the PRC. Authorities at the county level and above which are in charge of production licenses for industrial products are responsible for the administration of production licenses for industrial products within their own jurisdictions, and they are empowered to impose penalties pursuant to the relevant provisions for acts that violate the stipulations of production licenses.

Waste Heat Recovery System

Pursuant to the "Opinions Regarding Restrain on Overcapacity and Duplicated Construction Leading to Healthy Development of Certain Industries" (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), enterprises are encouraged to generate power by using waste heat recovery technology.

Pursuant to the Entrance Conditions, newly constructed cement production lines shall be equipped with a set of devices for pure low temperature waste heat power generation.

Pursuant to the "Guiding Catalogue of Industrial Structure Adjustment 2011" (產業結構調整指導目錄(2011年本)), the production of clinker with a daily production capacity of 2,000 tons or above using the new dry process and with waste heat recovery system belongs to the "encouraged" category.

CONSTRUCTION OF DOCK

New construction projects, extension projects, reconstruction projects including the construction of docks in river course shall be in compliance with the Regulation of Construction Projects Management in River Course (河道管理範圍內建設項目管理的有關規定) which was approved by the State Council and promulgated by the NDRC (formerly the Planning Commission) on 3 April 1992. Prior to applying for the approval from the NDRC or the local NDRC units, the construction projects in river course shall be approved by the Ministry of Water Resources or local Water Resources units in accordance with the authority of management of river course. The construction projects in the river course shall fulfil the requirements of flood control and other criteria of technology, maintain the safety of embankments, and keep traffic clear. Construction projects in river course shall be subject to inspection and acceptance by the Ministry of Water Resources or the local Water Resources units upon completion.

Pursuant to the "Regulation of River Course Management" (中華人民共和國河道管理條例) approved and promulgated by the State Council on 10 June 1988, the owner of the dock shall pay maintenance and management fees in accordance with the rules stipulated by the local governments, in respect of the area of embankments, bank revetment, sluice, seawall and drainage facilities which are within the area of the dock.

MINERAL RESOURCES

Acquisition of Mining Rights

Pursuant to the "Mineral Resources Law of the People's Republic of China" (中華人民共和國礦產資源法) promulgated on 19 March 1986 and amended on 29 August 1996 by the Standing Committee of the National People's Congress and the "Implementation Rules of the Mineral Resources Law of the People's Republic of China" (中華人民共和國礦產資源法實施細則) promulgated on 26 March 1994 by the State Council, a licensing system is adopted by the State for the exploration and exploitation of mineral resources; for any exploration of mineral resources, an application shall be made for registration in accordance with the law, and mining permits and mining rights shall be obtained. A system whereby the exploration rights and mining rights shall be obtained with compensation has been adopted. However, the State may, in light of specific conditions, prescribe reduction of or exemption from the compensation for acquiring the exploration right and mining right. Any exploitation of mineral resources must pay resource taxes and resource compensation in accordance with relevant regulations of the State. The State has adopted a unified block registration system of mineral resources exploitation.

The Ministry of Land and Resources is responsible for the supervision and administration of exploration and development of mineral resources throughout the PRC. The departments of land and resources at the provincial level are in charge of supervising and administering the exploration and exploitation of mineral resources in their relevant jurisdiction. The PRC government has adopted a unified registration system for mineral exploration areas. The Ministry of Land and Resources is responsible for the registration of mineral resources exploration. The State Council may authorise relevant departments to be responsible for the registration of the exploration of special types of mineral resources.

According to the "Administrative Measures on Registration of Mineral Resources Exploitation"（礦產資源開採登記管理辦法）promulgated and implemented by the State Council on 12 February 1998, the validity period of a mining permit shall be determined according to the scale of the mine. The maximum validity period of a mining permit for a large-scale mine, medium-scale mine and small-scale mine shall be 30 years, 20 years and 10 years respectively. A holder of mining permit shall go through the renewal registration procedures with registration authorities for its permit within 30 days before its permit expires. If a holder of a mining permit fails to renew its permit within such period, such mining permit shall be automatically annulled.

Pursuant to the "Administration Measures of the Transfer of Exploration and Exploitation Rights" (探礦權採礦權轉讓管理辦法) promulgated by the State Council on 12 February 1998 and the "Interim Provisions on the Administration of the Transfer of Mineral Property Rights" (礦業權出讓轉讓管理暫行規定) promulgated by the Ministry of Land and Resources on 1 November 2000, exploration rights and exploitation rights are property rights. The entity with exploration rights has priority in obtaining exploitation rights in the area it explores and may transfer its exploitation rights upon approval by relevant authorities in the event of merger or separation, joint venture or co-operation, sale of assets or other circumstances leading to the change of ownership of real property. The entity with exploration rights, after minimum amount of investment in the exploration, may transfer its exploration rights upon approval by relevant authorities. Except for the above restrictions, the owner of mining rights may transfer its rights through sale, contribution as capital, establishment of joint exploration or exploitation arrangement, and other means as permitted by the regulations.

WASTE HEATING GENERATING

License for Electric Power Business

Pursuant to the "Provisions on the Administration of Electric Power Business Licenses" (電力業務許可證管理規定) promulgated by the State Electricity Regulatory Commission on 28 September 2005 and which became effective on 1 December 2005; except for special situation authorised by the State Electricity Regulatory Commission, any enterprise or person shall not engage in electric power business without a license.

ENVIRONMENTAL PROTECTION

General Regulations

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 National People's Congress and which became effective on 26 December 1989, the State Administration for Environmental Protection is empowered to formulate national environmental quality standards. The environmental protection administration of the governments at the county level and above are responsible for monitoring, on a unified basis, the environmental protection work within their jurisdictions. For items which are not governed by any national pollutant discharge standards, the governments of provinces, autonomous regions, and municipalities directly under the Central Government may formulate local standards; for items which are governed by national pollutant discharge standards, the people's governments of provinces, autonomous regions, and municipalities directly under the Central Government may formulate stricter local standards. Local pollutant discharge standards shall be filed with the State Administration for Environmental Protection for records.

According 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 and which became effective from 1 June 2008, construction projects or other water facilities which are newly constructed, reconstructed and expanded, and which discharge pollutants into water system directly or indirectly, should conduct an environmental impact assessment in accordance with relevant laws. Enterprises which discharge industrial sewage directly or indirectly into water system are required to obtain pollutant discharge permits. Enterprises which discharge pollutants directly or indirectly into the water system are required to report to and register with the relevant environmental protection administrative departments level. The reports are to include the types, quantities and concentrations of water pollutants discharged under normal operating conditions. These enterprises are also required to provide technical information on their measures to prevent and control water pollution. Enterprises which discharge pollutants directly into the water system are required to pay pollutant discharge fees according to the types and quantities of their water pollutants and the levy standard.

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) which was amended on 29 April 2000 and which took effect from 1 September 2000 requires newly constructed, expanded or reconstructed projects which discharge pollutants into air to comply with certain regulations relating to environmental protection. Enterprises which discharge pollutants into air is required to report to the local environmental protection administrative department. The reports are to include the types, quantities and concentrations of the pollutants discharged under normal operating conditions. They are also required to provide technical

information on their measures to prevent and control air pollution. The PRC government has implemented a system on levying fees for discharging pollutants into air based on the type and quantity of pollutants discharged. The standards on levying pollution discharge fees have been based on the requirements for strengthening the prevention and control of air pollution as well as the national economic and technological conditions.

According 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 and which became effective from 1 April 2005, enterprises producing industrial solid wastes should form and improve an accountability system in preventing and controlling environmental pollution, and adopt measures to prevent and control such wastes from polluting the environment. The State has implemented a reporting and registration system for industrial solid pollutants. In accordance with the relevant requirements, units producing industrial solid pollutants must provide relevant information to the local environmental protection administrative department in charge which is above county level, where such information includes the type, quantity, flow, storage and treatment of the industrial solid wastes.

Under 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) which became effective from 1 March 1997, enterprises which cause noise pollution as a result of industrial production is required to report to the local environmental protection administrative department with regard 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. They are also required to provide technical information on their measures to prevent and control noise pollution. Units causing noise pollution should adopt remedial measures and pay discharge fees for exceeding the standards according to the PRC regulations.

Coal

According to the "Technical Condition of Coal for Cement Rotary Kiln" (水泥回轉窑用煤技術條件) (National Standard of the PRC GB/T7563-2000) promulgated on 16 March 2000, the PRC government has stipulated certain requirements relating to using coal for cement rotary kiln and has also imposed restrictions on the utilisation of lower quality coal, namely, by stipulating that the heat content should be greater than 21MJ/kg.

Taxation

Income Tax

Pursuant to the "Enterprise Income Tax Law of the People's Republic of China" (中華人民共和國企業所得稅法), promulgated by the National People's Congress on 16 March 2007 and which took effect on 1 January 2008, a uniform income tax rate of 25% will be applied towards foreign investment enterprises and domestic enterprises. Enterprises established before the promulgation of the law may conform to the tax rates gradually as specified by the law according to the relevant regulations of the State Council. Enterprises entitled to regular tax reduction and exemption treatments may continue to enjoy such tax exemptions and reductions after the implementation of the law until they expire.

Pursuant to the "Notice on Implementation Measures on Transitional Policy of Preferential Corporate Income Tax" (關於實施企業所得稅過渡優惠政策的通知) promulgated by the State Council on 26 December 2007 and which became effective on the same day; since 1 January 2008, enterprises originally enjoying fixed term preferential tax treatment such as "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) may continue to enjoy the preferential treatment in accordance with the original tax law, administrative regulations and related documents after the implementation of the new tax law until their expiry. For enterprises that have not made any profits and thus have not enjoyed such preferential treatments, their preferential term shall start from 2008. Enterprises which are entitled to transitional preferential policies are those established before 16 March 2007 with the approval of registration administrative authorities such as the industrial and commercial bureau, and items and scope of their transitional preferential policies are within the limits stipulated in the "Notice on Implementation Measures on Transitional Policy of Preferential Corporate Income Tax" (關於實施企業所得稅過渡優惠政策的通知).

Pursuant to the "Enterprises Income Tax Law of the People's Republic of China" (中華人民共和國企業所得稅法) and its implementation regulations, 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. A non-resident enterprise without a permanent establishment in the PRC or such non-resident enterprise which has set up a permanent establishment in PRC but its income is not connected with the abovementioned permanent establishment will be subject to tax on their PRC-sourced income. The income shall be taxed at the reduced rate of 10%.

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 shareholding of a PRC enterprise, the withholding tax rate in respect to the payment of dividends by such PRC enterprise to such Hong Kong enterprise is 5%. Otherwise, the withholding tax rate is 10% for the relevant dividends. The "Notice of How to Interpret and Identify the "Beneficial Owners" in the Tax

Arrangement" (國家稅務總局關於如何理解和認定稅收協定中「受益所有人」的通知) sets out the criteria of interpreting and identifying beneficial owners which are qualified to enjoy the preferential withholding tax rate under this arrangement.

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 "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 on Value Added Tax Policy Regarding Comprehensive Utilization of Resources and Other Products" promulgated by the Ministry of Finance and the State Administration of Taxation on 9 December 2008 and December 29, 2009 respectively, cement (including cement clinker) made from raw materials whose blending proportion of rotary kiln waste is no less than 30%, is entitled to a tax rebate of the VAT levied. The aforesaid notice does not specify the implementation time limit of the VAT refund policy which we understand will continue to be applicable before the promulgation of new policy. For enterprises which produce cement products through calcining of raw meal and grinding of clinker, the formula for blending proportion of waste is: blending proportion of waste = (quantity of blending of waste at raw meal calcining stage + quantity of blending of waste at clinker grinding stage) ÷ (quantity of raw meal (exclusive of waste) + quantity of blending of waste at stages of raw meal calcining and clinker grinding + quantity of other materials) x 100%. Tax payers who are entitled to the above value added tax benefits shall apply for certificates of comprehensive utilization of resources (資源綜合利用認定證書) in accordance with the relevant requirements of the Notice on Distributing the "Administrative Measures on the Recognition of Comprehensive Utilization of Resource Encouraged by the State" by the NDRC, the Ministry of Finance and the State Administration of Taxation (國家發展改革委、財政部、國家稅務總局關於印發《國家鼓勵的資源綜合利用認定管理辦法》的通知).

Enterprises applying for certificates of comprehensive utilization of resources have to meet the following conditions: (1) its production process, technology or products conform to the national industrial policies and relevant standards; (2) the profit and loss of the products 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; (4) environmental protection requirements are satisfied, without causing secondary pollution. Certificates of comprehensive utilization of resources are valid for two years. Shanghai SAC had previously obtained the certificates of comprehensive utilization of resources, which was valid until December 2010. Tax payers who are qualified for the above value added tax benefits and having obtained the certificate of comprehensive utilization of resources will receive full refund of value added tax paid for products made from raw materials whose blending proportion of rotary kiln waste is no less than 30%. So long as an enterprises is able to obtain the certificates of comprehensive utilization of resources on a continuous basis, it shall be able to enjoy the VAT rebate benefits.

Pursuant to the "Enterprises Income Tax Law of the People's Republic of China" (中華人民共和國企業所得稅法) and its implementation regulations, high-tech enterprises which are encouraged and supported by the State are entitled to a reduced income tax rate of 15%. Shanghai SAC has previously obtained the "Certificate of High and New Tech Enterprises" and was qualified to enjoy the tax benefits in accordance with the "Notice of the Ministry of Science and Technology, Ministry of Finance and State Administration of Taxation on Issuing the Administrative Measures for Determination of High and New Tech Enterprises" (科學技術部、財政部、國家稅務總局關於印發《高新技術企業認定管理辦法》的通知).

Labour, Social Insurance and Production Safety

Labour Law and Labour Contract Law

Pursuant to the "Labour Law of the People's Republic of China" (中華人民共和國勞動法) effective as of 1 January 1995, labourers are entitled to equality in employment and rights to choose occupations, rights to obtain paid remuneration, rights to rest and enjoy holidays, rights to be provided with safe workplace and health protection, rights to receive vocational skill training, rights to enjoy social insurance and social benefits, rights to submit labour disputes for handling as well as other entitlements prescribed by law. Labourers shall fulfill their labour tasks, improve their vocational skills, follow rules on occupational safety and health, and observe labour discipline and professional ethics.

Pursuant to the "Labour Contract Law of the People's Republic of China" (中華人民共和國勞動合同法) and its implementation regulations effective as of 1 January 2008, labour contracts shall be entered into if labour relationships are to be established between the enterprises and the labourers. The enterprises shall not require the labourers to work in excess of stipulated time limit and shall provide wages which are not lower than local standards on minimum wages to the labourers. The enterprises shall establish systems for labour safety and sanitation, strictly abide by rules and standards on labour safety and sanitation, and educate labourers on safety. Labour safety and sanitation facilities shall meet the required standard. The enterprises shall provide labourers with labour safety and sanitation conditions meeting stipulations and necessary articles of labour protection.

Social Insurance Regulations

Pursuant to the "Interim Regulations concerning the Levy of Social Insurance" (社會保險費徵繳暫行條例) which became effective on 22 January 1999 and the "Interim Measures concerning the Management of the Registration of Social Insurance" (社會保險登記管理暫行辦法) which became effective on 19 March 1999; employers in the PRC shall conduct registration of social insurance with the relevant competent authorities, and make contributions to basic pension insurance, basic medical insurance and unemployment insurance for their employees. Social insurance premiums shall be collected in a way that three types of social insurance premiums are collected centrally and uniformly. The governments of provinces, autonomous regions and municipalities shall prescribe the collecting agencies. They may collect by taxation departments, or by social insurance agencies established by the administrative department of labour security according to the provisions of the State Council. Employers and employees shall pay their social insurance premiums in cash and in full. The social insurance premiums payable by employees shall be withheld from their wages and paid for on their behalf by their employers. Social insurance premiums may not be reduced or exempted.

Pursuant to the "Regulations on Occupational Injury Insurance" (工傷保險條例) effective as of 1 January 2004 and amended on 20 December 2010, employers are required to contribute, on behalf of their employees, to a number of social security funds, including funds for basic pension insurance, unemployment insurance, basic medical insurance, occupational injury insurance and maternity leave insurance. These payments are made to local administrative authorities.

Pursuant to the "Interim Measures concerning Maternity Insurance" (企業職工生育保險試行辦法) which became effective as of 1 January 1995, employers in the PRC shall pay the maternity insurance fees for their employees. The percentage of maternity insurance fees shall be determined by the local government based on factors such as the number of persons in planned maternity, maternity allowance, and medical fees of maternity, and can be adjusted in due time in line with its expending status; but in any event no more than 1% of the total salary. Women workers are entitled to maternity leave according to the relevant laws and regulations. Maternity allowance during their maternity leave shall be counted based on the monthly average salary over the last year and paid out of the maternity insurance fund. The maternity insurance fund will be collected, paid and managed by the social insurance agencies under the department of labor security.

According to the "Regulation Concerning the Administration of Housing Provident Fund" (住房公積金管理條例) implemented since 3 April 1999 and amended on 24 March 2002, employers in the PRC must register with the housing provident fund management center. Employers are required to open housing provident fund accounts with entrusted banks for their employees and contribute to the fund at a rate of not less than 5% of the employee's average monthly salary during the previous year.

Foreign Exchange

Pursuant to the "Regulations on the Administration of Foreign Exchange of the People's Republic of China" (中華人民共和國外匯管理條例) as amended on 1 August 2008 by the State Council and implemented since 5 August 2008, international payment in foreign exchange and transfer of foreign exchange under current accounts shall not be subject to the restrictions of the State. The income of foreign exchange of domestic institutions or individuals can be transferred back into China or deposited overseas.

The specific requirements and terms related to the transfer or deposit shall be prescribed by the foreign exchange administration department of the State Council in light of the balance of international payment and the status of foreign exchange administration. Foreign exchange income and payments under current account shall be based on authentic and lawful transactions. Foreign exchange income under current account may be retained or sold to financial institutions operating the foreign exchange sale and settlement business. If offshore institutions or offshore individuals propose to make onshore direct investments, they shall complete registration with the foreign exchange administrative body upon approval of the relevant competent authorities. If onshore institutions or onshore individuals propose to make an offshore direct investment or offshore issuance or trading of negotiable securities or derivative products, they shall complete the registration as required by the foreign exchange administrative department under the State Council. The foreign exchange or the settled foreign exchange funds under the capital account can be used if approved by the relevant authorities and the foreign exchange administrative body.

OUR GROUP'S PREVIOUS NON-COMPLIANCE

Cement production permit of Shandong SAC

Shandong SAC was approved to operate business of manufacture and sale of cement and cement products and had obtained the National Industrial Products Production Permit (全國工業產品生產許可證) issued by State Administration of Quality Supervision, Inspection and Quarantine on 15 August 2003 (the "Permit"). The Permit was valid until 14 August 2008. Under the Permit, Shandong SAC was allowed to manufacture cement of grade 42.5 and grade 32.5.

Under Trial Regulations on Manufacturing License for Industrial Products (1984) and Cement Production Permit Replacement (Issuance) Implementation Details (水泥生產許可證換(發)證實施細則(2000年)), Shandong SAC is prohibited to manufacture cement products without the Permit. In view that the production facility of Shandong SAC has become aged and Shandong SAC will likely face difficulty in renewing the Permit which expired in August 2008, Shandong SAC's management team considered that the continuation of cements manufacturing was uneconomical and inefficient and it would be in the interest of Shandong SAC to cease operating the production line in order to maximize shareholders' return. Shandong SAC had thus proposed to cease operating the cement production line.

For the purpose of development of local economy and maintenance of stable livelihood, the local government requested Shandong SAC to continue carrying out manufacturing activities. The Directors noted that in support, the local government of Taierzhuang initiated a rental concession plan so that Shandong SAC was not required to pay the landlord, Zaozhuang City Taierzhuang District Cement Co., Ltd. (棗莊市台兒莊區水泥有限公司) which is a state-owned enterprise of Taierzhuang, full rental starting from January 2004. Since October 2008, Shandong SAC was no longer required to pay any rental for utilisation of the Shandong SAC plant. The rental is waived for the remaining lease period until the termination of the leasing agreement in May 2021.

Bureau of Quality and Technical Supervision of Taierzhuang District, Zaozhuang City (棗莊市質量技術監督局台兒莊分局) ("QTS"), issued a confirmation on 2 April 2011 confirming that it was aware that Shandong SAC has continued manufacturing activity without the Permit at the request of local government and it has continued carrying out routine sample checking as well as ordinary supervision over the Shandong SAC plant and facility since August 2008. It is confirmed that the cements manufactured during the period without the Permit was under their due supervision in respect of national standard on cement quality and that Shandong SAC had not been involved in any incidents caused by substandard cement. No penalty has been imposed by the government on Shandong SAC due to any non-compliance of production laws, rules and regulations. QTS therefore agreed and confirmed that it will not pursue any action against the fact that Shandong SAC had operated without the Permit. The PRC legal advisers have confirmed that QTS is a competent authority to supervise, carry out inspection and decide on administrative penalty where necessary against Shandong SAC in respect of cement production. Shandong SAC plant had ceased to produce cement since April 2011 and the Group confirmed that it currently has no plan to resume cement production at the Shandong SAC plant. Currently, the grinding systems at the Shandong SAC plant are being used for the production of slag. The PRC legal advisers have confirmed that the Group is not required to obtain any production permit for the production of slag.

The PRC legal advisers have noted the confirmations that the manufacturing of cement products were agreed and encouraged by local government and during the period without the Permit, the cements products are up to the prescribed national standard. Accordingly, there is no practical risk that Shandong SAC is subject to imminent liability as to the cements quality or possible administrative penalty from relevant government authorities. The PRC legal advisers agreed that we have taken reasonable remedial measures and that the risk of Shandong SAC being penalised is low.

Pollutant Discharge Permit of Shandong SAC

According to the Law on the Prevention and Control of Water Pollution (中華人民共和國水污染防治法) and the Law on the Prevention and Control of Air Pollution (中華人民共和國大氣污染防治法), it is stipulated that a permit is required before discharging pollutant into air or water system.

Shandong SAC did not obtain such permit for its previous production activity of cement since commencement of operation and is therefore in breach of the aforesaid rules and regulations. Shandong SAC has taken remedial measure by submitting application for Pollutant Discharge Permit forthwith. Shandong SAC has ceased the production of cement since April 2011. The current operation at Shandong SAC is production of slag, where the major pollutant it discharges is dust (粉塵) which does not require Pollutant Discharge Permit under the regulatory regime currently in operation. The pollutant to be discharged into water system is also negligible, if any. Therefore Shandong SAC is not required to obtain the Pollutant Discharge Permit for its current slag production. The Group confirmed that it currently has no plan to resume cement production at the Shandong SAC plant and Shandong SAC is not crucial in generating revenue for the Group.

The management of Shandong SAC confirmed that the Environment Protection Bureau of Zaozhuang City (棗莊市環境保護局) had not issued Pollutant Discharge Permit in general for discharging pollutants into air before April 2011. For the same reason as disclosed above, Pollutant Discharge Permit for discharging pollutant into water system was not applicable to Shandong SAC.

Pollutant Discharge Permit cannot be obtained retrospectively for our previous cement production. Based on the above, the PRC legal advisers are of the view that since (i) the Environment Protection Bureau of Zaozhuang City had not issued Pollutant Discharge Permit in general and that rendered Shandong SAC not having held any Pollutant Discharge Permit in respect of cement production activity prior to April 2011; (ii) Shandong SAC has been abiding by the relevant rules and regulation in respect of environment protection; and (iii) Shandong SAC has already ceased to produce cement, it is unlikely that the relevant PRC authorities would impose retrospective penalty for Shandong SAC's previous lack of Pollutant Discharge Permit.

LIST OF PERMITS AND APPROVALS FOR OUR OPERATIONS

For reference, a list of permits and approvals required for our operation is summarised as follows:

Name of the plant		Permits/Approvals	Permits/ Approvals Number	Issuer	Status
Shanghai SAC	1.	Business licence (企業法人營業執照)	310000400071249	Shanghai Administration for Industry & Commerce (上海市工商行政管理局)	Obtained
	2.	Certificate of Approval for Establishment of Enterprises with Investment of Taiwan, Hongkong, Macao and Overseas Chinese in the People's Republic of China (台港澳僑投資企業批准證書)	外經貿滬合資字[1993] 2888號	Shanghai Municipal People's Government (上海市人民政府)	Obtained
	3.	National Industrial Products Production Permits (全國工業產品生產許可證)	XK08-001-00176	General Administration of Quality Supervision, Inspection and Quarantine of the People's Republic of China (國家質量監督檢驗檢疫總局)	Obtained (Not applicable as the plant has ceased production)
	4.	Certificate for a qualified laboratory for cement enterprise (水泥企業化驗室合格證書)	(05)中建協標質字 (015)號	The Association of China Building Material Industry (中國建築材料工業協會)	Obtained (Not applicable as the plant has ceased production)
	5.	Project establishment approval for the construction of a cement production line with a daily clinker production capacity of approximately 4,000 tons at Bailonggang (日產4000噸水泥熟料生產線(白龍港項目)立項批覆)	N/A	National Development and Reform Commission (國家發展與改革委員會)	The development plan of the new plant is currently under review
	6.	Replacement site at Bailonggang (白龍港項目土地)	N/A	Shanghai Municipal Bureau of Planning and Land Resources (上海規劃和土地資源管理局)	To be applied after approval of project establishment (item 5 above)
	7.	Certificate of Trademarks Registration (商標註冊證)	第904806號/第3458451號/第3028102號	The State Administration for Industry and Commerce (國家工商行政管理總局)	Obtained
	8.	Patent (發明專利證書(一種採用鋼渣配料製得的水泥熟料及生產方法))	ZL0316681.4	State Intellectual Property Office of the People's Republic of China (國家知識產權局)	Obtained

Name of the plant		Permits/Approvals	Permits/ Approvals Number	Issuer	Status
	9.	Patent (發明專利證書(一種採用脱水污泥配料製得的水泥熟料及水泥的生產方法))	ZL200820009584.9	State Intellectual Property Office of the People's Republic of China (國家知識產權局)	Obtained
	10.	Tax Registration Certificate (税務登記證)	國/地税滬字 310104607260714號	Shanghai Municipal Office, State Shanghai Local Taxation Bureau (上海市國家税務局/上海市地方税務局)	Obtained
	11.	Foreign Exchange Registration Certificate (外匯登記證外匯業務IC卡)	00150085號	State Administration of Foreign Exchange, Shanghai Branch (上海市外匯管理局)	Obtained
	12.	Social Insurance Registration Certificate (社會保險登記證)	00070209號	Ministry of Labour and Social Security, Shanghai Branch (上海市勞動和社會保障局)	Obtained
	13.	Pollutant Discharge Permit (排污許可證)	N/A	N/A	Not applicable as the plant has ceased production
Shandong SAC	1.	Business licence (企業法人營業執照)	370400400000170	Administration for Industry & Commerce, Zaozhuang City (棗莊市工商行政管理局)	Obtained
	2.	Certificate of Approval for Establishment of Enterprises with Investment of Taiwan, Hongkong, Macao and Overseas Chinese in the People's Republic of China (台港澳僑投資企業批准證書)	外經貿魯府棗字[2001] 0606號	Shandong Provincial People's Government (山東省人民政府)	Obtained
	3.	Tax Registration Certificate (税務登記證)	魯税棗字 370405728631307號	State Administration of Taxation, Taierzhuang District, Zaozhuang City, Shandong Province (山東省棗莊市台兒莊區國家税務局)	Obtained
	4.	Foreign Exchange Registration Certificate (外匯登記證外匯業務IC卡)	00074292號	State Administration of Foreign Exchange, Zaozhuang City (棗莊市外匯管理局)	Obtained

Name of the plant		Permits/Approvals	Permits/ Approvals Number	Issuer	Status
	5.	Social Insurance Registration Certificate (社會保險登記證)	728631130	Ministry of Labour and Social Security, Taierzhuang District, Zaozhuang City (棗莊市台兒莊區社會勞動保險事業分處)	Obtained
Allied Wangchao	1.	Business licence (企業法人營業執照)	370400400000717	Administration for Industry & Commerce, Zaozhuang City (棗莊市工商行政管理局)	Obtained
	2.	Certificate of Approval for Establishment of Enterprises with Investment of Taiwan, Hongkong, Macao and Overseas Chinese in the People's Republic of China (台港澳僑投資企業批准證書)	商外資魯府棗字[2003] 3218號	Shandong Provincial People's Government (山東省人民政府)	Obtained
	3.	National Industrial Products Production Permits (全國工業產品生產許可證(通用水泥52.5))	XK08-001-05112	General Administration of Quality Supervision, Inspection and Quarantine of the People's Republic of China (國家質量監督檢驗檢疫總局)	Obtained
	4.	Certificate for a qualified laboratory (化驗室合格證)	(06)中建協標質字 (023)號	The Association of China Building Material Industry (中國建築材料工業協會)	Obtained
	5.	Approval for change of production technology (企業技術改造項目核准通知書)	魯經貿改核[2009]059號	Shandong Economy and Information Technology Commission (山東省經濟和信息化委員會)	Obtained
	6.	Approval for change of production technology (企業技術改造項目核准通知書)	魯經貿改核[2007]038號	Shandong Economy and Information Technology Commission (山東省經濟和信息化委員會)	Obtained

Name of the plant		Permits/Approvals	Permits/ Approvals Number	Issuer	Status
	7.	Electric Power Business Licenses for waste heat recovery system (電力業務許可證(2,500噸/日水泥熟料生產線自備純低溫餘熱發電工程))	1010611-00015	State Electricity Regulatory Commission (國家電力監管委員會)	Obtained
	8.	Tax Registration Certificate (稅務登記證)	魯稅棗字370405757480405號	State Administration of Taxation, Taierzhuang District, Zaozhuang City, Shandong Province (山東省棗莊市台兒莊區國家稅務局)	Obtained
	9.	Foreign Exchange Registration Certificate (外匯登記證外匯業務IC卡)	00074291號	State Administration of Foreign Exchange, Zaozhuang City (棗莊市外匯管理局)	Obtained
	10.	Social Insurance Registration Certificate (社會保險登記證)	3704050209	Ministry of Labour and Social Security, Taierzhuang District, Zaozhuang City (棗莊市台兒莊區社會勞動保險事業分處)	Obtained
	11.	Major Air Pollutant Discharge Permit (排放重點廢氣污染物許可證)	棗環許字第201106101號	Environmental Protection Bureau of Zaozhuang City (棗莊市環境保護局)	Obtained
	12.	Opinion on the construction of the self-own dock by Allied Wangchao (關於山東聯合王晁水泥有限公司自備碼頭工程建設項目的審查意見)	淮委建管許准[2004]第13號	Huaihe Water Resources Commission, Ministry of Water Resources (水利部淮河水利委員會)	Obtained
	13.	Confirmation on final acceptance of the dock (竣工驗收鑒定書)	N/A	A commission formed by representatives from Water Resources Administration Bureau of Nansihu, People's Government of Taierzhuang District, Water Resources Administration Bureau of Beijing-Hangzhou Canal etc. (南四湖水利管理局、台兒莊區人民政府、韓莊運河水利管理局等相關人員組成自備碼頭竣工驗收委員會)	Obtained

Name of the plant		Permits/Approvals	Permits/ Approvals Number	Issuer	Status
	14.	Project establishment approval of the dock (自備碼頭工程立項審批)	N/A	N/A	Under examination
	15.	Mining licence (採礦權證)	C370000201009 7120075079	Shandong Provincial Department of Land & Resources (山東國土資源廳)	Obtained

The PRC legal advisers confirmed that except as disclosed above and in the paragraph headed "Our Group's previous non-compliance" in this section headed "Regulatory environment", our Group has (a) complied with relevant PRC laws and regulation in all material respects for conducting our businesses; and (b) obtained the relevant licences, approvals, permits and certificates from relevant authorities, for conducting our businesses during the Track Record Period up to the Latest Practicable Date.

To prevent recurrence of non-compliance, a Credit and Risks Management Committee has been established under the Board. Further details of the Credit and Risks Management Committee is set out in the paragraph headed "Credit and Risks Management Committee" under the section headed "Directors, senior management and employees".

HISTORY AND DEVELOPMENT

As at the Latest Practicable Date, our Company is a wholly-owned subsidiary of Tian An, a company listed on the Stock Exchange (Stock Code: 28).

Our history can be traced back to 1993 when AII-Shanghai was set up by Millennium Group Limited (previously known as Allied Industries International Limited), being the sole shareholder of AII-Shanghai at the time of its incorporation. Subsequently, AII-Shanghai established Shanghai SAC on 31 December 1993 and owned 60% equity interest in Shanghai SAC, with the joint venture partner being Shanghai Cement Factory at the time of establishment, which owned the other 40% equity interest in Shanghai SAC. Prior to the Premises Vacation, Shanghai SAC had been engaged in manufacturing and distribution of cement and clinker, with a factory in Xuhui District, Shanghai and an annual cement production of about 1 million tons. The cement had been sold under the brand name "泰立" (Titan). After the Premises Vacation, Shanghai SAC has been involved in trading activities only.

The sole shareholder of AII-Shanghai subsequently transferred 50% of the issued share capital of AII-Shanghai to each of Aso Corporation (previously known as Aso Cement Co., Ltd.), an Independent Third Party at the time of transfer and a Japanese corporation, and Tian An on 24 June 1996 and 16 December 1997 respectively. Tian An and Aso Corporation further transferred its respective interest in 50% and 33.33% of the issued share capital of AII-Shanghai to TACHP, a wholly-owned subsidiary of Tian An, on 22 April 1998 and 4 January 1999 respectively. As a result of these transfers, AII-Shanghai was held as to 83.33% by TACHP and as to 16.67% by Aso Corporation.

On 15 May 2001, TACHP transferred all its entire 83.33% shareholding interest in AII-Shanghai to ChinaVision Media, being an Independent Third Party at the time of transfer based on information available and to the best knowledge of the Directors, at a total consideration of HK$250,000,000 which was satisfied by ChinaVision Media through the allotment and issue of 25,000,000,000 shares of HK$0.01 each in the capital of ChinaVision Media, representing approximately 68.54% of its enlarged issued share capital after completion of its restructuring. The consideration in the amount of HK$250,000,000 for the disposal of the 83.33% shareholding interest in AII-Shanghai by TACHP to ChinaVision Media was based on an independent professional valuation performed by B.I. Appraisals, whose valuation report dated 18 December 2000 valued the business of Shanghai SAC at HK$540,000,000. As the 83.33% shareholding interest in AII-Shanghai represented an approximately 50% effective shareholding interest in Shanghai SAC, it had a valuation of approximately HK$270,000,000, representing an 8% premium over the consideration of HK$250,000,000.

The injection of 83.33% shareholding interest in AII-Shanghai from TACHP into ChinaVision Media was a part of the financial restructuring of ChinaVision Media to restructure its indebtedness with the creditors. In addition, on the same day, as a part of the financial restructuring of ChinaVision Media, Tian An, through its wholly-owned subsidiary, subscribed an additional 26.33% shareholding interest in ChinaVision Media of its enlarged issued share after completion of the financial restructuring for a cash consideration of HK$96,000,000. As a result of the financial restructuring of ChinaVision Media, Tian An, through its subsidiaries, was interested in approximately 94.87% shareholding interest in ChinaVision Media which was directly holding 83.33% shareholding interest in AII-Shanghai. Subsequently, Tian An through its subsidiaries disposed of a total of 40.10% shareholding interest in ChinaVision Media during the year of 2001 by way of (i) private placements of 20.36% shareholding interest in ChinaVision Media to a number of placees who were Independent Third Parties; and (ii) disposal of 19.74% shareholding interest in ChinaVision Media to an Independent Third Party at the time of transfer based on information available and to the best knowledge of the Directors, as part of the consideration for the acquisition of a 90% shareholding interest in a property development company by Tian An Group. As a result of these disposals, Tian An was interested in the controlling interest of 54.77% in ChinaVision Media.

In May 2001, SAC Holdings was incorporated in Hong Kong by ChinaVision Media with the purpose of becoming the holding company of Shanghai SAC (through AII-Shanghai) and Shandong SAC (through AII-cement).

In June 2001, ChinaVision Media through its wholly-owned subsidiary at the relevant time, AII-cement, invested US$1 million (equivalent to approximately HK$7.8 million) to establish Shandong SAC, expanding its operations to Shandong.

SAC Holdings further expanded its operations in Shandong by investing approximately US$3.91 million (equivalent to approximately HK$30.5 million) to set up Allied Wangchao in December 2003, in which SAC Holdings initially held 85% equity interest and the other shareholder, namely Wangchao Coal, an Independent Third Party held 15% equity interest. Following various capital injections and transfers subsequently, SAC Holdings finally became beneficially interested in 100% equity interest in Allied Wangchao in 2008.

On 8 May 2007, Tian An entered into a placing agreement to sell its entire remaining 54.77% shareholding interest (399,485,640 shares) in ChinaVision Media to independent investors through a placing agent for HK$0.7 per share so as to allow itself to streamline its business activities and to focus on its core business activities of property development, property investment, property management and hotel operation through the disposal of its non-core business, namely, the manufacture and sale of construction materials in the PRC. As a result of the placing, Tian An raised net proceeds of approximately HK$274,800,000 for its general working capital purposes. Consequently, Tian An ceased to be the shareholder of ChinaVision Media and ceased to have beneficial interest in the business of SAC Holdings.

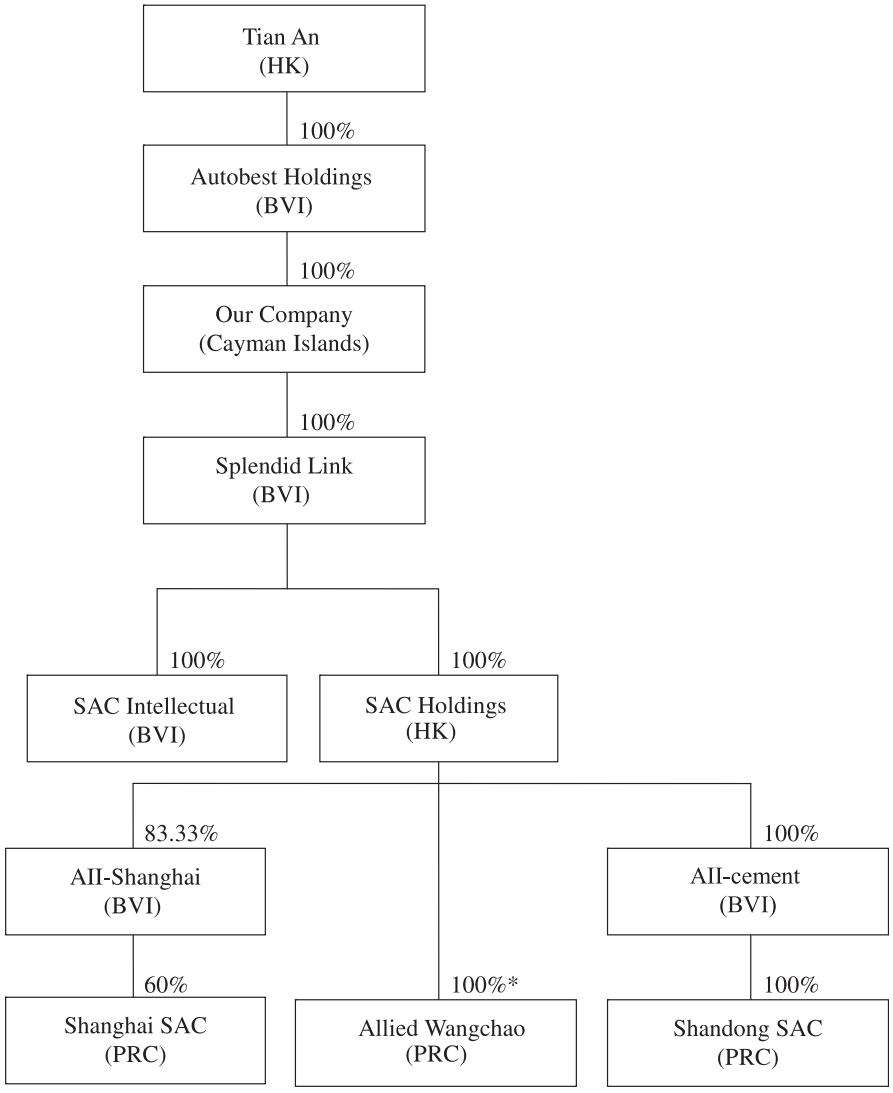
On 21 May 2009, Tian An, through its indirect wholly-owned subsidiary, Sunwealth, entered into a sale and purchase agreement in respect of acquisition of the entire issued share capital of SAC Holdings at the consideration of HK$50,027,000 and took up the assignment of the shareholder's loan in the principal amount of HK$278,503,677 owed by SAC Holdings and its subsidiaries to ChinaVision Media at the consideration of HK$149,973,000 from ChinaVision Media. The total consideration in the amount of HK$200,000,000 for the re-acquisition of SAC Holdings by Tian An through Sunwealth was determined with reference to the unaudited consolidated net tangible asset value of SAC Holdings and its then subsidiaries (excluding the goodwill) of HK$50,027,000 (based upon the unaudited management accounts for the period ended 31 March 2009 of SAC Holdings and its subsidiaries), the value of the shareholder's loan in the principal amount of HK$278,503,677 owed by SAC Holdings and its subsidiaries to ChinaVision Media and the ability to repay such shareholder's loan by SAC Holdings. The transfer of the entire issued share capital of SAC Holdings from ChinaVision Media to Sunwealth was completed on 16 September 2009. We thus became wholly-owned by Tian An. Tian An decided to re-acquire our business at that time after having disposed of its interest in us in May 2007 as our business had shown a strong revenue growth in 2008 notwithstanding the macroeconomic measures to cool down the overheated economy by the PRC government and Tian An expected strong demand for construction materials underpinned by the significant growth prospect of property development in the PRC. As the core business of Tian An had experienced steady growth, Tian An expected to diversify its scope of business to that of manufacturing and distribution of construction material in the PRC as a result of the re-acquisition of SAC Holdings so as to expand its source of revenue and the clientele base in the PRC.

CORPORATE STRUCTURE AND SHAREHOLDING STRUCTURE

Our Company was incorporated in the Cayman Islands under the Companies Law as an exempted company with limited liability on 21 March 2011.

We have 8 subsidiaries, namely Splendid Link, SAC Intellectual, SAC Holdings, AII-Shanghai, AII-cement, Shanghai SAC, Allied Wangchao and Shandong SAC, details of which are set out in the following part in this section.

The following chart sets out the shareholding and corporate structure of our Group as at the Latest Practicable Date:



* *AII-Shanghai holds 25.63% of the equity interest of Allied Wangchao on trust for SAC Holdings.*

Splendid Link

Splendid Link is the investment holding company of a number of our operating subsidiaries. Splendid Link was incorporated in the BVI on 19 November 2010 as a limited liability company which is authorised to issue a maximum of 50,000 shares of a single class each with a par value of US$1.00. On 23 December 2010, one share at par was allotted and issued as fully paid to Sunwealth.

On 20 December 2011, as part of the Reorganisation, our Company acquired one share with par value of US$1.00 in the capital of Splendid Link, representing the entire issued share capital of Splendid Link, from Sunwealth at a total consideration of HK$352,707,832. Such consideration was determined with reference to the investment cost of Tian An Group. In consideration of such acquisition, the Company allotted and issued 352,707,832 new Shares to Autobest Holdings under the payment instructions of Sunwealth at the issue price of HK$1.00 per Share. The transfer of one share in Splendid Link from Sunwealth to the Company was completed on the same date and Splendid Link has become the direct wholly-owned subsidiary of the Company. On 20 December 2011, a shareholder's loan in the amount of HK$50,038,692.20 owed by Splendid Link to Sunwealth and a shareholder's loan in the amount of HK$177,266,325.23 owed by SAC Holdings to Sunwealth were assigned from Sunwealth to our Company. These two loans were assigned to our Company at an aggregate consideration of HK$142,292,167 which was satisfied by the allotment and issue of an aggregate of 142,292,167 new Shares at the issue price of HK$1.00 per Share to Autobest Holdings in accordance with the payment instructions given by Sunwealth to our Company.

As at the Latest Practicable Date, our Company was the sole shareholder of Splendid Link. The share in Splendid Link is fully paid up.

SAC Intellectual

SAC Intellectual was incorporated in the BVI on 11 March 2010 as a limited liability company which is authorised to issue a maximum of 50,000 shares of a single class each with a par value of US$1.00. One share at par in SAC Intellectual was allotted and issued to SAC Investments on 19 March 2010.

On 31 December 2010, as part of the Reorganisation, Splendid Link acquired the one share with par value of US$1.00 in the capital of SAC Intellectual, representing its entire issued share capital, at par and a shareholder's loan owed by SAC Intellectual to SAC Investments in the principal amount of HK$2,192.20 at the consideration equivalent to such amount. The transfer of one share in SAC Intellectual from SAC Investments to Splendid Link was completed on 31 December 2010 and Splendid Link has become the sole shareholder of SAC Intellectual accordingly.

As at the Latest Practicable Date, the sole function of SAC Intellectual was the holding of trademarks for our Group. All the share in SAC Intellectual is fully paid up.

SAC Holdings

SAC Holdings was incorporated in Hong Kong on 21 May 2001 as a limited liability company under the name of Art Team Investments Limited with an authorised share capital of HK$10,000 divided into 10,000 shares of HK$1.00 each. SAC Holdings was incorporated with the purpose of being holding company of the operating business of Shanghai SAC, Shandong SAC and Allied Wangchao. One share

was allotted at par to each of the two nominee subscribers which were Independent Third Parties on the date of its incorporation. On 11 June 2001, the two nominee subscribers transferred their respective one share in SAC Holdings to a wholly-owned subsidiary of ChinaVision Media and its nominee at par respectively. On the same day, SAC Holdings further allotted and issued 998 shares at par, credited as fully paid, to the same wholly-owned subsidiary of ChinaVision Media. As a result of these transfers and the allotment, ChinaVision Media was beneficially interested in the 100% shareholding interest in SAC Holdings through its subsidiary and nominee.

On 9 June 2003, the wholly-owned subsidiary of ChinaVision Media transferred 999 shares in SAC Holdings to ChinaVision Media at par, representing 99.9% of the issued share capital in SAC Holdings at the time of transfer.

On 11 June 2003, the authorised share capital of SAC Holdings was increased from HK$10,000 to HK$10,000,000 by the creation of an additional 9,990,000 shares of par value of HK$1.00 each.

On 12 June 2003, SAC Holdings further allotted and issued 9,999,000 shares with par value of HK$1.00 each, credited as fully paid, to ChinaVision Media. After this allotment, ChinaVision Media directly owned the 9,999,999 shares in SAC Holdings while the remaining one share in SAC Holdings was held by its nominee on trust for ChinaVision Media.

On 18 June 2003, SAC Holdings changed the name from Art Team Investments Limited to its current name.

On 21 May 2009, an agreement for sale and purchase relating to the entire issued share capital of SAC Holdings was entered into among ChinaVision Media, Sunwealth and Tian An, pursuant to which Sunwealth has conditionally agreed to acquire the entire issued share capital of SAC Holdings at the consideration of HK$50,027,000 and to take up the assignment of the shareholder's loan in the principal amount of HK$278,503,677 owed by SAC Holdings to ChinaVision Media at the consideration of HK$149,973,000 from ChinaVision Media. The total consideration in the amount of HK$200,000,000 for the acquisition of SAC Holdings by Sunwealth was determined with reference to the unaudited consolidated net tangible assets value of SAC Holdings and its then subsidiaries (excluding goodwill) of HK$50,027,000 (based upon the unaudited management accounts for the period ended 31 March 2009 of SAC Holdings and its subsidiaries), the value of the shareholder's loan in the principal amount of HK$278,503,677 owed by SAC Holdings to ChinaVision Media and the ability of repayment of such shareholder's loan of SAC Holdings at that time. The transfer of 10,000,000 shares in SAC Holdings from ChinaVision Media to Sunwealth was completed on 16 September 2009. As a result of this transfer, SAC Holdings has become an indirect wholly-owned subsidiary of Tian An.

On 31 December 2010, as part of the Reorganisation, an agreement for the sale and purchase of 10,000,000 shares in SAC Holdings, being its entire issued share capital, was entered into between Sunwealth and Splendid Link, pursuant to which Splendid Link agreed to acquire the entire issued share capital of SAC Holdings at the consideration of HK$50,027,000. The consideration was determined with reference to the consideration of the acquisition of SAC Holdings by Sunwealth in May 2009. The transfer of the entire issued share capital of SAC Holdings from Sunwealth to Splendid Link was completed on 31 December 2010 and Splendid Link has become the sole shareholder of SAC Holdings accordingly. All the shares in SAC Holdings are fully paid up.

AII-Shanghai

AII-Shanghai was incorporated in the BVI on 1 March 1993 as a limited liability company with an authorised share capital of US$50,000 divided into 50,000 shares of US$1.00 each. AII-Shanghai was incorporated with the purpose of operating the cement business. On 26 February 1996, the authorised share capital of AII-Shanghai was increased from US$50,000 to US$15,000,000 by the creation of an additional 14,950,000 shares of US$1.00 each. On 26 April 1996, the authorised share capital of AII-Shanghai was further increased from US$15,000,000 to US$15,400,000 by the creation of an additional 400,000 shares of US$1.00 each.

The initial shareholder of AII-Shanghai was Millennium Group Limited (previously known as Allied Industries International Limited). The shareholding of AII-Shanghai has undergone various changes since its incorporation. On 6 July 1993, one share at par was allotted and issued, credited as fully paid to Millennium Group Limited. Subsequently, AII-Shanghai further allotted and issued, credited as fully paid, 1 and 28 shares at par to Millennium Group Limited on 22 August 1995 and 18 December 1995 respectively.

On 27 April 1996, a total of 15,376,470 shares in AII-Shanghai was further allotted and issued to Millennium Group Limited so as to set off a shareholder's loan in the same amount owed by AII-Shanghai to Millennium Group Limited. As a result of this allotment, Millennium Group Limited was interested in 15,376,500 shares in AII-Shanghai, representing 100% of the issued share capital of AII-Shanghai.

On 24 June 1996, Millennium Group Limited transferred 7,688,250 shares in AII-Shanghai, representing 50% of the issued share capital of AII-Shanghai at the time of transfer, to Aso Corporation (previously known as Aso Cement Co., Ltd.), a Japanese corporation, at a consideration of US$9,848,250.

On 16 December 1997, Millennium Group Limited further transferred its 7,688,250 shares in AII-Shanghai to Tian An at a consideration of HK$64,500,000, representing the remaining 50% of the issued share capital of AII-Shanghai at the time of transfer.

On 22 April 1998, as a part of internal restructuring, Tian An transferred its 7,688,250 shares in AII-Shanghai to TACHP, its wholly-owned subsidiary, at a consideration of HK$1.00, representing 50% of the issued share capital of AII-Shanghai at the time of transfer.

On 4 January 1999, TACHP further acquired 5,125,500 shares in AII-Shanghai from Aso Corporation at a consideration of US$6,565,500, representing 33.33% of the issued share capital of AII-Shanghai at the time of transfer.

As a result of those transfers in 1998 and 1999, AII-Shanghai was owned as to 83.33% by TACHP and 16.67% by Aso Corporation.

On 15 May 2001, TACHP transferred all its 12,813,750 shares in AII-Shanghai to ChinaVision Media at a total consideration of HK$250,000,000, representing 83.33% of the issued share capital of AII-Shanghai at the time of transfer, which was satisfied by ChinaVision Media through the allotment and issue of 25,000,000,000 shares of HK$0.01 each in the capital of ChinaVision Media. The consideration in the amount of HK$250,000,000 for the disposal of 12,813,750 shares in AII-Shanghai

to ChinaVision Media was determined with reference to an independent professional valuation performed by B.I. Appraisals which valued the business of Shanghai SAC, the sole asset of AII-Shanghai.

On 12 June 2003, as a part of the internal restructuring, ChinaVision Media further transferred all its 12,813,750 shares in AII-Shanghai to SAC Holdings, a wholly-owned subsidiary of ChinaVision Media at the time of transfer, at a total consideration of HK$250,000,000, representing 83.33% of the issued share capital of AII-Shanghai at the time of transfer.

At the beginning of the Track Record Period and up to the Latest Practicable Date, AII-Shanghai was held as to 83.33% by SAC Holdings and as to 16.67% by Aso Corporation. All the shares of AII-Shanghai are fully paid up.

Aso Corporation is incorporated in Japan and it principally engages in hospital management. In addition, Aso Corporation and its subsidiaries also engage in cement production and trade, waste treatment and recycling and related activities. It became one of the shareholders of AII-Shanghai in 1996. Its ultimate shareholder is Aso Juku Educational Foundation. Other than being a shareholder holding approximately 16.67% of the entire issued share capital of AII-Shanghai, there are no past or present relationships (including family or employment relationships) between Aso Corporation and our Group, and their respective shareholders, directors, senior management or any of their respective associates.

AII-cement

AII-cement was incorporated in the BVI on 5 January 2001 as a limited liability company under the name of Propertyfield Investments Limited with an authorised share capital of US$50,000 divided into 50,000 shares of US$1.00 each. AII-cement was incorporated as the investment holding company for the operating business of Shandong SAC and its initial shareholder was ChinaVision Media at the time of its incorporation.

On 12 April 2001, AII-cement changed the name from Propertyfield Investments Limited to its current name.

On 16 May 2001, the authorised share capital of AII-cement was increased from US$50,000 to US$1,500,000 by the creation of an additional 1,450,000 shares of US$1.00 each.

On 12 June 2003, one share in AII-cement, representing its entire issued share capital, was transferred from ChinaVision Media to SAC Holdings at par. As a result of this transfer, AII-cement has become a direct wholly-owned subsidiary of SAC Holdings. As at the beginning of the Track Record Period and up to the Latest Practicable Date, SAC Holdings has remained the sole shareholder of AII-cement. The share of AII-cement is fully paid up.

Shanghai SAC

Shanghai SAC was established by AII-Shanghai and Shanghai Cement Factory as a sino-foreign equity joint venture in the PRC on 31 December 1993. At the time of its incorporation, the registered capital of Shanghai SAC was US$24,000,000 and was held as to 60% by AII-Shanghai and 40% by Shanghai Cement Factory. Shanghai Cement Factory is a state-owned enterprise and its principal

business activities are production and sale of cement, special cement and cement addictive, development and trial sale of special materials of construction. Its ultimate shareholder is Shanghai Building Material. Other than being a shareholder holding 40% equity interest in Shanghai SAC, there are no past or present relationships (including family or employment relationships) between Shanghai Cement Factory and our Group and their respective shareholders, directors, senior management or any of their respective associates.

As at the Latest Practicable Date, the entire equity interest of Shanghai SAC was owned by AII-Shanghai as to 60% and by Shanghai Cement Factory as to 40%. The business scope of Shanghai SAC approved by the Administration Bureau of Industry and Commence of Shanghai Province includes, *inter alia*, production of cement and clinker, cement products, new type cementitious materials (新型膠凝材料), and sale of self-produced products.

We have received a letter from Shanghai Building Material dated 16 August 2011 informing us that the 40% equity interest in Shanghai SAC will be transferred from Shanghai Cement Factory to Shanghai Building Material due to the restructuring of the investment holdings of Shanghai Building Material. A waiver from exercising the pre-emptive right has been issued by AII-Shanghai and upon completion of such transfer, Shanghai SAC will be owned as to 60% by AII-Shanghai and 40% by Shanghai Building Material.

Allied Wangchao

Allied Wangchao was established by SAC Holdings and Wangchao Coal as a sino-foreign equity joint venture in the PRC on 29 December 2003. At the time of its incorporation, the registered capital of Allied Wangchao was US$4,600,000 and was held as to 85% by SAC Holdings and as to 15% by Wangchao Coal.

SAC Holdings, AII-Shanghai and Wangchao Coal entered into a capital transfer agreement on 20 December 2003 and an equity interest transfer agreement on 28 April 2004, pursuant to which SAC Holdings and Allied Wangchao agreed to transfer their respective 75% and 5% equity interest in Allied Wangchao to AII-Shanghai for considerations of US$3,450,000 and of US$230,000 respectively, based on their relevant portion of the registered capital in Allied Wangchao at the time of transfer. As approved by the relevant authorities in the PRC on 17 May 2004, Allied Wangchao was owned as to 10%, 10% and 80% by SAC Holdings, Wangchao Coal and AII-Shanghai (which held on trust for SAC Holdings) respectively as a result of the transfer. Pursuant to a trust agreement entered into between SAC Holdings and AII-Shanghai on 13 November 2003, AII-Shanghai would hold the 80% equity interest of Allied Wangchao on trust for SAC Holdings so as to facilitate the cashflow among the Group within the PRC. Besides, the trust arrangement would also allow AII-Shanghai to enjoy the re-investment tax credit when AII-Shanghai received dividend distributed by Shanghai SAC and reinvested such dividend income to Allied Wangchao. Our Hong Kong legal advisers are of the view that the trust arrangements with respect to the 80% equity interest of Allied Wangchao held by AII-Shanghai on trust for SAC Holdings are legal, valid and enforceable under Hong Kong laws.

In September 2004, the registered capital of Allied Wangchao was increased from US$4,600,000 to US$9,200,000. The capital injection in the amount of US$4,600,000 was solely contributed by SAC Holdings. As a result of the capital injection, the equity interests of both Wangchao Coal and AII-Shanghai were diluted and Allied Wangchao was owned as to 55%, 5% and 40% by SAC Holdings, Wangchao Coal and AII-Shanghai respectively. Pursuant to a trust agreement entered into between SAC

Holdings and AII-Shanghai on 3 September 2004, AII-Shanghai would hold the 40% equity interest of Allied Wangchao on trust for SAC Holdings. Our Hong Kong legal advisers are of the view that the trust arrangements with respect to the 40% equity interest of Allied Wangchao held by AII-Shanghai on trust for SAC Holdings are legal, valid and enforceable under Hong Kong laws.

In 2007, Wangchao Coal and SAC Holdings entered into an equity transfer agreement pursuant to which Wangchao Coal agreed to transfer its remaining 5% equity interest in Allied Wangchao at a consideration of RMB4,576,000. The consideration for such transfer was determined with reference to the remaining portion of the registered capital in Allied Wangchao paid up by Wangchao Coal, the investment period of Wangchao Coal in Allied Wangchao and the normal interest rate of loan borrowed from financial institutions or banks. The transfer of the remaining 5% equity interest in Allied Wangchao from Wangchao Coal to SAC Holdings was approved by the relevant authorities in the PRC on 23 May 2008. As a result of this transfer, Allied Wangchao with a registered capital of US$9,200,000 was held as to 60% by SAC Holdings and as to 40% by AII-Shanghai (which held on trust for SAC Holdings).

In October 2009, the increase in the registered share capital of Allied Wangchao from US$9,200,000 to US$14,360,000 was approved by the relevant authorities. The capital injection in the amount of US$5,160,000 was solely contributed by SAC Holdings. As a result of the capital injection, SAC Holdings has increased its interest level to 74.37% of the equity interest in Allied Wangchao and Allied Wangchao was therefore owned as to 74.37% by SAC Holdings and as to 25.63% by AII-Shanghai. Pursuant to a trust agreement entered into between SAC Holdings and AII-Shanghai on 25 October 2010, AII-Shanghai would hold the 25.63% equity interest of Allied Wangchao on trust for SAC Holdings. Our Hong Kong legal advisers are of the view that the trust arrangements with respect to the 25.63% equity interest of Allied Wangchao held by AII-Shanghai on trust for SAC Holdings are legal, valid and enforceable under Hong Kong laws.

Upon the completion of the capital injection by SAC Holdings, a new Business License of corporation Entity (企業法人營業執照) was issued by the relevant government authority in the PRC on 20 August 2011. There has been no change in the shareholding of Allied Wangchao after the capital injection in August 2011. Accordingly, as at the Latest Practicable Date, the equity interest of Allied Wangchao was held by SAC Holdings as to 74.37% and by AII-Shanghai as to 25.63% on trust for SAC Holdings. The business scope of Allied Wangchao approved by the Administration Bureau of Industry and Commence of Zaozhuang City includes production and sale of cement, clinker and cement products, and use of waste heat generated from the production line.

Shandong SAC

Shandong SAC was established by AII-cement as a wholly foreign-owned enterprise in the PRC on 8 June 2001 with a registered capital of US$1,000,000.

There has been no change in the shareholding of Shandong SAC since its incorporation. Accordingly, as at the Latest Practicable Date, the entire equity interest of Shandong SAC was wholly owned by AII-cement. The business scope of Shandong SAC approved by the Administration Bureau of Industry and Commence of Zaozhuang City includes production and sale of cement and cement products.

SUMMARY OF INFORMATION OF THE SUBSIDIARIES

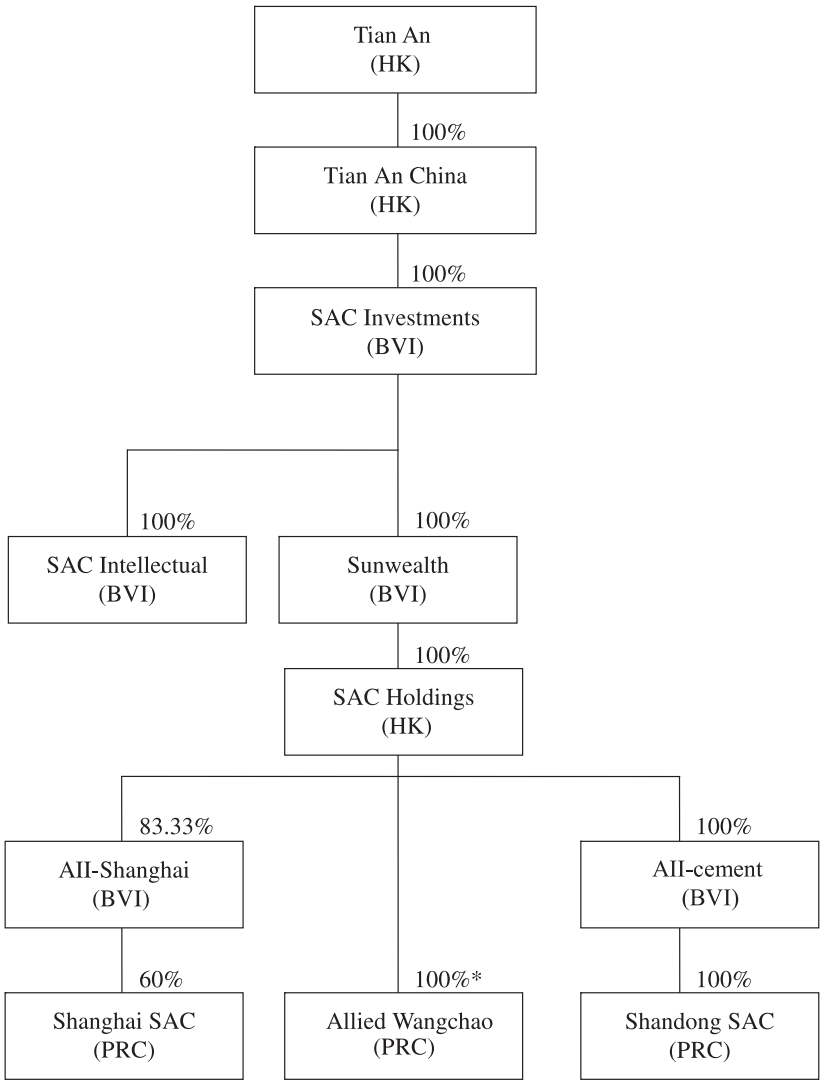
Set out below is a summary in relation to the subsidiaries of the Group as at the Latest Practicable Date:

	Name of Company	Date of incorporation	Place of incorporation	Principal business
1.	Splendid Link	19 November 2010	BVI	Investment holding
2.	SAC Intellectual	11 March 2010	BVI	Holding the trademarks for our Group
3.	SAC Holdings	21 May 2001	Hong Kong	Investment holding
4.	AII-Shanghai	1 March 1993	BVI	Investment holding
5.	AII-cement	5 January 2001	BVI	Investment holding
6.	Shanghai SAC	31 December 1993	PRC	Trading of cement and clinker
7.	Allied Wangchao	29 December 2003	PRC	Manufacture and sale of cement and clinker
8.	Shandong SAC	8 June 2001	PRC	Manufacture and sale of slag

CORPORATE REORGANISATION

Reorganisation

The following chart sets out our corporate structure prior to the commencement of the Reorganisation:



* *AII-Shanghai holds 25.63% of the equity interest of Allied Wangchao on trust for SAC Holdings.*

We underwent the Reorganisation to streamline our group structure in preparation for the Listing, and as a result, our Company became the holding company of Splendid Link. The principal steps involved in the Reorganisation are summarised below:

(a) On 19 November 2010, Splendid Link was incorporated in the BVI as a limited liability company, which is authorised to issue a maximum of 50,000 shares of a single class each with a par value of US$1.00. On 23 December 2010, one share at par was allotted and issued as fully paid to Sunwealth.

(b) On 31 December 2010, an agreement for the sale and purchase of one share in SAC Intellectual was entered into between Splendid Link and SAC Investments, pursuant to which Splendid Link agreed to acquire one share with par value of US$1.00 in capital of SAC Intellectual, representing its entire issued share capital, at par. The transfer of one share in SAC Intellectual from SAC Investments to Splendid Link was completed on the same date and Splendid Link has become the sole shareholder of SAC Intellectual accordingly. On 31 December 2010, a deed of assignment relating to a shareholder's loan owed by SAC Intellectual to SAC Investments in the principal amount of HK$2,192.20 was entered into between SAC Investments and Splendid Link, pursuant to which SAC Investments agreed to assign and Splendid Link agreed to take the assignment of the shareholder's loan at the consideration equivalent to its principal amount.

(c) On 31 December 2010, an agreement for the sale and purchase of 10,000,000 shares in SAC Holdings, being its entire issued share capital, was entered into between Sunwealth and Splendid Link, pursuant to which Splendid Link agreed to acquire the entire issued share capital of SAC Holdings at the consideration of HK$50,027,000 from Sunwealth. The transfer of the entire issued share capital of SAC Holdings from Sunwealth to Splendid Link was completed on 31 December 2010 and Splendid Link has become the sole shareholder of SAC Holdings accordingly.

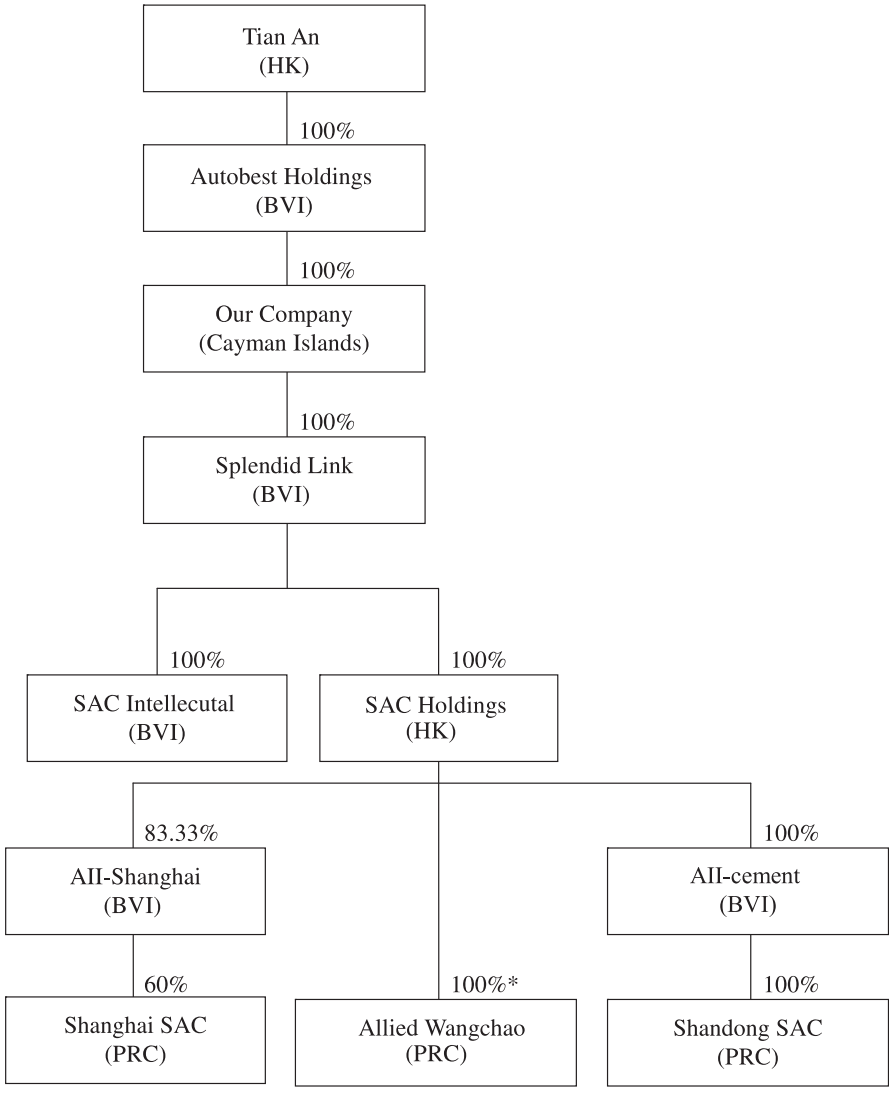
(d) On 11 March 2011, Autobest Holdings was incorporated in the BVI as a limited liability company, which is authorised to issue a maximum of 50,000 shares of a single class each with a par value of US$1.00. On 18 March 2011, one share at par was allotted and issued as fully paid to Tian An.

(e) On 21 March 2011, the Company was incorporated in the Cayman Islands as an exempted company with limited liability with an authorised share capital of HK$380,000 divided into 38,000,000 shares of HK$0.01 each. On the same day, one subscriber share at par was transferred to Autobest Holdings at par.

(f) On 20 December 2011, the Company acquired one share with par value of US$1.00 in the capital of Splendid Link, representing the entire issued share of Splendid Link, from Sunwealth at a total consideration of HK$352,707,832. In consideration of such acquisition, the Company allotted and issued 352,707,832 new Shares to Autobest Holdings under the payment instructions of Sunwealth at the issue price of HK$1.00 per Share. The transfer of one share in Splendid Link from Sunwealth to the Company was completed on the same date and Splendid Link has become the direct wholly-owned subsidiary of the Company accordingly. On 20 December 2011, a shareholder's loan in the amount of HK$50,038,692.20 owed by Splendid Link to Sunwealth and a shareholder's loan in the

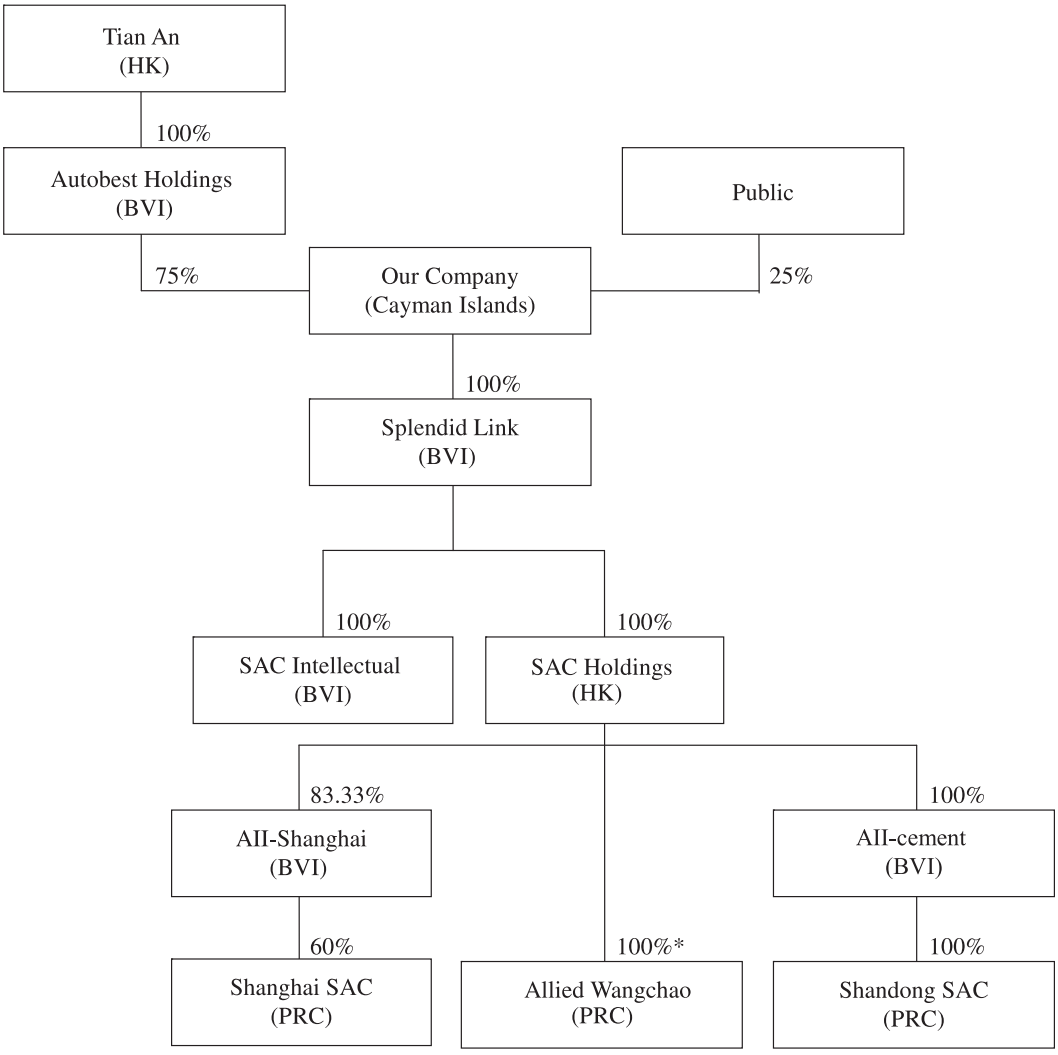
amount of HK$177,266,325.23 owed by SAC Holdings to Sunwealth were assigned from Sunwealth to our Company. These two loans were assigned to our Company at an aggregate consideration of HK$142,292,167 which was satisfied by the allotment and issue of an aggregate of 142,292,167 new Shares at the issue price of HK$1.00 per Share to Autobest Holdings in accordance with the payment instructions given by Sunwealth to our Company.

The following chart sets out our corporate structure immediately following completion of the Reorganisation and prior to the Share Offer:



* *AII-Shanghai holds 25.63% of the equity interest of Allied Wangchao on trust for SAC Holdings.*

The following chart sets out our corporate structure after the Reorganisation and immediately following completion of the Share Offer:



* *AII-Shanghai holds 25.63% of the equity interest of Allied Wangchao on trust for SAC Holdings.*

OVERVIEW

Our business

We are a quality-focused clinker and cement company with operations in Shandong Province and Shanghai in the PRC. Our manufacturing plants are located in Taierzhuang District, Zaozhuang City, Shandong Province. Prior to our Premises Vacation in December 2009, we owned and operated a plant in Shanghai. Since our Premises Vacation, our Shanghai operations are involved in trading activities only. Our products are mainly sold to customers in the provinces of Shandong, Jiangsu and Anhui as well as Shanghai under the trademark "泰立" (Titan) and are primarily used in infrastructure projects including roads, highways, bridges, railways and building constructions. Our subsidiary, Shanghai SAC, has renewed the registration of the trademark "泰立" (Titan) for 10 years up to November 2016 and also owns patents for certain of its production technologies.

During the Track Record Period, our revenue was mainly derived from manufacture and sale of cement and clinker, trading of cement and provision of technical services. The breakdown of the source of our revenue is as follows:

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

Manufacture and sale of cement and clinker was the main contributor to our revenue during the Track Record Period. Trading of cement has become one of our sources of revenue mainly from our Shanghai operations following the Premises Vacation. The details of the Premises Vacation and our current plans and accordingly the changes in our production facilities are described in the paragraph headed "Our facilities" below and the changes in our products are described in the paragraph headed "Our products and services" below. We also occasionally provide technical services.

Our products and services

Manufacture and sale of cement and clinker

Our principal products are cement and clinker. Our cement is sold under the trademark "泰立" (Titan) and is primarily used in the construction of infrastructure projects such as highways, bridges, railways and roads as well as in residential buildings. We produce different types of cement by revising the formulas of different proportions of raw materials.

Our cement is categorised into different grades as 32.5, 42.5 and 52.5 based on its compression strengths in accordance with National Standard GB175-2007 for Common Portland Cement issued by the PRC Government. As higher grade cement can be used to produce high grade concrete, the higher the compression strengths, the higher market price the cement can command.

We store our cements in a silo upon the completion of the production process. We usually do not sell our cements in bags, instead we sell them to our customers mainly as a bulk powder stored and blown from a bulk cement truck into the customer's silo.

Our clinker is sold without any brandname or trademark and is sold in bulks.

Trading of cement

Following the complete cessation of production of cement in Shanghai due to the Premises Vacation, our operation in Shanghai is currently engaging in trading of cement only. Under the operation in Shanghai, cement is traded under the brands of other cement manufacturers instead of our own brand. Despite our own cement products are not offered to our customers, we have been able to retain many of our customers in Shanghai by conducting cement trading whereby we resell the cement we purchased from other cement producers to our existing customers.

We intend to maintain a long term and continuing relationship with our customers by resuming to sell them our own manufactured and branded cement products upon the commencement of operation of our new plant in Shanghai. We provide value added services such as logistic arrangements services on customers' request. Moreover, we are familiar with the cement trading and practice in Shanghai with our experience in sales of cement for more than 17 years and we provide a longer credit period to our customers. In view of the above, our customers in Shanghai have continued to purchase cement products from us instead of purchasing directly from other cement suppliers, despite our cessation of production of our own branded cement products in Shanghai. We may continue to engage in trading of cement after the completion of our new plant depending on availability of business opportunities.

Provision of technical services

We also occasionally provide technical services. During the Track Record Period, we had assisted Sinoma International Engineering Co. Ltd. (中國中材國際工程股份有限公司), a cement production facility design and installation company, to start up production facilities for its clients in return for service fees. Our services included assistance in running in of machinery, conducting initial trial run and troubleshooting as necessary.

Our facilities

The tables below show our production capacity and the revenue generated by our three plants during the Track Record Period.

Production capacity

		Year ended 31 December			Six months ended 30 June	
		2008	2009	2010	2010	2011
Shanghai plant	cement (tons per annum)	1,000,000	1,000,000	—	—	—
	clinker *(note 1)* *(tons per day)*	2,000	2,000	—	—	—
Allied Wangchao plant	cement (tons per annum)	—	—	1,000,000	—	1,000,000
	clinker *(note 1)* *(tons per day)*	2,500	2,500	2,500	2,500	2,500
Shandong SAC plant	cement (tons per annum)	700,000	700,000	700,000	700,000	700,000 *(note 2)*
	slag (tons per annum)	—	—	—	—	160,000

Notes:

1. It is the practice of the PRC government to quantify the production capacity of clinker on a daily basis and that of cement on an annual basis.

2. The production capacity of cement of Shandong SAC plant represents its production capacity before April 2011, where afterwards, it ceased to produce cement and engaged in production of slag only.

Revenue

		Year ended 31 December			Six months ended 30 June	
		2008	2009	2010	2010	2011
		HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Shanghai plant	cement	322,783	242,298	154,380	43,588	174,594
	clinker	20	—	—	—	—
Allied Wangchao plant	cement	—	—	18,092	—	157,358
	clinker	154,610	103,038	125,787	48,889	30,761
Shandong SAC plant	cement	75,260	144,780	152,430	69,372	28,946
	clinker	174	—	—	—	—
	slag	—	—	—	—	—

Our current operation

We have three operation units, namely Shanghai plant, Allied Wangchao plant and Shandong SAC plant. Shanghai plant has ceased manufacture of cement and clinker since December 2009 and is now engaging in cement and clinker trading. Allied Wangchao plant is currently manufacturing cement and clinker while Shandong SAC is currently manufacturing slag, a raw material for cement manufacturing.

(1) *Shanghai plant*

Shanghai plant was set up in December 1993. It had a cement and clinker production line with production capacity of approximately 1.0 million tons per annum and clinker production capacity of approximately 2,000 tons per day. Apart from using the clinker produced by itself for cement production, we also purchased additional clinker required from clinker suppliers. Cement produced was sold in bulks and manufacture and sale of cement was the principal and sole business of Shanghai plant. This plant had ceased operations as a result of the Premises Vacation as described below.

The production capacity, actual production volume and utilisation rate during the Track Record Period are set out as follows:

	Shanghai plant						
	Cement			**Clinker**			
	Production capacity (tons per annum/ semi-annum)	**Actual production volume (tons)**	**Utilisation rate**	**Production capacity (tons/day)**	**Actual production volume (tons)**		**Utilisation rate**
	(note 1)				**For sales**	**For own use**	*(note 2)*
For the year ended 31 December							
2008	1,000,000	916,507	91.7%	2,000	N/A	641,190	103.4%
2009	1,000,000	846,111	84.6%	2,000	N/A	597,448	96.4%
2010 *(note 3)*	—	—	—	—	—	—	—
For the six months ended 30 June							
2010 *(note 3)*	—	—	—	—	—	—	—
2011 *(note 3)*	—	—	—	—	—	—	—

Notes:

1. It is the practice of the PRC government to quantify the production capacity of clinker on a daily basis and that of cement on an annual basis. An annual production capacity of cement of approximately 1,000,000 tons is being estimated by the Group taking into account the approved daily production capacity of clinker, which is 2,000 tons per day and the number of operation days, being 310 days.

2. Our Group has estimated production capacity on the basis that downtime of 1.5 months would be required for maintenance every year. According to the Directors, as the actual downtime required was less than 1.5 months, we have been able to produce in excess of the estimated production capacity, resulting in utilisation rate higher than 100%. There is neither legal requirements governing the method in arriving at the designed production capacity nor restriction on producing in excess of the designed production capacity.

3. Clinker and cement production ceased in December 2009 due to the Premises Vacation as described in the paragraphs headed "The Premises Vacation" and "The Bailonggang Project" below.

The Premises Vacation

As part of city planning and to facilitate the organisation of World Expo 2010 in Shanghai, we had vacated from our Shanghai plant in Xuhui District (徐滙區), Shanghai for the redevelopment of the central district of Shanghai. In connection with the city planning arrangements of the government, we entered into a site relocation compensation agreement with Shanghai Xuhui Binjiang, a local government entity, for land resumption on 27 November 2009 and the cement production at our Shanghai plant ceased in December 2009.

Following the complete cessation of production, our Shanghai operations currently engage in trading of cement only. Despite the cessation of production in Shanghai, we have been able to retain many of our customers in Shanghai by conducting cement trading activities whereby we resell the cement we purchased from other cement producers to our existing customers.

For the above Premises Vacation, we are entitled to a total compensation of RMB799.9 million from Shanghai Xuhui Binjiang, of which RMB749.9 million had been received by 30 June 2011. The total compensation amount of RMB799.9 million was determined after taking into account the loss on disposal of fixed assets including mainly the land and factory premises and production facilities, loss on inventory, staff layoff compensation and other operating and administrative expenses directly attributable to the Premises Vacation. Loss in profit for the Group and loss of the VAT refund status of the Shanghai plant in relation to the Premises Vacation are not part of the consideration of the compensation. Meanwhile, a replacement site at Bailonggang (白龍港), Pudong, Shanghai is being negotiated with the Shanghai Municipal Government for us to construct a new plant at the periphery of Shanghai Sewage Treatment Plant (上海污水處理廠).

Change in our Shanghai operations after the Premises Vacation

For better understanding of potential investors, details of the various impacts to the Group in connection with the Premises Vacation are described as follows:

Cement trading has become one of our sources of revenue

Our Shanghai operation is currently engaged in trading of cement only, which commenced in early 2010. The gross profit and gross profit margin for each of the Group's products for the manufacturing and trading business during the Track Record Period are set out as follows:

	Year ended 31 December			Six months ended 30 June		Year ended 31 December			Six months ended 30 June	
	2008	2009	2010	2010	2011	2008	2009	2010	2010	2011
	Gross profit					Gross profit margin				
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	(%)				
Manufacturing										
Manufacture and sale of clinker	20,422	9,121	22,894	2,116	9,525	13.2	8.9	18.2	4.3	31.0
Manufacture and sale of cement	23,304	21,937	22,734	1,085	46,478	5.9	5.7	13.3	1.6	25.0
Trading										
Trading of cement	N/A	N/A	5,885	1,116	5,962	N/A	N/A	3.8	2.6	3.4

We trade cement under the brands of the respective cement producers. Generally, the quality requirements of the cement are stated in the sales and purchase agreements. The product liability risk in relation to the quality of the cement products is borne by the cement sellers in the event of any product quality claims from purchasers. To ensure the quality of cement manufactured by third party, each of these manufacturers is required to produce quality assurance reports for their cement to be supplied to the Group. Further, we also conduct sample checks on the cement which we purchase from these manufacturers. Under our sales contract, the customer is required to acknowledge the quality of the products sold when taking delivery of the cements.

The Company can pursue action against the cement producers when there are claims from customers in connection with the quality of the traded cement products. We have been able to retain many of our customers in Shanghai by conducting cement trading activities and we may continue to engage in trading of cement in addition to manufacture and sale of our own cement after the completion of our new plant, depending on availability of business opportunities.

Financial and operational impacts to the Group

Our Shanghai operation was involved primarily in manufacture and sale of cement and clinker, with cement being its major product, prior to the Premises Vacation, and is currently involved primarily in cement trading after the Premises Vacation. For illustrative purpose only, the following sets out the revenue and profit attributable to our Shanghai operation during the Track Record Period.

	Year ended 31 December						Six months ended 30 June			
	2008		2009		2010		2010		2011	
	HK$'000	as a % of the Group	HK$'000	as a % of the Group	HK$'000	as a % of the Group *(Note 2)*	HK$'000	as a % of the Group *(Note 2)*	HK$'000	as a % of the Group *(Note 2)*
Revenue	322,803	58.1	242,298	49.4	154,380	34.2	43,588	26.9	174,594	44.6
Gross profit	14,301	30.6	2,829	9.1	5,885	11.4	1,116	25.9	5,962	9.6
Profit before tax	17,012	29.5	3,817	40.2	19,093 *(Note 1)*	33.7	6,482 *(Note 1)*	N/A *(Note 3)*	12,213 *(Note 1)*	19.0
Goodwill written off	—	—	—	—	69,479	—	69,479	—	—	—
Gross profit margin	4.4%		1.2%		3.8%		2.6%		3.4%	

Notes:

1. The profit before tax for the year ended 31 December 2010, for the six months ended 30 June 2010 and 2011 did not include the gain on land resumption exercise of HK$528.4 million, HK$528.4 million (unaudited) and HK$5.8 million, respectively attributable to the Premises Vacation.

2. The calculation of profit before tax as a percentage of the Group for the year ended 31 December 2010, for the six months ended 30 June 2010 and 2011 did not include the respective gain on land resumption exercise and goodwill written off attributable to the Premises Vacation.

3. The profit before tax as a percentage of the Group from Shanghai operations amounted to over 100% for the six months ended 30 June 2010 as the Group (excluding its Shanghai operations) incurred a loss.

Gross profit margin of our Shanghai operation decreased from 4.4% for the year ended 31 December 2008 to 1.2% for the year ended 31 December 2009, whereas the Group's overall gross profit margin from manufacture and sale of cement remained stable at 5.9% and 5.7% respectively

for the corresponding years. Details of analysis of the Group's gross profit margin are set out in the paragraph headed "Gross profit" under the section headed "Financial information". During the year ended 31 December 2009, there was a significant decrease in our average selling price of cement in Shanghai from RMB289.4 per ton in previous year to RMB246.4 per ton, representing a decrease of approximately 14.9%. Whilst there was a reduction in our overall cost of sales as described in the aforesaid paragraph "Gross profit", the increase in cost of electricity in 2009 which particularly affected the Shanghai operation due to its higher electricity consumption resulted in a relatively smaller reduction in the cost of sales of the Shanghai operation compared with the Group's overall reduction in cost of sales. Accordingly, gross profit margin of the Shanghai operation fell by a larger extent compared with that of the Group.

We act as a distributor of cement after the cessation of production of cement and clinker in early 2010. We purchase cement from cement producers and resell to our customers in Shanghai, providing us with a trading profit margin. In contrast to the sale of self-manufactured clinker and cement, the gross margin for trading of cement is typically lower. The particularly lower gross profit margin of 1.2% of Shanghai operation for the year ended 31 December 2009 from the manufacture and sale of cement and clinker, compared with a gross profit margin of 3.8% achieved from trading of cement during the year ended 31 December 2010 was mainly due to the significant drop in our average selling price of cement in 2009 which was in line with the market trend and the increase in cost of electricity as described above. Compared with gross profit margin of 4.4% from manufacture and sale of cement for the year ended 31 December 2008, gross profit margin from trading of cement for the year ended 31 December 2010 was lower.

Since the commencement of our cement trading business, we have been maintaining business relationships with our major customers in the Shanghai area.

As we no longer carry out any clinker or cement manufacturing in Shanghai after the Premises Vacation, we have relocated some of the production equipment previously used in our Shanghai plant to the Allied Wangchao plant, which commenced trial production since October 2010.

As a result of the Premises Vacation, our Group has recognised a one-off gain on land resumption exercise of approximately HK$528.4 million. This gain was partly offset by the goodwill written off of HK$69.5 million and tax attributable to the gain on land resumption exercise of HK$132.1 million. The Directors confirm that all relevant liabilities consequential to the Premises Vacation, including compensation to employees made redundant and settlement of payables, have been properly discharged.

Compared with the six months ended 30 June 2010, gross profit margin increased to 3.4% for the six months ended 30 June 2011, as our trading business, which commenced in early 2010, gradually improved.

In addition, the Group recognised approximately HK$69.5 million of goodwill written off as a result of the Premises Vacation for the year ended 31 December 2010. Goodwill represented the excess of the cost of business combination over the fair value of the identifiable assets and liabilities of Shanghai SAC attributable to the interest acquired. The assets classified as held for sale including (i) property, plant and equipment (approximately HK$237.9 million), (ii) prepaid lease payments on land use rights (approximately HK$8.9 million) and (iii) other assets

(approximately HK$13.2 million) were set off against the total compensation of RMB799.9 million received and to be received in relation to the Premises Vacation, details of which are set out in note 27 of Appendix I to this prospectus.

For further details of the financial impact of the Premises Vacation and for details of analysis of net profit margin during the Track Record Period, please refer to the paragraph headed "Net profit margin" under the section headed "Financial information".

The Bailonggang Project

This is an environmental strategy of the Shanghai government to bring together cement plants to treat and recycle the mud disposed of by the neighbouring Shanghai Sewage Treatment Plant and other wastes. The replacement site at Bailonggang is proposed by the local government after various discussions with us and other relevant government entities. As we vacated from our original plant for the purpose of city planning arrangements of the local government, notwithstanding the legal requirement on bidding for acquisition of land use rights, it is possible that the replacement site can be granted by the local government to us without going through such process which will expedite the development of our new plant. As at the Latest Practicable Date, we have yet to obtain the legal title to the replacement site, nor have we entered into any agreement or letter of intent with the relevant government authority in relation to the replacement site. The replacement site at Bailonggang consists of a large site which will house several plants. Besides our proposed plant, there will also be plants owned by about three other cement companies. Discussions with these other companies on details such as co-ordination of construction plans and possible sharing of certain activities are also ongoing.

The location of the replacement site has been agreed in principle among different government entities and us but is subject to the formal approval by the competent authorities, while the surveying works on the replacement site have been completed. The Bailonggang Project is currently being reviewed by the Shanghai Municipal Government and preparation works including the determination of the coastal lines and the environment assessment reports of the replacement site, are currently being processed by the various government entities. The new plant is expected to be equipped with two production lines with sludge treatment system (污泥處理系統), with a total daily clinker production capacity of approximately 4,000 tons and an annual cement production capacity of not more than 1.35 million tons, the capacity of which is larger than our previous daily clinker production capacity of approximately 2,000 tons and an annual cement production capacity of 1.0 million tons prior to the Premises Vacation.

Details of the construction plans

We expect that we can obtain the legal title to the land by late 2012.

Set out below is the plan regarding the Bailonggang Project in respect of obtaining relevant government approvals for our development plan as well as legal title to the land. As shown below, we have completed most of the steps in "preparation stage" and the only remaining item (item 7) is now being processed by Shanghai Municipal Bureau of Planning and Land Resources (上海市規劃和國土資源管理局).

We understand through our negotiations and dealings with government officials that additional time is required to process and coordinate with various departments given the scale of Bailonggang Project. Accordingly, we expect the preparation stage can be completed by mid 2012 and our Bailonggang Project application can then be submitted for formal vetting. Thereafter, it is expected that approximately 2 months are required for obtaining formal approval of our application. Once approved, we shall be able to obtain relevant land use right for our new plant. Accordingly, we expect that we can obtain the legal title to the land by late 2012.

Stage		Major processes	Major parties involved	Current Status
Preparation stage	1	Obtaining initial consent in principle (批文) for Bailonggang Project (上海建材資源綜合利用示範基地) from each of the relevant government authorities in Shanghai	i. The Economic & Information Bureau of Shanghai (上海市經濟和資訊化委員會)	Obtained
			ii. Shanghai Municipal Bureau of Planning and Land Resources (上海市規劃和國土資源管理局)	Obtained
			iii. the National Development and Reform Commission of Shanghai Municipal (上海市發展改革委員會)	Obtained
			iv. Shanghai Municipal Environmental Protection Bureau (上海市環境保護局)	Obtained
			v. Shanghai Municipal People's Government Industrial Restructuring Office (上海市產業結構協調推進聯席會議辦公室)	Obtained
	2	Public announcement for the relocation site and dock of Bailonggang Project http://www.shgtj.gov.cn/hdpt/gzcy/sj/201010/t20101027_420693.htm	Shanghai Municipal Bureau of Planning and Land Resources (上海市規劃和國土資源管理局)	Announced 27 October 2010
	3	Public announcement for the Report on Environmental Impact of Bailonggang Project Construction (《上海建材資源綜合利用示範基地環境影響報告書》) http://www.envir.gov.cn/info/2010/201012313374.htm	Shanghai Academy of Environmental Sciences (上海市環境科學研究院)	Announced on 27 December 2010
	4	Preparation of Feasibility Study on Bailonggang Project (《上海建材資源綜合利用示範基地可行性研究報告》)	Tianjin Cement Design & Research Institute Co. Ltd. (天津水泥工業設計研究院有限公司)	Completed

Stage		Major processes	Major parties involved	Current Status
	5	Surveying of dock site and preparation of Research Report on Planning of Dock for Bailonggang Project (《上海建材資源綜合利用示範基地碼頭規模專題研究報告》)	CCCC Second Harbor Consultants Co., Ltd. (中交第二航務工程勘察院有限公司)	Completed
	6	Preparation of Research Report on the Scale of Dock for Bailonggang Project (《上海建材資源綜合利用示範基地項目用地和碼頭規模專題研究評估報告》)	Shanghai Pudong Xinqu Investment Consultation Company (上海浦東新區投資諮詢公司)	Completed
	7	Obtaining Opinion on Land Use Planning for Bailonggang Project (《上海建材資源綜合利用示範基地規劃選址意見書》)	Shanghai Municipal Bureau of Planning and Land Resources (上海市規劃和國土資源管理局)	Outstanding
Vetting stage	8	Obtaining approval for Bailonggang Project from relevant authorities at national level	i. National Development and Reform Commission (國家發展和改革委員會)	Outstanding
			ii. Ministry of Land Resources (國土資源部)	Outstanding
			iii. Ministry of Environmental Protection (國家環境保護總局)	Outstanding
			iv. Ministry of Commerce (商務部)	Outstanding
			v. Ministry of Industry and Information Technology (工業和信息化部)	Outstanding
			vi. China Cement Association (中國水泥協會)	Outstanding
Implementation stage	9	Obtaining the title of land use right for Bailonggang Project either by allocation of land (土地劃撥) or in pursuance of a sales and purchase contract	Shanghai Municipal Bureau of Planning and Land Resources (上海市規劃和國土資源管理局)	To be carried out after approval of the Bailonggang Project
	10	Open tender for contract of design, construction & supervision etc.	Companies with relevant qualification	To be carried out after approval of the Bailonggang Project

Stage		Major processes	Major parties involved	Current Status
	11	Final acceptance (竣工驗收) of the Bailonggang Project construction	Final acceptance by relevant authorities in respect of planning, fire control, environmental protection, construction quality etc.	To be carried out after completion of the construction of Bailonggang Project

Pending the completion of various assessments and the final approval from various government authorities, we expect the development plan of our new production facilities will commence by late 2012 at Bailonggang. The development of our new cement production facilities involved the construction of raw materials storage and processing facilities, the raw mixture crushing facilities, the raw mill, the rotary kiln system, the cement mills and the storage facilities of clinker and cement. The estimated total cost budgeted for the new cement production facilities is approximately RMB800.0 million (including estimated land cost of about RMB200.0 million) and will be funded by our internal resources (mainly from the land resumption compensation attributable to the Premises Vacation) and bank borrowings.

According to our development plan in line with the operation of Shanghai Sewage Treatment Plant, the construction works will take approximately 18 months to complete. We expect the initial production line inspection and testing will be carried out in 2014 and the Group will arrange for the application of the final acceptance of the production facilities from all relevant government entities thereafter.

Our PRC legal advisers have advised that they are not aware of any legal impediments as at the Latest Practicable Date in obtaining the relevant approvals taking into account the measures implemented by the PRC government to curb the over-expansion of the cement industry in China as described in the paragraph headed "Key industry trends in the PRC" under the section headed "Industry overview". Furthermore, our Directors are of the view that our development plan in Shanghai will be able to meet the criteria and requirements stipulated under the Criteria for Entry to Cement Industry issued by the Ministry of Industry and Information Technology in January 2011.

Our alternative business plans

We recorded a gain of approximately HK$528.4 million in relation to the Premises Vacation recognised for the year ended 31 December 2010 as land resumption compensation. In the event that the approval for Bailonggang Project is not granted, we may consider acquisition opportunities in the current business or we may apply for the construction of the plant on another suitable site using our internal resources and bank borrowings. Our Directors are of the view that we will have sufficient resources to carry out our alternative business plans in the event that the relevant approvals cannot be obtained.

We expect the new plant will cost approximately RMB800.0 million (including estimated land cost of about RMB200 million) and we anticipate the construction would commence by late 2012 if the negotiation is successful and there is no other unforeseen difficulties. The PRC legal advisers have

advised that they are not aware of any legal impediments as at the Latest Practicable Date in obtaining the relevant approvals. If approved, the Bailonggang Project is intended to be financed by internal resources and bank borrowings.

The Directors are aware that the Bailonggang Project may not materialise. In particular, bidding may be required for the replacement site and if bidding is required, there is no guarantee that the Group will be successful in the bidding process. In the event that the Bailonggang Project does not materialise, we may consider other acquisition opportunities in the current business. However, we had not identified any such opportunities as at the Latest Practicable Date.

(2) *Allied Wangchao plant*

Allied Wangchao plant, set up in December 2003, is equipped with a raw mixture grinding system and a rotary kiln which enabled the plant to produce clinker at capacity of approximately 2,500 tons per day. In September 2006, Allied Wangchao was permitted to produce clinker. In June 2011, Allied Wangchao plant further obtained the production permit for cement production and its capacity is approximately 1.0 million tons per annum.

Our principal products, cement and clinker, are produced under the cement and clinker production line of Allied Wangchao plant located in Taierzhuang District, Zaozhuang City, Shandong Province. Before the production permit being formally granted to us in June 2011, we were allowed to commence trial production of cement, and the utilisation rate of cement production for the six months ended 30 June 2011 was 93.5%. Trial production period ceased when Allied Wangchao obtained production permit in June 2011 whereby Allied Wangchao plant is qualified and endorsed to manufacture both cement and clinker of grade 32.5, 42.5 and 52.5. The PRC legal advisers confirmed that manufacture and sale of cement products under trial production is legal and permissible under the relevant PRC rules and regulations.

Prior to the shifting of cement grinding system from Shanghai plant to Allied Wangchao plant necessitated by the Premises Vacation as described above, Allied Wangchao plant consisted of a raw mixture grinding system for preparing raw mixture and a rotary kiln for the calcination process of crushed raw mixture for manufacturing of clinker.

Upon the Premises Vacation, the cement grinding system originally installed in Shanghai plant were shifted to Allied Wangchao plant. With the installation of the cement grinding system, Allied Wangchao has been equipped in manufacturing of both cement and clinker. There is also an additional grind serving as backup in event of maintenance or unexpected breakdown of the grind in-use.

During the Track Record Period, our Group's own production of clinker was sufficient as raw materials for our production of cement.

As we rely on the production line at Allied Wangchao plant for the production of our principal products before Bailonggang Project materialises, Allied Wangchao plant is crucial in generating revenue for the Group.

We have also installed a waste heat recovery system with installed capacity of 4.5 MW which collects waste heat from our production process. It can generate power for our production which enable saving of electricity cost in long run. We commenced electricity generation in September 2010 under trial generation and obtained Electric Power Business Licenses for waste heat recovery system in June 2011, while the final acceptance (竣工驗收) is under application.

The production capacity, actual production volume and utilisation rate during the Track Record Period are set out as follows:

	Allied Wangchao plant						
	Cement			Clinker			
	Production capacity (tons per annum/ semi-annum)	Actual production volume (tons)	Utilisation rate	Production capacity (tons/day)	Actual production volume (tons)		Utilisation rate
	(note 1)				For sales	For own use *(note 2)*	*(note 3)*
For the year ended 31 December							
2008	—	—	—	2,500	660,792	249,123	117.4%
2009	—	—	—	2,500	505,985	434,542	121.4%
2010	1,000,000	79,774	*(note 4)*	2,500	554,193	447,445	129.2%
For the six months ended 30 June							
2010	—	—	—	2,500	236,504	204,958	113.9%
2011	500,000	467,609	93.5%	2,500	85,928	358,845	114.8%

Notes:

1. It is the practice of the PRC government to quantify the production capacity of clinker on a daily basis and that of cement on an annual basis. An annual production capacity of cement of approximately 1,000,000 tons (approximately 500,000 for six months) is being estimated by the Group taking into account the approved daily production capacity of clinker, which is 2,500 tons per day and the number of operation days, being 310 days.

2. Allied Wangchao commenced its clinker production since March 2005. The clinker produced was both for own use and for sale to third parties. For reference, the percentage of clinker produced for own use and for sales as a percentage of the clinker revenue during the years/periods from 2005 (March to December) to 2011 (January to June) are set out as follows:

Year/Period	Percentage of clinker for own use	Percentage of clinker for sales
2005 (March to December)	31.3%	68.7%
2006	30.3%	69.7%
2007	15.9%	84.1%
2008	27.9%	72.1%
2009	46.0%	54.0%
2010	44.3%	55.7%
2011 (January to June)	34.5%	65.5%

3. Our Group has estimated production capacity on the basis that downtime of 1.5 months would be required for maintenance every year. According to the Directors, as the actual downtime required was less than 1.5 months, we have been able to produce in excess of the estimated production capacity, resulting in utilisation rate higher than 100%. There is neither legal requirements governing the method in arriving at the designed production capacity nor restriction on producing in excess of the designed production capacity.

4. The production of cement by Allied Wangchao is under trial production prior June 2011. Please refer to the utilisation rate of the cement production facilities for the six months ended 30 June 2011. Trial production ceased when Allied Wangchao obtained production permit on 20 June 2011.

We also operate a self-built dock on a piece of rented land next to our production facilities in Taierzhuang District, which allows us to deliver our finished products to our customers along the Grand Canal which passes through our target markets in Shandong Province, Jiangsu Province and Shanghai.

The primary raw materials used in our cement production are limestone, gypsum, fly ash, and slag. Most of the limestone that we use for cement production is sourced from the quarry at Langshan (狼山), Taierzhuang District in Zaozhuang City, which we have obtained the mining rights. For other raw materials, we have contracted with at least two suppliers of each type of these other raw materials and as abovementioned, we commenced to produce slag for our own use starting April 2011. Coal and electricity are the main utilities for our cement production. We purchase our supply of coal from not less than three suppliers, with whom we have supply contracts for terms of one month to one year, while we obtain our electricity supply from the Electricity Supply Bureau of Taierzhuang District (台兒莊供電局) governed by State Grid Corporation of China (國家電網公司), which is the sole supplier of electricity.

(3) *Shandong SAC plant*

Shandong SAC plant was set up in June 2001 and was permitted to produce cement in August 2003. This rented plant had a cement and clinker production line with cement production capacity of approximately 300,000 tons per annum and clinker production capacity of 1,000 ton per day. The production line is leased for a term of 20 years from May 2001 to May 2021. Shandong SAC was not required to pay full rental and since October 2008, it was no longer required to pay any rental for utilisation of production plant and facility. Manufacture and sale of cement was the principal business of Shandong SAC and the cement produced was sold in bulks and in bags.

Since January 2008, we stopped the operation of the kiln and therefore the production of clinker ceased in Shandong SAC plant. The cessation was due to low energy efficiency of the kiln in this rented plant. Following the cessation of clinker production, Shandong SAC plant used clinker produced by Allied Wangchao plant to produce cement until April 2011 and generated revenue for the Group through manufacture and sale of cement. Since April 2011, Shandong SAC commenced production of slag.

The change from producing cement to slag in April 2011 had not rendered any production facilities of Shandong SAC plant obsolete. Therefore, no provisions or write-offs to our property, plant and equipment has been necessary. For slag production, the Group has added a dryer to its existing production facilities at cost of approximately RMB1.27 million, which is installed next to the slag production line, for drying the hydrated raw materials before they are ready to be ground as slag. Apart from the addition of a dryer, the production line of Shandong SAC plant did not undergo material changes when being converted from the production of cement to the production of slag. The Group confirmed that it currently has no plan to produce cement at the Shandong SAC plant and therefore the plant is not crucial in generating revenue for the Group. The PRC legal advisers have confirmed that the Group is not required to obtain any production permit for the production of slag.

The estimated annual production capacity of slag by the Group is approximately 160,000 tons. The Group currently requires approximately 200,000 tons of slag per annum for our cement production. Approximately 80% of which is expected to be produced by Shandong SAC, while the remaining

portion is to be purchased from third party suppliers. We believe by producing our own slag, which is a raw material for cement production, we can ensure stability of its supply as well as maintain consistent quality for our cement products. Moreover, the cost savings from producing our own slag instead of purchasing from the market has been beneficial to us. During the period from May to November 2011, such cost savings had ranged from 1.9% to 19.1% compared to market prices and amounted to savings of approximately RMB1.72 million.

The production capacity, actual production volume and utilisation rate during the Track Record Period are set out as follows:

	Shandong SAC plant									
	Cement			Clinker *(note 2)*				Slag		
	Production capacity (tons per annum/ semi-annum) *(note 1)*	Actual production volume (tons)	Utilisation rate	Production capacity (tons/day)	Actual production volume (tons) For sales	Actual production volume (tons) For own use	Utilisation rate	Production capacity (tons/ semi-annum)	Actual production volume (tons)	Utilisation rate
For the year ended 31 December										
2008	700,000	324,109	46.3%	1,000	—	—	N/A	N/A	N/A	N/A
2009	700,000	643,592	91.9%	1,000	—	—	N/A	N/A	N/A	N/A
2010	700,000	642,924	91.8%	1,000	—	—	N/A	N/A	N/A	N/A
For the six months ended 30 June										
2010	350,000	328,668	93.9%	1,000	—	—	N/A	N/A	N/A	N/A
2011	350,000 *(note 4)*	80,230	22.9% *(note 4)*	1,000	—	—	N/A	80,000 *(note 3)*	49,846	62.3%

Notes:

1. It is the practice of the PRC government to quantify the production capacity of clinker on a daily basis and that of cement on an annual basis. Both raw mixture and cement powder grinding systems of Shandong SAC plant were used to produce cement using the clinker produced by Allied Wangchao since January 2008 and an annual production capacity of cement of approximately 700,000 tons (approximately 350,000 tons for six months) is being estimated by the Group taking into account the approved daily production capacity of clinker, which is 1,000 tons per day and the number of operation days, being 310 days.

2. As abovementioned, production of clinker ceased since January 2008.

3. Shandong SAC plant commenced production of slag since April 2011. The Group has estimated annual production capacity of slag of approximately 160,000 tons (approximately 80,000 tons for six months) based on the actual daily production volume, the expected operation days of the grinding system and the type of electricity used to generate the grinding systems.

4. The production capacity and utilisation rate of cement of Shandong SAC plant represents its production capacity and utilisation before April 2011, where afterwards, it ceased to produce cement and engaged in production of slag only.

   For the six months ended 30 June 2011, the actual utilisation rate for cement production capacity should have been approximately 45.8%, taking into account the production of cement by Shandong SAC plant was only up to early April 2011.

During the evolvements of the operation of our plants, except revenue from trading of cement has become one of our revenue sources since 2010 which is further disclosed in details below in the paragraphs headed "The Premises Vacation" and "The Bailonggang Project", there has been no material change in our principal business which is manufacture and sale of cement and clinker.

Environmental-friendly initiatives

In response to the increasing environmental awareness, we have been supporting the environmental protection measures proposed by the PRC government.

NSP technology

Our production lines have adopted the NSP technology, under which 80% of cement in China was produced by the end of 2010. Characterised by its ability to pre-heat the raw materials for clinker production before being mixed and fed into the rotary kiln, the NSP technology allows less energy consumption during the production process as well as production of cement with higher and more consistent quality.

Waste heat recovery system

We have also adopted other environmentally-friendly initiatives such as installing a waste heat recovery system which commenced its trial electricity generation in September 2010. The Company's relevant operation permits have been granted by relevant government authorities, while the final acceptance (竣工驗收) is under application. The system collects the waste heat released from combustions in our kiln, which enables us to recycle the excess energy which can be used to generate electricity to power our plants and therefore allows cost savings. The installed capacity of the system is 4.5 MW. The system provides a more environmentally and energy efficient way in producing cement.

Efficient utilisation of recycled materials

We also focus on efficient utilisation of recycled materials, such as using slag which is stony waste matter separated from metals during the smelting or refining of ore, replacing natural gypsum with desulfurization gypsum, both of which are cost effective as well as beneficial to our environment. Our Shanghai plant had been enjoying VAT refunds from the PRC government for using recycled waste materials and by-products. For the year ended 31 December 2008 and 2009, the VAT refunds to which we were entitled amounted to approximately HK$19.7 million and HK$13.9 million, respectively. There were no VAT refunds for the year ended 31 December 2010 due to the cessation of operations in Shanghai. Our Shanghai plant also enjoyed a preferential enterprise income tax rate of 15% as compared with the standard tax rate of 25% for being a high and new technology enterprise as recognised by the PRC government. Following the cessation of cement and clinker production of our Shanghai plant, there has been no preferential tax treatment to our Group.

The government favours the utilisation of waste materials such as fly ash, desulfurization gypsum and mud during the production process by the new line. We plan to adopt NSP technology, install waste heat recovery and sludge treatment systems and achieve 30% of Recycling Rate during our production process in the new production lines in order to enjoy VAT refund pursuant to the *Notice regarding Policies relating to Value Added Tax on Products Made Through Comprehensive Utilization of Resources and Certain Other Products* promulgated 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). For details, please refer to the paragraph headed "Value Added Tax benefits regarding comprehensive utilization of resources" under the section headed "Regulatory environment".

Prior to the Premises Vacation, our production facilities located in Shanghai was accredited with ISO14001:2004 environmental protection certification, which was valid from 15 January 2007 to 4 January 2010. The Company did not renew the certification upon its expiration due to the cessation of productions in December 2009.

Our customers

We primarily sell our clinker and cement products to our customers who are mainly construction companies, ready-mixed concrete stations, clinker or cement traders and downstream cement and cement products manufacturers. We also occasionally provide technical services.

The table below sets forth our revenue by customer type for the periods indicated, excluding the customers for our technical services.

	Year ended 31 December			Six months ended 30 June	
Types of customer	**2008**	**2009**	**2010**	**2010**	**2011**
	HK$'000	**HK$'000**	**HK$'000**	**HK$'000**	**HK$'000**
Construction companies	142,359	103,664	57,170	20,302	107,295
Ready-mixed concrete stations	194,235	203,406	187,339	70,241	143,292
Clinker or cement traders	29,794	63,266	58,993	13,616	70,729
Downstream manufacturers of cement and cement products	176,597	107,728	135,980	52,561	58,891
Others (Note)	9,862	12,052	11,207	5,129	11,452
Total	552,847	490,116	450,689	161,849	391,659

Note: Include sales to other customers who do not fall into the categories of construction companies, ready-mixed concrete stations, clinker or cement traders and downstream cement and cement products manufacturers. It mainly included direct cash sales to individual retail customers, amounted to approximately HK$9.8 million, HK$11.8 million, HK$10.8 million, HK$5.1 million and HK$11.5 million during the years ended 31 December 2008, 2009 and 2010 and the six months ended 30 June 2010 and 2011 respectively.

The top five customers accounted for approximately 34.7%, 27.0%, 21.0% and 32.2% of the total turnover of our Group for the years ended 31 December 2008, 2009 and 2010 and the six months ended 30 June 2011 respectively. Their principal activities were mainly engaged in ready-mixed concrete stations, construction materials supply and downstream cement products. The largest customer for the years ended 31 December 2008, 2009 and 2010 and the six months ended 30 June 2011 accounted for approximately 8.0%, 8.8%, 4.8% and 14.8% of the total turnover of our Group, respectively. All the top five customers during the Track Record Period are Independent Third Parties. The Directors, their associates and the Controlling Shareholders had confirmed that they did not have any interest in our Group's five largest customers during the Track Record Period.

Contracts with customers are usually of one-year term. Generally, the contracts stated purchase orders, delivery arrangements, quality specifications and pricing terms and payment methods of the products. Pricing is at prevailing market rates.

Please refer to the analysis of revenue contributed by each type of customers in the paragraph headed "Revenue — Revenue breakdown by types of customer" under the section headed "Financial information".

The map below illustrates schematically the approximate locations of our primary markets as of the Latest Practicable Date:

△ *Existing production plants at Taierzhuang District, Zaozhuang City, Shandong Province*

■ *Major markets covered by our Group*

- - - - *the Grand Canal*

- - - - *Railway*

- - - - *Highway*

OUR STRENGTHS

We believe that our competitive strengths include the following:

We are well positioned to capture the growth opportunities in the fast-growing construction industry in the south-western parts of Shandong Province, northern parts of Jiangsu Province, north-eastern parts of Anhui Province and Shanghai

Our products are mainly sold to customers in the south-western parts of Shandong Province, northern parts of Jiangsu Province, north-eastern parts of Anhui Province and Shanghai, all of which are experiencing rapid economic growth and stable growth in construction industry that favours the cement market, especially Shandong Province and Shanghai. As we are a quality-focused cement company and do not compete with our competitors in terms of production output, our market share in the respective cement markets is not substantial. Our strategy is to identify specific regional markets which we believe are stable while presenting us with growth opportunities.

Shandong Province, our main market, is the third most affluent province in China with GDP reaching RMB3,941.6 billion for the year ended 31 December 2010, representing a real growth of approximately 12.5% compared with 2009. This strong economic growth has attracted domestic and overseas investments into Shandong Province which further drove up FAI to 2,327.9 billion for the year ended 31 December 2010, which is an increase of approximately 22.3% compared with 2009, providing a solid foundation for further economic development of Shandong Province.

Shanghai is well known as the business, financial and logistics centre of China with thriving economic development. Shanghai's GDP experienced real growth of approximately 10.3% from approximately RMB1,504.6 billion for the year ended 31 December 2009 to approximately RMB1,716.6 billion for the year ended 31 December 2010 and it continued to achieve the highest GDP per capita among all administrative regions in China for the year ended 31 December 2010. The continued focus and support from the PRC government has further strengthened the construction industry in Shanghai, with various large infrastructure projects being implemented in Shanghai to meet the demand from local and overseas investors. The World Expo 2010 and the coming construction of the Disneyland have provided, or will continue to provide significant stimulus to the construction industry.

Having established our business operations in Shandong Province and Shanghai for more than 10 and 17 years, respectively, we believe that we are well positioned to capture the growth opportunities in these markets.

We have established a close relationship with our customers

We believe that the strategic location of our production facilities allows us to establish a close relationship with our customers. As the weight and bulky nature of cement makes it expensive to transport, the cement industry is regionalised in nature. We have chosen to build our production facilities in Zaozhuang City, southern Shandong Province, which is situate in-between our target markets of Shandong Province, Jiangsu Province, Anhui Province and Shanghai. Transportation is facilitated by the Grand Canal as the availability of water access has expanded the coverage of customers along the canal. The Grand Canal connects the places between Beijing and Hangzhou, including Shandong Province and Jiangsu Province which are our major markets. In respect of our Shandong operations, the geographical proximity to our customers enables us to establish a network of customers. Upon request,

we may assist the customers to locate independent third party logistics companies to take delivery of our products. Some customers may choose to take delivery of our products directly from our production facilities or employ their own logistics companies to take delivery of our products from our warehouse. The proximity enables the delivery of our products to our customers on time and provides convenience to the customers who choose to take delivery of our products by themselves. In addition, we always provide our customers with prompt and high quality after sales service. We regularly visit our customers to obtain their comments on our products and services and we are committed to prompt response at our customers' construction sites whenever they encounter problems when using our products. We believe our close relationship with customers is also evidenced by the fact that our customers in Shanghai continue to purchase cement products from us despite us having ceased production of our own branded cement products in Shanghai.

We possess the mining right of limestone reserves and have convenient access to fuels and other raw material supplies as well as transportation channels

Limestone is the principal raw material used in cement production and therefore any shortage or delayed access to it will cause adverse effect to our business. One of our main competitive advantages lies in our mining right of a limestone quarry where is close to our production facilities. The limestone quarry which we have also obtained mining rights up to September 2020 is situated at Langshan in Zaozhuang City which is only 10 km away from our production facilities. Based on our estimate and the scale of our current production, the limestone reserves are sufficient for us to meet our production capacity for approximately 43 years. The geographical proximity and self-owned nature of our limestone quarry provide us with a secure, stable and immediate supply of limestone at low transportation costs.

Coal and other raw materials such as gypsum, fly ash, and slag are required for our production process. We obtain coals mainly from the coal mines in Zaozhuang City and Jining City of Shandong Province and Xuzhou, which is known for its convenient location as a transportation hub in northern Jiangsu due to its connection of expressways and railway links directly to Shandong Province. Most of the other raw materials we used for our cement production are also purchased locally in Shandong Province. Due to the easy of accessibility, generally we can obtain raw materials on time to meet our production schedule.

There are well paved public roads, expressways, railways and bridges among and within the provinces of Shandong, Jiangsu and Anhui as well as Shanghai which ensure the efficiency of our logistics network during the delivery. In addition, we constructed and operated a dock in Taierzhuang District, Shandong Province next to our production facilities, along the Grand Canal, which provides us with an efficient mean to arrange the delivery of our products to the customers in the provinces of Shandong and Jiangsu.

We have a stable and experienced management team and a team of skilled labour force

The majority of the members of our senior management team have been with our Group for more than 10 years. They possess in-depth industry knowledge, extensive operational experience and have a proven track record of managing our Group's business through various business cycles. In particular, our executive directors, Mr. Ng Qing Hai has in-depth managing experience which is evidenced by being the vice chairman of China Building Materials Enterprises Management Association, a fellow of Asian Knowledge Management Association and the vice chairman of Shanghai Cement Industrial Association in 2010. Mr. Yu Zhong has 29 years of experience in the cement industry and has extensive experience

in operation management, marketing and production management. Other members of our senior management team also have significant experience in our operations, including the whole production process, production management, logistics, sales and marketing and research and development. Furthermore, we have a team of well trained, experienced and skilled labour force which is familiar with the operations of our production facilities. There have been no material disruptions of production facilities so far. We believe the industry knowledge and technical expertise of our management team as well as our other experienced staff have been, and will continue to be, important assets and will continue to contribute to our results of operations. In 2008, the Company was awarded with the Chinese Outstanding Entrepreneur Award 2008 (2008年度全國企業文化優秀成果) jointly by the China Enterprise Confederation (中國企業聯合會) and the China Enterprise Directors Association (中國企業家協會).

OUR STRATEGY AND FUTURE PLANS

We intend to further strengthen our customer base and market position in the provinces of Shandong, Jiangsu and Anhui as well as Shanghai and to achieve continued growth in our revenue and net profit. To achieve our goals, we plan to implement the following strategies:

Further enhance our production facilities and capacities

In connection with the Premises Vacation as described above, a new site at Bailonggang (白龍港), is being negotiated with the Shanghai Municipal Government for us to construct a new plant which is expected to be equipped with two production lines with daily clinker production capacity of approximately 4,000 tons and an annual cement production capacity of not more than 1.35 million tons.

As mentioned above, as at the Latest Practicable Date, we have not obtained the legal title to the negotiated land. If the negotiation is successful and there is no impediment to the application for necessary approval and permit by the relevant governing authorities and other unforeseen difficulties, we anticipate the construction of the new plant would commence by late 2012 and by the time of completion, our production capacities are expected to be enhanced as compared to the current annual cement production capacity of approximately 1 million tons and daily clinker production capacity of approximately 2,500 tons of Allied Wangchao plant.

Strengthen our market position through maintaining the relationships with our existing customers and enlarging our customer base

We aim to strengthen our customer base and market position in the provinces of Shandong, Jiangsu and Anhui as well as Shanghai. Currently, we have a network of customers including mainly construction companies, ready-mixed concrete stations, clinker or cement traders and downstream cement and cement products manufacturers. We will continue to work towards maintaining a good and close relationship with our customers by enhancing our pre-sales service, logistics service, product quality and after-sales service. At the same time, we intend to enlarge and diversify our customer base by targeting major infrastructure companies. We will continue to focus on manufacturing and sales of high quality products to differentiate ourselves from our competitors.

Further strengthen our sales and marketing capabilities

We believe effective sales and marketing strategies are important to the success of our business. We regularly promote our Group through our website, participation in industry conventions and advertising in industry magazines. We have a sales and marketing department in Shandong Province and Shanghai respectively. The sales and marketing team is responsible for formulating and implementing our strategies. We will continue to provide on-the-job training and related courses to our sales and marketing team.

Based on the assessed demand in different geographical markets, we intend to deploy additional sales personnel. We intend to deliver up-to-date cement market information and pay regular visits to our customers to understand their needs and attend to their inquiries. We plan to actively promote our "泰立" (Titan) brand and establish our reputation as a producer of high quality cement.

Continue to lower our costs through technological improvement

We have been focusing on environmentally friendly, cost efficient and advanced production technologies so as to protect our environment, improve our product quality and reduce our costs of production. We will continue to encourage and implement research and development projects including increasing the recycling rate of waste by-products used in the production process. In addition to our own research and development efforts, we may work with leading research institutions. We believe the continued efforts in research and development will enable us to further improve our production efficiency and reduce our production costs in the long run.

The Premises Vacation necessitated the shift of the raw mixture and cement grinding systems from Shanghai plant to Allied Wangchao plant, in Shandong Province. Our major manufacturing and sales activities of clinker and cement are conducted by Allied Wangchao plant in Shandong Province. Meanwhile, the raw mixture and cement grinding systems at the rented Shandong SAC plant, which were previously used for cement production, are currently used for producing slag as a raw material for our own cement production. Our Shanghai operations currently engage in the trading of cement following the cessation of production in December 2009 and will continue to engage in the trading of cement before the commencement of the operations subject to relevant approvals of our new plant in Bailonggang (白龍港), of which its construction is expected to commence by late 2012.

PRODUCTION PROCESS

There are three key stages in the production of cement: (1) preparing the raw mixture; (2) producing the clinker; and (3) grinding and blending of clinker and other raw materials to produce cement. For a detailed description of the cement production process, please see the section headed "Industry overview — Production process" in this prospectus.

Limestone is first excavated from our own quarry using a blasting and ripping process and then crushed with other purchased raw materials to form a fine compound of crushed raw mixture which is then transferred to kilns to undergo a calcination process. The proportions of limestone and other raw materials depend on the types of cement to be produced. After being heated up under high temperatures of 1,400 to 1,500 degree Celsius, pieces of clinker are formed which are then transferred to the cement powder grinding system where they are mixed with other addictives like gypsum to form our finished product, cement. After that, the cement is stored in silos, before being delivered to customers in bulk.

Raw materials

The primary raw materials used in our cement production are limestone, gypsum, fly ash, and slag.

Limestone

Limestone is the principal raw material used in the production of cement. We own limestone mining rights at the quarry at Langshan (狼山), Taierzhuang District in Zaozhuang City, located approximately 10 km away from our production facilities. Under agreement with Zaozhuang City Taierzhuang District Cement Company Limited (棗莊市台兒莊區水泥有限公司) on 6 August 2007 and 13 September 2008, we obtained the mining rights at that quarry. As at the Latest Practicable Date, we have a mining license obtained from the Shandong Provincial Department of Land and Resources (山東省國土資源廳) which is valid for 10 years from September 2010 to September 2020 for limestone excavation and the maximum annual production volume of the mining license is one million tons.

As advised by the PRC legal adviser, Shandong Provincial Department of Land and Resources is a competent authority for extension of mining licence. There is no restriction on the maximum number of renewals of the mining licence and corresponding term in accordance with the relevant PRC rules and regulations. According to section 7 of the Procedures for Administration and Registration of Mining of Mineral Resources (礦產資源開採管理辦法) and section 18 of the Implementation of Mineral Resources Law of the People's Republic of China in Shandong Province (山東省實施中華人民共和國礦產資源法), the applications for extension of mining licence shall be made to the Shandong Provincial Department of Land and Resources within 30 days prior to the expiration of mining licence. There is no indication as to the maximum number of renewals of the mining license under these applicable rules and regulations currently in force. The Directors confirmed that they have checked with relevant government authorities responsible for mining license renewal application and are not aware of any restriction as to the maximum number of renewals of the mining license currently in force.

The surveyers' report in 2004 was prepared by 中國建築材料工業地質勘查中心山東總隊, an independent third party to our Group. 中國建築材料工業地質勘查中心山東總隊 is a subsidiary of China National Materials Group Corporation Ltd. (中國中材集團有限公司), which is a Central Government-administered enterprise directly under the administration of State-owned Assets Supervision and Administration Commission of the State Council (國務院國有資產監督管理委員會). Based on this report, the quarry had approximately 60.0 million tons of limestone reserves in 2004 and therefore, the total applicable licence fee was approximately RMB6.0 million. Such licence fee had been fully settled during the years from 2004 to 2006. As stated in an updated surveyors' report in 2010 which was prepared by the same aforesaid party, the quarry had approximately 54.0 million tons of limestone reserves as at 31 December 2009. The valuation results of both of the abovementioned reports have been agreed by the Shandong Provincial Department of Land and Resources. We estimate that there will be approximately 53.0 million tons remaining reserves at year ending 31 December 2011 based on the calculation that approximately 1.0 million tons reserves on average per year have had been excavated between 2004 and 2010. Based on the above estimate and the scale of our current production, we have sufficient reserves of limestone to meet the current production requirements of our existing production facilities for approximately 43 years.

We have outsourced our limestone excavation works to an independent third-party contractor to excavate limestone from our limestone quarry. An agreement has been entered into between us and the contractor for a term of 5 years from September 2009 to September 2014. Currently, the rate of RMB11.88 is charged for every ton of limestone excavated and delivered to our production facilities pursuant to the aforesaid agreement. The rate is to be reviewed every three months and may be adjusted depending on changes in excavation costs. Under the agreement, the contractor is responsible for excavating limestone with its own equipment and employees. The contractor is required to comply with applicable laws and regulations for excavation of limestone at our quarry. The excavation activities and timing of supply of limestone will be in accordance with our production arrangement. To ensure that our contractor is in compliance with the relevant PRC laws and regulations, we require them to provide us with applicable licenses and renewed certificates. Our Directors confirm that these contractors have obtained necessary and applicable licenses and renewed certificate.

We also conduct safety inspections at the limestone quarry on a regular basis. We have designated an experienced staff who understand the quality requirement for limestone to coordinate and monitor the contractors' operation of the quarry and shall report any suspected irregularity to relevant government authorities in respect of work safety and land resources. For the years ended 31 December 2008, 2009 and 2010 and the six months ended 30 June 2010 and 2011, we paid the contractor approximately RMB14.3 million, RMB10.9 million, RMB15.1 million, RMB7.8 million and RMB8.8 million, respectively.

All of the limestone excavated from our limestone quarry is used for our cement production and we do not sell these limestone to third parties. For the years ended 31 December, 2008, 2009 and 2010 and the six months ended 30 June 2011, we excavated approximately 1.2 million, 1.3 million, 1.2 million and 0.6 million tons of limestone, respectively. We did not purchase any limestone from third party suppliers for the years ended 31 December 2008 and 2009 and for the six months ended 30 June 2011 and had purchased approximately 54,277 tons from third party suppliers for the year ended 31 December 2010, which represented approximately 4.2% of the amount of limestone used for the production of cement in 2010.

Other raw materials

Other raw materials for our cement production primarily include gypsum, fly ash and slag.

Slag can be added together with clinker to produce cement. Since April 2011, the grinds in Shandong SAC plant are used for producing slag for our Group's own use and depending on our production requirements, we may purchase slag from third party suppliers.

During the Track Record Period, we had purchased the aforesaid raw materials from third-party suppliers that are located close to our production facilities in Zaozhuang City.

We have not entered into long-term supply contracts with our suppliers of other raw materials. Normally, the contracts are of short term nature ranging from six months to one year. Under the current arrangements with our suppliers of other raw materials, they are generally required to commit to a minimum amount of supplies to ensure sufficient raw materials for our cement production. Contracts with suppliers of other raw materials usually state delivery arrangement, quantity and quality specifications and pricing terms.

As we have contracted with at least two suppliers of each type of these other raw materials and most of them are readily available in the market, our Directors believe that there are sufficient alternative sources for these raw materials and we are not reliant on the current suppliers. We believe that there is a secure and adequate supply of limestone, gypsum, fly ash and slag and other raw materials for our production either from our own reserves or on the market and we do not foresee any difficulty in obtaining any of these raw materials for our production requirements in the near future.

For the years ended 31 December 2008, 2009 and 2010 and the six months ended 30 June 2010 and 2011, our raw materials represented approximately 26.2%, 27.8%, 12.8%, 14.4% and 13.1% of our cost of sales, respectively.

The Directors confirm that the range of composition of raw materials, for example, the types and the total volume of principal raw materials for cement manufacturing is stipulated in the National Standard for Common Portland Cement (GB175-2007). Manufacturers may vary the proportion of raw materials so long as they are within the range and the quality of the end products meets the stipulated requirement. The Directors further confirm that it is the industry practice for cement manufacturer to adjust raw materials composition.

Energy supply

Coal

Coal is the major fuel in our production during the calcination process for heating up the kilns inside which the raw mixture is fed in the higher end and heated up to a temperature between 1,400 and 1,500 degrees Celsius to form clinker. During the Track Record Period and up to the end of November 2011, we had purchased our supply of coal from more than 50 coal suppliers, out of which we had purchased mainly from about seven main coal suppliers. We have purchased over 80% of coal, relating to over 30 coal suppliers, with which we have entered into letters of intent with periods of up to one year. The letters of intent generally include the following terms:

1. indicative purchase price; although the final purchase price is normally determined when we place each purchase order with reference to the prevailing market price;

2. indicative quantity of purchase; while estimated monthly or annual purchase amount of coal may be stipulated in such agreements, they are typically indicative only where there are no obligations on the part of the suppliers to sell or on our part to purchase;

3. specifications of product quality and product inspection arrangements;

4. mode of payment and delivery; and

5. term and period of the letters of intent.

Generally, we are required to make full payment for the coal we purchased before delivery or within about 10 days upon receiving the suppliers' invoice. Coal is delivered to our production facilities by means of road transportation. We have had long term relationships with our major coal suppliers. As there are various sources of supply, we have been able to obtain competitive price from our coal suppliers.

All the abovementioned coal suppliers are Independent Third Parties. Coal constituted approximately 42.1%, 35.3%, 28.4%, 33.6% and 18.4% of our total cost of sales for the years ended 31 December 2008, 2009 and 2010 and the six months ended 30 June 2010 and 2011 respectively. Taking into account our relatively small production scale, and our production schedule for producing clinker and cement, we can assess the amount of coal we need and there is no material difference between the purchased and consumed amounts. We purchased and consumed approximately 238,077 tons, 240,865 tons, 151,675 tons , 66,755 tons and 67,138 tons of coal in 2008, 2009 and 2010 and the six months ended 30 June 2010 and 2011, respectively. The average purchase price of coal used in our production was approximately RMB793, RMB589, RMB717, RMB703 and RMB720 per ton during the corresponding years/periods, respectively. In 2009, coal price declined compared with 2008 due to reduced demand. In 2010, coal price increased substantially due to the recovery of the global economy. The Directors are not aware of any material impact from shortage of coal, if any, on the Group during the Track Record Period and up to the Latest Practicable Date.

We have not conducted hedging of our coal costs in the past as hedging instruments for coal are not offered in the major commodity exchanges in the PRC, and hence are not generally available to us. We shall continue to monitor closely price trends and supply of coal. If in future there exists suitable hedging instruments, we may consider conducting hedging of our coal costs where necessary.

Electricity

Electricity is another essential energy supply for our production during the raw mixture preparation and cement grinding process for powering the raw mixture and cement grinding systems. Electricity costs constituted approximately 17.9%, 21.3%, 13.3%, 16.5% and 9.3% of our total cost of sales for the years ended 31 December 2008, 2009 and 2010 and the six months ended 30 June 2010 and 2011, respectively. We obtain our electricity supply from the Electricity Supply Bureau of Taierzhuang District (台兒莊供電局) governed by State Grid Corporation of China (國家電網公司), which is the sole supplier of electricity. We pay standard rates. We have not in the past experienced any disruption in our operations due to insufficient supply of electricity and do not anticipate any significant interruption in electricity supply that would have a material impact on our business. Nonetheless, we have experienced increases in electricity prices in recent years. Electricity expenses are paid at the end of each month based on actual consumption. We believe that we are able to source sufficient and stable electricity from the Electricity Supply Bureau of Taierzhuang District to meet our production needs.

To efficiently and effectively utilise our energy, we have installed a waste heat recovery system with an installed capacity of 4.5 MW, which commenced operation in September 2010 at the Allied Wangchao plant. The waste heat recovery system collects waste heat from the clinker production process to generate electricity that can be used in the production process. The Directors estimate that the average costs of electricity produced through such system will be approximately RMB0.2 per KWh, which will be significantly lower than our average electricity purchase price of approximately RMB0.6 per KWh. Based on the above, we may achieve approximately one-third in electricity cost savings as a result of installing the waste heat recovery system. The use of waste heat recovery system will lessen the impact of fluctuating electricity price on our results of operations.

The Directors are not aware of any material impact from shortage of electricity, if any, on the Group during the Track Record Period and up to the Latest Practicable Date.

Suppliers

We have a procurement department to centralise the procurement of raw materials such as gypsum, fly ash and slag from our suppliers. Depending on the type of raw materials, payment terms range from full payment before the delivery to within three months after delivery upon receipt of invoice. The quality of the raw materials is inspected by our quality control department to ensure that it conforms to our specifications and production requirements. In addition, our procurement department monitors the quality, the timing of delivery and the pricing of raw materials.

Our five largest suppliers during the Track Record Period were mainly suppliers of coal, electricity and other raw materials and a third party contractor for excavation of limestone. For the years ended 31 December 2008, 2009 and 2010 and the six months ended 30 June 2011, the purchases from our five largest suppliers constituted 40.9%, 42.6%, 42.3% and 47.5% of our total purchases, respectively. During the same period, the purchases from our largest supplier constituted 8.8%, 13.6%, 13.1% and 11.2%. As of the Latest Practicable Date, all of our suppliers were Independent Third Parties to the best knowledge of our Directors after due inquiries.

The Directors, their associates and the Controlling Shareholders had confirmed that they did not have any interest in the Group's five largest suppliers during the Track Record Period.

Sales and marketing

We sell all our clinker and cement products within the PRC and have no overseas sales. Our markets include the provinces of Shandong, Jiangsu and Anhui as well as Shanghai. We sell a majority of our clinker and cement directly to construction companies, ready-mixed concrete stations, clinker or cement traders and downstream cement and cement products manufacturers. We conduct our sales primarily through our sales and marketing departments. We are a quality-focused clinker and cement company and we focus not only on producing high quality products, but also providing quality pre-sales and after sales services to our customers. We have sales and marketing teams, which are led by team leaders and assisted by managers, supervisors and salesmen, most of whom are well-trained and experienced. On-the-job trainings and regular training courses are offered to equip them with sales techniques and up-to-date market and product information.

The teams are mainly responsible for organising sales activities and formulating and implementing marketing plans. In respect of mass media, we may market our products through advertising on billboards and industry magazines as well as participating in industry exhibitions. Our sales teams make regular visits to customers and cold calls to potential customers. We incurred marketing expenses amounted to RMB0.2 million for the year ended 31 December 2010.

Demand for our products is subject to seasonal fluctuations and our sales volume is generally lower in the months from January to March due to the winter seasons and Chinese New Year's holiday season, and in the months of July and August due to storm, typhoon, high temperature and rainy seasons. We generally make use of these off-peak periods to perform our regular repair and maintenance of production facilities.

To keep abreast with the developments in cement market, our sales and marketing department gathers market information, such as cement prices, coal prices, product types, the pricing and production strategies of other cement producers as well as the rules and regulations from the government, such as

the electricity limitation policy imposed by the government. Using this information, our sales personnel can provide thorough analysis of cement market and product knowledge to our customers. Such information also helps us to react according to the fast-changing market. With our continued effort on improving our sales and marketing capabilities, we have established a network of relatively stable and long term customer base.

Pricing policy and credit policy

Clinker and cement prices are not controlled by the PRC government and hence fluctuate according to market demand. We set the prices for our cement products based on market demand, our production capacity, sales and marketing strategies, transportation costs, inventory levels, competitors' prices and credit terms. Our sales department evaluates the factors affecting our selling price on a regular basis and adjusts our selling prices to an appropriate level. Our Shandong operations typically require customer to settle the payment before or upon delivery of our products. Meanwhile, Shanghai SAC usually requires customers to settle the payments in full by cash or bank transfers with credit periods of normally ranging from 120 days to 1 year. The debtors' turnover days of the Group were 142 days, 139 days, 155 days and 153 days as at 31 December, 2008, 2009 and 2010 and 30 June 2011 respectively. The credit periods we grant to customers are relatively longer compared to some other cement companies in the PRC market due to the following:

(i) Shanghai, one of our major markets, is comparatively more matured in terms of practice for financial settlements where customers typically expect credit periods and the use of bank acceptance bills as a form of settlement. The trade and bills receivables attributable to the Shanghai operation as at 31 December 2008, 2009 and 2010 and 30 June 2011 amounted to HK$180.4 million, HK$165.7 million, HK$168.9 million and HK$262.7 million respectively, representing 83.4%, 88.9%, 88.0% and 80.0% of our total trade and bills receivables as at the corresponding years/period end. In comparison, markets in more rural central and western parts of the PRC may generally have shorter or no credit periods and may require cash settlement upon delivery. While our acceptance of three to six-month credit bills from customers will result in longer debtors' turnover days, we noted that the credit risk would have effectively been transferred from our customers to the issuing banks; and

(ii) our ability to provide longer credit periods selectively to customers helps enhance the competitiveness of our cement trading activities. The Directors believe we are able to finance the working capital requirement for granting longer credit periods given our financial strengths, especially in respect of our Shanghai operations.

Generally, we sell to our customers from the same locations at approximately the same price for the same type of product without material preferential price treatments to specific customers. For the years ended 31 December 2008, 2009 and 2010 and the six months ended 30 June 2011, we sold cement to our customers in the provinces of Shandong, Shanghai and Anhui by our Shandong operations at average prices of approximately RMB207.9, RMB197.8, RMB211.7 and RMB278.3 per ton, and clinker at approximately RMB212.7, RMB177.5, RMB221.9 and RMB297.1 per ton. For clinker and cement sold by our Shanghai operations, we sold cement on average at approximately RMB289.4, RMB246.4, RMB294.8 and RMB387.0 per ton. For our Shanghai operations for which we act as a distributor of cement after the cessation of production, we purchased cement from cement producers and then resell to our customers in Shanghai at a marked-up price, providing us with a trading profit margin.

Transportation

We either collect the coal we purchased from our suppliers' premises or have it delivered to us. Risk of loss in delivery may be borne by us or our suppliers depending on contract terms. For other raw material, most of them are delivered to us. Transportation costs of coal and other raw material are generally borne by us. Suppliers may include the transportation fees in the invoice price. If the invoice price does not include transportation fees, we either pay the fees directly to the delivery companies or we separately settle the fees with the suppliers.

For our sale of cement products, there are different transportation methods. We may, at the request of our customers, arrange for transportation to take delivery of our cement products. Some customers may choose to get the products directly from our production facilities and some customers may employ their own logistics companies to take delivery of our cement products from our warehouse to their sites. Transportation costs of cement products are generally borne by customers. We may include the transportation fees in our invoice and we separately settle the fees with the delivery companies engaged by us on customers' behalf. In other cases where customers arrange their own logistics, they settle the transportation charges directly by themselves. For the three years ended 31 December 2008, 2009 and 2010 and for the six months ended 30 June 2011, approximately 88.7%, 94.7%, 94.8% and 98.5% of our cement and clinker sales were conducted on the basis that our customers arranged for their own transportation and deliveries respectively. Consequently, transportation costs amounted to 0.7%, 0.6%, 2.3% and 0.5% of our cost of goods sold (excluding cost of purchase of cement products for trading) during the corresponding years/period.

We operate a self-built dock on a piece of land next to our production facilities in Taierzhuang District. The construction costs of the dock was approximately RMB10.0 million. We entered into a leasing agreement with Zaozhuang City Taierzhuang District Dundong Village (棗莊市台兒莊區頓東村). While we have been complying with the construction requirements and the final acceptance (竣工驗收) of the dock has been obtained, we have not obtained the project establishment approval (立項批准) from the PRC government for the dock construction. We have been operating the dock since December 2004 and there has been no dispute or challenge over the use of the piece of land and we have been paying the annual rental regularly. The PRC legal adviser confirms that the maximum penalty in monetary term for not obtaining project establishment approval is RMB10,000 pursuant to Regulation of River Course Management (河道管理條例).

However, the lack of project establishment approval (立項批准) may lead to our dock having to be demolished. In such case, we would have to rely on road transportation for delivery of products and raw materials, which could possibly result in incurring higher cost. The dock enables us to ship our products to our target markets in Jiangsu Province and Shanghai at competitive costs and to offer an alternative delivery choice to our customers. During the six months ended 30 June 2011, approximately 17% of the sales of our Shandong operations had been delivered via river transportation through our dock. Such sales also represent approximately 8.8% of the Group's total revenue for the six months ended 30 June 2011. In the event of demolition, we may lose these customers which require river transportation.

We have submitted the application for the relevant approval in April 2011 and it is expected that the relevant approval can be obtained from Shandong Development and Reform Commission (山東省發展和改革委員會) by the end of 2012.

The PRC legal advisers noted from our Directors that Allied Wangchao had missed the initial step of application of project establishment approval from Shandong Development and Reform Commission after we obtained approval from the government authority which is responsible for the management of rivers and canals, and it was unintentional. The PRC legal advisers confirmed that we have carried out reasonable steps in rectifying this non-compliance properly and confirmed that they are not aware of any legal impediments as at the Latest Practicable Date in obtaining the relevant approval. The PRC legal advisers confirm that given rectification measures have been appropriately conducted, the risk of demolition being ordered is low.

Competition

The cement industry in China is generally a fragmented and regional industry. Our target markets are mainly in the provinces of Shandong, Jiangsu, Anhui and Shanghai. According to information from Digital Cement Net, there were over 5,000 cement producers in the PRC as of 31 December 2010.

We face competitions in the provinces of Shandong, Jiangsu and Anhui as well as Shanghai. Competitions in cement markets have been increasing especially under the PRC government's policy to encourage mergers and acquisitions, which may result in increasing number of large size cement enterprises. We believe that China's cement industry is geographically fragmented, generally with economically-feasible product transportation radius of approximately 200 to 300 kilometers due to the bulky nature of cement. As a result, selling prices, operating costs and profit margins of cement products may vary significantly among different regions. We mainly compete directly with cement manufacturers with presence in our local markets. Major cement companies which are listed on the Stock Exchange and have presence in the markets which we operate in, are:

	Company	Revenue	Market capitalisation	Production capacity (million tons/per annum)	
		(RMB million) *(Note 1)*	(HK$ million) *(Note 2)*	Cement *(Note 1)*	Clinker *(Note 1)*
1.	Anhui Conch Cement Company Limited (安徽海螺水泥股份有限公司)	34,508	30,606	130	150
2.	China Shanshui Cement Group Limited (中國山水水泥集團有限公司)	11,854	14,474	67	31

Note 1: Extracted from annual reports for the year ended 31 December 2010.

Note 2: Extracted from the website of the Stock Exchange at www.hkex.com.hk on the Latest Practicable Date.

There are also a number of cement companies which are conglomerates beneficially held by State-owned Assets Supervision and Administration Commission (國務院國有資產監督管理委員會) and are therefore able to operate at much larger scale as compared with our Group. In addition, some larger cement companies had started operations in Shandong Province and therefore our Group will be facing tenser and more direct competitions in the region. In view of our comparatively minimal market share in terms of cement production capacity and volume, instead of competing on market share, we compete to a large extent based on product quality, location of production facilities and access to resources.

According to the China Cement Association, production volume of Shandong Province ranked the second largest in the PRC for the year of 2010, with approximately 147.5 million tons of cement being manufactured by cement producers in Shandong Province, details of which are set out in the paragraph headed "Cement markets in Shanghai, Shandong and Jiangsu Provinces" under the section headed "Industry overview". Given that our annual cement production capacity of 1 million tons as at the Latest Practicable Date, our market share is insignificant compared with the cement industry in Shandong Province as a whole.

In view of our comparatively minimal market share in terms of cement production capacity and volume, instead of competing on market share, we have positioned ourselves as producer of high quality cements with advanced technologies and we compete to a large extent based on product quality, location of production facilities and access to resources. Moreover, our trademark "泰立" (Titan) is well-known to the regional cement users. However, some of our competitors may have better brand recognition, larger market share and larger scale of operations.

Research and development

Our research and development efforts focus on reducing our cost of sales by using waste and recycled materials as raw materials during our cement production process, reducing pollutant emissions, saving energy, efficiently combining different resources as raw materials for utilisation during cement production process and improving the quality of our products. We can save cost by using by-products and waste materials as raw materials in cement production, as they are usually readily available to us at lower costs.

Our research and development are conducted by the production and technology department, which are led by two to three supervisors and senior management. We have also built a corporate culture that encourages brainstorming and sharing of ideas and concepts among various working levels. Our continuing effort in conducting research and development has helped and we believe will continue to help us to improve our production technology while lowering our operational costs.

Intellectual property rights

We rely on a combination of trademark and patents registrations to establish and protect our intellectual property rights. We sell our products under the trademark "泰立" (Titan)) (Registration No. 904806) which is registered with the PRC Trademark Office of the State Administration for Industry and Commerce in November 2006 for a term of 10 years up to November 2016. We have also obtained patents for certain of our production technologies, including the use of dehydrated mud as addictives to clinkers and cements during the formation process. We had not noticed any fake products with unauthorised use of our trademark during the Track Record Period. For details of our intellectual property rights, please refer to the section headed "Intellectual property rights of our Group" under "Appendix V — Statutory and general information".

Quality control

Prior to the Premises Vacation, our production facilities located in Shanghai was accredited with ISO9001:2000 quality control system certification, which was valid from 15 January 2007 to 9 December 2009. We did not renew the certification upon its expiration due to the complete cessation of productions in December 2009. At our production facilities in Shandong Province, there are laboratories

equipped with various advanced testing equipment at our production facilities for our quality control department to conduct quality testing and maintain quality control. Our laboratories, testing facilities, quality control and testing processes comply with the PRC standards. We perform quality control and testing on raw materials, semi-products, production processes as well as finished products.

We conduct quality checks on raw materials and semi-products by taking samples to make sure they meet our quality requirements as well as the industry standards. Any raw materials that do not meet our requirements will be returned to the suppliers for replacement. We have also set up multiple inspection points at different production stages to test our products by random sampling during the production process. All of our substandard products would be reprocessed and/or recycled. Our finished products are inspected and tested by applying a variety of national standards prior to delivery. Such national standards include GB12573 on cement sampling check method, GB/T176-2008 on cement chemical analysis method and GB/T1346S on cement solidifying time.

Furthermore, we have a team of staff dedicated to maintaining quality control of our products. In August 2010, our chief engineer was awarded as an excellent engineer in the year of 2009 (2009年全國水泥企業優秀總工程師) by China Cement Association.

We had not received material complaints on our product quality during the Track Record Period. As of the Latest Practicable Date, we had not been involved in any litigation nor had we entered into any settlement with any third parties concerning the quality of our products.

Production management and inventory control

Taking into account our relatively small production scale, we take the approach of producing clinker and cement with regular daily amount up to the production capacities of our production lines instead of producing according to the orders received. Generally, we can sell all the products we produced. We closely monitor our daily production so as to avoid piling up of inventory levels of raw materials and finished goods. We have our own warehouses for storing raw materials and finished products and we closely safeguard our inventory by security guards.

We maintain different inventory levels for raw materials and coal depending on lead time required to obtain additional supplies and seasonal factors. Generally, the lead time to obtain raw materials apart from limestone takes three to five days. If harsh climates are foreseen, including heavy rains and storms, the Company may order raw materials earlier. During the years ended 31 December 2008, 2009 and 2010 and the six months ended 30 June 2011, our inventory turnover period was approximately 34 days, 30 days, 38 days and 20 days, respectively and the turnover period of our finished goods, clinker and cement, was approximately 4 days, 4 days, 12 days and 7 days respectively. Please refer to the analysis of fluctuations on turnover period in the paragraph headed "Inventories" under the section headed "Financial information".

Logistic control

For the sale of cement or clinker products, we may be requested by our customers to arrange the transportation to deliver the products to their stipulated destination on their behalf. While we will arrange for the delivery of the products with the transportation company, the respective transportation costs are usually borne directly by the customers. During the Track Record Period, the transportation

company arranged by us on customers' behalf were Independent Third Parties. In assessing the suitability of these transportation companies, we would consider their service quality and reputation in the industry. We also perform sample checks on our logistical process.

Incident involving logistical lapses in December 2009

Shanghai SAC was criticised by the Shanghai Construction Safety, Quality and Technical Supervision Bureau (上海市建設工程安全質量監督總站) (the "Authority") in its notice dated 23 February 2010 (the "Notice") which involved internal control lapses among (a) the cement manufacturer; (b) our customer; and (c) Shanghai SAC, as the intermediate trading company (the "Incident").

The Incident occurred in December 2009. Under the supply agreement, the customer had to arrange to take delivery of the products from the cement manufacturer. Shanghai SAC was obliged to obtain quality report from the cement manufacturer and provide the same to our customer. We had, upon our customer's request and on its behalf, engaged a third party transportation company on behalf of our customer. Our client reimbursed us the transportation costs for the delivery from the cement manufacturer. The lapses was caused by a staff of the cement manufacturer who wrongly dispensed slag as cement into the truck while our customer's staff failed to examine the products upon delivery by the transportation company. The staff of the transportation company involved in the Incident were not a staff of our Group.

The wrong delivery resulted in quality defects in five construction projects which entails demolishing and reconstruction works at these projects and consequently, issue of economic and financial compensation was raised. In this respect, the cement manufacturer has paid compensation to the customer and Shanghai SAC was not required to pay any compensation as confirmed in the letters from customer to Shanghai SAC dated 11 May 2010 and 10 January 2011.

There has been no claims nor litigation from any party towards Shanghai SAC in relation to the Incident. Notwithstanding the above, the Authority had named Shanghai SAC in the Notice as Shanghai SAC was the supplier named in the supply agreement. The Incident also resulted in Shanghai SAC and two of our staff namely (i) Mr. Yu Zhong, an executive Director; and (ii) Mr. Shao Da Wei, the staff who is in charge of this customer, being recorded in the Authority's file of substandard quality (質量不良誠信檔案). The Group accepted the criticism of the Authority, which the PRC legal adviser confirmed that it has no legal implication and does not tantamount to administration fine nor penalty. According to the Authority, the Notice is purported to highlight the importance of control and checking measures in cement industry.

In summary, the Incident was caused principally by an inadvertent supply of slag instead of cement by the cement manufacturer, and an inspection oversight by the customer when taking delivery. Our staff had not been involved in the transportation and delivery process. We have been implicated by virtue of us being the supplier named in the supply agreement. In particular, Mr. Yu Zhong, being the person in charge of the department with the ultimate responsibility, was named and recorded in the file of substandard quality. The Incident is an isolated case and is of unusual occurrence which has not recurred and does not involve any dishonest conduct nor integrity issue.

To prevent recurrence, the Group has taken the following measures:

(a) tightening our Group's selection criteria of cement suppliers to ensure quality are controlled at source;

(b) tightening our Group's selection criteria of logistics and transportation companies; and

(c) enhancing our Group's internal control procedures such as segregation of duties between operational and quality control staffs, and strengthening our Group's sample checking process and frequencies.

Our Directors confirm that since then, there have been no occurrence of situation similar to the Incident. Our Group has also not experienced any noticeable loss of businesses or customers as a result of the Incident and hence, our Directors believe that the impact on our Group's reputation is limited.

Repair and maintenance

Our regular repair and maintenance programs for our production facilities are conducted by our in-house team. We perform maintenance on the production facilities twice a year, generally during low seasons during the periods from January to February and July to August. It takes approximately one to two weeks to complete each maintenance program. We also conduct repair of the production facilities on an as-needed basis and our maintenance team patrols the production facilities on a daily basis. Our maintenance team is well-trained and possesses in-depth knowledge of our production facilities and is able to conduct their work to avoid disruptions to our operations. During the Track Record Period, there has been no material breakdown of our production facilities that has caused material disruptions to our operations.

Occupational health and safety

In recent years, the PRC has implemented various laws and regulations on labour protection, one of which is The Production Safety Law of the PRC (中華人民共和國安全生產法) promulgated on 29 June 2002 and which became effective on 1 November 2002. This law acted as the fundamental law to strengthen the supervision and administration of production safety and labour protection. We have an experienced and qualified team of personnel providing supervision on the working environment to ensure our production procedures are in line with the PRC and our safety standards and to ensure a safe working environment for our employees. We believe this is essential in particular for the cement industry as production process involves heavy machinery as well as exposures to pollutants.

We have established safety guidelines which are to be strictly followed by our employees. Our workers were subject to health checks to examine their health conditions. In addition, our safety personnel conduct safety supervision in each business area, including the production lines, testing laboratories and office regularly and provide the personnel and labour with safety information and training courses on the operations of office equipment, production facilities, mining tools and testing equipment. We focus on labour protection and we strive to maintain a safe working environment for our employees.

Housing provident fund

As of Latest Practicable Date, we employed a total of approximately 398 full time employees, with approximately 5 in Hong Kong, 40 in Shanghai and 353 in Shandong Province. Of the 40 employees in Shanghai, 30 of them are engaged under contract arrangement (勞務派遣合同) with an independent third party labour agency. 28 out of these 30 employees are required to contribute to housing provident fund which are paid by the labour agency. Of the 10 employees directly employed by Shanghai SAC, 6 are not required by applicable laws to contribute to the housing provident fund and Shanghai SAC has contributed for the remaining 4 employees.

Shandong SAC and Allied Wangchao had not contributed to the housing provident fund for their employees since housing provident fund scheme was implemented in January 2005 in Taierzhuang District, Zaozhuang City up till March 2011. Our Directors believe, this was due to low acceptance level of Shandong employees towards making such contributions, and our previous lack of understanding of the implementation of the housing provident fund scheme in Taierzhuang District, Zaozhuang City. Both Shandong SAC and Allied Wangchao have commenced contribution to housing provident fund for all qualified employees since April 2011 as a rectification measure. Our Group has been contributing to housing provident fund in accordance with relevant rules and regulation since then.

Both employer and employees have to contribute 5% of the salary towards the housing provident scheme. Accordingly, for the period from January 2005 to March 2011, Allied Wanchao should have contributed to the housing provident fund scheme for a total of approximately RMB1.9 million while Shandong SAC a total of approximately RMB1.0 million, and half of which should have been deducted from respective employee's salary.

The aforesaid outstanding amount had not been settled as at the Latest Practicable Date. Despite the management of Shandong SAC and Allied Wangchao having attempted to settle their portion of outstanding housing provident fund, Housing Provident Fund Management Centre of Taierzhuang District, Zaozhuang City (棗莊市台兒莊區住房公積金管理中心) advised that retrospective payment of housing provident fund can only be made with the co-operation of the relevant employees by contributing their respective portion. Accordingly, Shandong SAC and Allied Wangchao have applied to the Housing Provident Fund Management Centre for suspension in contributing the aforesaid outstanding amount and it has been accepted. Housing Provident Fund Management Centre of Taierzhuang District, Zaozhuang City issued a certificate stating that it will not impose administrative penalty for our failure in contributing to housing provident fund prior April 2011.

The PRC legal advisers confirmed that the Housing Provident Fund Management Centre is the competent authority to supervise and regulate the contribution to housing provident fund and to decide on relevant administrative penalty. The PRC legal advisers confirmed that there is no stipulated maximum penalty in monetary term for payment of housing provident fund in arrears. Instead, it is regulated by section 38 of Regulation Concerning the Administration of Housing Provident Fund (住房公積金管理條例), pursuant to which, the Housing Provident Fund Management Centre may order the relevant entity to make payment within a specific period of time. Failing which, Housing Provident Fund Management Centre may apply to People's Court for enforcement.

In respect of the above, we have obtained from the Controlling Shareholders a deed of indemnity in favour of our Group in case we are required to settle the aforesaid outstanding amount. For further details, please refer to the section headed "Statutory and General Information — Other Information — 1.

Estate duty, tax and other indemnity" in this prospectus. Accordingly, the maximum exposure in this respect would be the outstanding amount, which has been covered by indemnity, of approximately RMB2.9 million in aggregate, as disclosed above. The Directors consider no provision is required in this respect.

Based on the arrangement mentioned above, the Directors, after consulting the Reporting Accountants, are of the view that the arrangement in respect of the aforesaid suspended payment of housing provident fund is appropriate and no provision is required.

Insurance

We maintain insurance coverage for our production facilities and equipment, vehicles and office premises for loss due to fire, flood and natural disasters. We also maintain employee insurance. We do not maintain product liability and inventory insurance due to the low value-to-weight nature of our finished products and raw materials. Our Directors confirm that this is consistent with general industry practice. Instead we have installed close circuit television and fire extinguishers and provided 24 hours patrols within our warehouses. During the Track Record Period, we did not recognise any material loss of cash and property. Furthermore, there were no material product liability claims on us during the Track Record Period and up to the Latest Practicable Date.

Property

Our business operations are based in Shanghai and Shandong Province.

Shanghai

Office building

As at 31 December 2010, we had obtained a land use right on a parcel of land in Hi-Tech Park in Pudong, Shanghai where our administrative and sales office is situate at with a cost of approximately RMB19.6 million. We are allowed to use the land up to 24 May 2049. We also owned two office properties, one in Changning District with approximately 146.5 square metres and the other one in Xuhui District with approximately 110.2 square metres. Both of which are leased out for rental income.

Residential

We owned six residential properties in several districts in Shanghai. Of the six properties, one is situated at Hongkou District with approximately 126.9 square metres; two are situate at Minhang District with approximately 137.1 and 137.4 square metres respectively; two are situated at Xuhui District with approximately 133.9 and 91.9 square metres respectively; and one is situated at Zhabei District with approximately 77.2 square metres. These properties are leased out for rental income. Apart from these self-owned properties, a residential property is leased by us at Pudong with approximately 250 square metres up to 14 July 2012 at RMB5,000 per month.

Shandong Province

Production facilities and administrative office

In Shandong Province, we have obtained a long term land use right in respect of the parcel of land in Zaozhuang City of Shandong Province, where our production facilities and 30 blocks of administrative and operation offices, including offices, staff quarters, bathrooms and warehouses etc under Allied Wangchao are situated. We are granted with 50 years land use right up to 6 August 2056 at a cost of approximately RMB6.4 million. Besides the aforesaid self-owned facilities under Allied Wangchao, we also lease a production line with kilns for the period up to May 2021. While under the rental agreement we are required to pay an annual rent of RMB6 million, such rent has been waived by the landlord since October 2008. Our administrative office located next to our production line is leased by us at RMB33,000 per annum for 20 years up to May 2022.

Limestone quarry

In addition, we possess the mining right of a limestone quarry at Langshan, Zaozhuang District, Shandong Province, located approximately 10 km from our production line, which occupied approximately 0.59 square kilometres and we have obtained the mining license for 10 years up to September 2020.

Beijing

Residential

Apart from Shanghai and Shandong Province, we owned a residential property at Chaoyang District, Beijing, for which we have obtained land use right up to March 2073 on a parcel of the residential land where the property situated. Our residential flat has an area of approximately 148 square metres and was acquired at a cost of RMB2.4 million. Currently, the residential flat is being leased out in return for rental income.

The details of the properties owned and rented by the Group as at Latest Practicable Date are summarised as follows:

Location	Property	Description and tenure	Purpose
Shanghai			
Self-owned			
Pudong	Room 102, Building 27 No. 1388 Zhangdong Road 張東路1388號 27幢102室	The property is self-owned with approximately 857.6 square metres and a land use right from 31 May 2011 to 24 May 2049 is granted	Office
Changning District	Unit 1403 No. 83, An Shun Road 安順路83號 1403室	The property is self-owned with approximately 146.5 square metres	Office
Xuhui District	Room 1603 No. 3, Lane 228 East Nandan Road 南丹東路228弄3號1603室	The property is self-owned with approximately 110.2 square metres	Office

Location	Property	Description and tenure	Purpose
Hongkou District	Unit 11A, No. 8 Changyang Road 長陽路8號11A室	The property is self-owned with approximately 126.9 square metres	Residential
Minhang District	Unit 201, Jin Cheng Lu Garden No. 69, Shenbei Road 莘莊鎮莘北路 金城綠苑69號201室	The property is self-owned with approximately 137.1 square metres	Not applicable
Minhang District	Unit 202, Jin Cheng Lu Garden No. 69, Shenbei Road 莘莊鎮莘北路 金城綠苑69號202室	The property is self-owned with approximately 137.4 square metres	Not applicable
Xuhui District	Room 2002 86 Cao Bao Road 漕寶路86號2002室	The property is self-owned with approximately 133.9 square metres	Residential
Xuhui District	Room 2004 86 Cao Bao Road 漕寶路86號2004室	The property is self-owned with approximately 91.9 square metres	Residential
Zhabei District	Room 20G No. 13, Lane 814 North Zhongshan Road 中山北路814弄13號 20G室	The property is self-owned with approximately 77.2 square metres	Residential
Leased			
Pudong	No. 19, Lane 2895 Longdong Main Road Tang Village 唐鎮龍東大道2895弄 19號	The property is leased with approximately 250 square metres with terms from 15 July 2010 to 14 July 2012	Residential
Shandong Province			
Self-owned			
Zaozhuang City	Dundong Village Jiantouji Town Taierzhuang District 台兒莊區澗頭集鎮頓東村	The land use right granted the right to use a piece of land of approximately 141,838 square metres for terms expiring on 6 August 2056	Industrial
Zaozhuang City	Dundong Village Jiantouji Town Taierzhuang District 台兒莊區澗頭集鎮頓東村	There are a total of 30 blocks of self owned properties on the land of Dundong Village of which the Company has been granted the land use right. The total area of these 30 blocks of properties is approximately 20,036 square metres	Office, bathrooms, canteens, staff quarters, warehouse, water pumping room, coal grinding room, raw mixture grinding room, repair and maintenance room etc.
Zaozhuang City	Jiantouji Town Taierzhuang District 台兒莊區澗頭集鎮	Mining license of a limestone quarry occupying approximately 0.59 square kilometres with terms up to September 2020	Limestone excavation
Leased			
Zaozhuang City	Jianwei Office Building, No. 58 Yanhe Road North Yuan Taierzhuang District 沿河北路58#原台兒莊區建委辦公大樓	The property is leased with approximately 1,400 square metres for a term of 20 years until 31 May 2022	Office/residential

Location	Property	Description and tenure	Purpose
Zaozhuang City	A portion of an industrial complex located in Sunsuzhuang Village Jiantouji Town Taierzhuang District 位於台兒莊區潤頭集鎮孫蘇莊村的工業區的一部分	The production line with rotary kilns is leased with terms from 26 May 2001 to 26 May 2021	Clinker and cement production
Zaozhuang City	A port located at Hanzhuang River, Dundong Village, Taierzhuang District, Zaozhuang City, Shandong Province 位於山東省棗莊市台兒莊區頓東村韓莊運河的一個碼頭	The property comprises a port and ancillary loading structure with a site area of approximately 60.05 mu (40,033.33 sq.m.)	Port — loading/unloading
Beijing			
Self-owned			
Chaoyang District	Unit 1501, Block 2 House No. 3 of Jin Quan Jia Yuan Datun Road 朝陽區大屯里政泉花園3#樓15層2單元1501號	The property is self-owned with approximately 148 square metres	Residential

Environmental compliance and pollution controls

Noise, gaseous wastes, industrial wastes and different sorts of pollutants are generated during our production processes. Our production facilities are subject to various environmental laws and regulations promulgated by national and local governments with respect to the pollutants emissions. According to the Environmental Protection Law of China (中華人民共和國環境保護法) and other relevant laws and regulations, companies that discharge contaminants must report and register with the State or the relevant local environmental protection authorities. The State Environmental Protection Administration sets national discharge standards for various pollutants and local environmental protection bureaus may set stricter local standards. Enterprises are required to comply with the stricter of the two applicable standards. The central and local governments provide schedules of base-level discharge fees for various pollutants and if such levels are exceeded, the polluting enterprise will be required to pay excess discharge fees. Local governments are also authorised to issue orders to stop or reduce discharges in excess of the base levels. More stringent measures and regulations have been implemented by the PRC government in recent years, in particular, Shanghai, one of our regional markets, which is the business and financial centre of the PRC and being further driven by the PRC government to develop into the world's leading financial and shipping centre.

Our production plants are required to be evaluated and assessed by the local environmental protection bureau, prior to its construction and are monitored regularly. We have been complying with the environmental laws and regulation issued by the State and the local governments and from the investigation report issued by the Environmental Protection Bureau of Taierzhuang District, Shandong Province in March 2006, our production facilities obtained satisfactory result regarding the pollutant emissions level which was in compliance with the environmental standards for cement industry. For compliance with such environmental protection rules and regulations, we have invested an aggregate of RMB12.5 million in the relevant facilities where RMB11.4 million was incurred in 2005 and additional equipment costing RMB1.1 million were installed between 2006 and 2011. After their installation, the ongoing running expenses of these facilities are not material.

We have established and implemented various internal control rules and guidelines on environmental compliance and pollution controls, such as the guidelines on the management and reduction of waste pollutants, management of the operation of pollution control system and measures related to environmental protection. We regularly deliver environmental protection information to our employees in order to raise their awareness to better control and manage pollutant emissions level.

In addition, we have put effort in developing advanced production technologies and converting our production process to an environmental friendly way to produce cement, including the waste heat recovery system which collects waste heat emitted during the production process and use it to generate power for our production. We also have a comprehensive use of readily-available waste by-products including granulated slag which is a solid waste. Our production line also employ rotary kilns which consume less energy and generate less pollutants during the production process.

During the Track Record Period, we had violated Law on Prevention and Control of Water Pollution and Law on Prevention and Control of Air Pollution as Shandong SAC did not obtain such Pollutant Discharge Permit for its previous production activity of cement since commencement of operation. Shandong SAC has taken remedial measure by submitting application for Pollutant Discharge Permit forthwith. Shandong SAC has ceased the production of cement since April 2011. The current operation at Shandong SAC is production of slag, where the major pollutant it discharges is dust (粉塵) which does not require Pollutant Discharge Permit under the regulatory regime currently in operation. The pollutant to be discharged to water is also negligible, if any. Therefore Shandong SAC is not required to obtain the Pollutant Discharge Permit for its current slag production. The Group confirmed that it currently has no plan to resume cement production at the Shandong SAC plant and it is not crucial in generating revenue for the Group.

The management of Shandong SAC confirmed that the Environment Protection Bureau of Zaozhuang City (棗莊市環境保護局) had not issued Pollutant Discharge Permit in general for discharging pollutants to air before April 2011. For the same reason as disclosed above, Pollutant Discharge Permit for discharging pollutant to water was not applicable for Shandong SAC.

Pollutant Discharge Permit cannot be obtained retrospectively for our previous cement production. Based on the above, the PRC legal advisers are of the view that since (i) The Environment Protection Bureau of Zaozhuang City had not issued Pollutant Discharge Permit in general that rendered Shandong SAC had not held any Pollutant Discharge Permit in respect of our cement production activity prior to April 2011; (ii) Shandong SAC has been abiding by the relevant rules and regulation in respect of environment protection; and (iii) Shandong SAC has already ceased to produce cement, it is unlikely that the relevant PRC authorities would impose retrospective penalty for Shandong SAC's previous lack of Pollutant Discharge Permit. We will continue to improve our compliance functions and to keep ourselves updated with the regulatory environment of the cement business and ensure we fully comply with the law requirements.

Government incentives

Energy saving and pollutants reduction is the primary focus of the PRC government on the polluting industry, including cement industry in the national strategies. To encourage cement producers to meet or out-perform the government's targets, various incentives have been offered by the PRC government. Currently, the PRC government pursuant to the *Notice regarding Policies relating to Value Added Tax on Products Made Through Comprehensive Utilization of Resources and Certain Other*

Products promulgated 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), is offering VAT refunds to cement producers which can demonstrate 30% Recycling Rate, a level that is not practical for cement producers who use vertical kiln to achieve. Our Shanghai plant before the cessation of cement production enjoyed VAT refunds under this policy. In addition, our previous plant enjoyed a preferential enterprise income tax rate of 15% compared with the regular national enterprise income tax rate of 25% for being recognised by the PRC government as a high and new technology enterprise. For the years ended 31 December 2008 and 2009, we received VAT refunds amounted to HK$19.7 million and HK$13.9 million, respectively. There were no VAT refunds for the year ended 31 December 2010 and for the six months ended 30 June 2011 due to the cessation of cement and clinker production of our Shanghai plant.

Legal proceedings

Work-related injury

A former employee (the "claimant") has initiated legal proceedings against Allied Wangchao, claiming personal injuries damages of a total sum of RMB1,128,057 at Taierzhuang District People's Court (台兒莊區人民法院) in connection with an accident which occurred in Allied Wangchao plant. On 31 August 2005, the claimant fell into a grinding plant during the course of employment, leading to serious lumbar fracture injuries. The claimant alleged negligence and/or breach of employer's duty and/or statutory duty on the part of Allied Wangchao leading to his disability as a result of the accident.

The claimant was a worker responsible for checking of the raw materials during the manufacturing process. The incident was discovered by another worker who was expecting to receive signal from the claimant. The claimant was found inside the grinding machine which was fully sealed off at all directions except for the opening for the conveyor belt which was transporting raw materials into the grinding machine. As the sealed portion had not been broken, the claimant was found to have fallen into the machine from this only opening. We have provided in our safety regulations that it is prohibited to walk on the running belt and it was found that the claimant's own breach of safety regulations contributed to this accident.

The claim of the claimant was that there was no employment relationship between him and our Group and thus the Work-related Injuries Insurance Regulation (工傷保險條例) is not applicable. The Group believes it is clear that the claimant was at the relevant time our employee despite that the employment contract had not been reduced to writing, since (1) we have been paying the basic pension insurance (養老保險金) for him; (2) the claimant was under management and supervision of our Group; and (3) the claimant was required to abide by our internal rules.

Judgment of the first trial was made against Allied Wangchao, awarding the claimant a total compensation of RMB1,115,388.6. On 12 October 2010, we appealed to the Zaozhuang City Intermediate People's Courts (棗莊市中級人民法院) which set aside Taierzhuang District People's Courts' judgment on 20 December 2010 and remitted the case for re-trial. The re-trial has been conducted and the re-trial judgment is to be delivered. As at the Latest Practicable Date, the judgement is still pending.

This is the only work-related injury incident since our commencement of operation in 2004. We believe our safety measures in place are sufficient and effective and this is an isolated incident. We have continuously reinforced the importance of workplace safety supervision at our facilities and provide safety training to our employees as and when appropriate.

Independent PRC legal advisers are of the view that there is substantial risk that the assessment of damages will not be processed at the standard of work-related injuries. Based on the legal opinion from the independent PRC legal advisers to our Group in respect of the case, our maximum exposure would not exceed HK$1.3 million.

The Group's independent PRC legal advisers have advised that the outcome for the claim of approximately RMB1.1 million (equivalent to approximately HK$1.3 million) in relation to the accident cannot be reasonably ascertained. The Group has therefore made full provision for the claim under this incident and considered that adequate provision has been made.

Former limestone excavation contractor

A former limestone excavation services provider (the "Former Contractor") initiated legal proceedings against Allied Wangchao and Shandong SAC in November 2009 at Zaozhuang City Intermediate People's Court (棗莊市中級人民法院) for the failure of Allied Wangchao to make payment for their services fees for infrastructure at Langshan, Taierzhuang (台兒莊狼山礦區) and supply of limestone excavated from Langshan quarry in accordance with the contract entered into between Allied Wangchao and the Former Contractor on 6 September 2004. Under this legal proceedings, the Former Contractor claimed for outstanding services fee for infrastructure of approximately RMB2.7 million and for excavation and supply of limestone of approximately RMB4.3 million, totalling approximately RMB7 million. In addition, the Former Contractor further claimed damages of RMB1.4 million for alleged breach of contract. Allied Wangchao and Shandong SAC counterclaimed against the Former Contractor for damages of approximately RMB2.8 million as compensation for the monetary losses caused by the Former Contractor's failure to provide Allied Wangchao the relevant invoices for claiming VAT refund in the same year.

Our Directors believed that the Former Contractor had been unable to continue carrying out its contractual duties of excavation of limestone in accordance to the terms in the contract and tender documents which formed part of the contract. Our Directors believed that the Former Contractor's internal management problem had hindered its ability to carry out its contractual duties properly as evidenced by it eventually vacating our quarry at Langshan without notice after refusing to arrange a proper handover. We have to seek another service provider to carry out the project in order to continue developing our Langshan quarry. The Former Contractor and the Group have been unable to agree on the final payment as there was disagreement over the value of work done and losses caused to us in relation to their failure to handover. Accordingly, we have withheld payment pending a resolution.

On 5 July 2010, the Zaozhuang City Intermediate People's Court handed down a judgement in favour of the Former Contractor, concluding that Allied Wangchao and Shandong SAC shall pay the Former Contractor a total sum of approximately RMB8.4 million. Our Group appealed to the higher court and on 10 December 2010, the Shandong Province High People's Court (山東省高級人民法院) set aside the judgement of the Zaozhuang City Intermediate People's Court and remit the case for re-trial. The re-trial has been conducted and the retrial judgment is to be delivered. As at the Latest Practicable Date, the judgement is still pending.

Independent PRC legal advisers are of the view that we have a higher chance to succeed in our defence in this proceeding. In light of the report dated 28 July 2011 for evaluation of Langshan quarry commissioned by the Zaozhuang City Intermediate People's Court (the "Court Evaluation Report"), the outstanding services fee for infrastructure at Langshan has been determined to be approximately RMB1.5 million compared to the Former Contractor's claim of RMB2.7 million. Accordingly, our maximum exposure would not exceed approximately RMB7.2 million (approximately HK$8.64 million).

The Group has made a provision of approximately HK$4.4 million as at 30 June 2011 for this legal proceeding. We consider that adequate provision has been made having taken into consideration: (i) the advice of our independent PRC legal advisers and that it was the Former Contractor which had breached the contract in the first place and thus there is no basis for the Former Contractor's claim for damages of RMB1.4 million; (ii) the outstanding service fee has been determined by the Court Evaluation Report to be approximately RMB1.5 million instead of RMB2.7 million as claimed by Former Contractor; and (iii) the Group suffered economic loss of RMB2.8 million as described above which was caused by the Former Contractor and the Group's counterclaim on such damages. The Controlling Shareholders have also executed a deed of indemnity in favour of our Group against the additional liability in the maximum amount of HK$4 million if the final aggregate amounts ordered to be paid by the PRC relevant authorities under this proceedings exceed the provisions of HK$4.4 million made by the Group. For further details, please refer to the section headed "Statutory and General Information — Other Information — 1. Estate duty, tax and other indemnity" in this prospectus.

Save as disclosed above, as of the Latest Practicable Date, no member of the Group was engaged in any litigation, arbitration or claim of material importance, and no litigation, arbitration or claim of material importance was known to the Directors to be pending or threatened by or against the Group, that would have a material adverse effect on our business, financial condition or results of operation.

OUR CONTROLLING SHAREHOLDERS

Immediately following completion of the Share Offer, Autobest Holdings and its ultimate owner, Tian An, will control the exercise of approximately 75% voting rights in the general meeting of the Company. Tian An is a company incorporated in Hong Kong with limited liability, the shares of which are listed on the Main Board of the Stock Exchange. It is principally engaged in the development of high-end apartments, villas, office buildings and commercial properties, property investment and property management, as well as the manufacture, sale and trading of cement and clinker in the PRC through our Group. Tian An recorded revenue of approximately HK$1,083.5 million, HK$1,412.0 million and HK$812.7 million for the years ended 31 December 2009 and 2010 and the six months ended 30 June 2011, respectively. During the corresponding periods, it recorded a profit of HK$1,621.7 million, HK$1,083.0 million and HK$570.2 million respectively. As at 30 June 2011, Tian An's net asset value amounted to HK$14.1 billion.

Past connected transactions between our Group and Tian An Group are set out in the section headed "Connected transactions" in this prospectus. Going forward after the Listing, our Directors do not expect that there will be any significant transactions between our Group and Tian An Group.

INDEPENDENCE FROM CONTROLLING SHAREHOLDERS

Business and administrative independence

Our Directors believe we are able to carry on our business independently of our Controlling Shareholders as we do not have any business transactions (both sales and purchases) with any of them. While our Controlling Shareholders engage in property development in the PRC, our Directors confirm that they are not aware of any instance where our Group's products were used in the Controlling Shareholders' property projects. Furthermore, our Group does not have any intention to supply our products directly to the Tian An Group upon and after the Listing.

Our management team and staff handle our day-to-day operations independently and we also have independent access to our customers and suppliers. All essential administrative functions such as financial and accounting management and human resources and operational functions such as the production of clinker and cement are being conducted independently without the support of our Controlling Shareholders.

Mr. Ng Qing Hai, being an executive Director of our Company who is involved in the setting of our business directions and policies, is also an executive Director of Tian An. Save for Mr. Ng, none of the members of the Board hold any directorship or position in Tian An, and there is no overlapping senior management between our Group and Tian An.

Financial independence

During the Track Record Period, Tian An provided guarantee to secure certain of our borrowings from financial institution with carrying value of approximately HK$71.0 million, HK$62.0 million, HK$99.6 million and HK$93.3 million as at 31 December 2008, 2009 and 2010 and 30 June 2011 respectively. As at the Latest Practicable Date, our Group had obtained consents from current lenders to release all the financial guarantees provided by Tian An, by replacing them with guarantee provided by our Group upon the Listing and operating fixed assets of Shandong Wangchao with current market value of not less than RMB55,000,000 as additional security.

Our Company has shareholder's loans from Tian An and Sunwealth of approximately HK$286.5 million, HK$343.9 million and HK$355.3 million as at 31 December 2009 and 2010 and as at 30 June 2011, respectively since we were acquired by Tian An in 2009. On 20 December 2011, shareholder's loan owed to Sunwealth by our Group accumulated to the approximately amount of HK$357.3 million, part of which in an approximate amount of HK$227.3 million was capitalised as 142,292,167 Shares as a part of the Reorganisation prior to the Listing and the remaining balance of approximately HK$128.2 million and HK$1.8 million due to Sunwealth and Tian An respectively will be fully repaid using proceeds from the Share Offer. Please refer to the section headed "Connected transactions" for further details on the shareholders' loan.

The Company has another loan payable to a subsidiary of Tian An of approximately HK$13.3 million, HK$13.8 million and HK$14.1 million as at 31 December 2009 and 2010 and as at 30 June 2011 respectively. The amount was fully repaid on 28 July 2011.

The Directors confirm that our Group has the ability to operate independently from the Controlling Shareholders and their associates from financial perspective.

Prior to the Listing, we had a number of transactions with entities which would become or be regarded as connected persons of the Company upon Listing under the Listing Rules. To minimise such transactions, the Company has discontinued or will within a specified period of time discontinue those transactions prior to or upon Listing.

Details of these transactions are set out below. Our Directors confirm that they are of the view that these connected transactions were all based on normal commercial terms.

FINANCIAL GUARANTEE BY TIAN AN

During our ordinary course of business, our Group would obtain financing from Independent Third Parties such as banks and/or financial institution. The financing is usually in the form of bank loans. Based on our understanding, it is the business practice for banks and/or financial institution to ask for a corporate financial guarantee from the ultimate shareholders to secure the borrowings. During the Track Record Period, Tian An provided guarantees to secure borrowings of approximately HK$71.0 million, HK$62.0 million, HK$99.6 million and HK$93.3 million of our Group as at 31 December 2008, 2009 and 2010 and as at 30 June 2011 respectively. The corresponding guarantee fee paid to Tian An amounted to HK$806,000, HK$451,000 for the financial years ended 31 December 2008 and 2009 and there were no fees paid for the provision of guarantee for the financial year ended 31 December 2010 and for the six months ended 30 June 2011. The guarantee fee charged by Tian An during the year ended 31 December 2009 was related to guarantee provided to our Group prior to Tian An's acquisition of our Group in 2009. No guarantee fee was charged by Tian An after the acquisition and during the year ended 31 December 2010.

As at the Latest Practicable Date, our Group had obtained consents from current lenders to release all the financial guarantees provided by Tian An, by replacing them with corporate guarantees provided by our Company upon Listing and operating fixed assets of Shandong Wangchao with current market value of not less than RMB55.0 million as additional security.

OTHER FINANCIAL ASSISTANCE TO/FROM CONNECTED PERSONS

Amount due from a fellow subsidiary

Shanghai SAC has provided a loan with principal amount of RMB40.0 million (equivalent to HK$47.1 million) to Tian An Shanghai, a wholly-owned subsidiary of Tian An during the year ended 31 December 2010. The balance was unsecured, carried interest at 4% per annum and is repayable on 25 November 2012. The outstanding balance due from Tian An Shanghai was RMB40.2 million (equivalent to HK$47.3 million) and RMB40.0 million (equivalent to HK$48.2 million) as at 31 December 2010 and 30 June 2011 respectively and the interest income attributable to this loan was approximately HK$189,000 for the year ended 31 December 2010 and approximately HK$969,000 for the six months ended 30 June 2011.

Our PRC legal advisers noted that Shanghai SAC was in breach of General Rule on Lending (貸款通則) for granting of financial assistance to Tian An Shanghai, which is a company incorporated in the PRC. Interest income earned by way of financial assistance is subject to confiscation and the Group will be subject to a maximum fine up to 5 times of the interest income as imposed by The People's Bank of China (中國人民銀行). The contract in respect of the financial assistance will be held invalid. Tian An Shanghai has settled all loan to Shanghai SAC on 29 July 2011. The total interest income earned by the Group amounted to approximately RMB1.1 million (equivalent to approximately HK$1.2 million) and the maximum fine the Group will be approximately RMB5.5 million (equivalent to approximately HK$6.6 million). The Controlling Shareholders have executed a deed of indemnity in favour of our Group against any liabilities arising in this connection. For further details, please refer to the section headed "Statutory and general information — Other Information — 1. Estate duty, tax and other indemnity" in this prospectus. Our Group will not enter into any further loan arrangement with any other company in breach of General Rule on Lending.

Amount due to ultimate holding company

During the Track Record Period, SAC Holdings was indebted to Tian An in the amount of HK$1.8 million, HK$1.8 million and HK$1.8 million as at 31 December 2009 and 2010 and as at 30 June 2011 respectively, arising from accumulated guarantee fees charged by Tian An with respect to the guarantees provided by Tian An to our Group to secure financing from banks and/or financial institutions prior to Tian An's acquisition of our Group in 2009. The balance were unsecured, non-interest bearing and are repayable on demand. The outstanding balance due to Tian An amounted to approximately HK$1.8 million, HK$1.8 million and HK$1.8 million as at 31 December 2009 and 2010 and as at 30 June 2011 respectively. As at the Latest Practicable Date, the remaining outstanding balance due to Tian An was approximately HK$1.8 million, which will be repaid by the net proceeds from the Share Offer upon the Listing.

Amount due to immediate holding company

During the Track Record Period, SAC Holdings has been indebted to Sunwealth in the amount of HK$278.5 million since 16 September 2009 as a result of an assignment of a shareholder's loan from ChinaVision Media to Sunwealth pursuant to an agreement for sale and purchase relating to the entire issued share capital of SAC Holdings entered into among ChinaVision Media, Sunwealth and Tian An on 21 May 2009. Further with the subsequent borrowings from Sunwealth for interest payment and principal repayment of bank loans made by SAC Holdings in Hong Kong, SAC Holdings has been indebted to Sunwealth in the approximate amount of HK$292.1 million as at 31 December 2010. As part of the Reorganisation, Sunwealth transferred all its interests in the shares of SAC Holdings to Splendid Link on 31 December 2010 without assigning the outstanding shareholder's to Splendid Link and hence SAC Holdings remained to be indebted to Sunwealth.

Besides, during the Track Record Period, Splendid Link has also been indebted to Sunwealth in the approximate amount of HK$50.0 million as at 31 December 2010 as a result of the acquisition of SAC Holdings conducted by Splendid Link on the same day. The balance of both amount due to Sunwealth were unsecured, non-interest bearing and are repayable on demand. The outstanding balance due to Sunwealth amounted to HK$284.7 million, HK$342.1 million and HK$353.5 million as at 31 December 2009 and 2010 and as at 30 June 2011 respectively. On 20 December 2011, the outstanding balance of an aggregate of HK$227.3 million was assigned to our Company for the consideration of

HK$142,292,167 which was satisfied by the issue and allotment of 142,282,167 Shares as part of the Reorganisation (Please refer to "Corporate reorganisation and group structure" section for details). As at the Latest Practicable Date, the remaining outstanding balance due to Sunwealth was approximately HK$128.2 million, which will be repaid upon the Listing.

Amount due to a fellow subsidiary

During the Track Record Period, Shanghai SAC has obtained a loan from Tian An Shanghai to finance our operations in the PRC. The balance were unsecured, non-interest bearing and are repayable on demand. The outstanding balance due to Tian An Shanghai amounted to HK$13.3 million, HK$13.8 million and HK$14.1 million as at 31 December 2009 and 2010 and as at 30 June 2011 respectively. On 28 July 2011, the entire outstanding balance of HK$14.1 million was repaid by our Group.

Amount due to minority shareholder

AII-Shanghai had outstanding balance due to Aso Corporation, a minority shareholder which own 16.67% of the issued share capital of AII-Shanghai, amounting to HK$0.3 million, HK$3.2 million and HK$3.2 million as at 31 December 2009 and 2010 and as at 30 June 2011 respectively. The balances were mainly attributable to the dividend payable and management fee payable as at the respective year end and were unsecured, non-interest bearing and are repayable on demand. The outstanding balance due to Aso Corporation of approximately HK$3.2 million referred to the dividend payable and management fee payable by AII-Shanghai and is expected to be settled with Aso Corporation within six months after the Listing as time is needed pending confirmation by the PRC tax authority that AII-Shanghai be recognised as a Hong Kong tax resident. Such recognition will reduce the withholding tax rate payable by AII-Shanghai on repatriation of dividend from 10% to 5% as stipulated under the double tax arrangement between Hong Kong and the PRC. The Directors expect such confirmation can be obtained within six months after the Listing.

LEASING AGREEMENT WITH SHANGHAI CEMENT FACTORY

On 16 December 1995, a leasing agreement was entered into between Shanghai SAC and Shanghai Cement Factory, a minority shareholder which held a 40% equity interest in Shanghai SAC and therefore a connected person to the Company. According to the leasing agreement, Shanghai SAC should pay to Shanghai Cement Factory an annual leasing fee which consisted of (1) a fixed asset leasing fee mainly based on the depreciation of the property, plant and equipment leased under the leasing agreement plus a mark-up of about 10%; and (2) an usage fee mainly based on the volume of raw materials off-load and the applicable unit rate for the relevant raw materials agreed by the parties when the leasing agreement was signed. The underlying assets are also used by Shanghai Cement Factory. Shanghai SAC paid a total leasing fee of HK$6.7 million, HK$6.1 million, HK$57,000, HK$7,000 (unaudited) and nil to Shanghai Cement Factory during the years ended 31 December 2008, 2009 and 2010 and the six months ended 30 June 2010 and 2011 respectively.

The outstanding balance due to Shanghai Cement Factory in relation to the above leasing agreement amounted to HK$5.3 million, HK$4.5 million, HK$1.9 million and nil as at 31 December 2008, 2009 and 2010 and as at 30 June 2011 respectively. The balance were unsecured, non-interest bearing and are repayable on demand. As a result of the Premises Vacation in late 2009, the leasing arrangement was no longer carried out since early 2010. The remaining outstanding balance due to Shanghai Cement Factory were subsequently repaid by Shanghai SAC in July 2011. As at the Latest Practicable Date, there was no outstanding balance due to Shanghai Cement Factory.

UNDERWRITING AGREEMENT WITH SUN HUNG KAI INVESTMENT SERVICES LIMITED

On 29 December 2011, the Underwriting Agreement was entered into among our Company, executive Directors, the Controlling Shareholders and the Underwriter, pursuant to which the Underwriter has agreed to underwrite for an aggregate of 165,000,000 Offer Shares in consideration of an underwriting commission of 2.5% per Offer Share. The maximum amount of the underwriting commission shall be HK$4,125,000. The Underwriter is an indirect wholly-owned subsidiary of Sun Hung Kai & Co. Limited, whose shares are listed on the Main Board and were owned as to approximately 53.37% by Allied Properties as at the Latest Practicable Date. Since Allied Properties is a substantial shareholder (as defined in the Listing Rules) of our Company through its interests in its subsidiaries, each of Allied Properties and its associates (as defined in the Listing Rules) will become a connected person of our Company upon Listing. As the Underwriter will become a connected person of our Company upon Listing and the Underwriting Agreement was entered into on 29 December 2011, the entering into of the Underwriting Agreement will not constitute a connected transaction for our Company itself but will constitute a connected transaction for Tian An. For further details of the Underwriting, please refer to the section headed "Underwriting" in this prospectus.

The transaction contemplated under the Underwriting Agreement is one-off in nature and our Directors are of the view that the above transaction was entered into on normal commercial terms and the consideration of which was agreed after arm's length negotiation with reference to the prevailing market prices of similar transactions with the Independent Third Parties.

Save for the above, our Directors confirm that our Group did not enter into any other connected transactions with any connected persons upon Listing which will be subject to reporting, announcement and/or independent shareholders' approval requirements under Chapter 14A of the Listing Rules. As at the Latest Practicable Date, our Directors confirm that all aforementioned connected transactions have been settled and/or terminated and our Group has no intention to enter into any transaction with connected persons as defined under the Listing Rules. Notwithstanding, the Company will comply with the Listing Rules and make announcement and seek its independent Shareholders' approval, where applicable, should any transaction with our connected person fall within the scope as prescribed by Rule 14A of the Listing Rules in the future.

RELATIONSHIP WITH CONTROLLING SHAREHOLDERS

Immediately following completion of the Share Offer, Autobest Holdings, which is wholly-owned by Tian An, will be interested in approximately 75% of the issued share capital of our Company. Hence, Tian An and Autobest Holdings will be our Controlling Shareholders within the meaning of the Listing Rules.

INDEPENDENCE FROM THE CONTROLLING SHAREHOLDERS

The Board is satisfied, on the basis of the following matters that the Company can operate independently of the Tian An Group after the Listing.

(a) Financial independence

During the Track Record Period, Tian An provided guarantee to secure certain of our borrowings from financial institution with carrying value of approximately HK$71.0 million, HK$62.0 million, HK$99.6 million and HK$93.3 million as at 31 December 2008, 2009 and 2010 and 30 June 2011 respectively. As at the Latest Practicable Date, our Group had obtained consents from current lenders to release all the financial guarantees provided by Tian An, by replacing them with guarantee provided by our Group upon the Listing and operating fixed assets of Shandong Wangchao with current market value of not less than RMB55,000,000 as additional security.

Our Company has shareholder's loans from Tian An and Sunwealth of approximately HK$286.5 million, HK$343.9 million and HK$355.3 million as at 31 December 2009 and 2010 and as at 30 June 2011, respectively since we were acquired by Tian An in 2009. On 20 December 2011, shareholder's loan owed to Sunwealth by our Group accumulated as the approximately amount of HK$357.3 million, part of which in an approximate amount HK$227.3 million was assigned to our Company for the consideration of HK$142,292,167 which was satisfied by the issue and allotment of 142,292,167 Shares as part of the Reorganisation prior to the Listing and the remaining balance of approximately HK$128.2 million and HK$1.8 million due to Sunwealth and Tian An respectively will be fully repaid using proceeds from the Share Offer. Please refer to the "Connected transactions" section for further details on the shareholders' loan.

The Company has another loan payable to a subsidiary of Tian An of approximately HK$13.3 million, HK$13.8 million and HK$14.1 million as at 31 December 2009 and 2010 and as at 30 June 2011 respectively. The amount was fully repaid on 28 July 2011.

The Directors confirm that our Group has the ability to operate independently from the Controlling Shareholders and their associates from financial perspective.

(b) Independence of boards and management

Tian An and the Company have boards of directors that function independently from each other. The following table shows the details of the directorships or senior management of the Company upon Listing and that of Tian An as at the Latest Practicable Date:

Position	Company	Tian An
Executive Directors	Mr. Ng Qing Hai Mr. Li Chi Kong Mr. Yu Zhong	Mr. Hu Aimin Mr. Song Zengbin Mr. Lee Seng Wei Patrick Mr. Ng Qing Hai Mr. Ma Sun Mr. Lo King Yau Edwin Mr. Tao Tsang Sang
Non-Executive Directors	None	Mr. Lee Seng Hui Dr. Cheng Mo Chi Moses Mr. Lee Shu Yin
Independent Non-Executive Directors	Mr. Chan Sze Chung Mr. Cheng Kin Chung Ms. Yang Yan Tung Doris	Mr. Chang Chu Fai Johnson Francis Mr. Jin Hui Zhi Mr. Ngai Wah Sang Ms. Yang Lai Sum Lisa
Senior Management	Mr. Huang Wu Hu Mr. Li Chao Mr. Zhang Shou Tian Ms. Wong Ka Hang	Mr. Cheung Chun Pan Foley Mr. Dai Hong Liang Mr. Song Zhu Feng Ms. Yung Yee Mei Cindy

The Company will maintain a sufficient level of independence of directorship and management from Tian An and will have a team of full-time senior management and employees who will be employed solely by the Company and operate independently from Tian An.

As at the Latest Practicable Date, Mr. Ng Qing Hai was the executive director of Tian An and Mr. Ng Qing Hai and Mr. Li Chi Kong were also directors of subsidiaries of the Tian An Group. The roles of both Mr. Ng Qing Hai and Mr. Li Chi Kong were insignificant in Tian An and the Remaining Group as follows:

(i) Mr. Ng's involvement in Tian An during the period from 2008 to 2010 was limited to the cement-related business, and the time involved therein was not significant. Mr. Li is the director of several subsidiaries of the Tian An Group. Upon Listing of our Group, Mr. Ng and Mr. Li will be re-designated as non-executive directors and will not be involved in any executive function of the Tian An Group; and

(ii) Mr. Ng's and Mr. Li's representations on the board of non-dormant subsidiaries of the Remaining Group were insignificant to affect the outcome of the decision of either the board of directors of Tian An and the Board.

Save as disclosed, the Directors of the Company will have no role in and are independent of Tian An and there will be no overlap of senior management between Tian An Group and the Company.

The Company's management decisions are made by the executive Directors and the senior management of our Company, the majority of whom have served the Company and/or its subsidiaries for a long time and have substantial experience in the industry in which the Company is engaged. Further, the Company's three independent non-executive Directors will bring independent judgement to the decision-making process of the Board.

(c) Operational and administrative independence

Although the Controlling Shareholders will retain a controlling interest in the Company after the Listing, the Company has full rights to make all decisions on, and to carry out, its own business operations independently. The Company (through its subsidiaries) holds all relevant licences necessary to carry on the business, and has sufficient capital, equipment and employees to operate the business independently from the Controlling Shareholders.

Our Group has its own capabilities and personnel to perform all essential administrative functions including financial and accounting management, inventory management and research and development.

(d) Clear delineation of business

Prior to the Listing, Tian An Group (together with our Group) is engaged principally in the development of high-end apartments, villas, office buildings and commercial properties, property investment and property management, as well as the manufacture, sale and trading of cement and clinker in the PRC. After the Listing, there will be a clear delineation of business between the Tian An Group and our Group:

(i) Tian An Group will focus on the development of high-end apartments, villas, office buildings and commercial properties, property investment and property management in the PRC; and

(ii) our Group will focus on the manufacture, sale and trading of cement and clinker in Shanghai and Shandong Province in the PRC which, in this prospectus is defined as the "Restricted Activity".

NON-COMPETITION DEED

Undertaking of Tian An

In preparation for the Listing, Tian An has entered into the Non-competition Deed in favour of the Company, pursuant to which Tian An (for itself and on behalf of each other member of Tian An Group) has unconditionally and irrevocably undertaken to the Company (for itself and on behalf of each other member of our Group) that for so long as the Shares are listed on Main Board of the Stock Exchange or

Tian An and its associates, individually or collectively, hold 30% or more of the issued share capital of the Company and having the power to control the Board, it will not, and shall procure that its associates will not:

(i) compete with our Group, directly or indirectly, whether on its/their own account or jointly with or on behalf of any person, firm or company, by acquiring or holding any interest in, or carrying on or being engaged, concerned or interested, directly or indirectly, whether as a shareholder, partner, agent or otherwise, in the carrying on of, any activity or business which directly or indirectly competes or is likely to be in competition with the business of the Group (the "Restricted Businesses");

(ii) at any time use the name or trading style of our Group, or represent itself/themselves as carrying on or continuing or being connected with any member of our Group or its business for any purpose whatsoever save as those names/trading styles which have been previously disclosed in writing to Tian An; and

(iii) directly or indirectly solicit, interfere with, employ or endeavour to entice away from any member of our Group with a view to competing with our Group in the Restricted Activity for any person who, to its/their knowledge, is now, or has during the preceding 12 months been, a client, customer or employee of, or in the habit of dealing with our Group.

Pursuant to the Deed, it has been agreed that Tian An may either by itself, or through its associate or associates:

(i) hold and/or be interested in any shares or other securities in any company which is listed on a recognised stock exchange and engages or is involved in any activity or business which directly or indirectly competes with the Restricted Businesses, provided that the aggregate shareholding held by Tian An and/or its associates in such company, whether directly or indirectly, does not exceed 5% of the issued share capital of such listed company, and provided further that Tian An and its associates or the Company and its associates would not participate in or be otherwise involved in the management of that listed company; and

(ii) hold shares and other securities in any member of our Group.

Furthermore, pursuant to the Non-competition Deed, Tian An has undertaken that if they become aware of any business opportunity which directly or indirectly competes, or may lead to competition, with the Restricted Businesses, they shall notify our Group of such business opportunity immediately upon becoming aware of it. Tian An has also agreed to use its best efforts to procure that such business opportunity is first offered to our Group upon terms which are fair and reasonable. The independent board committee of the Board comprising the independent non-executive Directors of the Company shall decide whether to take up such business opportunity. It is only after our Group has declined such opportunity that Tian An or its associates may pursue such business opportunities.

Undertaking of the Company

Pursuant to the Non-competition Deed, the Company (for itself and on behalf of each other member of our Group) has unconditionally and irrevocably undertaken to Tian An (for itself and on behalf of each other member of the Tian An Group) that for so long as the Shares are listed on Main

Board of the Stock Exchange or Tian An and its associates, individually or collectively, hold 30% or more of the issued share capital of the Company and having the power to control the Board, it will not, and shall procure that its associates will not:

(i) compete with Tian An Group, directly or indirectly, whether on its/their own account or jointly with or on behalf of any person, firm or company, by acquiring or holding any interest in, or carrying on or being engaged, concerned or interested, directly or indirectly, whether as a shareholder, partner, agent or otherwise, in the carrying on of, any activity or business which directly or indirectly competes or is likely to be in competition with the business of Tian An Group;

(ii) at any time use the name or trading style of any member of Tian An Group, or represent itself/themselves as carrying on or continuing or being connected with any member of Tian An Group or its business for any purpose whatsoever save as those names/trading styles which have been previously disclosed in writing to the Company; and

(iii) directly or indirectly solicit, interfere with, employ or endeavour to entice away from any member of Tian An Group with a view to competing with Tian An Group in the business of Tian An Group for any person who, to its/their knowledge, is now, or has during the preceding 12 months been, a client, customer or employee of, or in the habit of dealing with, any member of Tian An Group.

The Company may however either by itself, or through its associate or associates, hold and/or be interested in any shares or other securities in any company which is listed on a recognised stock exchange and engages or is involved in any activity or business which directly or indirectly competes with the business of Tian An Group, provided that the aggregate shareholding held by the Company and/or its associates in such company, whether directly or indirectly, does not exceed 5% of the issued share capital of such listed company, and provided further that the Company and its associates would not participate in or be otherwise involved in the management of that listed company.

In addition, it is further provided in the Non-competition Deed that if there is any disagreement between Tian An and the Company as to whether or not any activity or business (or proposed activity or business) or business opportunity directly or indirectly competes or may lead to competition with the business of Tian An Group, as the case may be, the matter shall be determined by the independent board committee of the affected party whose decision shall be final and binding.

It has been agreed that any development, venture, partnership, investment, undertaking, engagement, involvement in business or activity not falling within the ambit of the Restricted Businesses or business of Tian An Group shall not be so restricted in any way, form or manner by virtue thereof.

The Non-competition Deed is conditional upon (a) the approval by the Listing Committee of the Stock Exchange for the listing and trading of the Shares; and (b) all the conditions precedent in the Underwriting Agreement being fulfilled (or waived) and the obligations of the Underwriter under the Underwriting Agreement becoming unconditional and the Underwriting Agreement not being terminated according to the terms and conditions or other provisions thereof.

CONFIRMATION

Save as disclosed above, neither the Controlling Shareholders nor any of the executive and non-executive Directors were, as at the Latest Practicable Date, interested in any business, other than that of our Group, which competes or is likely to compete, either directly or indirectly, with our Group's business and which requires disclosure pursuant to Rule 8.10 of the Listing Rules.

BOARD OF DIRECTORS

Our Board of Directors consists of six Directors including three executive Directors and three independent non-executive Directors.

Name	Age	Position	Date of re-designation/ appointment
Mr. Ng Qing Hai (黃清海)	55	Executive Director	20 December 2011
Mr. Li Chi Kong (李志剛)	58	Executive Director	20 December 2011
Mr. Yu Zhong (余忠)	49	Executive Director	20 December 2011
Mr. Chan Sze Chung (陳思聰)	41	Independent Non-Executive Director	20 December 2011
Mr. Cheng Kin Chung (鄭建中)	49	Independent Non-Executive Director	20 December 2011
Ms. Yang Yan Tung Doris (楊紉桐)	42	Independent Non-Executive Director	20 December 2011

Executive Directors

Mr. Ng Qing Hai (黃清海) was appointed a Director of our Company on 21 March 2011 and re-designated as an executive Director of our Company on 20 December 2011. Mr. Ng is also the Managing Director of the Group. Mr. Ng completed a three years' course in Finance and Accounting in Building Materials Industry (建材工業財務會計專業) in Faculty of Enterprises Management (企業管理系) at Shanghai Institute of Building Materials Industry (上海建築材料工業專科學校) in 1983 and also completed a course in management consultancy at GROUPE ESSEC of France in 1988. Mr. Ng has been a non-practising member of The Chinese Institute of Certified Public Accountants of the PRC (中國註冊會計師協會) since 1994. Mr. Ng is the 6th vice chairman of China Building Materials Enterprises Management Association (中國建築材料企業管理協會) and of Shanghai Cement Industrial Association (上海市水泥行業協會) of the PRC, and was a fellow member of Asian Knowledge Management Association for the period from November 2005 to November 2006. Mr. Ng has extensive experience in managing enterprises and in the cement industry in the PRC. He was appointed as an executive director of Tian An on 1 April 2003 and became the managing director of Tian An in October 2003 and thereafter, with effect from 1 December 2005, Mr. Ng relinquished his role as the managing director of Tian An due to his increasing work commitment in ChinaVision Media and was re-designated the deputy managing director of Tian An. Mr. Ng was the chief executive officer of ChinaVision Media and ceased to act as its chief executive officer with effect from 20 April 2010. Mr. Ng is currently the president and an executive director of ChinaVision Media, and is the chief executive officer of SAC Holdings. Mr. Ng is also currently an executive director of Tian An and will be re-designated as its non-executive director upon Listing of our Group. Mr. Ng will be responsible for the overall management of our Group. Mr. Ng is a younger brother of Mr. Huang Wu Hu (a senior management of our Group). Mr. Ng is the chairman of our executive and share dealing committees and a member of our credit and risks management and nomination committees.

Mr. Ng has entered into an employment contract with our Company for a term of employment commencing on the Listing Date.

Mr. Li Chi Kong (李志剛) was appointed a Director of the Company on 21 March 2011 and re-designated as an executive Director of our Company on 20 December 2011. Mr. Li graduated from the University of Edinburgh in Scotland, United Kingdom with a Bachelor's Degree of Science and obtained a Post-graduate Diploma in Accounting from Heriot-Watt University in Edinburgh. He is a member of the Institute of Chartered Accountants of Scotland and a fellow of the Hong Kong Institute of Certified Public Accountants. Mr. Li has extensive experience in finance and accounting. Prior to joining our Group, Mr. Li worked for two major audit firms and acted as the group financial controller for several

listed companies in Hong Kong. Mr. Li is currently the financial controller and an executive director of Allied Properties as well as the group financial controller of Allied Group Limited whose shares are also listed on the Stock Exchange (stock code: 373). In addition, Mr. Li was an executive director of Tian An during the period from February 2004 to October 2009. Mr. Li is a member of our credit and risks management, executive and share dealing committees.

Mr. Li has entered into an employment contract with our Company for a term of employment commencing on the Listing Date.

Mr. Li has confirmed that he will devote sufficient time to the matters of our Company. Considering this and Mr. Li's extensive management experience as described above, the Directors, including the independent non-executive Directors, are of the view that Mr. Li will be able to allocate sufficient time to discharge his duties as an executive Director of our Company.

Mr. Yu Zhong (余忠) was appointed a Director of our Company on 21 March 2011 and re-designated as an executive Director of our Company on 20 December 2011. Mr. Yu is principally responsible for our sales and marketing operations. He joined Shanghai SAC in December 1993 and is currently a director and the vice general manager of Shanghai SAC, and has been a director of Allied Wangchao since December 2003. Mr. Yu served as the deputy general manager of Shandong SAC for the period from June 2001 to July 2004. Mr. Yu completed a two and a half years' course in cement craftsmanship (水泥工藝) at Shanghai School of Building Materials (上海市建築材料學校) in 1982 and in 1988, Mr. Yu graduated from Shanghai Light Industry Authority Workers College (上海市輕工業局職工大學) in Industrial Enterprise Management (工業企業管理). In 1993, Shanghai Building Material Authority (上海市建材局) certified that Mr. Yu was qualified as an Economist. Mr. Yu has extensive experience in cement industry and in operation management, marketing and production management. Mr. Yu is a member of our executive and share dealing committees.

Mr. Yu has entered into an employment contract with our Company for a term of employment commencing on the Listing Date.

Independent Non-Executive Directors

Mr. Chan Sze Chung (陳思聰) was appointed an independent non-executive Director of our Company on 20 December 2011. He graduated from the University of Wales with Bachelor of Arts in Accounting and Finance in 1991 and obtained Master of Arts in Accounting and Finance of the University of Lancaster in 1992. Mr. Chan is a Certified Public Accountant of the Hong Kong Institute of Certified Public Accountants and a member of American Institute of Certified Public Accountants of the United States of America. Besides, he was also recognised as Chartered Financial Analyst by CFA Institute of the United States of America. Mr. Chan has extensive experience in accounting and finance. Prior to joining our Group, Mr. Chan acted as the chief financial officer of Coolpoint Energy Limited (now known as Viva China Holdings Limited) whose shares are listed on the Stock Exchange (stock code: 8032) and was the acting chief financial officer of Nam Tai Electronic and Electrical Products Limited whose shares were previously listed on the Stock Exchange (stock code: 2633), and acted as vice chief financial officer of Nam Tai Electronics, Inc. whose shares are listed on the New York Stock Exchange with symbol NTE. During the period from January 1993 to August 1997, Mr. Chan was employed by Deloitte Touche Tohmatsu and served as Senior Accountant at the time of his resignation. Mr. Chan is a member of our audit, credit and risks management, nomination and remuneration committees.

Mr. Chan has entered into an appointment letter with our Company for a term of service of two years commencing on the Listing Date.

Mr. Cheng Kin Chung (鄭建中) was appointed an independent non-executive Director of our Company on 20 December 2011. He is a fellow of the Hong Kong Institute of Certified Public Accountants and a committee member of its Practice Review Committee, and also a fellow of The Association of International Accountants. Besides, Mr. Cheng was admitted as an Associate of The Institute of Chartered Accountants in England and Wales in 2005, a member of the Hong Kong Securities Institute in 1999 and a member of American Institute of Certified Public Accountants in 1993. Mr. Cheng obtained his Master of Professional Accounting and Master of Arts in English for the Professions in 2000 and in 2009 respectively, from The Hong Kong Polytechnic University.

Mr. Cheng is experienced in auditing, accounting, and financial management and consultation. Mr. Cheng had been a partner of Deloitte Touche Tohmatsu, certified public accountants, for the period from 2001 to 2004. Thereafter, Mr. Cheng joined Skyworth Digital Holdings Limited, shares of which are listed on the Stock Exchange (stock code:751), and served as an executive director for the period from September 2004 to December 2004 and as the Chief Financial Officer since July 2004 until he had been re-designated from the Chief Financial Officer to Chief Information & Investment Officer in January 2007, responsible for the evaluation and management of investments of the group. Mr. Cheng is currently the sole director of his own consultancy firm, namely Poly Genius Consulting Limited, a private company incorporated in Hong Kong, mainly engaged in providing financial advisory service and is also the sole director and chief executive officer of another private company incorporated in Hong Kong, namely QEE Technology (HK) Company Limited, which is engaged in Light-Emitting Diode (LED) lighting business. Mr. Cheng is the chairman of our audit, credit and risks management, nomination and remuneration committees.

Mr. Cheng has entered into an appointment letter with our Company for a service term of two years commencing on the Listing Date.

Ms. Yang Yan Tung Doris (楊紉桐) was appointed an independent non-executive Director of our Company on 20 December 2011. Ms. Yang graduated from University of Leicester, England with a Bachelor of Science (Economics) in 1993. She then obtained her Master of Science from The Chinese University of Hong Kong in 2003. Ms. Yang is an associate of The Hong Kong Institute of Chartered Secretaries with practitioner's endorsement and is also an associate of The Institute of Chartered Secretaries and Administrators. Ms. Yang is currently a director of Bloomy Corporate Consultant Limited, a company incorporated in Hong Kong mainly engaged in providing company secretarial services. Ms. Yang is experienced in handling company secretarial and internal control matters of listed companies in Hong Kong. Prior to joining our Group, Ms. Yang was the company secretary of ChinaVision Media for the period from June 2001 to June 2002. Thereafter, she served as company secretary of Greater China Holdings Limited, shares of which are listed on the Stock Exchange (stock code: 431), for the period from July 2002 to August 2005, and served as company secretary of China Gas Holdings Limited, shares of which are also listed on the Stock Exchange (stock code: 384), for the period from November 2002 to April 2011.

During the period from June 2001 to June 2002 while Ms. Yang was the company secretary of ChinaVision Media, she also served as a director of AII-Shanghai, which was then a subsidiary of ChinaVision Media as disclosed in the section headed "Corporate reorganisation and group structure". Ms. Yang is a member of our audit, credit and risks management, nomination and remuneration committees.

Ms. Yang has entered into an appointment letter with our Company for a service term of two years commencing on the Listing Date.

Save as disclosed above, each of the Directors confirms with respect to him or her that: (i) he or she has not held any directorships in the three years preceding the date of this prospectus in any companies the securities of which are listed on any securities market in Hong Kong or overseas; (ii) he or she does not have any relationship with any other Directors, senior management or substantial or controlling shareholders of the Company; (iii) he or she does not hold any positions in the Company or other members of our Group; (iv) he or she does not have any interests in the Shares within the meaning of Part XV of SFO; (v) there is no other information that should be disclosed for him or her pursuant to the requirements under Rules 13.51(2)(h) to 13.51(2)(v); and (vi) there are no other matters that need to be brought to the attention of Shareholders.

SENIOR MANAGEMENT

Mr. Huang Wu Hu (黃五湖), aged 58, joined our Group in June 2001 and has been the general manager of Shandong SAC since his joining our Group and is currently a director and the general manager of Allied Wangchao. Prior to joining the Group, Mr. Huang worked for various Credit Unions (信用社) in Nan'an City of Fujian Province (福建省南安市), currently known as Fujian Nan'an Rural Cooperative Bank (福建南安農村合作銀行), for about 20 years and his last position was supervisor (主任). Mr. Huang was conferred a qualification as a registered planner of China (中國註冊策劃師) by Devising Qualification Assessment Office of China Institute of Devising (中國策劃研究院策劃資質評審辦公室) in 2003. Mr. Huang was appointed a member to the 8th session of Zaozhuang Municipal Committee of Chinese People's Political Consultative Conference (中國人民政治協商會議山東省棗莊市第八屆委員會委員). Mr. Huang is an elder brother of Mr. Ng Qing Hai (the executive Director). In the three years preceding the date of this prospectus, Mr. Huang has not held any directorship in any listed company.

Mr. Li Chao (李超), aged 48, joined our Group in February 2002. He is currently the financial controller and a director of Shanghai SAC and also a director of Allied Wangchao. Mr. Li completed a 3 years' course in Financial Accounting in Construction Materials Industry (建材工業財務會計) in the Department of Enterprises Management (企業管理系) at Shanghai Institute of Building Materials Industry (上海建築材料工業專科學校) in 1983 and in 2001, Mr. Li completed a three years' part-time post graduate course (在職研究生課程) in Economic Management (經濟管理) at Party School of Chinese Communist Party of Hubei Province (中共湖北省委黨校). Mr. Li was approved as a senior accountant by Professional Title Reform Office of Hubei Province (湖北省職稱改革辦公室) in 1996. Mr. Li is a member of our credit and risks management committee. In the three years preceding the date of this prospectus, Mr. Li has not held any directorship in any listed company.

Mr. Zhang Shou Tian (張守田), aged 60, joined our Group in June 2005. He has been the financial controller of Shandong SAC and Allied Wangchao since December 2006. Mr. Zhang completed a 2 years course in Finance and Accounting for Infrastructure jointly organised by National Industrial Bureau of Construction Materials and Li Xin Accounting Institute in 1989 and a two and a half years' part time course in Economic Management (經濟管理) at Party School of Chinese Communist Party of Shandong Province (中共山東省委黨校) in 1996. Prior to joining our Group, Mr. Zhang served as finance officer at Tengzhou Water Resources Bureau (滕州市水利局) for more than 10 years, and was the deputy head of finance department and head of audit division of China United Cement Lunan Co., Ltd. (魯南中聯水泥有限公司) for about five years respectively. Mr. Zhang was appointed a member

of the 6th council of Construction Materials Society, Accounting Society of China (中國會計學會建材分會) in 2008. In the three years preceding the date of this prospectus, Mr. Zhang has not held any directorship in any listed company.

COMPANY SECRETARY

Ms. Wong Ka Hang (王嘉恒), aged 29, was appointed the Company Secretary of our Company on 21 November 2011. Ms. Wong is currently the company secretarial manager of the Tian An Group. She is an associate of both The Hong Kong Institute of Chartered Secretaries and The Institute of Chartered Secretaries and Administrators. Ms. Wong graduated from The University of Hong Kong with Bachelor of Laws in 2004 and subsequently obtained her Master of Arts in Humanities from The Hong Kong University of Science and Technology in 2006. Ms. Wong has about 5 years' experience in handling general legal matters and in performing company secretarial functions of various listed companies in Hong Kong. While Ms. Wong holds concurrent position in Tian An, the Controlling Shareholder, Ms. Wong will devote most of her time in the company secretarial matters of our Company by virtue of her position as the Company Secretary of our Company. In the three years preceding the date of this prospectus, Ms. Wong has not held any directorship in any listed company.

EMPLOYEES

As of the Latest Practicable Date, we employed a total of approximately 398 full time employees, with approximately 5 in Hong Kong, 40 in Shanghai branch and 353 in the branch of Shandong Province. Of the 40 employees in Shanghai, 30 of them are engaged under contract arrangement with an independent third party labour agency. 28 out of these 30 employees are required to contribute to social insurance and housing provident fund which are paid by the labour agency. There has been no dispute between us and the aforesaid labour agency.

During the Track Record Period, Shandong SAC and Allied Wangchao had not contributed to the housing provident fund for their employees. According to the Directors, this was due to low acceptance level of Shandong employees towards making such contributions, and our previous lack of understanding of the implementation in Taierzhuang District. Both Shandong SAC and Allied Wangchao had commenced contribution to housing provident fund for all qualified employees since April 2011. For details, please refer to the paragraph headed "Housing Provident Fund" in "Business" section.

A breakdown of our employees by function is shown below:

Employee Function	Number of Employees
General and administration	26
Finance	17
Production/technical	276
Quality control	29
Sales and marketing	21
Procurement	10
Others	19
Total	398

We offer competitive compensation packages to our employees which include basic wages, variable wages, bonuses and other staff benefits.

THE COMPANY'S RELATIONSHIP WITH EMPLOYEES

The Company recognises the importance of maintaining good relationships with its employees. The remuneration package for employees includes salaries, allowances and performance bonus under the sales incentive schemes, where applicable, adopted by Shanghai SAC, Allied Wangchao and Shandong SAC. Criterion of the sales incentive schemes include, *inter alia*, amount of profits, sales volume, average cost of production, quantities of cement and clinker produced, electricity and coal consumption and aggregate amount of aging debts. Each of the companies bases on its annual budgeted performance to set out its targets. If pre-set targets are achieved in a particular month, the staff will be entitled to performance related bonus based on each target level and individual's assessed performance during the subject month.

We value our people and offer ample opportunities for them to develop and grow within our Group. We offer our staff, including trainees, comprehensive training in negotiation skills, leadership, business etiquette, problem-solving, decision-making, business ethics and corporate social responsibility.

The Company has not experienced any significant problems with its employees or disruption to its operations due to labour disputes, nor has it experienced any difficulties in recruitment and retention of experienced staff except an accident happened in August 2005 whereby a worker was injured. For details, please refer to the paragraph headed "Legal Proceedings" under "Business" section. The Directors believe that the Company has a good working relationship with its employees.

AUDIT COMMITTEE

We have established an audit committee on 20 December 2011. The primary duties of the audit committee are mainly to make recommendations to the Board on the appointment and removal of external auditor, review and supervise the financial reporting process and internal control procedure of our Company. We have adopted written terms of reference in compliance with the Code on Corporate Governance Practices as set out in Appendix 14 of the Listing Rules ("CG Code") for our audit committee except with deviations from the code provision of the audit committee's responsibility to:

(i) implement policy on the engagement of the external auditors to supply non-audit services;

(ii) ensure the management has discharged its duty to have an effective internal control system; and

(iii) ensure co-ordination between the internal and external auditors, and ensure that the internal audit function is adequately resourced and has appropriate standing within the listed company.

The Board considers that our audit committee shall recommend (as opposed to implement) the policy on the engagement of the external auditors to supply non-audit services for the following reasons:

(i) it is proper and appropriate for the Board and its committees to develop policy and make appropriate recommendations;

(ii) the proper and appropriate mechanism for implementation of such policy and recommendations is through the executive Directors and management; and

(iii) the independent non-executive Directors are not in an effective position to implement policy and follow up the same on a day-to-day basis.

Further, the Board considers that our audit committee only possesses the effective ability to scrutinise (as opposed to ensure) whether management has discharged its duty to have an effective internal control system. Our audit committee is not equipped to ensure that the same is in place as this would involve day-to-day supervision and the employment of permanent experts. Our audit committee is not in a position either to ensure co-ordination between the internal and external auditors but it can promote the same. Similarly, our audit committee is not in a position to ensure that the internal audit function is adequately resourced but it can check whether it is adequately resourced.

To observe and examine the internal control of the Group, our audit committee has included the following measures in its terms of reference:

(a) to review the effectiveness and adequacy of the internal control system of the Group from time to time to scrutinise whether the management has discharged its duty to have an adequate internal control system to meet its obligations under the Listing Rules and the relevant laws, rules and regulations applicable to our Group;

(b) to review, on an annual basis, the internal control reports submitted by the management as to whether they have been proceeded in accordance with the relevant laws, rules and regulations applicable to our Group with supporting documents (the "Internal Control Report"); and

(c) to report the findings during its review of the Internal Control Report to the Board and to give recommendation to the Board as to improvement and ratification (if necessary).

Our audit committee consists of three members, being Mr. Cheng Kin Chung, Mr. Chan Sze Chung and Ms. Yang Yan Tung Doris. Mr. Cheng Kin Chung currently serves as the chairman of our audit committee.

CREDIT AND RISKS MANAGEMENT COMMITTEE ("CRM COMMITTEE")

We have established a CRM committee on 20 December 2011 with its written terms of reference in compliance with the CG Code. The primary functions of the CRM committee include, *inter alia*, managing risk among the Group and ensuring our strict compliance with all relevant rules and regulations applicable to our business.

CRM committee has been established by the Board with definite terms of reference and details of the measures taken up to manage risk and ensure compliance of the Group are as follow:

(a) to perform credit risk management functions and ensure that appropriate measures are in place at all times to control the major risks arising from our Group's activities, including operational risk, credit risk, liquidity risk, capital risk, interest rate risk, foreign exchange risk and market risk;

(b) to devise and review detailed rules and guidelines from time to time for the management and employees to follow in order to ensure that our operation is in compliance with the relevant laws, rules and regulations applicable to our business;

(c) to review regularly the validity of all our licences necessary for our business operation as well as production facilities and to ensure all the licences be renewed before expiry so that the Group is, at all times, in possession of the necessary licences to operate our business. In view of our application for the new production facilities at Bailonggang, Shanghai, special care will be placed on ensuring all necessary procedures and applications have been conducted;

(d) to review the ongoing production progress of our production facilities from time to time and to confirm they are in full compliance with the relevant laws, rules and regulations applicable to our Group, including but not limited to environmental laws and regulations; and

(e) to review the rules and regulations in respect of any of our new projects including joint ventures, acquisitions and expansion plans.

The CRM committee holds meetings on an annual basis or as and when necessary to perform the functions set out above. Should the CRM committee considers necessary and appropriate, it may, at the cost of our Company, engage independent professional(s) to assist in reviewing our operation. In particular, if necessary and appropriate, our Group will engage legal adviser of relevant jurisdictions to advise our Group on relevant legal issues relating to the Group's business, who shall keep the committee members, senior management and relevant staff abreast of any update on the laws and regulations applicable to our Group's business to enable them to perform their functions effectively.

In respect of compliance issues or any uncertainty on legal aspects of our business on a day-to-day basis, our management will engage legal advisers and/or additional independent professionals for advice as and when necessary to ensure compliance with the rules and regulations, and will report the case to the CRM committee as soon as practicable. For effective monitoring, external independent professionals will be engaged to conduct review on our internal control system and its implementation effectiveness if considered necessary by the CRM committee.

Currently, the CRM committee consists of six members, namely Mr. Cheng Kin Chung, Mr. Chan Sze Chung and Ms. Yang Yan Tung Doris (all three of which are independent non-executive Directors), Mr. Ng Qing Hai and Mr. Li Chi Kong (both of which are executive Directors) and Mr. Li Chao (a senior management). Three out of the six members are not involved in the day-to-day operations in our business and are therefore able to achieve check and balance purpose. Mr. Cheng Kin Chung serves as the chairman of our CRM committee.

EXECUTIVE COMMITTEE

We have established an executive committee on 20 December 2011 with specific written terms of reference in compliance with the CG Code. Our executive committee is mainly responsible for undertaking and supervising the day-to-day management of our Company and is empowered to (i) formulate and implement policies for the business activities, internal control and administration of our Group; and (ii) plan and decide on strategies to be adopted for the business activities of our Group within the overall strategy of our Group as determined by the Board.

Our executive committee consists of three members, comprising Mr. Ng Qing Hai, Mr. Li Chi Kong and Mr. Yu Zhong. Mr. Ng Qing Hai currently serves as the chairman of our executive committee.

NOMINATION COMMITTEE

We have established a nomination committee on 20 December 2011 with its written terms of reference in compliance with the CG Code. The primary duties of our nomination committee are mainly to at least annually review the structure, size and composition (including the skills, knowledge and experience) of the Board and make recommendations to the Board on any proposed changes to the Board to complement our Company's corporate strategy, to identify individuals suitably qualified to become members of the Board and select or make recommendations to the Board on the selection of individual(s) nominated for directorship(s), to assess the independence of our independent non-executive Directors, and to make recommendations to the Board on the appointment or re-appointment of Directors and succession planning for Directors.

Our nomination committee consists of four members, comprising Mr. Cheng Kin Chung, Mr. Chan Sze Chung, Mr. Ng Qing Hai and Ms. Yang Yan Tung Doris. Mr. Cheng Kin Chung serves as the chairman of our nomination committee.

REMUNERATION COMMITTEE

We have established a remuneration committee on 20 December 2011. The primary duties of the remuneration committee are mainly to make recommendations to the Board on the overall remuneration policy and structure relating to all Directors and senior management of our Group, review performance based remuneration and ensure none of our Directors determine their own remuneration. We have adopted written terms of reference in compliance with the CG Code for our remuneration committee except with a deviation from the code provision in respect of the remuneration committee's responsibilities to determine the specific remuneration packages of all executive Directors and senior management of a listed company. The Board considers that our remuneration committee shall review (as opposed to determine) and make recommendations to the Board on the remuneration packages of executive Directors only and not senior management for the following reasons:

(i) it believes that our remuneration committee is not properly in a position to evaluate the performance of senior executives and that this evaluation process is more effectively carried out by the executive Directors;

(ii) our remuneration committee members only consist of independent non-executive Directors may not be industry skilled and come from differing professions and backgrounds. They may have little direct knowledge of industry practice and standard compensation packages. Our remuneration committee is thus not in a position to determine the remuneration of the executive Directors;

(iii) our executive Directors must be in a position to supervise and control senior management and thus must be able to control their compensation; and

(iv) there is no reason for executive Directors to pay senior management more than industry standards and thus shareholders will benefit by reducing costs in the fixing of such compensation packages.

Our remuneration committee consists of three members, being Mr. Cheng Kin Chung, Mr. Chan Sze Chung and Ms. Yang Yan Tung Doris. Mr. Cheng Kin Chung currently serves as the chairman of our remuneration committee.

SHARE DEALING COMMITTEE

We have established a share dealing committee on 20 December 2011 with its written terms of reference in compliance with the CG Code. The primary duties of our share dealing committee are mainly to manage the Company's dealing of listed or non-listed securities and our share dealing committee is empowered to, inter alia, place orders of the acquisition and disposal of any listed or non-listed securities for and on behalf of the Company in accordance with the approval authority with respect to the respective approval limits as set out in its terms of reference.

Our share dealing committee consists of three members, comprising Mr. Ng Qing Hai, Mr. Li Chi Kong and Mr. Yu Zhong. Mr. Ng Qing Hai currently serves as the chairman of our share dealing committee.

CORPORATE GOVERNANCE

The Company noted that certain rules and codes relating to corporate governance under the Listing Rule will come into force on 1 January 2012 or 1 April 2012 (the "New CG Codes"). In the absence of a chairman of the Board, the Company may not be able to comply with certain provisions in the New CG Codes and appropriate disclosures will be made in accordance with the Listing Rules. The Company is identifying an appropriate candidate for the position of the chairman of the Board and plans to elect a chairman as soon as practicable. Save for the deviations as mentioned in this section of this prospectus, the Company will be in compliance with the New CG Codes once they become effective.

COMPENSATION OF DIRECTORS AND SENIOR MANAGEMENT

We reimburse the Directors for expenses which are necessarily and reasonably incurred for providing services to the Company or executing their functions in relation to the operations of the Company. The executive Directors are also employees of the Company and receive, in their capacity as employees of the Company, certain compensation.

Prior to the Listing, the remuneration policy of our Group to reward its employees and directors is based on their performance, qualifications, competence displayed and market comparables. Remuneration package typically comprises salary, housing allowances, contribution to pension schemes and/or central provident funds and bonuses relating to the profit of the relevant company.

Upon and after the Listing, the remuneration package of the executive Directors and the senior management will be linked more closely to the performance of our Group and the return to its Shareholders.

The employee costs of our Group (including Directors' and senior management's remuneration) for the years ended 31 December 2008, 2009 and 2010 and the six months ended 30 June 2010 and 2011 were approximately HK$28.2 million, HK$28.0 million, HK$32.8 million, HK$15.2 million and HK$9.5 million respectively.

The aggregate amount of salaries and other allowances and benefits in kind paid by us to our three highest paid individuals for the years ended 31 December 2008, 2009 and 2010 were approximately HK$1.5 million, HK$1.7 million, and HK$2.6 million respectively. Approximately HK$20,000, HK$28,000 and HK$62,000 were paid by the Company as contribution to the pension schemes and/or central provident funds in respect of such individuals for the years ended 31 December 2008, 2009 and 2010 respectively.

The aggregate amount of salaries, bonuses and contributions to pension schemes and/or central provident funds we paid to the relevant Directors in respect of each of the years ended 31 December 2008, 2009 and 2010 were approximately HK$1.4 million, HK$1.8 million and HK$3.8 million respectively. Further information on the remuneration of each Director during the Track Record Period is set out in note 11 of the Accountants' Report of the Company as set out in Appendix I to this prospectus.

Except as disclosed above, no other payments have been made or are payable, in respect of the years ended 31 December 2008, 2009 and 2010 and the six months ended 30 June 2011, by the Company or any of the subsidiaries to or on behalf of any of the Directors.

The aggregate amount of remuneration (excluding commission and discretionary bonus) and benefits in kind payable to the Directors for the year ending 31 December 2011 is estimated to be approximately HK$1,518,000.

Welfare contributions

We confirm that we comply in all material respects with all statutory pension plan obligations applicable to us under the laws of the respective countries we operate in. In accordance with applicable laws and regulations on pension plans in the jurisdictions we operate in, we contribute to various social insurance plans which are defined contribution plans such as pension contribution plans, medical insurance plans, work related injury insurance plans and unemployment insurance plans for our employees. We also comply with all statutory insurance obligations applicable to us under the laws of the respective jurisdictions. We funded the welfare contributions from our internal financial resources.

Share as disclosed in this prospectus, our PRC legal advisers have confirmed that we comply with all the statutory social insurance obligations applicable to us under the laws and regulations of the PRC.

COMPLIANCE ADVISER

We shall appoint Altus Capital 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 our Company in the following circumstances:

(1) before the publication of any regulatory announcement, circular or financial report;

(2) where a transaction, which might be a notifiable or connected transaction, is contemplated including but not limited to share issues and share repurchases;

(3) where the Company proposes to use the proceeds of the Share Offer in a manner different from that detailed in this prospectus or where the business activities, developments or results of operation of our Group deviate from any forecast, estimate, or other information in this prospectus; and

(4) where the Stock Exchange makes an inquiry of our Company 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 its financial results for the first full financial year commencing after the Listing Date and such appointment may be subject to extension by mutual agreement.

MANAGEMENT PRESENCE IN HONG KONG

Pursuant to Rule 8.12 of the Listing Rules, a new applicant applying for a primary listing on the Stock Exchange 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. At present, Mr. Li Chi Kong, an executive Director is an ordinarily resident in Hong Kong but our remaining two executive Directors are not ordinarily residents in Hong Kong or based in Hong Kong. We have applied to the Stock Exchange for a waiver from strict compliance with the requirement under Rule 8.12.

We have received from the Stock Exchange a waiver from compliance with Rule 8.12 of the Listing Rules subject to the following conditions:

(a) we have appointed two authorised representatives pursuant to Rule 3.05 of the Listing Rules who are ordinary residents in Hong Kong and will act as the Company's principal communication channel with the Stock Exchange and will ensure that our Group complies with the Listing Rules at all times. The two authorised representatives appointed are Mr. Li Chi Kong, an executive Director, and Ms. Wong Ka Hang, our Company Secretary. Each of the authorised representatives will be available to meet with the Stock Exchange in Hong Kong within a reasonable time frame upon the request of the Stock Exchange and will be readily contactable by telephone, facsimile and email. Each of the two authorised representatives is authorised to communicate on behalf of the Company with the Stock Exchange;

(b) we shall promptly inform the Stock Exchange if there are any changes to the authorised representatives;

(c) all the authorised representatives have means to contact all members of the Board (including the independent non-executive Directors) or the senior management team promptly at all times as and when the Stock Exchange wishes to contact any of them for any matters. To enhance the communications between the Stock Exchange, the authorised representatives and the Directors, we will implement a number of policies whereby (a) each Director will provide his or her mobile phone numbers, residential phone numbers, office phone numbers and fax numbers (if applicable) and email addresses (if applicable) to the authorised representatives; (b) in event that each Director expects to travel and be out of office, he or she will provide contact details or means of communication to the authorised representatives; and (c) each Director and authorised representatives of the Company will provide his or her mobile phone number, office phone number, fax number (if applicable) and email addresses (if applicable) to the Stock Exchange; and

(d) if circumstances require, meeting of the Boards can be summoned and held in such manner as permitted under the Articles at short notice to discuss and address any issue with which the Stock Exchange is concerned a timely manner;

(e) Mr. Li Chi Kong being an executive Director, Ms. Wong Ka Hang being our Company Secretary and Mr. Chan Sze Chung, Mr. Cheng Kin Chung and Ms. Yang Yan Tung Doris being all the independent non-executive Directors of the Company, are ordinary residents in Hong Kong and will serve as the Company's additional channel of communication with the Stock Exchange;

(f) all the Directors have confirmed that they possess valid travel documents to travel freely to Hong Kong and will be able to come to Hong Kong and meet the Stock Exchange upon reasonable short notice, when required; and

(g) the Company has appointed Altus Capital as a compliance advisor pursuant to Rule 3A.19 of the Listing Rules to provide the Company with professional advice on continuing obligations under the Listing Rules, who will also act at all times, in addition to the two authorised representatives of the Company, as the principal channel of communication between the Company and the Stock Exchange, from the Listing Date to the date when the Company published its annual report for the first full financial year immediately after the Listing Date.

The following tables set forth information with respect to the share capital of the Company after completion of the Share Offer. All the Shareholders have the same voting right per Share.

		HK$
Authorised capital:		
20,000,000,000	Shares of HK$0.01 each	200,000,000

Shares issued and to be issued, fully paid or credited as fully paid:

Number of Shares	Description of Shares	Aggregate nominal value of Shares	Approximate percentage of issued share capital
		HK$	
495,000,000	Shares in issue as at the date of this prospectus	4,950,000.00	75.00%
133,650,000	Shares to be issued under the Placing	1,336,500.00	20.25%
31,350,000	Shares to be issued under the Public Offer	313,500.00	4.75%
660,000,000	Total	6,600,000.00	100.00%

According to Rule 8.08 of the Listing Rules, at the time of Listing and at all times thereafter, our Company must maintain the "minimum prescribed percentage" of 25% of our Company's issued share capital in the hands of the public.

Assumptions

The table is based on the assumptions that the Share Offer becomes unconditional and are completed and the Shares which may be allotted and issued or repurchased pursuant to the Issuing Mandate and the Repurchase Mandate are not taken into account.

Ranking

The Offer Shares will rank *pari passu* in all respects with all Shares in issue or to be issued as set forth in the above table, and will qualify for all dividends or other distributions declared, paid or made on the Shares after the date of this prospectus.

SHARE OPTION SCHEME

Our Company has conditionally adopted the Share Option Scheme on 28 April 2011. Under the Share Option Scheme, the eligible participants of the scheme, including Directors, full-time employees of and advisers and consultants to our Company or our subsidiaries may be granted options which entitle them to subscribe for Shares, when aggregated with options granted under any other scheme,

representing initially not more than 10% of the Shares in issue on the Listing Date. Further details of the rules of the Share Option Scheme are set out in the paragraph headed "Share Option Scheme" in Appendix V to this prospectus.

GENERAL MANDATE TO ISSUE SHARES

Conditional on the conditions as stated in the section headed "Structure and conditions of the Share Offer" in this prospectus, our Directors have been granted a general mandate to allot, issue and deal with the Shares with an aggregate nominal value not exceeding the sum of:

1. 20% of the total nominal amount of the share capital of our Company in issue, immediately following completion of the Share Offer; and

2. the total amount of the share capital of our Company repurchased by us (if any) pursuant to the authority referred to in the paragraph headed "General Mandate to Repurchase Shares" below.

Our Directors may, in addition to the Shares which they are authorised to issue under the mandate, allot, issue and deal in the Shares pursuant to a rights issue, an issue of Shares pursuant to the exercise of subscription rights attaching to any warrants of our Company, scrip dividends or similar arrangements.

This general mandate will expire:

(i) at the conclusion of our next annual general meeting; or

(ii) upon the expiry of the period within which we are required by any applicable laws of the Cayman Islands or our Articles to hold the next annual general meeting; or

(iii) when it is varied, revoked or renewed by an ordinary resolution of the Shareholders in general meeting;

whichever occurs first.

For further details of this general mandate, please see the section headed "Statutory and general information — Written resolutions of the sole Shareholder passed on 20 December 2011" in Appendix V to this prospectus.

GENERAL MANDATE TO REPURCHASE SHARES

Conditional on the conditions as stated in the section headed "Structure and conditions of the Share Offer" in this prospectus, the Directors have been granted a general mandate to exercise all the powers of the Company to repurchase Shares with a total nominal value of not more than 10% of the total nominal amount of the share capital of the Company immediately following the completion of the Share Offer.

This mandate relates only to repurchases made on the Stock Exchange and/or on any other stock exchange on which the Shares are listed (and which is recognised by the SFC and the Stock Exchange for this purpose), and which are made in accordance with the Listing Rules. A summary of the relevant Listing Rules is set out in the section headed "Repurchase by the Company of its own shares" in Appendix V to this prospectus.

This general mandate will expire:

(i) at the conclusions of the Company's next annual general meeting; or

(ii) upon the expiry of the period within which the Company is required by any applicable laws of the Cayman Islands or its Articles to hold its next annual general meeting; or

(iii) when it is varied, revoked or renewed by an ordinary resolution of the Shareholders in general meeting;

whichever occurs first.

For further information about this general mandate, see the section headed "Statutory and general information — Written resolutions of the sole Shareholder passed on 20 December 2011" in Appendix V to this prospectus.

So far as our Directors are aware, immediately following completion of the Share Offer each of the following persons (not being a Director or chief executive of the Company), will have an interest or a short position in Shares or underlying Shares which would be required to be disclosed to us and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or, will be, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of our Group:

Name of Substantial Shareholder	Nature of interest and capacity	Number of Shares directly or indirectly held immediately following the allotment of the Offer Shares	Percentage of shareholding
Autobest Holdings *(Note 2)*	Beneficial Owner	495,000,000 (L)	75%
Tian An *(Note 2)*	Interest in a controlled corporation	495,000,000 (L)	75%
China Elite Holdings Limited *(Note 3)*	Interest in a controlled corporation	495,000,000 (L)	75%
Fine Class Holdings Limited *(Note 3)*	Interest in a controlled corporation	495,000,000 (L)	75%
Allied Properties *(Note 3)*	Interest in a controlled corporation	495,000,000 (L)	75%
Allied Group Limited *(Note 4)*	Interest in a controlled corporation	495,000,000 (L)	75%
Lee and Lee Trust *(Note 5)*	Interest in a controlled corporation	495,000,000 (L)	75%

Notes:

1. The letter "L" denotes the entity/person's long position in the Shares.

2. The entire issued share capital of Autobest Holdings is beneficially owned by Tian An which is deemed to be interested in the Shares held by Autobest Holdings pursuant to the SFO.

3. Allied Properties is interested in approximately 46.85% of the entire issued share capital of Tian An through its direct and indirect wholly-owned subsidiaries, namely Fine Class Holdings Limited and China Elite Holdings Limited. Therefore, Allied Properties is deemed to be interested in the Shares which Tian An is interested for the purpose of the SFO.

4. Allied Group Limited is interested in approximately 72.34% of the entire issued share capital of Allied Properties. Therefore, Allied Group Limited is deemed to be interested in the Shares which Allied Properties is interested for the purpose of the SFO.

5. Mr. Lee Seng Hui together with Ms. Lee Su Hwei and Mr. Lee Seng Huang are the trustees of Lee and Lee Trust, being a discretionary trust. They together own approximately 56.75% interest in the issued share capital of Allied Group Limited and were therefore deemed to have an interest in the Shares in which Allied Group Limited was interested for the purpose of the SFO.

Save as disclosed herein, the Directors are not aware of any person who will, immediately following completion of the Share Offer have an interest or a short position in Shares or underlying Shares which would be required to be disclosed to us and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or, directly or indirectly, be interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of our Company.

The following discussion and analysis should be read in conjunction with the audited financial statements of Allied Cement Holdings Limited for the years ended 31 December 2008, 2009 and 2010 and the six months ended 30 June 2011, in each case with the related notes thereto, included elsewhere in this prospectus. The financial information of our Group has been prepared in accordance with HKFRS, which may differ in certain significant respects from generally accepted accounting principles in certain other countries. For further information, see "Appendix I — Accountants' Report" included in this prospectus. Potential investors are encouraged to read the entire Accountants' Report set out in Appendix I to this prospectus and do not rely merely on the information provided in this section.

The following discussion and analysis contains forward-looking statements that involve risks and uncertainties. Our actual results may differ significantly from those projected in the forward-looking statements. Factors that might cause future results to differ significantly from those projected in the forward-looking statements include, but are not limited to, those discussed below and elsewhere in this prospectus, particularly in the section headed "Risk factors".

Any discrepancies in any table or elsewhere in this prospectus between totals and sums of amounts listed herein are due to rounding.

OVERVIEW

We are a quality-focused clinker and cement company in Shanghai and Shandong Province in the PRC. Our Company was incorporated in the Cayman Islands under the Companies Law as an exempted company with limited liability on 21 March 2011. Our Company is a wholly-owned subsidiary of Tian An. We have eight subsidiaries, namely Splendid Link, SAC Intellectual, SAC Holdings, AII-Shanghai, AII-cement, Shanghai SAC, Allied Wangchao and Shandong SAC.

Our manufacturing plants are located in Taierzhuang District, Zaozhuang City, Shandong Province. Prior to the Premises Vacation, our Shanghai operations was also engaged in the cement manufacturing and sale business. Since our Premises Vacation, our Shanghai operations are involved in trading activities only. Our products are mainly sold to customers in the provinces of Shandong, Jiangsu and Anhui as well as Shanghai under the trademark "泰立" (Titan) and are primarily used in infrastructure projects including roads, highways, bridges, railways and building construction. Shanghai SAC has renewed the registration of the trademark "泰立" (Titan) for 10 years up to November 2016 and also owns patents for certain of its production technologies.

BASIS OF PREPARATION

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

The basis of combination and the accounting policy on business combination are detailed in note 3 of the Accountants' Report set out in Appendix I to this prospectus.

The financial information is presented in HK$ which is different from the functional currency of our Company, RMB, as the Directors consider that HK$ is the most appropriate presentation currency in view of its place of listing is in Hong Kong.

CRITICAL ACCOUNTING POLICIES

The principal accounting policies adopted in preparation of our financial statements are based on HKFRS. A summary of such principal accounting policies adopted in the preparation of our financial statements is set out in note 3 to the Accountants' Report in Appendix I to this prospectus. The following is a discussion of those accounting policies that we believe are most critical in preparing our financial statements.

Revenue recognition

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

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

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

Technical services income is recognised when services are provided.

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

Property, plant and equipment

Property, plant and equipment, including buildings held for use in production or supply of goods or services, or for administrative purpose other than construction in progress, are stated at cost less subsequent accumulated depreciation and accumulated impairment losses. Depreciation is provided to write off the cost of property, plant and equipment, other than construction in progress, over their estimated useful lives and after taking into account their estimated residual values, using the straight-line method.

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

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

Estimated useful lives of property, plant and equipment

In applying the accounting policy on property, plant and equipment with respect to depreciation, management estimates the useful lives of various categories of property, plant and equipment according to the industrial experiences over the usage of property, plant and equipment and also by reference to the relevant industrial norm. If the actual useful lives of property, plant and equipment is less than the original estimate useful lives due to changes in commercial and technological environment, such difference will impact the depreciation charge for the remaining period. The property, plant and equipment are depreciated on a straight-line basis at the following rates per annum after taking into account the estimated residual values:

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

Mining right

On initial recognition, mining right acquired separately is recognised at cost. After initial recognition, mining right is carried at costs less accumulated amortisation and any accumulated impairment losses. Gain or loss arising from derecognition of mining right is measured at the difference between the net disposal proceeds and the carrying amount of the asset and is recognised in profit or loss when the asset is derecognised.

Leasing

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

Our Group as lessee

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

Leasehold land and building

When a lease includes both land and building elements, our Group assesses the classification of each element as a finance or an operating lease separately based on the assessment as to whether substantially all the risks and rewards incidental to ownership of each element have been transferred to

our Group. Specifically, the minimum lease payments (including any lump-sum upfront payments) are allocated between the land and the building elements in proportion to the relative fair values of the leasehold interests in the land element and building element of the lease at the inception of the lease.

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

Properties held for sale

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

Inventories

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

Borrowing costs

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

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

Government grants

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

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

Financial instruments

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

Effective interest method

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

The effective interest method is also used to calculate the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period to the net carrying amount on initial recognition.

Impairment of financial assets

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

Objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation; or
- the disappearance of an active market for that financial asset because of financial difficulties.

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

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

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

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

SIGNIFICANT FACTORS AFFECTING OUR RESULTS OF OPERATIONS

Our operating results are most significantly affected by the following factors:

(i) Growth of the construction industry in the provinces of Shandong, Jiangsu, Anhui and Shanghai

During the Track Record Period, our revenues were mainly derived from sales of cement and clinker in Shandong Province, Jiangsu Province, Anhui Province and Shanghai, which were within 200 kilometres from our production facilities or along the route of the Grand Canal between Taierzhuang and Shanghai. Economic and market conditions in these regions would significantly impact the demand for and pricing of our products. In particular, the change in economic conditions will affect the level of construction activities from the private sector, while the demand of our products is sensitive to the level of construction activities. Furthermore, the availability and costs of raw materials, costs of energy supply, labour costs and other operating expenses are also affected by the market conditions.

Besides the private sector, the PRC government from time to time issues new industry policies to adjust the level of investment in infrastructure projects and real estate development through economic and administrative means. These policies could have a significant impact on our business. As a continuation to the Eleventh Five-Year Plan, the PRC government will continue in its Twelfth Five-Year Plan to invest in major infrastructure and development projects between 2011 and 2015; for instance, the construction of regional mass transport systems and increase the supply of social housing or affordable homes (保障性住房) for low income families.

As the construction industry and the real estate sector are closely monitored by the government to prevent over-heating, any change in government policies, economic conditions, operating environment and/or market sentiment of these sectors in the region where we operate will greatly affect the demand of our cement products and thus would affect our profitability and financial performance.

(ii) Our profit margins is affected by the market price of cement

During the Track Record Period, we have recorded gross profit margins of 8.4%, 6.3%, 11.5% and 15.8% for the years ended 31 December 2008, 2009 and 2010 and the six months ended 30 June 2011 respectively. Our gross profit margins were significantly affected by the selling price of our cement products. For the corresponding years/period the average selling prices of our cement products in Shanghai were approximately RMB289.4, RMB246.4, RMB294.8 and RMB387.0 per ton respectively, and the average selling prices of our cement product in Shandong were approximately RMB207.9, RMB197.8, RMB211.7 and RMB278.3 per ton respectively. As there is no government price control on cement products, our selling prices are closely related to the prevailing market prices, which are affected by the demand and the supply of clinker, cement and concrete in the regions where we operate. Furthermore, as an industry practice, we typically are not able to fix the price of our products beforehand with our customers until the time of delivery. There is no effective measures that allow us to ensure our revenue is immune from changes in market prices.

For our cement trading business in Shanghai, there is no restriction imposed by our supplier on the selling price at which we sell the cement products. However, the selling price of cement is still correlated to the prevailing market price. As cement products have specifications set out according to national standards, our customers are able to source their cement supply from other suppliers if such suppliers' prices are more competitive. In the event that we are not able to supply our cement at a competitive price, our revenue from sale of our own products and trading of cement from other suppliers may decrease, which may adversely affected our profitability and financial performance.

(iii) Our cost of sales is affected by the market price of raw materials

For the years ended 31 December 2008, 2009 and 2010 and the six months ended 30 June 2010 and 2011, our raw materials, which primarily included limestone, gypsum, fly ash, pyrite cinder and slag, represented approximately 26.2%, 27.8%, 12.8%, 14.4% and 13.1% of our cost of sales respectively; coal represented approximately 42.1%, 35.3%, 28.4%, 33.6% and 18.4% of our cost of sales respectively; and electricity represented approximately 17.9%, 21.3%, 13.3%, 16.5% and 9.3% of our cost of sales respectively. While our waste heat recovery system will provide part of our electricity needs upon its completion and we have access to abundant supply of limestone supply from our limestone quarry in Shandong Province, we rely on independent third party suppliers for the supply of other raw materials, coal and electricity required for our cement production process. Other than electricity price which is regulated by the PRC government, the market price of other raw materials are generally not regulated and is subject to changes according to prevailing market conditions. If we are unable to pass on part or all of increased costs by increasing our selling prices to our customers, any significant increase in the prices of raw materials, coal or electricity may have a significant impact on our costs of sales, which in turn could have a material adverse effect on our business, profitability and financial performance.

(iv) PRC government incentives may affect our profitability

The PRC government offers VAT refunds to cement producers that are able to demonstrate 30% Recycling Rate pursuant to the *Notice regarding Policies relating to Value Added Tax on Products Made Through Comprehensive Utilisation of Resources and Certain Other Products* promulgated 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 dated 9 December 2008). Our Shanghai plant enjoyed VAT refunds by achieving 30% Recycling Rate, such as utilising slag and fly ash and replacing natural gypsum with desulfurised gypsum during the year ended 31 December 2008 and 2009. We ceased to receive the VAT refunds in 2010 as our Shanghai plant ceased production in late 2009 due to the Premises Vacation. During the years ended 31 December 2008 and 2009, VAT refunds amounted to approximately HK$19.7 million and HK$13.9 million respectively.

In respect of tax relief, our Shanghai operations enjoyed a preferential enterprise income tax rate of 15% as compared with the regular national enterprise income tax rate of 25% for being recognised by the PRC government as a high-new technology enterprise. Following the cessation of cement and clinker production at our Shanghai plant, there has been no preferential tax treatment to our Group. Meanwhile, under the Law of the People's Republic of China on Income Tax of Enterprises with Foreign Investment and Foreign Enterprises, Allied Wangchao had a income tax rate of 12.5% during the Track Record Period under the policy where an enterprise with foreign investment of a production nature would be exempted from income tax in the first and second years and allowed a 50% reduction in the third to fifth years after the first profit-making year ("兩免三減半"). Loss of any of these government tax incentives would adversely affect our profitability and financial performance.

(v) PRC government policies to cement industry

The PRC government has implemented, and may in the future implement, new policies in the cement and construction industries, which will affect our profitability. For instance, in 2010, the PRC government has introduced measures to cool down the price hike in the residential property markets, such as raising the minimum down-payment for second-home purchases, carrying out purchase restrictions, setting price targets on new properties, and introducing taxes for homes in areas with excessive price growth such as Shanghai. Furthermore, the PRC government has adopted policies intended to accelerate the consolidation of the cement industry, promote technological advancement and improve energy efficiency. All these government policies and control measures will directly or indirectly affect the demand and supply of cement products, which may affect the market price and thus our profitability and financial performance.

IMPACT OF CHANGES IN OUR SHANGHAI AND SHANDONG OPERATIONS ON OUR FINANCIAL PERFORMANCE AND FINANCIAL POSITION DURING THE TRACK RECORD PERIOD

During the Track Record Period, our Shanghai operation had undergone substantial changes as it has ceased cement and clinker manufacturing activities as a result of the Premises Vacation and currently conducts trading of cement only. Our Shandong operation had also undergone changes where (i) Shandong Wangchao, which previously manufactured and sold only clinker, commenced trial production of cement in October 2010; and (ii) Shandong SAC, which previously manufactured cement, had ceased this activity since April 2011 and currently produces slag only.

A summary of the impact of the above changes on our financial performance and financial position is as follows:

1. Changes in production capacity

During the Track Record Period, our cement production capacity had decreased from a level of 1.7 million tons per annum to 1.0 million tons. The Shanghai plant (with capacity of 1.0 million tons per annum) and the Shandong SAC plant (with capacity of 0.7 million tons per annum) had ceased operations while the Shandong Wangchao plant (with capacity of 1.0 million tons) had commenced operations.

During the Track Record Period, our clinker production capacity had decreased from 4,500 tons per day to 2,500 tons per day as the Shanghai plant (with capacity of 2,000 tons per day) ceased operations in end 2009. Clinker is currently produced for our own use for cement manufacturing by the Allied Wangchao plant. Meanwhile, we have commenced our slag production (with capacity of 160,000 tons per annum) through the Shandong SAC plant in April 2011.

2. Changes in sales product mix

During the three years ended 31 December 2008, 2009 and 2010, the proportion of our cement and clinker sales by total revenue from manufacture and sale and trading of cement and clinker were 72.0% : 28.0%, 79.0% : 21.0% and 72.1% : 27.9% respectively. As the clinker produced by Allied Wangchao is predominantly used for our own cement manufacturing after October 2011, the amount of clinker available for sale to third parties decreased. Coupled with the increasing cement trading activities, the proportion of our cement and clinker sales by total revenue from manufacture and sale and trading of cement and clinker revenue was 92.1%: 7.9% during the six months ended 30 June 2011.

3. Changes in revenue mix

Prior to the Premises Vacation, we did not conduct any cement trading activities. Consequently, revenue generated from manufacturing of cement and clinker as a percentage of total revenue were 99.4% and 100.0% for the two years ended 31 December 2008 and 2009 respectively, with the balance being revenue from technical services income.

As our Shanghai operation ceased manufacturing activities and commenced cement trading activities, the proportion of revenue from manufacturing of cement and clinker, and trading of cement as a percentage of total revenue were 65.6% and 34.2% respectively for the year ended 31 December 2010. The proportion of revenue from cement trading further increased to 44.6% of our total revenue during the six months ended 30 June 2011 with the remaining 55.4% attributable to revenue from manufacturing of cement and clinker.

4. Changes in average selling price

The selling prices of cement and clinker are generally higher in Shanghai compared with the Shandong areas. For example, average cement selling prices (per ton) for our Shanghai operations during the three years ended 31 December 2008, 2009 and 2010 and the six months ended 30 June 2011 were RMB289.4, RMB246.4, RMB294.8 and RMB387.0 respectively. The comparative selling prices (per ton) for our Shandong operations were RMB207.9, RMB197.8, RMB211.7 and RMB278.3 respectively. Our overall average selling price will therefore increase as we progressively increase our cement trading operations in Shanghai.

5. Changes in gross profit margins

During the Track Record Period, trading of cement has commanded lower profit margins than manufacture and sale of cement and clinker. For example, its gross profit margin during the year ended 31 December 2010 and six months ended 30 June 2011 were 3.8% and 3.4% respectively while gross profit margin for manufacture and sale of cement were 13.3% and 25.0% respectively during the same period. The increase in proportion of cement trading activities will lower our Group's overall gross profit margins.

6. Changes in cost of sales

The commencement of cement trading at our Shanghai operations necessitated purchase of cement products from third party suppliers. Consequently, the percentage of such purchases in the composition of our cost of sales had increased. During the Track Record Period, as we commenced cement trading from early 2010, purchases of cement products from third party suppliers accounted for nil and nil during the two years ended 31 December 2008 and 2009, and increased to 37.2% and 51.1% of our cost of sales during the year ended 31 December 2010 and six months ended 30 June 2011. Meanwhile, the cessation of cement manufacturing at our Shanghai operation reduces the amount of raw materials, cost of coal and cost of electricity. There was also savings in cost of sales after we commenced our own slag production. The amount of slag purchased from third party suppliers has reduced although there will be increases in purchases of granulated slag (水渣), the raw material to produce slag. As such production only commenced in April 2011, its impact on our cost of sales during the Track Record Period is not material. For illustrative purposes, during the period from May to November 2011, such cost savings had ranged from 1.9% to 19.1% compared to market prices and amounted to savings of approximately RMB1.72 million.

7. Changes in distribution, selling expenses and administrative expenses

Following the Premises Vacation, the employment status of most sales staff of Shanghai SAC has changed from permanent to contract basis. This change resulted in a reclassification of such employees' salaries, commissions and benefits expenses from distribution and selling expenses to administrative expenses. Employee salaries under distribution and selling expenses had decreased from HK$1.0 million during the six months ended 30 June 2010 to about HK$0.2 million during the six months ended 30 June 2011. At the same time, employees salaries under administrative expenses had increased from HK$1.0 million during the six months ended 30 June 2010 to about HK$5.2 million during the six months ended 30 June 2011.

8. Changes in inventory, debtors' and creditors' turnover days

By producing our own slag at the Shandong SAC plant, our inventory management has improved as we can produce the amount of slag in time for our requirements instead of having to purchase and store to ensure immediate availability. The above will have a positive impact on our inventory turnover days. However, depending on our ability to manage supplies sourced from other suppliers for our cement trading business, it will have an impact on our finished goods turnover days. During the Track Record Period, finished goods turnover days increased from 4 days during the two years ended 31 December 2008 and 2009 respectively, to 12 days and 7 days during the year ended 31 December 2010 and six months ended 30 June 2011 respectively as our cement trading business increased.

It is common market practice in Shanghai to grant longer credit periods than Shandong, where sales are typically conducted on cash basis. The increasing sales from our Shanghai cement trading business had increased debtors turnover days from 142 days and 139 days in the two years ended 31 December 2008 and 2009 respectively to 155 days and 153 days for the year ended 31 December 2010 and the six months ended 30 June 2011 respectively.

The commencement of our cement trading business in early 2010 has increased our creditors' turnover days as we are typically given credit periods of up to six months from our cement suppliers. During the Track Record Period, our creditors' turnover days had increased from 34 days and 19 days in the two years ended 31 December 2008 and 2009, to 85 days and 96 days for the year ended 31 December 2010 and the six months ended 30 June 2011 respectively.

9. Changes in taxation

During the Track Record Period, our Shanghai operation had enjoyed preferential enterprise income tax rate of 15% (as compared with the regular national enterprise income tax rate of 25%) for being recognised as a high-new technology enterprise. Following the cessation of cement and clinker production of our Shanghai plant, there has been no preferential tax treatment to the Group.

Our Shanghai plant had also enjoyed VAT refunds amounted to HK$19.7 million and HK$13.9 million during the years ended 31 December 2008 and 2009 respectively by achieving 30% Recycling Rate. Following the Premises Vacation, we ceased to receive VAT refunds.

10. One-off land resumption compensation and related costs

We are entitled to a total compensation of RMB799.9 million due to the Premises Vacation, of which RMB749.9 million had been received up to 30 June 2011. We recognised a gain of HK$528.4 million as a result, after taking into account, among others, losses on disposal of property, plant and equipment of HK$239.7 million, severance payment to employees of HK$90.0 million. We have also written off goodwill of HK$69.5 million.

11. Gains on investment products

Our Group had invested in investment products to enhance the return on our Group's cash holdings after receiving the land resumption compensation. For the year ended 31 December 2009, we received the land resumption compensation of HK$568.4 million in relation to the Premises Vacation. We further received land resumption compensation of HK$287.0 million in 2010. As part of our treasury management, we had invested in (on net basis) approximately HK$29.9 million of structured deposits carried at fair value through profit or loss, approximately HK$58.8 million in unlisted debt securities, and approximately HK$282.4 million in time deposits for the year ended 31 December 2010; and we had invested in (on net basis) approximately HK$284.2 million of structured deposit carried at fair value through profit or loss for the six months ended 30 June 2011. During the year ended 31 December 2010 and the six months ended 30 June 2011, our Group recognised fair value gains of HK$5.5 million and HK$4.3 million on investments in principal protected-structured deposits with banks respectively.

RESULTS OF OPERATIONS OF OUR GROUP

The following table sets forth our selected combined statements of comprehensive income and other financial information for the three years ended 31 December 2008, 2009 and 2010 and the six months ended 30 June 2010 and 2011 as derived from the Accountants' Report of the Company in Appendix I to this prospectus.

Selected Combined Statements of Comprehensive Income

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

Revenue

During the Track Record Period, we derived our revenue from (i) manufacture and sale of cement and clinker; (ii) trading of cement from third party suppliers; and (iii) provision of technical services to other cement producers. The following sets out the breakdown of revenue by business:

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

For reference, the sales volume for each of the Group's products for each year/period during the Track Record Period is set out as follows:

For the year ended 31 December 2008

	Shanghai Plant		Shandong SAC plant		Allied Wangchao plant	
	Sales volume (tons)	Average selling price (RMB/ton)	Sales volume (tons)	Average selling price (RMB/ton)	Sales volume (tons)	Average selling price (RMB/ton)
Clinker	60	299.6	—	N/A	639,774	212.7
Grade 32.5 cement	—	N/A	56,218	198.3	—	N/A
Grade 42.5 cement	686,568	278.0	263,305	209.8	—	N/A
Grade 52.5 cement	294,778	316.2	—	N/A	—	N/A
All grade cement	981,346	289.4	319,523	207.9	—	N/A

For the year ended 31 December 2009

	Shanghai Plant		Shandong SAC plant		Allied Wangchao plant	
	Sales volume (tons)	Average selling price (RMB/ton)	Sales volume (tons)	Average selling price (RMB/ton)	Sales volume (tons)	Average selling price (RMB/ton)
Clinker	—	N/A	—	N/A	510,886	177.5
Grade 32.5 cement	—	N/A	116,249	191.5	—	N/A
Grade 42.5 cement	612,452	239.1	525,785	198.9	—	N/A
Grade 52.5 cement	252,984	263.9	2,064	263.5	—	N/A
All grade cement	865,436	246.4	644,098	197.8	—	N/A

For the year ended 31 December 2010

	Shanghai Plant		Shandong SAC plant		Allied Wangchao plant	
	Sales volume (tons)	Average selling price (RMB/ton)	Sales volume (tons)	Average selling price (RMB/ton)	Sales volume (tons)	Average selling price (RMB/ton)
Clinker	—	N/A	—	N/A	493,090	221.9
Grade 32.5 cement	—	N/A	110,713	200.6	—	N/A
Grade 42.5 cement	362,973	288.7	526,965	206.7	57,483	273.8
Grade 52.5 cement	92,665	318.6	5,732	257.3	—	N/A
All grade cement	455,638	294.8	643,410	206.1	57,483	273.8

For the six months ended 30 June 2010

	Shanghai Plant		Shandong SAC plant		Allied Wangchao plant	
	Sales volume (tons)	Average selling price (RMB/ton)	Sales volume (tons)	Average selling price (RMB/ton)	Sales volume (tons)	Average selling price (RMB/ton)
Clinker	—	N/A	—	N/A	236,851	181.6
Grade 32.5 cement	—	N/A	49,341	182.4	—	N/A
Grade 42.5 cement	108,248	237.8	271,295	188.9	—	N/A
Grade 52.5 cement	46,579	270.8	3,356	244.7	—	N/A
All grade cement	154,827	247.7	323,992	188.4	—	N/A

For the six months ended 30 June 2011

	Shanghai Plant		Shandong SAC plant		Allied Wangchao plant	
	Sales volume (tons)	Average selling price (RMB/ton)	Sales volume (tons)	Average selling price (RMB/ton)	Sales volume (tons)	Average selling price (RMB/ton)
Clinker	—	N/A	—	N/A	85,928	297.1
Grade 32.5 cement	—	N/A	32,484	257.2	29,293	249.7
Grade 42.5 cement	304,389	380.9	304,751	282.8	182,951	277.7
Grade 52.5 cement	70,116	413.4	3,159	331.7	2,956	314.1
All grade cement	374,505	387.0	340,394	280.8	215,200	274.4

Year ended 31 December 2009 compared to year ended 31 December 2008

Revenue decreased by 11.8% from HK$555.9 million for the year ended 31 December 2008 to HK$490.1 million for the year ended 31 December 2009. The decrease was mainly attributable to the falling clinker and cement market price in 2009 resulting from the contraction in the construction industry and excess capacity of cement industry during the year. Specifically, the average selling price of our cement products in Shanghai decreased from approximately RMB289.4 per ton in 2008 to RMB246.4 per ton in 2009, while the average selling prices of our cement and clinker products in Shandong decreased from approximately RMB207.9 and RMB212.7 per ton to RMB197.8 and RMB177.5 per ton respectively during the same period. During the years ended 31 December 2008 and

2009, we sold our cement and clinker at the prevailing market prices in the respective regions and the decrease in average selling prices for Shanghai and Shandong operations in 2009 was in line with the market trend.

In respect of sales volume of cement and clinker, the Group experienced a decrease in sales volume of cement for Shanghai operations during the year ended 31 December 2009 for all cement grades, due mainly to the cessation of cement production and sale in Shanghai from the Premises Vacation in December 2009. The decrease was partly alleviated by the increase in sales volume from Shandong operations, where the total cement sales volume increased from 319,523 tons in 2008 to 644,098 tons in 2009. The relatively low cement sales volume for Shandong operation in 2008 was mainly due to the low utilisation rate of Shandong SAC plant as it ceased to produce clinker in Shandong SAC plant after the cessation of the operation of its kiln with low energy efficiency in January 2008.

Our Group generated revenue of HK$3.1 million for the year ended 31 December 2008 from the technical service provided to a cement production line contractor. We did not have any revenue from this business during the year ended 31 December 2009.

Year ended 31 December 2010 compared to year ended 31 December 2009

Revenue decreased by 7.9% to HK$451.4 million for the year ended 31 December 2010 from HK$490.1 million for the year ended 31 December 2009, mainly due to the cessation of manufacture and sale of clinker and cement in Shanghai upon the Premises Vacation in December 2009.

Operations in Shanghai were shifted to trading of cement, which generated revenue of HK$154.4 million for the year ended 31 December 2010. Average selling price of cement increased due to the increased demand in Shanghai region during the year. However, in terms of sales volume, Shanghai operations experienced a decrease from 865,436 tons in 2009 to 455,638 tons in 2010 as cement trading operation commenced in early 2010 and it took time for us to build up this operation and to increase the trading volume.

Meanwhile, the revenue attributed to the manufacture and sale of clinker and cement was HK$296.3 million, which was all attributable to Shandong operations. There was an increase in average selling prices of cement and clinker which was in line with the prevailing market prices. The price hiked in the PRC cement industry in 2010 mainly due to (i) on 25 November 2009, the Ministry of Industry and Information Technology issued the Notice on Decomposition and Implementation of Backward Production Capacity Elimination Task in 2009, requiring all provinces to phase out backward cement production capacity, which sped up the consolidation of the sector; (ii) the demand of cement increased amid government policies to increase the level of investment in infrastructure projects and development of social housing; (iii) the administrative policy to reduce electricity consumption implemented by the PRC government during the last quarter of 2010 limited the supply of cement and led to further increase in cement market price by the end of 2010. The average selling price of our cement product in Shandong increased from RMB197.8 per ton in 2009 to RMB211.7 per ton in 2010 and the average selling price of our clinker product increased from RMB177.5 per ton in 2009 to RMB221.9 per ton in 2010. In terms of sales volume, Shandong operations had sold comparable amount of cement in 2010 as compared with that in 2009 while the utilisation rate of Shandong SAC plant was also comparable at 91.9% and 91.8% respectively for the years ended 31 December 2009 and 2010. Meanwhile, the Allied Wangchao plant commenced trial production of cement in October 2010 and the corresponding sales

volume of cement from Allied Wangchao plant was 57,483 tons in 2010. As the market price of cement was high in late 2010, the average selling price of cement attained by Allied Wangchao plant was significantly higher at RMB273.8 per ton in comparison to RMB206.1 per ton for the Shandong SAC plant in 2010.

Our Group also generated revenue of HK$0.8 million for the year ended 31 December 2010 from the technical service provided to a cement production line contractor.

Six months ended 30 June 2011 compared to six months ended 30 June 2010

Revenue increased by 142.0% to HK$391.7 million for the six months ended 30 June 2011 compared with the corresponding period in previous year as our average selling price increased. The significant increase was contributed by both the revenue from manufacture and sale of clinker and cement and trading of cement. Substantial increase in revenue from manufacture and sale of clinker and cement was mainly the result of our increasing average selling price which was in line with the prevailing market price. As mentioned above, the price hiked in the PRC cement industry in 2010, in particular towards to the end of 2010 due to the electricity limitation policy implemented by the PRC government which limited the supply of cement continued in the first half of 2011. Our average selling price of cement in Shandong increased by approximately 47.6% from RMB188.4 per ton for the six months ended 30 June 2010 to RMB278.3 per ton for the six months ended 30 June 2011 and that of clinker increased by approximately 63.6% from RMB181.6 per ton to RMB297.1 per ton during the respective periods. In terms of sales volume, there was a sharp increase in the sales volume of cement. Allied Wangchao commenced its trial cement production since October 2010 with a total annual cement production capacity of approximately 1.0 million tons (approximately 0.5 million tons for six months), where the cement grinding system was shifted from Shanghai plant following the Premises Vacation Trial production period ceased when Allied Wangchao obtained production permit in June 2011.

During the six months ended 30 June 2011, despite the low utilisation rate of 22.9 % of cement production capacity of Shandong SAC plant as the plant had ceased its cement production since April 2011, the Group had reached a utilisation rate of 93.5% of cement production capacity of Allied Wangchao plant. On the other hand, cement in corresponding period in previous year was produced wholly by Shandong SAC plant which had annual cement production capacity of approximately 0.7 million tons (approximately 350,000 tons for six months). Accordingly there was a significant increase in production and sales volume of cement for the six months ended 30 June 2011, which increased from approximately 323,992 tons from the corresponding period in previous year to 555,594 tons.

Meanwhile, there was a drop in the sales volume of clinker for the six months ended 30 June 2011 by approximately 63.7% to 85,928 tons as larger amount of clinker produced by us was used for our manufacturing of cement to meet the higher production capacity of the cement grinding system shifted from Shanghai plant.

For revenue from trading of cement, there was a substantial increase by approximately 300.6% to HK$174.6 million for the six months ended 30 June 2011. As mentioned above, cement trading operation commenced in early 2010 and it took time for us to build up this operation. Trading business became stable and trading transactions had been increasing gradually after commencement of trading business and we have been able to maintain business relationships with our major customers in the Shanghai region. Sales volume of the traded cement increased by approximately 141.9% from 154,827

tons to 374,505 tons and in addition, our average selling price of traded cement increased from RMB247.7 per ton to RMB387.0 per ton which was in line with the increasing trend of prevailing market price.

During each of the six months ended 30 June 2010 and 2011, we did not have any revenue generated from provision of technical service.

Revenue breakdown by types of customer

The following sets out our revenue generated from different customer groups:

	Year ended 31 December			Six months ended 30 June	
Types of customer	**2008**	**2009**	**2010**	**2010**	**2011**
	HK$'000	**HK$'000**	**HK$'000**	**HK$'000**	**HK$'000**
Construction companies	142,359	103,664	57,170	20,302	107,295
Ready-mixed concrete stations	194,235	203,406	187,339	70,241	143,292
Clinker or cement traders	29,794	63,266	58,993	13,616	70,729
Downstream manufacturers of cement and cement products	176,597	107,728	135,980	52,561	58,891
Others *(note)*	9,862	12,052	11,207	5,129	11,452
Technical service	3,068	—	755	—	—
Total	555,915	490,116	451,444	161,849	391,659

Note: Include sales to other customers who do not fall into the categories of construction companies, ready-mixed concrete stations, clinker or cement traders and downstream cement and cement products manufacturers. It mainly included direct cash sales to individual retail customers, amounting to approximately HK$9.8 million, HK$11.8 million, HK$10.8 million, HK$5.1 million and HK$11.5 million during the years ended 31 December 2008, 2009 and 2010 and the six months ended 30 June 2010 and 2011 respectively.

The sales to construction companies and downstream manufacturers of cement and cement products decreased significantly for the year ended 31 December 2009 as compared to prior year due to the fall in our selling prices and the cessation of cement manufacturing and sales in Shanghai as mentioned above. Despite the fall in market price, the decrease in our revenue in 2009 was partly offset by the increased sales volume of cement and clinker to ready-mixed concrete stations and cement and clinker traders at our Shandong operations.

The sale to construction companies further decreased to HK$57.2 million in 2010 as (i) it took time for our Shanghai operations to rebuild the trading volume as we progressively developed the trading business from early 2010; and (ii) the increased distance of these customers' work site from our supply location in 2010, which made our price less competitive when transportation costs were taken into account. The decrease in revenue from construction companies was partly offset by the increased revenue from downstream manufacturers of cement and cement products. Meanwhile, our revenue from other customer groups remained relatively stable in 2010.

Except for sale to downstream manufacturers of cement and cement products which remained relatively stable for the six months ended 30 June 2011 compared with the corresponding period in previous year, sale to other types of customers increased significantly. Our trading business in Shanghai

commenced in early 2010 and therefore trading volume was relatively lower for the six months ended 30 June 2010 where the trading business was still in its early stage. Our trading volume had been increasing afterwards when the trading business stabilised. In addition, the increasing average selling price of our traded cement due to the increased demand of cement in the Shanghai region as discussed above further boosted up our sales. In particular, one of our customers which is a construction company, contributed approximately 14.8% to our trading revenue during the six months ended 30 June 2011. Furthermore, there had been an overall increase in our sales volume of cement with the combined effect of increased sales volume from trading and increased cement production capacity as Allied Wangchao plant commenced its trial cement production from October 2010, where the grinding system was shifted from Shanghai plant. As a result, there was a significant increase in sales to all the customer types.

Cost of sales

The following sets out our cost of sales breakdown during the Track Record Period.

	Year ended 31 December						Six months ended 30 June			
	2008		2009		2010		2010		2011	
	HK$'000	% of total cost of sales	HK$'000	% of total cost of sales	HK$'000	% of total cost of sales	HK$'000	% of total cost of sales	HK$'000	% of total cost of sales
Cost of raw materials	133,640	26.2	127,641	27.8	51,120	12.8	22,763	14.4	43,090	13.1
Cost of purchase of cement products for trading	—	—	—	—	148,495	37.2	42,472	27.0	168,632	51.1
Cost of coal	214,088	42.1	162,207	35.3	113,503	28.4	52,949	33.6	60,766	18.4
Cost of electricity	90,969	17.9	97,646	21.3	53,228	13.3	25,950	16.5	30,749	9.3
Depreciation	26,059	5.1	25,577	5.6	10,280	2.6	4,999	3.2	7,987	2.4
Direct labour	4,896	1.0	5,671	1.2	3,149	0.8	1,347	0.9	2,067	0.6
Others	39,469	7.7	40,316	8.8	19,821	4.9	7,052	4.4	16,403	5.1
Total	509,121	100	459,058	100	399,596	100	157,532	100	329,694	100

The cost of sales amounted to HK$509.1 million, HK$459.1 million, HK$399.6 million, HK$157.5 million and HK$329.7 million for the years ended 31 December 2008, 2009 and 2010 and the six months ended 30 June 2010 and 2011 respectively. Our cost of sales mainly includes the cost of raw materials for the manufacture of the clinker and/or cement products, the cost of coal and electricity, depreciation, direct labour and other overheads. For the year ended 31 December 2010 and the six months ended 30 June 2011, the cost of sales also included the purchase of cement products from third party suppliers of approximately HK$148.5 million and HK$168.6 million for our trading business in Shanghai respectively.

Our raw materials comprise mainly limestone, gypsum, fly ash, pyrite cinder and slag. Our cost of raw materials represented approximately 26.2%, 27.8%, 12.8%, 14.4% and 13.1% of our cost of sales, for the years ended 31 December 2008, 2009 and 2010 and for the six months ended 30 June 2010 and 2011 respectively. Coal is the major fuel in our production of clinker and represented approximately 42.1%, 35.3%, 28.4%, 33.6% and 18.4% of our cost of sales for the corresponding years/periods respectively. The change in the amounts as a percentage of the total cost of sales was mainly due to the change in the purchase price and consumption volume. The average purchase price of coal used in our production was approximately RMB793, RMB589, RMB717, RMB703 and RMB720 per ton for the corresponding years/periods respectively, while the coal consumption was approximately 238,077 tons,

240,865 tons, 151,675 tons, 66,755 tons and 67,138 tons respectively. There was a lower consumption of coal for the year ended 31 December 2010 due to the Premises Vacation. The amount of coal consumed for the six months ended 30 June 2011 was comparable to that of 2010. Coal is for heating up the kilns during the calcinations process of raw materials for the formation of clinker and the volume of clinker produced during the corresponding periods remained stable at 441,462 tons and 444,773 tons respectively for the six months ended 30 June 2010 and 2011. Meanwhile, electricity represented approximately 17.9%, 21.3%, 13.3%, 16.5% and 9.3% of our cost of sales for the corresponding years/periods, respectively. The increase of the cost of electricity as a percentage of total cost of sales for the year ended 31 December 2009 compared with that of 2008 was in line with the increased electricity price during the year. The corresponding percentage for the year ended 31 December 2010 decreased as our waste heat recovery system commenced its trial operation in September 2010, which provided part of our electricity needs at a lower cost. Cost of electricity represented 16.5% and 9.3% of our cost of sales for the six months ended 30 June 2010 and 2011, respectively. The lower percentage of electricity cost of our total cost of sales for the six months ended 30 June 2011 was due to the benefits of the waste heat recovery system described above.

Gross profit

Our gross profits amounted to HK$46.8 million, HK$31.1 million, HK$51.8 million and HK$62.0 million for the years ended 31 December 2008, 2009 and 2010 and the six months ended 30 June 2011, representing gross profit margins of 8.4%, 6.3%, 11.5% and 15.8% respectively. For reference, the gross profit margin for each of the Group's products for the manufacturing and trading business during the Track Record Period is set out as follows:

	Year ended 31 December			Six months ended 30 June	
	2008	2009	2010	2010	2011
Overall	8.4%	6.3%	11.5%	2.7%	15.8%
Manufacturing					
Manufacture and sale of clinker	13.2%	8.9%	18.2%	4.3%	31.0%
Manufacture and sale of cement	5.9%	5.7%	13.3%	1.6%	25.0%
Trading					
Trading of cement	N/A	N/A	3.8%	2.6%	3.4%

Gross profit margins decreased to 6.3% for the year ended 31 December 2009 from 8.4% for the year ended 31 December 2008 mainly due to the decrease in average selling price of both cement and clinker products, while the decrease in overall cost of sales, in particular the decrease in cost of coal, has partly offset the effect of lower selling price.

Our average selling price of cement of our Shandong SAC plant decreased from RMB207.9 per ton for the year ended 31 December 2008 to RMB197.8 per ton for the year ended 31 December 2009 and that of our Shanghai plant decreased from RMB289.4 per ton to RMB246.4 per ton during the corresponding years, representing a decrease of average selling price of approximately 4.9% and 14.9% respectively, whereas gross profit margin from manufacture and sale of cement decreased slightly from 5.9% for the year ended 31 December 2008 to 5.7% for the year ended 31 December 2009 which was mainly due to the corresponding decrease in our cost of sales of cement, in particular decrease in our

cost of purchasing raw materials and cost of coal for manufacturing cement and cost of transporting cement to our customers. Accordingly such gross profit margin could be maintained at a stable level for the year ended 31 December 2009 compared with that of 2008.

The overall gross profit margin increased to 11.5% for the year ended 31 December 2010 mainly due to the significant improvement in self-manufactured cement and clinker selling prices in the second half of 2010. We also recognised a gross profit margin of 3.8% from our cement trading business in Shanghai which commenced in late 2009 after the cessation of cement manufacturing and sale due to the Premises Vacation. Compared to the sale of self-manufactured clinker and cement, the gross margin for trading of cement is typically lower.

The overall gross profit margin increased significantly from 2.7% for the six months ended 30 June 2010 to 15.8% for the six months ended 30 June 2011. The improvement in margin was mainly the result of increased selling price of both cement and clinker, while cost of raw materials purchased and cost of coal remained stable and a lower cost of electricity was achieved through the use of waste heat recovery system to generate electricity, which commenced trial operation since September 2010. Average selling price of clinker and cement increased substantially by approximately 63.6% and 47.6% respectively during the corresponding periods, resulting in a significant increase in gross profit margin as cost of sales was relatively stable. In addition, improved gross profit margin from trading of cement contributed to the improved overall gross profit margin due to the gradual stabilisation of the Group's trading business which commenced in early 2010 and the increasing selling price of the traded cement for the six months ended 30 June 2011.

Other income

The following sets out our other income breakdown during the Track Record Period.

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

During the Track Record Period, our other income included mainly the interest income on bank deposits and loan receivable and refund of value added tax. Our other income decreased from HK$29.4 million for the year ended 31 December 2008 to HK$17.9 million for the year ended 31 December 2009 mainly due to the decrease in refund of value added tax and subsidy income. Our Group ceased to receive value added tax refund since late 2009 as our Shanghai production ceased operation due to the Premises Vacation and our Shandong production did not qualify for the value added tax refund during

the Track Record Period. The lower subsidy income in 2009 as compared to that of 2008 was mainly due to the fact that we received an one-off subsidy from the government agencies for our technology development efforts in our production facilities in 2008.

Our other income decreased to HK$12.9 million for the year ended 31 December 2010 as our Group ceased to receive value added tax refund since late 2009 as abovementioned. Such decrease was partly offset by (i) the increase in interest income on bank deposits resulting from the increase of our bank deposits; and (ii) interest income from loan receivable of HK$2.2 million.

Our other income increased significantly from HK$5.9 million for the six months ended 30 June 2010 to HK$10.9 million for the six months ended 30 June 2011 which was mainly attributable by (i) the increase in interest income on bank deposits resulting from increase in average time deposit balance during the corresponding periods and (ii) increase in sundry income, mainly contributed by HK$3.3 million of sales proceeds from disposal of fixed assets.

Net foreign exchange gain

The net foreign exchange gain was relating to translation of Hong Kong dollars monetary assets and liabilities to functional currency (i.e. RMB) of the Group. In particular, as at 31 December 2008, the amount due to former immediate holding company of HK$289.6 million, and as at 31 December 2009 and 2010, the amount due to immediate holding company of HK$284.7 million and HK$342.1 million respectively was denominated in Hong Kong dollar, which were different from the functional currency of SAC Holdings, which is Renminbi. The retranslation of such amount which was denominated in Hong Kong dollar to the functional currency of Renminbi had given rise to a foreign exchange gain of HK$19.5 million and HK$9.9 million for the years ended 31 December 2008 and 2010 respectively.

In particular, the net foreign exchange gains of HK$25.6 million for the year ended 31 December 2008 were mainly attributable to exchange translation gain of the aforesaid Hong Kong dollars amount due to former immediate holding company amounting to HK$19.5 million, exchange translation gain of Hong Kong dollars working capital loan amounting to HK$5.8 million, and exchange translation gain of other Hong Kong dollars monetary assets and liabilities amounting to HK$0.3 million. There was no foreign exchange gain or loss for the year ended 31 December 2009 as the exchange rate of RMB against HK$ remained stable during the year and accordingly the same exchange rate had been adopted for both years ended 31 December 2008 and 31 December 2009. The net foreign exchange gains of HK$13.1 million for the year ended 31 December 2010 were mainly attributable to the exchange translation gain of the aforesaid Hong Kong dollars amount due to immediate holding company amounting to HK$9.9 million, exchange translation gain of Hong Kong dollars working capital loan amounting to HK$3.4 million, and net off with exchange translation loss of other Hong Kong dollars monetary assets and liabilities amounting to HK$0.2 million. The net foreign exchange gains of HK$9.6 million for the six months ended 30 June 2011 were mainly attributable to the exchange translation gain of the Hong Kong dollars amount due to immediate holding company amounting to HK$7.1 million and exchange translation gain of Hong Kong dollars working capital loan amounting to HK$2.4 million. These net exchange gains arose out of ordinary course of our business which is recurring in nature. There was no foreign exchange gain or loss for the six months ended 30 June 2010 as the exchange rate used by the Group was the same as the one used as at 31 December 2009 in relation to the translation.

Our Directors considered that our Group's exposure to foreign currency exchange risk is insignificant as the majority of our transactions is denominated in the functional currency of the respective group entities. Our Group currently does not have a foreign currency hedging policy. Notwithstanding, the management monitors foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arise.

Distribution and selling expenses

The table below sets forth the major components of our distribution and selling expenses for the periods indicated.

	Year ended 31 December						Six months ended 30 June			
	2008		2009		2010		2010		2011	
	HK$'000	% of revenue	HK$'000	% of revenue	HK$'000	% of revenue	HK$'000	% of revenue	HK$'000	% of revenue
Employee salaries, commissions and benefits	1,063	0.2	1,535	0.3	1,066	0.2	1,024	0.6	175	0.0
Warehouse expenses	2,042	0.4	2,034	0.4	871	0.2	325	0.2	255	0.1
Transportation	1,059	0.2	918	0.2	337	0.1	293	0.2	407	0.1
Rental expenses	497	0.1	497	0.1	819	0.2	630	0.4	—	N/A
Others	1,981	0.3	1,616	0.3	1,436	0.3	671	0.4	799	0.2
Total	6,642	1.2	6,600	1.3	4,529	1.0	2,943	1.8	1,636	0.4

Our distribution and selling expenses primarily consist of employee benefit expenses, warehouse expenses, transportation charges and rental expenses. Our distribution and selling expenses were approximately HK$6.6 million, HK$6.6 million, HK$4.5 million, HK$2.9 million and HK$1.6 million for the years ended 31 December 2008, 2009 and 2010 and the six months ended 30 June 2010 and 2011 respectively, representing approximately 1.2%, 1.3%, 1.0%, 1.8% and 0.4% of our revenue for the corresponding financial years/periods.

The sale of our products is conducted by our sales team located at Shanghai and Shandong Province, where the sales team members are remunerated with basic salaries and commissions based on sales. Employee salaries, commissions and benefit expenses increased from HK$1.1 million for the year ended 31 December 2008 to HK$1.5 million for the year ended 31 December 2009 due to the increase in spending on staff benefits. Upon the Premises Vacation, there was no material change in the number of sales team member for the year ended 31 December 2010 despite the cessation of our cement production in Shanghai during the year. Notwithstanding the general increase in staff base salary by 15% to 20%, the employee commission expenses decreased in line with the decrease in our revenue for the year ended 31 December 2010. Despite there was no material change in the number of sales team member for the year ended 31 December 2010 as aforesaid, there had been a change in the employment status of the employees of Shanghai SAC from permanent to contract in relation to the Premises Vacation which mainly started in the second half of 2010 where the relevant salaries had been recognised under administrative expenses, and therefore resulted in a decrease in employee salaries, commissions and benefits recognised under distribution and selling expenses for the six months ended 30 June 2011 compared with the six months ended 30 June 2010. The internal transfer of staff among departments during the six months ended 30 June 2011 also contributed to reclassification of relevant salaries recognised under distribution and selling expenses in corresponding period in previous year to

administrative expenses for the six months ended 30 June 2011. Both of the above arrangements were in line with the increase in salary and benefits under administrative expenses for the six months ended 30 June 2011.

We have our own warehouses for storage of raw materials and finished cement products. We incurred warehouse expenses in managing the inventory. The decrease in warehouse expenses and transportation charges for the year ended 31 December 2010 compared with that of 2009 was mainly due to the cessation of cement production in Shanghai upon the Premises Vacation. Our Shanghai operations have been engaged in trading of cement products where we sell the cement products sourced from other local cement producers to our customers, resulting in a significant decrease in warehouse expenses in 2010. Increase in transportation costs for the six months ended 30 June 2011 compared with that of 2010 was consistent with our increased sales transactions. Revenue increased from HK$161.8 million to HK$391.7 million during the corresponding periods.

The transportation costs included under distribution and selling expenses referred only to short haul transportation borne by us in certain sale transactions. For both our sale and trading businesses, the selling prices would be quoted either with or without the transportation costs. In case the selling price includes the transportation costs, the corresponding transportation expenses incurred by us are recognised in cost of sales. In case the selling price excludes the transportation costs, the customer will typically arrange and settle the transportation costs with the cement supplier directly.

Meanwhile, the rental expenses increased from HK$0.5 million for the year ended 31 December 2009 to HK$0.8 million for the year ended 31 December 2010 mainly due to the rental of a new transit facility in Shanghai to facilitate our cement trading business, where a fix monthly rental was paid. The Group ceased renting that transit facility from January 2011 and no rental expenses were incurred for the six months ended 30 June 2011 accordingly.

Administrative expenses

The table below sets forth the major components of our administrative expenses for the periods indicated.

	Year ended 31 December						Six months ended 30 June			
	2008		2009		2010		2010		2011	
	HK$'000	% of revenue	HK$'000	% of revenue	HK$'000	% of revenue	HK$'000	% of revenue	HK$'000	% of revenue
Audit fee	1,067	0.2	971	0.2	741	0.2	165	0.1	399	0.1
Depreciation	1,737	0.3	1,447	0.3	971	0.2	474	0.3	1,258	0.3
Former directors remuneration	316	0.1	—	—	—	—	—	—	—	—
Employees salary and benefits	8,168	1.5	7,559	1.6	3,987	0.9	1,048	0.6	5,198	1.3
General administrative expenses	7,068	1.2	5,051	1.0	2,704	0.6	479	0.3	2,735	0.7
Legal and professional fees	524	0.1	1,444	0.3	394	0.1	143	0.1	1,232	0.3
Provision on litigation compensation	—	—	1,282	0.3	—	—	—	—	—	—
Insurance	1,036	0.2	313	0.1	242	0.1	128	0.1	326	0.1
Loss on disposal of property, plant and equipment	23	0.0	160	0.0	3,194	0.7	2,597	1.6	221	0.1
Office expenses	1,713	0.3	2,515	0.5	1,896	0.4	268	0.1	1,108	0.3
Travelling expenses	1,233	0.2	1,026	0.2	459	0.1	163	0.1	904	0.2
Tax and levy	1,302	0.2	2,503	0.5	1,050	0.2	299	0.2	636	0.1
Others	1,524	0.3	232	0.0	2,115	0.4	303	0.2	998	0.3
Total	25,711	4.6	24,503	5.0	17,753	3.9	6,067	3.7	15,015	3.8

Our administrative expenses primarily include audit fee, depreciation, employee benefit expenses, general administrative expenses, loss on disposal of property, plant and equipment, office expenses, travelling expenses and tax and levy. Our administrative expenses were approximately HK$25.7 million, HK$24.5 million, HK$17.8 million, HK$6.1 million and HK$15.0 million for the years ended 31 December 2008, 2009 and 2010 and the six months ended 30 June 2010 and 2011 respectively, representing approximately 4.6%, 5.0%, 3.9%, 3.7% and 3.8% of our revenue for the corresponding financial years/periods.

The decrease in our administrative expenses for the year ended 31 December 2010 as compared with the years ended 31 December 2008 and 2009 was mainly due to the Premises Vacation, resulting in the cessation of cement production and thus, a reduction in staff needed for carrying out our business operations in Shanghai. Accordingly a decrease in employees salary and benefits and general administrative expenses was recorded.

The balance of general administrative expenses of HK$7.1 million for the year ended 31 December 2008 also included our share of administrative expenses of HK$1.5 million reimbursed to Star Telecom Holding Limited, a subsidiary of our former substantial shareholder. No such share of administrative expenses was recognised during the years ended 31 December 2009 and 2010.

The decrease in administrative expenses in 2010 was partly offset by the increase in loss on disposal during 2010 in connection with the Premises Vacation where the proceeds from disposals were lower than the respective net book value of the disposed items.

A provision of HK$1.3 million was made in our financial statements for the year ended 31 December 2010 as our Group was involved in a court case at the Taierzhuang District People's Court (台兒莊區人民法院) for claim on damages in connection with an accident in our production facility in Allied Wangchao plant. The claimant, being an employee of Allied Wangchao, alleged negligence and/or breach of employer's duty and/or statutory duty on the part of Allied Wangchao leading to his disability as a result of the accident. Judgment was made against Allied Wangchao ordering it to pay RMB1,115,388.6 to the plaintiff. Shandong SAC has made an appeal to the Zaozhuang City Intermediate People's Courts (棗莊市中級人民法院) on 12 October 2010 and the court set aside Taierzhuang District People's Courts' judgment on 20 December 2010 and remitted the case to Taierzhuang District People's Court for re-trial. As at the Latest Practicable Date, the judgment is still pending .

The increase in our administrative expenses for the six months ended 30 June 2011 as compared with that of 2010 was the result of increasing business needs which was in line with the increase in our revenue during the corresponding periods. The increase was mainly attributable to the increase in (i) depreciation charges by HK$0.8 million as our depreciation charges on office furniture, fixtures and equipment in Shanghai in previous year were net off with gain on land resumption exercise in connection with the Premises Vacation, where the land resumption had been completed in 2010 and therefore depreciation charges for the six months ended 30 June 2010 were particularly low. In addition, there was an addition of office premises in Shanghai as buildings and structures by late 2010 where depreciation changes were recognised for the six monthly ended 30 June 2011. In light of the above, an increased depreciation charges for the six months ended 30 June 2011 resulted; (ii) increase in employees salary and benefits by HK$4.2 million mainly due to the net off of employee salary and benefits expenses in previous year with gain on land resumption exercise; and general increase in employees basic salary by 11% and 13% on average respectively in Shanghai and Shandong which was in line with the improvement in our Group's overall performance in the first half of 2011. All other administrative expenses also increased for the six months ended 30 June 2011 which was consistent with our improved performance.

Finance costs

Our finance costs comprise interest payments for borrowings from financial institutions and loan from our related parties. A breakdown of finance costs for the years ended 31 December 2008, 2009 and 2010 and the six months ended 30 June 2010 and 2011 is presented as follows:

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

Finance costs decreased by 25.5% from HK$12.4 million for the year ended 31 December 2008 to HK$9.2 million for the year ended 31 December 2009 mainly due to the reduced interests incurred on bank loans in line with the decrease in interest rate and the decrease in borrowings from HK$213.4 million as at 31 December 2008 to HK$86.9 million as at 31 December 2009. The repayment of loan in 2009 was attributable to the increase in cash balance as we received compensation in relation to the Premises Vacation in late 2009. The finance cost further decreased in 2010 as the average loan balance of our Group in 2010 was lower than that in 2009.

Our Group recognised a loss on early repayment of interest-free amount due to a non-controlling interest of HK$2.7 million for the year ended 31 December 2010. The Group had a non-current interest-free advance from a non-controlling interest with principal amount of approximately HK$3.2 million. Based on the repayment schedule estimated by the Group, the amount was stated at amortised cost of HK$450,000 and HK$475,000 as at 31 December 2008 and 2009 respectively by using an effective interest method in accordance with the Hong Kong Accounting Standard 32 *Financial Instruments: Disclosure and. Presentation and 39 Financial Instruments: Recognition and Measurement.*

During the year ended 31 December 2010, the Group had made early full repayment to the non-controlling interest. The difference between the amortised cost of the advance from non-controlling interest amounting to HK$481,000 and the settlement amount at nominal value amounting to approximately HK$3.2 million was charged to profit or loss as loss on early repayment of interest-free amount due to a non-controlling interest.

The increase in finance cost from HK$1.1 million for the six months ended 30 June 2010 to HK$2.2 million for the six months ended 30 June 2011 was mainly due to the reclassification of waste heat recovery system and cement grinding system from construction in progress as at 31 December 2010 to buildings and structures and plant and machinery during the six months ended 30 June 2011 as the construction of the systems were yet to be completed as at 31 December 2010. Accordingly, the relevant finance cost on borrowings to finance such construction had been capitalised as construction in progress as at 31 December 2010, while the relevant finance cost was charged to the statement of comprehensive income during the six months ended 30 June 2011.

Income tax

During the Track Record Period, we generated income only in the PRC and were subjected only to the PRC taxes. We have recognised income tax charges of HK$3.6 million, HK$0.9 million, HK$143.6 million, HK$136.5 million and HK$14.7 million for the years ended 31 December 2008, 2009 and 2010 and the six months ended 30 June 2010 and 2011 respectively. We have also recognised net deferred tax charges of HK$0.9 million for the year ended 31 December 2008, deferred tax credit of HK$1.4 million for the year ended 31 December 2009, deferred tax credit of HK$2.6 million for the year ended 31 December 2010, deferred tax credit of HK$4.3 million for the six months ended 30 June 2010 and net deferred tax charges of HK$2.1 million for the six months ended 30 June 2011 in relation to accelerated tax depreciation, allowance for doubtful debts and withholding tax on undistributed earnings.

The normal corporate income tax rates in the PRC were 25% during the years ended 31 December 2008, 2009 and 2010 and the six months ended 30 June 2010 and 2011, while our corresponding effective tax rates were 7.8%, –5.6%, 27.3%, 28.5% and 24.0% respectively for the corresponding financial years/periods.

The PRC Enterprise Income Tax is calculated at the rates applicable to respective subsidiaries. In accordance with the tax legislations applicable to foreign investment enterprises, Allied Wangchao is entitled to exemptions from the PRC Enterprise Income Tax for the two years commencing from the first profit-making year of operation in 2007 and thereafter, entitled to a 50% relief from the PRC Enterprise Income Tax for the following three years. Allied Wangchao can continue to entitle such tax concession according to the New Law and the charge of PRC Enterprise Income Tax for the year has been provided for after taking these tax incentives into account. The effect of such tax holiday amounted to HK$6.1 million, HK$0.8 million, HK$4.7 million, HK$0.1 million and HK$5.9 million for the years ended 31 December 2008, 2009 and 2010 and the six months ended 30 June 2010 and 2011 respectively.

Furthermore, our effective tax rate was lower than the normal corporate income tax rate for the years ended 31 December 2008 and 2009 as our Shanghai operations enjoyed a preferential enterprise income tax rate of 15% (as compared with the regular national enterprise income tax rate of 25%) for being recognised by the PRC government as a high-new technology enterprise. Following the cessation of cement and clinker production of our Shanghai plant, there has been no preferential tax treatment to our Group.

For its tax assessment for the year ended 31 December 2010 the Group was accorded the preferential tax treatment of 15% based on the notice from the PRC government. Following further review and as advised by the relevant tax authority in September 2011, the Group should not be entitled such preferential tax treatment and accordingly approximately HK$2.1 million of tax was provided for the six months ended 30 June 2011.

The negative effective tax rate of –5.6% for the year ended 31 December 2009 was mainly due to the write back of tax of HK$2.2 million overprovided from prior year. Meanwhile, the effective tax rate of 28.5% and 27.3% during the six months ended 30 June 2010 and the year ended 31 December 2010 respectively exceeded the normal corporate tax rate as we incurred non-deductible expenses of approximately HK$77.7 million (with the respective tax effect amounted to HK$19.4 million), among which approximately HK$69.5 million were in relation to the goodwill written off as a result of the Premises Vacation for the year ended 31 December 2010.

The effective tax rate of 24.0% for the six months ended 30 June 2011 was slightly lower than the normal corporate tax rate which was mainly attributable by HK$5.9 million of effect of tax holiday.

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

Net profit margin

The profit after tax of our Group were approximately HK$53.1 million, HK$10.0 million, HK$374.5 million and HK$53.3 million, representing net profit margins of 9.5%, 2.0%, 83.0% and 13.6% for the year ended 31 December 2008, 2009 and 2010 and the six months ended 30 June 2011 respectively.

The net profit margin decreased to 2.0% in 2009 from 9.5% in 2008 due to the decrease in revenue and gross profit margin amid the weak cement market as abovementioned. At the same time, there was no net foreign exchange gain in 2009 compared to a net foreign exchange gain of HK$25.6 million in 2008. Moreover, the distribution and selling expenses and administrative expenses for the year ended 31 December 2009 had remained more or less the same as that for the year ended 31 December 2008.

The net profit margin increased significantly to 83.0% for the year ended 31 December 2010 mainly due to the gain on land resumption exercise of HK$528.4 million in relation to the Premises Vacation as abovementioned.

The gain on land resumption exercise in relation to the Premises Vacation for the year ended 31 December 2010, which contributed to the significant increase in the profit after tax of our Group, was non-recurring in nature. A reconciliation of the profit to the adjusted profit for the year attributable to owners of the Company excluding the non-recurring items in relation to the Premises Vacation is presented as follows:

For the year ended 31 December 2010

	HK$' million	HK$' million
Profit for the year attributable to owners of the Company		168.3
Adjusted for:		
Gain on land resumption exercise	(528.4)	
Goodwill attributable to relocated Shanghai factory written off under other expenses	69.5	
Taxation attributable to gain on land resumption exercise	132.1	
Adjusted profit for the year attributable to non-controlling interests	198.2	
		(128.6)
Adjusted profit for the year attributable to owners of the Company		39.7

Accordingly the adjusted net profit margin after adjusting for the above items was approximately 10.6% for the year ended 31 December 2010 which increased in line with gross profit margin compared with that of 2009.

The Group recorded an improved net profit margin of 13.6% for the six months ended 30 June 2011, which was consistent with the increase in gross profit margin resulted mainly from the substantially increase in average selling price and sales volume while cost of sales remained relatively stable.

LIQUIDITY AND CAPITAL RESOURCES

Net current assets/liabilities

The following table sets out the details of our current assets and liabilities as at the end of the financial years indicated.

	At 31 December			At 30 June	At 31 October
	2008	2009	2010	2011	2011
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000 (unaudited)
Current assets					
Properties held for sale	1,333	1,333	1,380	1,042	2,330
Inventories	47,996	38,196	41,143	35,380	46,938
Trade and bills receivables	216,369	186,353	191,873	328,198	281,522
Other receivables, deposits and prepayments	26,583	28,886	89,046	98,857	117,441
Amounts due from related parties	29,257	—	47,252	48,193	—
Financial assets designated as at fair value through profit or loss	—	—	35,608	325,040	377,506
Loan receivable	—	—	60,482	—	121,711
Prepaid lease payments on land use rights	439	177	184	188	188
Tax recoverable	721	—	—	—	—
Pledged short-term bank deposits	13,636	—	45,882	124,096	66,265
Time deposits	—	—	282,353	217,139	144,850
Bank balances and cash	59,161	506,011	269,619	70,098	32,711
	395,495	760,956	1,064,822	1,248,231	1,191,462
Assets classified as held for sale	—	260,059	—	—	—
Total current assets	395,495	1,021,015	1,064,822	1,248,231	1,191,462
Current liabilities					
Trade and bills payables	47,908	23,588	92,818	173,440	105,971
Other payables and deposit received	31,041	22,442	49,694	56,875	59,156
Deposit received on land resumption	—	568,382	—	—	—
Amounts due to related parties	326,433	304,175	362,808	372,646	360,562
Tax liabilities	33	1,629	142,666	151,224	145,531
Borrowings due within one year	203,058	27,357	17,647	49,757	51,685
Total current liabilities	608,473	947,573	665,633	803,942	722,905
Net current (liabilities) assets	(212,978)	73,442	399,189	444,289	468,557

Our Group had net current liabilities of HK$213.0 million as at 31 December 2008 mainly attributable to the borrowings due within one year of HK$203.1 million and amounts due to related parties which are repayable on demand of HK$326.4 million. Our net current assets was approximately HK$73.4 million as at 31 December 2009. The increase was mainly due to the repayment of certain aforementioned short-term borrowings balance and reduction in trade and other payables during the year.

Net current assets increased significantly to approximately HK$399.2 million as at 31 December 2010 mainly due to the recognition of the deposit received on land resumption compensation as our gain for the year. Furthermore, our borrowings due within one year decreased from HK$27.4 million to HK$17.6 million during the year as we had re-financed our short-term borrowings with borrowings with longer maturity, our Group had substantially repaid such short-term borrowings.

Net current assets further increased to approximately HK$444.3 million as at 30 June 2011 which was in line with the improved performance of the Group during the six months ended 30 June 2011. There was an increase in bills receivables from HK$66.2 million as at 31 December 2010 to HK$216.7 million as at 30 June 2011. During the six months ended 30 June 2011, the Group had utilised partial deposit received on land resumption compensation to purchase structured deposits, resulting in a significant decrease in bank balances, while a substantial increase in the balance of financial assets designated as at fair value through profit or loss to HK$325.0 million resulted as at 30 June 2011. Increase in trade and bills payables balance from HK$92.8 million to HK$173.4 million and increase in bank borrowings due within one year from HK$17.6 million to HK$49.8 million had partly alleviated the increase in current assets as abovementioned.

As at 31 October 2011, there was an aggregate increase of approximately HK$174.2 million in the balance of financial assets designated as at fair value through profit or loss and loan receivable to HK$499.2 million, as we further invested our cash in (on net basis) an aggregate of approximately HK$166.5 million of structured deposits carried at fair value through profit or loss and loan receivable during the period from July to October 2011. Accordingly, there was a corresponding reduction of approximately HK$167.5 million in the aggregate of our pledged short-term bank deposits, time deposits, bank balances and cash to HK$243.8 million as at 31 October 2011.

Our net current assets increased by approximately HK$24.3 million to approximately HK$468.6 million as at 31 October 2011 mainly due to the decrease in trade and bills payables of approximately HK$67.5 million to HK$106.0 million. This was partly offset by the settlement from related parties which lowered the balance of amounts due from related parties from HK$48.2 million as at 30 June 2011 to nil as at 31 October 2011.

Cash Flow

The following table sets out a summary of net cash flow for the financial years/period indicated.

	Year ended 31 December			Six months ended 30 June
	2008	2009	2010	2011
	HK$'000	HK$'000	HK$'000	HK$'000
Net cash generated from operating activities	55,594	39,798	115,805	6,069
Net cash generated from/(used in) investing activities	14,121	558,676	(371,885)	(234,230)
Net cash (used in)/generated from financing activities	(48,765)	(151,624)	8,128	31,540
Net increase/(decrease) in cash and cash equivalents	20,950	446,850	(247,952)	(196,621)
Cash and cash equivalents at the beginning of the year/period	35,772	59,161	506,011	269,619
Effect of foreign exchange rate changes	2,439	—	11,560	(2,900)
Cash and cash equivalents at the end of the year/period, represented by bank balances and cash	59,161	506,011	269,619	70,098

Net cash generated from operating activities

During the year ended 31 December 2008, our Group had net cash inflow of HK$55.6 million from our operating activities. The cash inflow from operations decreased to HK$39.8 million in line with the decrease in our revenue and gross profit margin during the year. Furthermore, we recognised an increase in working capital in 2009. Specifically, our trade receivables decreased by HK$30.8 million in 2009, which was offset by the decrease in trade payables by HK$24.3 million and decrease in the amount due to our ultimate holding company by HK$12.8 million during the year.

Our cash inflow from operating activities increased significantly for the year ended 31 December 2010 as (i) our gross profit increased during the year due to the price hike in the second half of the year; (ii) our trade payable increased by HK$68.4 million in 2010, which was offset by the increase in inventories by HK$21.8 million resulting from the increase in our cement trading activities.

Our cash inflow from operations decreased significantly to HK$6.1 million for the six months ended 30 June 2011 which was mainly resulted from the decrease in our working capital, in particular attributable to the significant increase in trade and bills receivables by HK$131.7 million. The increase in bills receivables balance was in line with the increasing revenue from trading of cement during the six months ended 30 June 2011 by our Shanghai operations where credit periods granted by us are relatively longer due to the practice of using bank acceptance bills as a form of settlement and in addition, providing longer credit periods helps enhance the competitiveness of our cement trading activities. Details of financial arrangement of our trading business are set out in the paragraph headed "Pricing policy and credit policy" under the section headed "Business" to this Prospectus.

Net cash generated from/(used in) investing activities

Net cash inflow from investing activities for the years ended 31 December 2008 related mainly to repayment from a former fellow subsidiaries and the decrease in pledged short-term deposits. Net cash inflow from investing activities increased substantially to HK$558.7 million as we received the land resumption compensation of HK$568.4 million in relation to the Premises Vacation in late 2009.

Our net cash outflow from investing activities amounted to HK$371.9 million for the year ended 31 December 2010. We further received land resumption compensation of HK$287.0 million in 2010. As part of our treasury management, we had invested in (on net basis) approximately HK$29.9 million of structured deposits carried at fair value through profit or loss, approximately HK$58.8 million in unlisted debt securities carried as loan receivable at amortised cost on our financial statements, and approximately HK$282.4 million in time deposits. We had purchased plant and equipment of approximately HK$99.7 million and pledged bank deposits of approximately HK$45.9 million to banks as collateral to secure short-term bank facilities in respect of bills payables to suppliers.

Our net cash outflow from investing activities amounted to HK$234.2 million for the six months ended 30 June 2011. We had invested in (on net basis) approximately HK$284.2 million of structured deposits carried at fair value through profit or loss and pledged bank deposits of approximately HK$77.1 million to banks as collateral to secure short-term bank facilities in respect of bills payables to suppliers. We had purchased plant and equipment of approximately HK$11.0 million. Meanwhile, we received proceeds from redemption of loan receivable of approximately HK$60.2 million and withdrew time deposits of approximately HK$114.5 million during the six months ended 30 June 2011.

Net cash (used in)/generated from financing activities

During the year ended 31 December 2008, our cash outflow from financing activities amounted to HK$48.8 million as we repaid advanced from former immediate holding company of HK$15.8 million and loans of approximately HK$120.1 million, while our new borrowings amounted to only HK$108.3 million during the year. We have also paid dividends of approximately HK$8.5 million to a non-controlling interest.

Net cash outflow from financing activities increased to HK$151.6 million for the year ended 31 December 2009 as we paid dividend of approximately HK$8.8 million to a non-controlling interest and repaid loans of approximately HK$184.0 million during the year. Meanwhile, our new borrowings amounted to HK$59.0 million during the year.

Net cash inflow from financing activities increased to HK$8.1 million for the year ended 31 December 2010. We paid dividend of approximately HK$5.1 million to a non-controlling interest and repaid loans of approximately HK$34.7 million during the year. Meanwhile, our new borrowings amounted to HK$49.5 million during the year.

Net cash inflow from financing activities further increased to HK$31.5 million during the six months ended 30 June 2011 mainly attributable to advance received from immediate holding company amounted to HK$11.4 million and new bank loans amounted to approximately HK$35.1 million raised. No dividends were paid to non-controlling interests and we repaid approximately HK$10.8 million and HK$1.9 million to banks and non-controlling interests respectively during the six months ended 30 June 2011.

Contingent liability

SAC Holdings and ChinaVision Media have given joint guarantees to a financial institution to secure loan facilities granted to ChinaVision. SAC Holdings did not receive any fee from ChinaVision for such guarantees provided. The aggregate amounts that could be required to be paid if the guarantee was called upon in entirety amounted to HK$262,500,000 at 31 December 2008. The loans were settled in 2009 and the joint guarantee was subsequently released by the lender.

During the years ended 31 December 2009 and 2010 and the six months ended 30 June 2011, a former material supplier of our Group has initiated legal proceeding against Shandong SAC and Allied Wangchao claiming for outstanding construction and material supply costs and compensation of approximately HK$8.4 million which are being disputed. The court judgement was held in favour of the former material supplier. Shandong SAC and Allied Wangchao, as the defendants, had appealed and the higher court had ordered retrial to the case. A total of HK$4.4 million was recognised as trade payable and other payable in relation to these claims as at 30 June 2011. Our Group has assessed the claims and obtained legal advice, and considers that no further provision was required in relation to the potential compensation payable.

Statement of indebtedness

The following table sets out our borrowings as at the dates indicated:

	At 31 December			At 30 June	At 31 October
	2008	2009	2010	2011	2011
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000 (unaudited)
Bank loans					
Within one year	195,785	27,357	17,647	49,757	51,685
More than one year but not exceeding two years	—	9,500	56,082	77,801	74,899
More than two years but not exceeding five years	—	50,082	29,500	—	—
	195,785	86,939	103,229	127,558	126,584
Other loans					
Within one year	7,273	—	—	—	—
More than two years but not exceeding five years	10,341	—	—	—	—
	17,614	—	—	—	—
Amount due to immediate holding company					
On demand	—	284,739	342,135	353,521	355,520
Amount due to former immediate holding company					
On demand	289,630	—	—	—	—
Amount due to ultimate holding company					
On demand	14,641	1,807	1,807	1,807	1,807
Amounts due to former fellow subsidiaries					
On demand	15,003	—	—	—	—
Amount due to a fellow subsidiary					
On demand	—	13,284	13,753	14,084	1
Amounts due to non-controlling interests:					
On demand	4,876	4,345	5,113	3,234	3,234
More than 5 years	450	475	—	—	—
	5,326	4,820	5,113	3,234	3,234
Amount due to a former related company:					
On demand	2,283	—	—	—	—
Total	540,282	391,589	466,037	500,204	487,146

During the Track Record Period, we had borrowed from financial institutions (which were Independent Third Parties) with outstanding balances of approximately HK$213.4 million, HK$86.9 million, HK$103.2 million and HK$127.6 million as at 31 December 2008, 2009 and 2010 and 30 June 2011 respectively.

At 31 December 2008, borrowings of approximately HK$169.3 million were secured or guaranteed by (a) joint guarantees provided by Tian An and our former immediate holding company; (b) property, plant and equipment with carrying amount of approximately HK$81.0 million; (c) land use rights of our Group with carrying amount of HK$16.9 million and (d) trade receivables of approximately HK$3.4 million. At 31 December 2009, borrowings of approximately HK$79.1 million were guaranteed by (a) guarantee provided by Tian An; and (b) joint guarantees provided by Shandong SAC and Shanghai SAC. At 31 December 2010, borrowings of approximately HK$99.6 million were secured or guaranteed by guarantee provided by Tian An and property, plant and equipment with carrying amount of HK$231.2 million. At 30 June 2011, borrowings of approximately HK$54.8 million was guaranteed by Tian An, approximately HK$38.5 million was guaranteed by Tian An and was secured by property, plant and equipment with carrying amount of HK$247.2 million, and approximately HK$30.0 million was guaranteed by SAC Holdings. As at the Latest Practicable Date, our Group had obtained consents from current lenders to release all the financial guarantees provided by Tian An, by replacing them with corporate guarantee provided by our Company upon Listing and operating fixed assets of Shandong Wangchao with current market value of not less than RMB55.0 million as additional security.

Bank and other loans of HK$71.0 million, HK$62.0 million, HK$99.6 million and HK$93.3 million were denominated in HK$ at 31 December 2008, 2009 and 2010 and 30 June 2011. The remaining balance of the bank borrowings were denominated in RMB. The Directors confirmed that our Group did not default in repayment of loans during Track Record Period.

As of 31 October 2011, we had banking facilities of approximately HK$127.1 million, which had been fully utilised.

The following set out our borrowings at fixed interest rates and variable interest rates and the corresponding ranges of effective interest rates (which are also equal to contracted interest rates):

	At 31 December			At 30 June
	2008	2009	2010	2011
	HK$'000	HK$'000	HK$'000	HK$'000
Fixed-rate borrowings	113,422	24,899	3,647	4,217
Variable-rate borrowings	99,977	62,040	99,582	123,341
Total	213,399	86,939	103,229	127,558
Effective interest rate:				
Fixed-rate borrowings	4.83%–7.13%	2.60%–6.90%	4.80%–4.92%	7.8%
Variable-rate borrowings	4.08%–8.39%	2.36%	2.36%–2.72%	2.44%–7.27%

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

In respect of the terms of our current bank loans, our Group undertakes that we will not raise additional debt financing (other than financing obtained from our Group's shareholders) without the prior consent of the lenders. During the Track Record Period, none of our existing lenders had rejected our borrowing request.

The Directors confirm that all of our three outstanding loans, as at the Latest Practicable Date, contains cross default clause. Some of these loans contain restrictive covenants which include:

(i) prohibition of capital reduction;

(ii) prohibition of changes in business. In respect of a loan of Allied Wangchao, it is prohibited from conducting any business other than manufacture and sale of cement and clinker. In respect of a loan of SAC Holdings, it is prohibited from conducting any business other than owning equity interests in the Group's various subsidiaries; and

(iii) prohibition of changes in controlling shareholders and/or their percentage shareholding; or requirement of certain minimal level of shareholding. In respect of a loan of Allied Wangchao, there should be no change in the major shareholders of Allied Wangchao without the consent of the relevant lender. In respect of two loans from a lender to each of SAC Holdings and Allied Wangchao for a term of three years, the Company is required to maintain 100% shareholding interest, directly or indirectly, in each of SAC Holdings and Allied Wangchao. As agreed with the lender, Tian An is required to directly or indirectly hold not less than 70% of the Company. In addition, the following shareholdings (which are consistent with the various shareholdings within the Group upon Listing) are to be maintained during the tenure of the loan:

    (a) The Company shall directly or indirectly own 100% of Allied Wangchao;

    (b) SAC Holdings shall directly own 83.3% of AII-Shanghai; 100% of AII-cement; and 74.37% of Allied Wangchao;

    (c) AII-Shanghai shall directly own 25.63% of Allied Wangchao and 60% of Shanghai SAC; and

    (d) AII-cement shall own 100% of Shandong SAC.

The Directors confirm that the Listing will not result in breaches of the aforesaid restrictive covenants.

We had also borrowed from our former fellow subsidiaries, ultimate holding company, immediate holding company and minority shareholders during the Track Record Period. These loans were unsecured, non-interest bearing and were repayable on demand. The details of these loans are further discussed in the paragraphs headed "related parties transactions" below in this section.

Details of the transactions with our ultimate holding company, immediate holding company, who are considered connected persons of our Group, can also be found in the "Connected transactions" section in this prospectus.

Save as disclosed above, and apart from intra-group liabilities, we did not have any outstanding borrowings and indebtedness at the close of business on 31 October 2011, the latest date of indebtedness statement, any loan capital issued and outstanding or agreed to be issued, bank overdraft, loans or other similar indebtedness, finance lease or hire purchase commitments, liabilities under acceptances or acceptance credits, debentures, mortgages, charges, guarantees or other material contingent liabilities. Our Directors confirm that we had not default in payment during the Track Record Period.

Sufficiency of working capital

Our Directors confirm that, after due and careful enquiry and taking into consideration the financial resources presently available to us, including banking facilities, other internal resources, and the estimated net proceeds of the Share Offer, our Group has sufficient working capital for our present requirements and for at least the next 12 months commencing from the date of this prospectus.

CERTAIN BALANCE SHEET ITEMS

The follow table sets out selected information from the combined statements of financial position.

	At 31 December			At 30 June
	2008	2009	2010	2011
	HK$'000	HK$'000	HK$'000	HK$'000
Total non-current assets	564,914	327,577	361,713	381,898
Total current assets	395,495	1,021,015	1,064,822	1,248,231
Total assets	960,409	1,348,592	1,426,535	1,630,129
Total current liabilities	608,473	947,573	665,633	803,942
Total non-current liabilities	42,356	90,233	114,051	108,975
Total liabilities	650,829	1,037,806	779,684	912,917
Net current (liabilities)/assets	(212,978)	73,442	399,189	444,289
Net assets	309,580	310,786	646,851	717,212
EQUITY				
Share capital	10,000	10,000	—	—
Reserves	106,848	113,557	250,043	304,799
Equity attributable to owners of the Company	116,848	123,557	250,043	304,799
Non-controlling interests	192,732	187,229	396,808	412,413
Total equity	309,580	310,786	646,851	717,212

Property, plant and equipment

Property, plant and equipment consist mainly of buildings and structures, leasehold improvements, plant and machinery, construction in progress, furniture, fixtures and equipment and motor vehicles. The carrying amount of property, plant and equipment reduced from HK$471.1 million as at 31 December 2008 to HK$228.5 million as at 31 December 2009 as we reclassified our buildings and plant and machinery located in Shanghai as assets held for sale in relation to the Premises Vacation.

The net carrying value of our property, plant and equipment increased to HK$346.5 million as at 31 December 2010 due to the net exchange difference adjustment of HK$7.8 million and the additions in construction in progress of approximately HK$97.2 million in relation to the construction of our waste heat recovery system and our cement grinding system in Shandong.

The net carrying value of our property, plant and equipment increased to HK$366.5 million as at 30 June 2011 mainly due to total fixed asset additions amounted to approximately HK$21.1 million, in particular addition of production machineries and equipment for enhancing operations of Allied Wangchao plant which commenced trial cement production since October 2010 and subsequently being qualified and endorsed to produce cement and clinker of all grades upon obtaining production permit in June 2011, and a net exchange difference adjustment of HK$8.4 million, while partly offset by depreciation charge of HK$9.4 million.

Properties held for sale

Properties held for sale represent properties transferred from our trade debtors of Shanghai SAC to our Group in lieu of cash settlement and registered in the name of Shanghai SAC in previous years. The certificates for real estate ownership of these properties held for sales as at 31 December 2008, 2009 and 2010 and 30 June 2011 were held in trust by our management on behalf of our Group. The transfer of legal title of the properties held for sales were completed by August 2011. Given that the aforesaid transfers involve only a change in the legal title of the properties, no gain or loss will be recognised by the Group as a result of the transfer as there is no change in the intention of the Group to hold these properties for sales during the Track Record Period and as at the Latest Practicable Date and therefore they are stated at the lower of cost and net realisable value in accordance with our accounting policies which conform with HKFRS.

Mining rights

Our mining rights have a carrying value of HK$7.8 million as at 30 June 2011. The licence period is 10 years and renewable for another 10 years or more at minimal charges. In the opinion of the directors, the mining right is amortised on a straight line basis over its estimated useful life of 50 years.

Financial assets designated as at fair value through profit or loss and other investments

During the year ended 31 December 2010 and the six months ended 30 June 2011, our Group entered into principal protected-structured deposits with banks. The said deposits were denominated in RMB with the aggregate principal amount of RMB285.0 million and RMB458.0 million respectively (equivalent to approximately HK$335.3 million and HK$551.8 million respectively) with maturity periods ranged from approximately one to nine months and three to nine months respectively. Interests of the structured deposits vary depending on the movement of exchange rate between the US$ and Euro or of the Shanghai Interbank Offered Rate. The entire structured deposits were designated as financial assets at fair value through profit or loss on the initial recognition on our financial statements. During the years ended 31 December 2010 and the six months ended 30 June 2011, the Group recognised fair value gains of HK$5.5 million and HK$4.3 million respectively. The fair values of the said structured deposits at the end of the reporting periods were assessed by our management by reference to the discounted cash flow and applicable yield curve of foreign exchange rate changes or the Shanghai Interbank Offered Rate.

Loan receivable

As at 31 December 2010, our Group had unlisted debt securities which represented notes with principal amount of RMB50.0 million (equivalent to approximately HK$58.8 million) denominated in RMB with fixed interest of 3.50% and matured in March 2011. As at 31 December 2010, the unlisted debt securities were neither past due nor impaired, and the interest would be received upon the maturity of the notes. The unlisted debt securities were recognised as loan receivable carried at amortised costs and its carrying value amounted to HK$60.5 million as at 31 December 2010. The said notes had subsequently matured in March 2011 where our Group had received the principal and interests accordingly. As at 30 June 2011, there was no loan receivable balance.

Details of the investment product transactions entered into by the Group during the year ended 31 December 2010, the six months ended 30 June 2011 and from 1 July 2011 to the Latest Practicable Date are set out as follows:

Investment products	Types of asset	Purchase date	Purchase amount	Maturity date	Gains on disposal
	Note 2		*(RMB)*		*(RMB)*
For the year ended 31 December 2010					
1 Principal protected structured deposit	LR	6 January 2010	200,000,000	28 January 2010	192,877
2 Structured investment deposit	LR	11 March 2010	50,000,000	11 March 2011	1,745,205
3 Trust	LR	11 March 2010	20,000,000	13 June 2010	293,814
			270,000,000		
4 Currency-linked principal protected structured deposit	FVTPL	2 April 2010	80,000,000	31 December 2010	1,602,333
5 Principal protected investment deposit with installments	FVTPL	3 June 2010	30,000,000	2 July 2010	51,247
6 Currency-linked principal protected structured deposit	FVTPL	3 June 2010	50,000,000	3 December 2010	838,750
7 Currency-linked principal protected structured deposit	FVTPL	30 June 2010	95,000,000	31 December 2010	2,058,506
8 Currency-linked principal protected structured deposit	FVTPL	8 December 2010	30,000,000	7 March 2011	267,000
			285,000,000		
For the six months ended 30 June 2011					
9 Currency-linked principal protected structured deposit	FVTPL	6 January 2011	145,000,000	11 April 2011	1,415,764
10 Currency-linked principal protected structured deposit	FVTPL	14 January 2011	45,000,000	11 April 2011	396,938
11 Currency-linked principal protected structured deposit	FVTPL	19 April 2011	30,000,000	17 January 2012	*(Note 1)*
12 Currency-linked principal protected structured deposit	FVTPL	21 April 2011	163,000,000	17 October 2011	3,687,875
13 Shanghai Interbank Offered Rate-linked principal protected structured deposit	FVTPL	9 June 2011	75,000,000	9 March 2012	*(Note 1)*
			458,000,000		
From 1 July 2011 to the Latest Practicable Date					
14 Shanghai Interbank Offered Rate-linked principal protected structured deposit	FVTPL	12 July 2011	25,000,000	12 April 2012	*(Note 1)*
15 Currency-linked principal protected structured deposit	FVTPL	19 August 2011	25,000,000	15 September 2011	104,410
16 Principal protected government bonds and debt instruments	LR	11 August 2011	100,000,000	30 November 2011	1,550,959
17 Exchange rate-linked principal protected structured deposit	FVTPL	3 August 2011	20,000,000	3 November 2011	265,778
18 Exchange rate-linked principal protected structured deposit	FVTPL	20 October 2011	160,000,000	23 April 2012	*(Note 1)*
19 Exchange rate-linked principal protected structured deposit	FVTPL	7 November 2011	20,000,000	28 March 2012	*(Note 1)*
20 Shanghai Interbank Offered Rate-linked principal protected structured deposit	FVTPL	5 December 2011	50,000,000	5 September 2012	*(Note 1)*
21 Exchange rate-linked principal protected structured deposit	FVTPL	6 December 2011	50,000,000	6 March 2012	*(Note 1)*
			450,000,000		

Notes:

1. The investment products have not yet matured.

2. Types of asset represent the classification of the investment products in the financial statements of the Group as below:

   LR: Loan receivable

   FVTPL: Financial assets designated as at fair value through profit or loss and other investments

As at 31 December 2010 and 30 June 2011, our Group had entered several investment product transactions. Depending on the nature of these investment products, they are classified as either (i) financial assets designated as at fair value through profit or loss and other investments, or (ii) loan receivables. These investment products consisted of (i) principal protected structured deposits; and (ii) fixed interest structured investment deposit issued by Bank of East Asia (China) Ltd., Bank of Communications and First Sino Bank respectively.

Our Group had invested in these investment products to enhance the return on our Group's cash holdings, especially after receiving the land resumption compensation. The Directors are of the view that the investment products are low risk and stable in nature as the principal amount is guaranteed by the issuers which are established financial institutions, and pay out interests/coupons on a regular basis. Subject to our Group's capital expenditure and working capital requirements for operations, the Directors may continue to invest in these investment products.

Treasury management

We have implemented internal control measures to monitor and control our investment risk exposure. We invest in low risk investment products with stable returns and investments are made only when our cash balance is sufficient for our Group's capital expenditure and working capital requirements for operations. We make investment decisions after taking into account factors including investment amount, investment period, credibility of bank and level of risk and corresponding return of the investment product. Investment decisions are reviewed by financial controllers and our internal audit department, which then have to be passed to the general manager and the Board for approval.

The Group has adopted treasury policies and investment guidelines in December 2011 which set out the framework for managing our financial assets.

Under our policies and guidelines, the Board may approve the investment in investment products with capital protection issued by banks, government bonds and debt instruments which our Board considers to be low risk; after taking into account the Group's operational and working capital requirements. The finance department is charged with the responsibility of carrying out the treasury management functions including sourcing investment options for consideration and approval by the Board, and thereafter, the monitoring of the investments.

In respect of investment products (which are classified as financial assets designated as at fair value through profit or loss and loan receivable in the Group's combined statements of financial position), these will consist of products which provide capital protection in terms of RMB, which is the Group's functional currency. The Board will also consider the reputation and financial standing of the issuing banks. These investment products typically guarantee a minimum yield which is slightly lower than bank deposit rates but have yield enhancing features. In respect of government bonds and debt instruments, these will be of investment grade and denominated in RMB issued by the PRC government, major financial institutions and corporations.

During the Track Record Period, we had not invested in any government bonds or debt instruments. We began to invest in investment products with capital protection issued by banks during the year ended 31 December 2010. The Group has been maintaining relatively high cash and bank balances after we received the compensation due to the Premises Vacation and pending their deployment for future projects, including the planned development of the factory at Bailonggang, Shanghai.

During the Track Record Period and up to the Latest Practicable Date, we had invested in investment products issued by the Bank of East Asia, the Shanghai Pudong Development Bank, First Sino Bank and Bank of Communication. All these investment products have capital protection features in RMB terms and guaranteed minimum yields. Yield enhancing features were typically tied to (i) a certain level of currency cross rates being achieved; or (ii) a certain level of rates with reference to interbank offer rates being achieved, during the tenure of the investment products. If the prescribed levels were not achieved, the Group will receive the principal amount plus guaranteed yield at maturity. As at 31 December 2010 and 30 June 2011, the carrying value of the Group's investments in investment products amounted to HK$96.0 million and HK$325.0 million.

Inventory

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

Our inventory balance decreased from HK$48.0 million as at 31 December 2008 to HK$38.2 million as at 31 December 2009 mainly due to the decrease in raw material and work in process resulting from the cessation of our cement production in Shanghai upon the Premises Vacation in late 2009. The inventory balance increased to HK$41.1 million as at 31 December 2010 as we commenced our cement trading business in Shanghai, which led to increase in inventory of finished goods. Inventory balance decreased to HK$35.4 million as at 30 June 2011 as since April 2011, our Shandong SAC plant commenced production of slag which is one of our raw materials and accordingly our inventory management was enhanced which lowered our raw materials balance. In addition, higher volume of finished goods had been delivered to customers before the six months ended 30 June 2011 compared with the year ended 31 December 2010 which lowered the finished goods balance as at 30 June 2011.

The following is the aging analysis of our inventory (net of impairment) for the Track Record Period:

	At 31 December			At 30 June
	2008	2009	2010	2011
	HK$'000	HK$'000	HK$'000	HK$'000
Raw material				
0–3 months	16,244	5,785	12,230	11,148
4–6 months	1,945	2,745	6,793	2,171
7–9 months	1,694	1,675	671	3,854
10–12 months	4,590	7,552	1,983	2,365
1–2 years	11,379	11,228	5,637	3,590
2–3 years	—	1,356	—	—
Work in progress				
0–3 months	6,147	3,398	339	317
Finished goods				
0–3 months	5,997	4,457	13,490	11,935
Total inventory	47,996	38,196	41,143	35,380
Inventory turnover days *(note 1)*	34	30	38	20
Finished goods turnover days *(note 2)*	4	4	12	7

Notes:

1. Inventory turnover days are calculated based on the ending inventory balance of a given year/period divided by the cost of goods sold for the corresponding year/period and multiplied by 365 days for the years ended 31 December 2008, 2009, 2010 and by 183 days for the six months ended 30 June 2011.

2. Finished goods turnover days are calculated based on the ending finished goods balance of a given year/period divided by the cost of goods sold for the corresponding year/period and multiplied by 365 days for the years ended 31 December 2008, 2009, 2010 and by 183 days for the six months ended 30 June 2011.

The inventory turnover days decreased to 30 days in 2009 from 34 days in 2008 due to the reduction of our inventories as we ceased our cement production in Shanghai in late 2009 as mentioned above. The balance of raw material with age greater than three months decreased significantly in 2010 as we wrote off a bulk of these spare parts and components after the Premises Vacation while the remaining parts were transferred to Allied Wangchao together with the production facilities. This consisted of mainly spare parts and replacement components of production facilities, typically with long shelf life and minimal obsolescence, which the Group keeps to ensure their immediate availability for maintenance and repair purposes. Such balance remained low as at 30 June 2011.

The inventory turnover days increased to 38 days in 2010 mainly due to the increased of raw material inventory to cope with the production of cement of the newly installed cement grinding system shifted from Shanghai plant, which commenced trial production in October 2010. The turnover days decreased to 20 days for the six months ended 30 June 2011 as inventory management improved with the commencement of slag production in our Shandong SAC plant, which enabled us to produce the amount of slag in time for our requirements instead of having to purchase and store to ensure immediate

availability. By 30 November 2011, approximately HK$28.2 million has subsequently been used/sold from our total inventory balance as at 30 June 2011, representing approximately 79.8% of the balance as at 30 June 2011.

Trade and bills receivables

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

Our total trade and bills receivables amounted to HK$216.4 million, HK$186.4 million, HK$191.9 million and HK$328.2 million as at 31 December 2008, 2009 and 2010 and 30 June 2011 respectively. The decrease in trade receivable balance in 2009 was due to (i) the decreased sales of clinker and cement during the year amid weak market condition during the year; and (ii) the cessation of cement production and sale in relation to the Premises Vacation, our Shanghai operation made minimal sales in the last two months of 2009. Meanwhile, as a common market practice in the region, the sales of cement and clinker products from our Shandong operations were typically conducted on cash basis or on relatively shorter credit terms. This resulted in a significant decrease in bills receivable from HK$99.1 million as at 31 December 2008 to HK$53.2 million as at 31 December 2009.

Our total trade and bills receivables increased slightly to HK$191.9 million as at 31 December 2010. We have commenced our cement trading business in Shanghai in early 2010 and it took time for us to pick up the sales volume. As a result, we generated a lower level of revenue from our Shanghai operations for the year ended 31 December 2010 and our trade and bill receivables as at 31 December 2010 also had a relatively small fluctuation in this connection.

Our trade receivables as at 30 June 2011 remained stable as the trade receivables balance as at 31 December 2010 and 30 June 2011 included mainly receivables from customers of our Shandong operations where settlements were generally done on cash basis or on relatively shorter credit terms as abovementioned. Meanwhile, there was a significant increase in bills receivables balance as at 30 June 2011 as our trading volume of our trading business in Shanghai which commenced in early 2010 was increasing where credit periods granted by us to customers are relatively longer due to the practice of using bank acceptance bills as a form of settlement in Shanghai and in addition, providing longer credit periods helps enhance the competitiveness of our cement trading activities. Details of financial arrangement of our trading business are set out in the paragraph headed "Pricing policy and credit policy" under the section headed "Business" to this prospectus.

The increase in bills receivables was in line with the increasing importance of our trading revenue of our overall revenue, where trading revenue represented approximately 34.2% and 44.6% of our total revenue for the year ended 31 December 2010 and the six months ended 30 June 2011 respectively.

The aggregate amount of allowance made as a percentage of outstanding trade receivable amounted to 21.5%, 18.8%, 4.2% and 4.1% respectively for the corresponding end of the reporting period. The decrease in allowances for bad and doubtful debt made for the year ended 31 December 2010 was due to the write-off of approximately HK$26.1 million in our gross trade receivables as further discussed below. Allowances for bad and doubtful debt remained low for the six months ended 30 June 2011.

The following is the aging analysis of our trade and bills receivables, net of allowance for bad and doubtful debts for the Track Record Period:

	At 31 December			At 30 June
	2008	2009	2010	2011
	HK$'000	HK$'000	HK$'000	HK$'000
0–90 days	173,285	103,665	130,906	260,740
91–180 days	33,830	44,035	27,545	56,009
181–365 days	7,364	23,855	11,331	8,927
Over 1 year	1,890	14,798	22,091	2,522
	216,369	186,353	191,873	328,198
Debtors' turnover days *(Note)*	142	139	155	153

Note: Debtors' turnover days are calculated based on the ending trade receivables of a given year/period divided by the revenue for the corresponding year/period and multiplied by 365 days for the years ended 31 December 2008, 2009 and 2010 and by 183 days for the six months ended 30 June 2011.

As discussed in the sub-section headed "Pricing policy and credit policy" under the "Business" section in this prospectus, our Group has credit policy which allows credit periods ranging from 120 days to 1 year for our customers, which is relatively long compared to other cement companies in the PRC. Credit sales would only offer to customers with sound credit standing and long transaction history with our Group. The debtors' turnover days were 142 days, 139 days, 155 days and 153 days as at 31 December 2008, 2009 and 2010 and the six months ended 30 June 2011, respectively. It remained rather stable during the Track Record Period.

The credit periods which the Group grants to customers are relatively long compared to some other cement companies in the PRC market due to (i) Shanghai being one of our major markets, is comparatively more matured in terms of practice for financial settlements where customers typically expect credit periods and the use of bank acceptance bills as a form of settlement. The trade and bills receivables attributable to the Shanghai operation as at 31 December 2008, 2009 and 2010 and 30 June 2011 represented approximately 83.4%, 88.9%, 88.0% and 80.0% of total trade and bills receivables as at the corresponding years/period end respectively.

In comparison, markets in more rural central and western parts of the PRC may generally have shorter or no credit periods and may require cash settlement upon delivery. While acceptance of three to six-month credit bills from customers will result in longer debtors' turnover days, the Group noted that (i) the credit risk would have effectively been transferred from customers to the issuing banks; and (ii) ability to provide longer credit periods selectively to customers helps enhance the competitiveness of cement trading activities. The Directors believe the Group is able to finance the working capital requirement for granting longer credit periods given the Group's financial strengths, especially in respect of its Shanghai operations. It is common market practice in Shanghai to grant longer credit periods than Shandong, where sales are typically conducted on cash basis. The increasing sales from our Shanghai cement trading business had increased debtors' turnover days from 142 days and 139 days in the two years ended 31 December 2008 and 2009 respectively to 155 days and 153 days for the year ended 31 December 2010 and the six months ended 30 June 2011 respectively.

We seek to maintain strict control over our outstanding trade receivables to minimise our credit risk. Trade receivables are reviewed regularly by management on individual basis for the debtors' repayment record and their credit quality. Our account department is responsible for monitoring the day to day collection of trade receivables. Furthermore, in assessing the credit quality of each individual customer, the responsible sales staff will provide the historical transaction record and the length of business relation with such customer for our account department's reference. The policy of allowance for bad and doubtful debts of our Group is based on the evaluation of collectability and aged analysis of accounts and on our management's judgment by assessing the ultimate realisation of these receivables. Specifically, our account department and our management will assess the creditworthiness of such customer by considering factors such as past collection history and financial health of such customer based on public and market information. Provision on bad and doubtful debts is made individually on each customer as and when appropriate, for example, if the financial conditions of the customer is likely to deteriorate, resulting in an impairment of their ability to make payments. All provision on bad and doubtful debt will be reviewed and approved by our management on a case by case basis. Our Directors are of the view that such measures in monitoring our trade receivables are effective.

The trade and bills receivables past due for over 1 year amounted to HK$1.9 million, HK$14.8 million, HK$22.1 million and HK$2.5 million as at 31 December 2008, 2009 and 2010 and 30 June 2011 respectively. The increase in the balance as at 31 December 2010 was mainly due to the extension of credit term beyond 1 year to certain balances due from our major long term customers during the year with our management approval. Approximately HK$18.6 million of the past due for over 1 year balance of HK$22.1 million as at 31 December 2010 from these customers was subsequently settled up to 31 August 2011 and our business transaction with these customers continue on regular basis up till the Latest Practicable Date. By 30 November 2011, approximately HK$229.8 million has subsequently been settled out of all trade and bills receivables as at 30 June 2011, representing approximately 70.0% of the balance as at 30 June 2011.

The management of the Group are of the opinion that the trade receivables balances past due for over 1 year of approximately HK$22.1 million as at 31 December 2010 were not impaired due to good credit quality for which these customers have long term relationship with the Group with no material default history. There was approximately 87% of the unsettled balance of HK$13.3 million up to 30 April 2011 for the past due receivables as at 31 December 2010 was from three customers which have more than 10 years of business relationships with the Group respectively. Such unsettled balance decreased to HK$3.4 million up to 31 August 2011. Two of these three customers had subsequently

fully repaid their balances which were past due for over 1 year, amounted to approximately HK$7.4 million, while a further partial repayment from a customer, amounted to approximately HK$1.4 million was made from 1 May 2011 to 31 August 2011. In view of subsequent settlements were received from this customer and there were continuous business transactions with the customer where on-going settlements were received, the Group had granted extension of credit periods to this customer and the respective bills had not yet due as at 30 June 2011. Our business transactions with these three customers continue on regular basis up till the Latest Practicable Date, in particular, the two customers who had fully repaid their balances which were past due for 1 year were two of our five largest customers for the six months ended 30 June 2011. The Sponsor has not noticed any disputes between the Group and the customers or any material default history by the customers. In view of the above, the Sponsor is satisfied that the unsettled trade and bills receivables need not be impaired.

The following sets out the movement of allowance for bad and doubtful debts during the Track Record Period.

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

Included in the allowance for bad and doubtful debts are individually impaired trade receivables with an aggregate balance of HK$32.2 million, HK$30.9 million, HK$5.5 million and HK$4.8 million which have either been placed under liquidation or in severe financial difficulties at 31 December 2008, 2009 and 2010 and at 30 June 2011 respectively. Our Group does not hold any collateral over these balances. Our Group has written off HK$0.9 million of our trade receivables for the six months ended 30 June 2011 as our management reviewed the long outstanding trade receivable, which were previously provided for impairment, and considered them uncollectible during the year.

Other receivables, deposits and prepayments

Other receivables, deposits and prepayments comprise mainly the land resumption compensation receivable, advance to our suppliers, subsidy income receivable from government and government agencies, VAT receivable and deposits paid and other prepayments. The balance increased from HK$26.6 million as at 31 December 2008 to HK$28.9 million during the year ended 31 December 2009 mainly due to the increase in deposit and prepayment made during the year. The balance increased significantly to HK$89.0 million as at 31 December 2010 as we had an outstanding land resumption compensation receivable from the government of HK$58.8 million and interest receivable of HK$4.3

million in relation to our time deposits. The balance further increased to HK$98.9 million as our advance to suppliers increased to HK$15.2 million and there was an increase in bank interest income receivables of HK$7.4 million as part of the time deposits are to be matured on or before the end of 2011 and accordingly an increased amount of interest income receivables had been accumulated as at 30 June 2011.

Assets classified as held for sale

The assets classified as held for sale as at 31 December 2009 referred to those of Shanghai SAC attributable to the Premises Vacation, which comprises reclassification of property, plant and equipment of HK$237.9 million, prepaid lease payments on land use rights of HK$8.9 million and other assets, representing severance payment to the employees of HK$4.0 million and demolition expense of HK$9.2 million. The proceeds of the total compensation are expected to exceed the net carrying amount of the relevant assets and, accordingly, no impairment loss has been recognised on the classification of the Shanghai SAC's operation as held for sale.

Up to 30 June 2011, our Group has received compensation of RMB749.9 million from Shanghai Municipal government. The remaining balance of RMB50.0 million was included in other receivables as at 30 June 2011.

Trade and bills payables

Our trade and bills payables amounted to HK$47.9 million, HK$23.6 million, HK$92.8 million and HK$173.4 million as at 31 December 2008, 2009 and 2010 and 30 June 2011, respectively and included amount due to the our suppliers and bills payables, which typically refer to bank acceptance bill we use to settle balances with our suppliers. The trade payables decreased significantly from HK$47.9 million as at 31 December 2008 to HK$23.6 million as at 31 December 2009 mainly due to the cessation of our cement production in Shanghai resulting from the Premises Vacation. The trade payables balance increased significantly to HK$92.8 million as at 31 December 2010 mainly due to the development of our cement trading business in Shanghai, in which case we were typically given a credit period of up to six months from our cement suppliers. The balance further increased significantly to HK$173.4 million as at 30 June 2011 which was in line with our increasing trading volume in Shanghai which had been gradually on track since the commencement of trading business in early 2010.

The following sets out the aging analysis of our trade and bill payables during the Track Record Period.

	At 31 December			At 30 June
	2008	2009	2010	2011
	HK$'000	HK$'000	HK$'000	HK$'000
0–90 days	15,300	16,173	82,310	129,582
91–180 days	29,505	4,095	6,832	38,370
181–365 days	1,177	1,217	521	2,632
Over 1 year	1,926	2,103	3,155	2,856
	47,908	23,588	92,818	173,440
Creditors' turnover days *(Note)*	34	19	85	96

Note: Creditors' turnover days are calculated based on the ending trade and bills payables of a given year/period divided by the cost of sales for the corresponding year/period and multiplied by 365 days for the years ended 31 December 2008, 2009 and 2010 and by 183 days for the six months ended 30 June 2011.

Our creditors' turnover day decreased to 19 days for the year ended 31 December 2009 from 34 days for the year ended 31 December 2008 as our trade and bills payables for our Shanghai operations decreased significantly as a result of the Premises Vacation while the credit period granted to our operations in Shandong was typically shorter in line with market practice in the region.

The creditors turnover days increased significantly to 85 days for the year ended 31 December 2010 mainly due to the commencement of our cement trading business in Shanghai since early 2010 as we are typically given credit periods of up to six months from our cement suppliers. The turnover days further increased to 96 days for the six months ended 30 June 2011 as our trading business had been developed which was in line with its increasing importance as a source of our overall revenue. Our Group was offered a credit period up to six months from our cement suppliers for the year ended 31 December 2010 and for the six months ended 30 June 2011. In light of this, longer creditors' turnover days for the year ended 31 December 2010 and for the six months ended 30 June 2011 were reasonable.

Other payables and deposits received

The following sets out the other payables and deposits received during the Track Record Period.

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

The other payables and deposits received comprised mainly payables for acquisition of property, plant and equipment, receipt in advance from customers, other tax payable and other accrued operating expenses. The balance decreased from HK$31.0 million as at 31 December 2008 to HK$22.4 million as at 31 December 2009 mainly due to (i) the reduction of payables for acquisition of property, plant and equipment in line with the decrease in capital expenditure for our Shanghai operation resulting from the Premises Vacation; and (ii) the decrease of receipt in advance from customers in line with the decrease in our revenue amid weak market condition in 2009.

The balance increased significantly to HK$49.7 million as at 31 December 2010 mainly due to the construction of the waste heat recovery system and the addition of cement production facilities in Shandong during the year. Our receipt in advance from customers also increased from HK$3.9 million as at 31 December 2009 to HK$11.9 million as at 31 December 2010. During the Track Record Period, we received deposits from some of our customers before product delivery in our normal course of business, especially for new customers or when prevailing cement demand was high. The balance as at 31 December 2010 also included the deposit of HK$3.2 million received from a customer purchasing our disposed machinery in Shanghai. During the year, we also accrued cost in relation to land resumption of approximately HK$8.7 million in connection to the Premises Vacation.

The balance further increased to HK$56.9 million as at 30 June 2011 mainly due to the increase in payables for acquisition of property, plant and equipment with further capital expenditure on construction of the waste heat recovery system and cement grinding system. Details of capital expenditure on these systems are set out in paragraph headed "Capital expenditure" of this section.

Bank borrowings

Please refer to the paragraphs headed "Statement of indebtedness" in this section for discussion on our bank borrowings.

SELECTED FINANCIAL RATIOS DISCUSSION

The following table sets out certain financial ratios of our Group as at the end of the financial year/period indicated:

	Year ended 31 December 2008	Year ended 31 December 2009	Year ended 31 December 2010	Six months ended 30 June 2011
Current ratio *(Note 1)*	0.65	1.08	1.60	1.55
Quick ratio *(Note 2)*	0.57	1.04	1.54	1.51
Gearing ratio *(Note 3)*	0.56	0.29	0.33	0.31
Debt to equity ratio *(Note 4)*	1.51	(0.37)	(0.20)	0.12
Return on total asset *(Note 5)*	5.5%	0.7%	26.3%	6.5%
Return on equity *(Note 6)*	17.1%	3.2%	57.9%	14.9%
Interest coverage ratio *(Note 7)*	5.64	2.03	12.59	30.73

Notes:

1. Current ratio is calculated by dividing current assets with current liabilities as at the respective year/period end.

2. Quick ratio is calculated by dividing current assets (less inventory) with current liabilities as at the respective year/period end.

3. Gearing ratio is calculated by dividing the total interest-bearing loans and shareholder's loans with the total assets as at the respective year/period end.

4. Debt to equity ratio is calculated by dividing the net debt (being the total debt less cash on hand) with total equity as at the respective year/period end.

5. Return on total assets is calculated by dividing profit for the year with the total assets as at the respective year end. Return on total assets for the six months ended 30 June 2011 was annualised for comparison purpose.

6. Return on equity is calculated by dividing profit for the year with the total equity as at the respective year end. Return on equity for the six months ended 30 June 2011 was annualised for comparison purpose.

7. Interest coverage is calculated by dividing profit before interest and tax (less the gain on land resumption exercise and the corresponding impairment loss on goodwill) with the finance cost for the corresponding year/period.

Current ratio

Our current ratio improved to 1.08 as at 31 December 2009 from 0.65 as at 31 December 2008 mainly due to (i) the receipt of land resumption compensation of HK$568.4 million during the year ended 31 December 2009; (ii) the reclassification of properties, plants and equipment with carrying amount of HK$237.9 million to asset held for sale in connection with the Premises Vacation; and (iii) the repayment borrowings due within one year.

Our current ratio further improved to 1.60 as at 31 December 2010. The net current assets increased from HK$73.4 million as at 31 December 2009 to HK$399.2 million as at 31 December 2010 as we received additional land resumption compensation of HK$287.0 million, and recognised deposit received on land resumption compensation (a current liability as at 31 December 2009) as a gain on our

income statement for the year ended 31 December 2010. This was offset by the increase in tax liabilities by HK$141.0 million and derecognition of assets held for sale of HK$260.1 million upon completion of the Premises Vacation.

Our current ratio remained stable at 1.55 as at 30 June 2011. The net current assets increased to HK$444.3 million due to a net increase in the balance of financial assets designated as at fair value through profit or loss and loan receivable by HK$229.0 million resulting from investment in structured deposits with part of the deposit received on land resumption compensation. This was partly offset by a decrease in pledged bank deposits, time deposits and bank balances of HK$186.5 million.

Quick ratio

Stock did not form a significant portion of the Group's current assets. Our quick ratio increased from 0.57 as at 31 December 2008 to 1.04 as at December 2009 mainly due to the reasons stated in discussion on current ratio above, while the inventory balance decreased from HK$48.0 million to HK$38.2 million. The quick ratio further increased to 1.54 as at 31 December 2010 in line with the increase in current ratio, while the inventory balance increased to HK$41.1 million as at 31 December 2010 and remained stable at 1.51 as at 30 June 2011 in line with the current ratio.

Gearing ratio

Our gearing ratio decreased to 0.29 as at 31 December 2009 from 0.56 as at 31 December 2008 due to the significant decrease in our borrowings from HK$213.4 million to HK$86.9 million during the year ended 31 December 2009 mainly due to the land resumption exercise which led to a high net cash position. The gearing ratio increased to 0.33 as at 31 December 2010 in line with the increase in our borrowings to HK$103.2 million as at 31 December 2010, offset by the increase in cash and cash equivalents and time deposits upon receipt of the land resumption compensation during the year.

Notwithstanding our borrowings increased to HK$127.6 million, our total assets increased to HK$1,630.1 million mainly due to a net increase in the balance of financial assets designated as at fair value through profit or loss and loan receivable by HK$229.0 million resulting from investment in structured deposits with part of the deposit received on land resumption compensation, resulting in a slight decrease in gearing ratio to 0.31 as at 30 June 2011.

Debt to equity ratio

Our debt to equity ratio improved significantly from 1.51 as at 31 December 2008 to a net cash to equity position of 0.37 with net cash amounting to HK$114.4 million as at 31 December 2009 mainly due to the receipt of cash of HK$555.2 million (net of payment of costs for land resumption exercise) in relation to the land resumption compensation received in 2009 and the repayment of our borrowings during the year.

The net cash to equity ratio decreased slightly to 0.20 with net cash amounting to HK$131.8 million as at 31 December 2010 as our borrowings increased from HK$86.9 million to HK$103.2 million as at 31 December 2010 while we further received cash of HK$187.3 million (net of payment of costs for land resumption exercise) in relation to the land resumption compensation.

Our debt to equity ratio was 0.12 with net debt totaling HK$88.9 million as at 30 June 2011 as our borrowings increased to HK$127.6 million to finance a larger working capital completed by our operational expansion as well as the construction of our waste heat recovery system and our cement grinding system in Shandong.

Return on total assets

Return on total asset ratio decreased significantly to 0.7% for the year ended 31 December 2009 from 5.5% for the year ended 31 December 2008 mainly due to the reduction in revenue and profit during the year amid difficult market condition.

Return on total asset improved to 26.3% for the year ended 31 December 2010 due to the improvement in revenue and profit and the recognition of gain on land resumption exercise during the year. Excluding the effect of gain on land resumption exercise, the corresponding impairment loss on goodwill and the relevant tax effect, the adjusted return on total asset ratio would be 3.3% for the year ended 31 December 2010. This increase from 0.7% for the year ended 31 December 2009 was in line with the increase in gross profit margin over the same period.

Return on total asset ratio improved to 6.5% as at 30 June 2011 which was in line with increase in gross profit margin from 11.5% for the year ended 31 December 2010 to 15.8% for the six months ended 30 June 2011.

Return on equity

Return on equity ratio decreased significantly to 3.2% for the year ended 31 December 2009 from 17.1% for the year ended 31 December 2008 mainly due to the reduction in revenue and profit during the year amid difficult market condition.

Return on equity improved significantly to 57.9% for the year ended 31 December 2010 due to the improvement in revenue and profit and the recognition of gain on land resumption exercise during the year. Excluding the effect of gain on land resumption exercise, the corresponding impairment loss on goodwill and the relevant tax effect, the adjusted return on equity ratio would be 14.9% for the year ended 31 December 2010, which indicates an increase in return on equity compared to that for the year ended 31 December 2009.

Return on equity ratio was 14.9% as at 30 June 2011 which was in line with increase in gross profit margin from 11.5% for the year ended 31 December 2010 to 15.8% for the six months ended 30 June 2011.

Interest coverage

Our interest coverage ratio, being the profit before interest and tax (less the gain on land resumption exercise and the corresponding impairment loss on goodwill) divided by the finance cost for the corresponding year/period, decreased from 5.64 for the year ended 31 December 2008 to 2.03 for the year ended 31 December 2009. Despite the 25.5% decrease in finance costs, our profit before interest and tax decreased by approximately 73.3% for the year ended 31 December 2009 mainly due to the reduction of our gross profit and no foreign exchange gain being recognised, while distribution and selling expenses and administrative expenses for the year ended 31 December were comparable to that

of 2008. The interest coverage ratio improved to 12.59 for the year ended 31 December 2010 as our profit before interest and tax improved significantly during the year, coupled with the reduction of finance costs by 47.1% from HK$9.2 million in 2009 to HK$4.9 million and the gain on land resumption exercise of HK$528.4 million in 2010.

Our interest coverage further improved significantly to 30.73 for the six months ended 30 June 2011 due to an increase in other income mainly contributed by increase in interest income from banks, fair value gains on financial assets designated as at fair value through profit or loss and a reversal of overprovision of staff compensation in land resumption.

CAPITAL EXPENDITURE

During the Track Record Period, our major capital expenditures were attributable to the construction of buildings, installation of plant and machinery, and purchase of motor vehicles for our operations. Our capital expenditures amounted to approximately HK$17.2 million, HK$22.9 million, and HK$125.7 million and HK$21.1 million for the years ended 31 December 2008, 2009 and 2010 and for the six months ended 30 June 2011, respectively. The significant increase in capital expenditure in 2010 was mainly due to the construction of the waste heat recovery system and cement grinding system in Shandong, amounting to approximately HK$91.6 million. As at 31 December 2009 and 2010 and 30 June 2011, accumulated capital expenditure of HK$17.9 million, HK$38.7 million and HK$41.4 million respectively was spent on the construction of waste heat recovery system; and accumulated capital expenditure of HK$0.1 million, HK$70.9 million and HK$87.1 million respectively was spent on the construction, installation and modification of the cement production line at our Allied Wangchao plant which is equipped with the cement grinding system shifted from our Shanghai plant following the Premises Vacation, during the corresponding years/period. We have historically funded our capital expenditures through cash generated from our operations, bank borrowings and advances from holding companies and fellow subsidiaries.

Our planned capital expenditure for the year ending 31 December 2011 is approximately HK$21.6 million. We may adjust our capital expenditures for any given period in the future according to our development plans and in light of the market conditions and other factors we believe to be appropriate.

PROPERTY INTERESTS AND PROPERTY VALUATION

Norton Appraisals Limited, an independent property valuation firm, valued our property interests in land or buildings in the PRC as at 31 October 2011. No commercial value was attributed to the properties leased. For details related to our properties owned and leased, together with the relevant valuations and valuation certificates, please refer to the paragraph headed "Property" under the section headed "Business" and the Valuation Report set out in Appendix III to this prospectus.

Buildings and structures held under property, plant and equipment and prepaid lease payments on land use rights

The statement below shows the reconciliation of aggregate amounts of land and buildings carried at cost on the audited combined financial information as of 30 June 2011 with the valuation of these properties as of 31 October 2011 as set out in Appendix III to this prospectus.

	HK$'000
Net carrying value of property interests of our Group as of 30 June 2011	
Buildings and structures held under property, plant and equipment	167,483
Prepaid lease payments on land use rights	7,776
	175,259
Movements for the four months ended 31 October 2011	
Add: Additions during the period	441
Less: Disposal during the period	(33)
Depreciation and amortisation during the period	(1,759)
Net book value as of 31 October 2011	173,908
Adjusted for: Structures on leased property and leasehold land *(Note 1)*	(87,877)
Buildings pending certificate of real estate title as at 31 October 2011 *(Note 2)*	(2,553)
Revaluation surplus *(Note 3)*	53,474
Valuation as of 31 October 2011	136,952
Valuation as of 31 October 2011 ('000)	RMB113,670

Notes:

1. Structures on leased property and leasehold land refers to structures which form part of our production facilities, such as conveyor belts used to move raw material and semi-finished goods within the facility, and fencing wall for storage. These structures are classified as building under property, plant and equipment and are carried at cost less accumulated depreciation. Certificate of real estate title cannot be obtained for these structures as they cannot be seen as transferable real estate and are therefore excluded from the valuation report.

2. As at 31 October 2011, one building had not yet obtained certificates of real estate.

3. The revaluation surplus of buildings held under property, plant and equipment and prepaid lease payment on land use rights will not be included in our Group's financial information for the six months ended 30 June 2011 in accordance with our accounting policy to state such property interests at the historical costs.

Properties held for sale

The statement below shows the reconciliation of aggregate amounts of property held for sale carried at the lower of cost and net realisable value on the audited combined financial information as of 30 June 2011 with the valuation of these properties as of 31 October 2011 as set out in Appendix III to this prospectus.

	HK$'000
Net book value of property interests of our Group as of 30 June 2011	
Properties held for sale	1,042
Movements for the four months ended 31 October 2011	
Add: Additions during the period	1,288
Adjusted for: Properties held for sale of which the right to transfer, mortgage or lease the land use right is restricted *(Note)*	(2,330)
Valuation as of 31 October 2011 *(Note)*	—

Note: Properties held for sales represent properties transferred from our trade debtors of Shanghai SAC to our Group in lieu of cash settlement and registered in the name of Shanghai SAC in previous years. The certificates for real estate ownership of these properties held for sales as at 31 December 2008, 2009 and 2010 and 30 June 2011 were held in trust by our management on behalf of our Group. The transfer of legal title of the properties held for sales was completed by August 2011. The adjustment of the properties held for sale will not be included in our Group's financial information for the six months ended 30 June 2011 as our Group possesses all economic benefits associated with these properties. As a reference, the total capital value of these properties held for sale amounted to HK$2.9 million.

FINANCIAL RISK

We are exposed to various types of market risk (including interest rate risk and foreign currency risk), credit risks and liquidity risk in our normal course of business.

Interest rate risk

Our Group's fair value interest rate risk relates primarily to certain of our fixed-rate pledged short-term bank deposits, time deposits, amount due from a fellow subsidiary, loan receivable and borrowings. We have not used any derivative contracts to hedge these exposures to interest rate risk.

Our Group's cash flow interest rate risk primarily relates to variable-rate bank balances and borrowings and is mainly concentrated on the fluctuation of Hong Kong Interbank Offered Rate and the interest rates quoted by the People's Bank of China from our HK$ borrowings. We have not used any interest rate swaps to mitigate our exposure associated with interest rate risk. Notwithstanding, our management monitors interest rate exposure and will consider necessary actions when significant interest rate exposure is anticipated.

Based on the sensitivity analyses on our non-derivative instruments relating to bank balances and floating-rate borrowings for interest rate movement, if interest rates had been increased/decreased by 200 basis points in respect of borrowings and all other variables were held constant, our profits for the years ended 31 December 2008, 2009 and 2010 and the six months ended 30 June 2011 would decrease/increase by approximately HK$1.6 million, HK$1.0 million, HK$1.6 million and HK$1.9 million respectively. Meanwhile, if interest rates had been increase by 50 basis points in respect of bank balances and all other variables were held constant, our profits for the years ended 31 December 2008, 2009 and 2010 and the six months ended 30 June 2011 would increase by approximately HK$0.2 million, HK$1.9 million, HK$1.0 million and HK$0.3 million respectively. The basis point movements above represent management's assessment of the reasonably possible change in interest rates.

Foreign currency risk

We collect most of our revenue in RMB and incur most of the expenditures as well as capital expenditures in RMB. Our Directors considered that our Group's exposure to foreign currency exchange risk is insignificant as the majority of our transactions are denominated in the functional currency of the respective group entities.

As at 31 December 2008, 2009 and 2010 and 30 June 2011, our Group had bank balances, amounts due from and due to related parties and borrowings denominated in HK$ which is the currency other than the functional currency of the respective group entities. Our Group currently does not have a foreign currency hedging policy. Notwithstanding, the management monitors foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arises.

The carrying amount of monetary assets and monetary liabilities denominated in HK$, a currency other than the functional currency of our Group, is presented as follows:

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

Based on the sensitivity analyses assuming a 5% strengthening/weakening of RMB against in HK$, our profit for the year will increase/decrease by HK$17.9 million, HK$17.4 million, HK$22.3 million and HK$22.6 million for the years ended 31 December 2008, 2009 and 2010 and for the six months ended 30 June 2011, respectively. For details of the sensitivity analyses, please refer to the paragraph headed "foreign currency risk" in note 6 of the accountants' report set out in Appendix I of this prospectus.

Credit risk

Our Group's credit risk is primarily attributable to our financial assets, including amounts due from related parties, trade and bills and other receivables, financial assets designated as at fair value through profit or loss, loan receivable, pledged short-term bank deposits, time deposits and bank balances. Our Group's maximum exposure to credit risk is the loss resulting from counterparties' failure to perform their obligations under these financial assets, which is equivalent to their respective carrying amount.

In order to minimise our credit risk, our management has delegated a team responsible for determining the credit limits, credit approvals and other monitoring procedures on our cement business. In addition, our management reviews the recoverable amount of each individual trade receivable, other receivables and amount due from related parties regularly to ensure that adequate impairment losses are recognised for irrecoverable amounts. With respect to financial guarantees provided to banks to secure the banking facilities granted to our former immediate holding company as at 31 December 2008, our management considered the credit risk was limited because our former immediate holding company had strong financial positions. In this regard, our management considered that our Group's credit risk has been significantly reduced.

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

Meanwhile, our credit risk on liquid funds is also limited because our Group's pledged short-term bank deposits, time deposits and bank balances are deposited with banks of high credit rating in Hong Kong and PRC. We do not have significant concentration of credit risk on trade and other receivables as the exposures are spread over a number of counterparties and trade customers.

Liquidity risk

In managing our liquidity risk, we monitor and maintain a level of cash and cash equivalents deemed adequate by our management to finance our Group's operations and mitigate the effects of fluctuations in cash flows. Our Group relied on bank and other borrowings as a significant source of liquidity during the Track Record Period. Our management monitors the utilisation of bank and other borrowings. For the details of the contractual maturity for our financial liabilities, please refer to the paragraph headed "liquidity risk" under note 6 of the accountants' report set out in Appendix I of this prospectus.

RELATED PARTY TRANSACTIONS

Leasing agreement with Shanghai Cement Factory

On 16 December 1995, a leasing agreement was entered into between Shanghai SAC and Shanghai Cement Factory ("SCF"), a non-controlling interest which held a 40% equity interest in Shanghai SAC. According to the leasing agreement, Shanghai SAC should pay to SCF an annual leasing fee which consisted of (1) a fixed asset leasing fee mainly based on the depreciation of the property, plant and equipment leased under the leasing agreement plus a mark-up of about 10%; and (2) an usage fee mainly based on the volume of raw materials off-load and the applicable unit rate for the relevant raw materials agreed by the parties when the leasing agreement was signed. The underlying assets are also used by SCF. Shanghai SAC paid a total leasing fee of HK$6.7 million, HK$6.1 million, HK$57,000, HK$7,000 (unaudited) and nil to SCF during the years ended 31 December 2008, 2009 and 2010 and for the six months ended 30 June 2010 and 2011, respectively.

Reciprocal arrangement of guarantee between ChinaVision Media and Tian An

In July 2002, ChinaVision Media entered into a master agreement with Tian An for a reciprocal arrangement of guarantee, pursuant to which our Group provides guarantees to secure certain borrowings of subsidiaries of Tian An in the PRC and Tian An provides guarantees to secure certain borrowings of our Group in the PRC. A guarantee fee of 1% per annum on the principal amount of the guarantees is chargeable between the relevant parties. The Master Agreement expired during the year ended 31 December 2008. At 31 December 2008, 2009 and 2010 and 30 June 2011, our Group did not provide any guarantees to secure borrowings of subsidiaries of the ultimate holding company in the PRC.

Financial guarantee by Tian An

Tian An, our ultimate holding company, provided guarantees to secure borrowings of approximately HK$71.0 million, HK$62.0 million, HK$99.6 million and HK$93.3 million of our Group at 31 December 2008, 2009 and 2010 and at 30 June 2011, respectively. The guarantee fee paid to Tian An amounted to HK$806,000, HK$451,000, nil and nil for the years ended 31 December 2008, 2009 and 2010 and for the six months ended 30 June 2011 respectively. The guarantee fee charged by Tian An during the year ended 31 December 2008 and 2009 was related to guarantee provide to our Group prior to Tian An's acquisition of our Group in 2009. No guarantee fee was charged by Tian An after the acquisition and during the year ended 31 December 2010 and the six months period ended 30 June 2011.

Other related parties transactions

In addition to the above, our Group entered into the following related party transactions:

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

As at 31 December 2008, 2009 and 2010 and 30 June 2011, our Group has the following significant balances with related parties:

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

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

Notes:

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

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

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

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

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

(f) The remaining outstanding balance due to Tian An will be repaid by the net proceeds from the Share Offer upon the Listing. The balance due to Aso Corporation is expected to be settled within six months after the Listing when confirmation on withholding tax is expected to be obtained by the PRC tax authority.

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

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

We had also borrowed from our ultimate holding company, intermediate holding company and minority shareholders during the Track Record Period. These loans were unsecured, non-interest bearing and were repayable on demand. Details of the transactions with these parties, who are considered connected persons of our Group, can be found in the paragraph headed under this section.

Amount due to immediate holding company

The outstanding balance due to Sunwealth amounted to HK$284.7 million, HK$342.1 million and HK$353.5 million as at 31 December 2009 and 2010 and 30 June 2011 respectively. On 20 December 2011, the outstanding balance of HK$227.3 million were capitalised as 142,292,167 Shares (Please refer to "Corporate reorganisation and group structure" section for details). As at the Latest Practicable Date, the remaining outstanding balance due to Sunwealth was approximately HK$128.2 million, which will be repaid upon the Listing. This non-interest bearing loan can be viewed as quasi-capital, a substantial amount of which will be capitalised under the Reorganisation.

Amount due to ultimate holding company

The outstanding balance due to Tian An amounted to HK$1.8 million, HK$1.8 million and HK$1.8 million as at 31 December 2009 and 2010 and 30 June 2011 respectively. As at the Latest Practicable Date, the remaining outstanding balance due to Tian An was approximately HK$1.8 million, which will be repaid upon the Listing. This non-interest bearing loan represents guarantee fee payable to Tian An for its provision of financial guarantee for our loans. It was conducted in the ordinary course of business.

Amounts due to non-controlling interests

The outstanding balance due to Shanghai Cement Factory amounted to HK$5.3 million, HK$4.5 million, HK$1.9 million and nil as at 31 December 2008, 2009 and 2010 and 30 June 2011 respectively. The balance under current liabilities of HK$4.9 million, HK$4.0 million and HK$1.9 million as at 31 December 2008, 2009 and 2010 was unsecured, non-interest bearing and repayable on demand, while the non-current portion of the balance of HK$0.5 million and HK$0.5 million as at 31 December 2008 and 2009 was unsecured, non-interest bearing and repayable by 2043. As at the Latest Practicable Date, the remaining outstanding balance due to Shanghai Cement Factory was fully settled by our internal resources.

The outstanding balance due to Aso Corporation, a non-controlling interest which own as to 16.67% of AII-Shanghai, amounted to nil, HK$0.3 million, HK$3.2 million and HK$3.2 million as at 31 December 2008, 2009 and 2010 and 30 June 2011 respectively. The balance were unsecured, non-interest bearing and are repayable on demand. As at the Latest Practicable Date, the remaining outstanding balance due to Aso Corporation was approximately HK$3.2 million, which referred to management fee and dividend payable by AII-Shanghai. Such amount arose in the ordinary course of our business.

Amount due to a fellow subsidiary

The outstanding balance due to Tian An Shanghai amounted to HK$13.3 million, HK$13.8 million and HK$14.1 million as at 31 December 2009 and 2010 and 30 June 2011 respectively. The balance was subsequently repaid in July 2011.

Amounts due to former fellow subsidiaries

The balance due to the SAC Enterprises Limited, SAC Finance Company Limited and SAC Secretarials Limited (all of which were associate companies of ChinaVision Media, our former immediate holding company) were unsecured, non-interest bearing and are repayable on demand. All the outstanding balances with our former fellow subsidiaries were settled during the financial year ended 31 December 2009.

Our Directors (including the executive Directors and the independent non-executive Directors) have confirmed that they are of the view that the related party transactions were based on normal commercial terms.

OFF BALANCE SHEET ARRANGEMENTS

We do not have any outstanding derivative instruments, off-balance sheet guarantees or foreign currency forward contract. We do not engage in trading activities involving non-exchange trade contracts.

NO MATERIAL ADVERSE CHANGE

Our Directors confirm that there has been no material adverse change in the Company's financial or trading position or prospects since 30 June 2011, being the date of the Company's last audited financial statement as set out in Appendix I to this prospectus.

DIVIDEND POLICY

Our Company did not declare any dividend for the years ended 31 December 2008, 2009 and 2010 and for the six months ended 30 June 2010 and 2011. After the completion of the Share Offer, we may in the future distribute dividends by way of cash or by other means that we consider appropriate. Our Directors may recommend that dividends be declared after taking into account, among other things, our results of operations, cash flows and financial condition, operating and capital requirements, the amount of distributable profits, reserves available for distribution based on HKFRS, our Memorandum and Articles of Association, the Companies Law, applicable laws and regulations and other factors that our Directors deem relevant. Under our Articles of Association, declaration of final dividends is subject to the Shareholders' approval at our annual general meeting, while our Directors have been granted the authority to pay interim dividends without Shareholders' approval.

Any distributable profits that are not distributed in any given year may be retained and be made available for distribution in subsequent years. To the extent profits are distributed as dividends, such portion of profits will not be available for reinvestment in our operations. For the years ended 31 December 2008, 2009 and 2010 and for the six months ended 30 June 2011, one of our subsidiaries has paid dividends to a non-controlling interest amounting to approximately HK$7.7 million, HK$8.8 million, HK$7.8 million and nil respectively. 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. Our future declarations 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, the Directors do not expect to declare any dividend for the year ending 31 December 2011.

DISTRIBUTABLE RESERVES

As at 30 June 2011, our Company did not have reserves available for distribution to its Shareholders.

UNAUDITED PRO FORMA FINANCIAL INFORMATION

The following unaudited pro forma statement of our adjusted net tangible assets prepared in accordance with Rule 4.29 of the Listing Rules is for illustration purposes only, and is set forth here to illustrate the effect of the Share Offer on our net tangible assets as of 30 June 2011 as if it had taken place on 30 June 2011.

Unaudited Pro Forma Adjusted Net Tangible Assets

The unaudited pro forma statement of adjusted net tangible assets have been prepared for illustrative purpose only and because of its hypothetical nature, it may not give a true picture of our combined net tangible assets as of 30 June 2011 or any future date following the Share Offer. It is prepared based on our audited combined net assets as of 30 June 2011 as derived from our combined financial statements set forth in the accountants' report in Appendix I, and adjusted as described below. The unaudited pro forma statement of net tangible assets does not form part of the accountants' report as set forth in Appendix I to this prospectus.

	Audited adjusted combined net tangible assets of our Group attributable to owners of the Company as at 30 June 2011	Estimated net proceeds from the Share Offer	Unaudited pro forma adjusted net tangible assets attributable to owners of the Company	Unaudited pro forma adjusted net tangible assets per Share
	HK$'000 *(Note 1)*	HK$'000 *(Note 2)*	HK$'000	HK$ *(Notes 3)*
Based on Offer Price of HK$1.00 per Share	297,018	145,000	442,018	0.67

Notes:

1. The audited adjusted combined net tangible assets of our Group attributable to owners of the Company as at 30 June 2011 is based on the net assets attributable to owners of the Company, after deducting the intangible asset with aggregate carrying amount of HK$7,781,000, extracted from the Accountants' Report set out in Appendix I to this prospectus.

2. The estimated net proceeds from the Share Offer are based on an Offer Price of HK$1.00 per Share (after deducting the underwriting fees and other related expenses), and takes no account of any Shares which may be issued pursuant to the exercise of any options which may be granted under the Share Option Scheme.

3. The number of Shares used for the calculation of unaudited pro forma adjusted net tangible assets attributable to owners of our Company per Share is based on 660,000,000 Shares to be in issue immediately after the Share Offer, which included the 142,292,167 Shares issued for the loan capitalisation as stated in note 4 below, and without taking into account any Shares which may be issued upon the exercise of any options which may be granted under the Share Option Scheme.

4. Subsequent to 30 June 2011, shareholders' loans due to Tian An Group with an aggregate amount of approximately HK$227,305,000 have been capitalised for the consideration of the issuance of 142,292,167 Shares. No pro forma adjustment has been made to the net tangible assets of our Group in connection to these shareholders' loans capitalisation. If the shareholders' loans capitalisation were to be adjusted to the pro forma net tangible assets of our Group, the unaudited pro forma adjusted net tangible assets per Share would have been approximately HK$1.01.

5. With reference to the valuation of our Group's buildings and prepaid lease payments on land use rights as at 31 October 2011 as set out in Appendix III to this prospectus, there was a valuation surplus of our Group's buildings and prepaid lease payments on land use rights of approximately HK$53.5 million. Our Group will not incorporate the valuation surplus in its future financial statements. If the valuation surplus were to be incorporated in our Group's financial statements, additional annual depreciation and amortisation charge of approximately HK$1.5 million would have been charged against the profit or loss.

DISCLOSURE REQUIRED UNDER THE LISTING RULES

Our Directors have confirmed that as at the Latest Practicable Date, they were not aware of any circumstances that would give rise to a disclosure requirement under Rules 13.13 to 13.19 of the Listing Rules had our Shares been listed on the Stock Exchange.

USE OF PROCEEDS

Net proceeds from the Share Offer, based on the Offer Price of HK$1.00 per Offer Share and after deducting underwriting commissions and professional fees, is expected to amount to approximately HK$145.0 million. As discussed in the paragraph headed "Our strategy and future plans" in the section headed "Business" in this prospectus, we intend to use such net proceeds in the following manner:

(a) as to approximately HK$130.0 million, representing approximately 89.7% of the net proceeds from the Share Offer for repaying our loans owed to related parties, being Sunwealth *(Note 1)* and Tian An *(Note 2)* upon the Listing;

(b) as to approximately HK$10.0 million, representing approximately 6.9% of the net proceeds from the Share Offer for repayment of a bank loan partially due within 12 months from the Listing. The outstanding principal of this unsecured loan as at the Latest Practicable Date was approximately HK$50.5 million. The final maturity is on 16 December 2012 and the loan carries an interest rate of HIBOR plus 2.3%. The proceeds of this loan have been used primarily for our Shandong operations; and

(c) as to approximately HK$5.0 million, representing approximately 3.4% of the net proceeds from the Share Offer for general working capital of our Group.

To the extent the net proceeds of the Share Offer are not immediately used for the purposes described above, we intend to place the proceeds in short term bank deposits.

Notes:

1. Sunwealth is a wholly-owned subsidiary of Tian An. Approximately HK$128.2 million of the net proceeds will be used to repay a loan owing by our Group to Sunwealth. Such loan was part of the loan previously owed by SAC Holdings to ChinaVision Media which was subsequently assumed by Sunwealth as part of the sale and purchase agreement dated 21 May 2009. Details of which are set out in the section headed "Corporate reorganisation and group structure". This loan is non-interest bearing and is repayable on demand.

2. The amount owing to Tian An represents guarantee fee payable to Tian An for its provision of financial guarantee to certain current lenders. This amount owing is non-interest bearing and is repayable on demand.

UNDERWRITER

Sun Hung Kai Investment Services Limited

UNDERWRITING ARRANGEMENTS

Underwriting Agreement

Pursuant to the Underwriting Agreement, our Company is offering the Offer Shares for subscription on and subject to the terms and conditions in the Underwriting Agreement and this prospectus.

Subject to, among other conditions, the Stock Exchange granting the listing of, and permission to deal in, the Shares in issue and to be issued as mentioned in this prospectus and to certain other conditions set out in the Underwriting Agreement being satisfied or waived on or before the 30th day after the date of this prospectus (or such later date as our Company, the Sole Bookrunner and the Sole Lead Manager may agree), the Underwriter has agreed to subscribe for or procure subscribers for the Offer Shares on the terms and conditions of the Share Offer.

Grounds for termination

The Underwriter shall have the absolute right upon giving a written notice to our Company to terminate the Underwriting Agreement if any of the following events occurs at any time prior to 8:00 a.m. (Hong Kong time) on the Listing Date (which is expected to be on Wednesday, 18 January 2012):

If at any time on or prior to at any time prior to 8:00 a.m. (Hong Kong time) on the Listing Date, any of the following events shall occur:

(a) any matter or event showing any of the warranties to be untrue, inaccurate or misleading in any material aspect when given or repeated or any breach of any of the warranties or any other provision of the Underwriting Agreement by any party other than the Underwriter which is considered, in the opinion of the Underwriter, to be material in the context of the Public Offer or the Placing;

(b) any matter which, had it arisen immediately before the date of this prospectus and not having been disclosed in this prospectus, would have constituted a material omission in the opinion of the Underwriter in the context of the Public Offer or the Placing;

(c) any statement contained in this prospectus reasonably considered to be material by the Underwriter which is discovered to be or becomes untrue, incorrect or misleading in any respect considered in the opinion of the Underwriter to be material;

(d) any event, act or omission which gives rise or is likely to give rise to any liability of our Company, our Directors and our Controlling Shareholders pursuant to the indemnities contained in the Underwriting Agreement;

(e) any adverse change or a prospective adverse change in the business, results of operation, financial or trading position, or prospects of our Group as a whole the effect of which is, in the opinion of the Underwriter, so material and adverse as to make it impracticable or inadvisable to proceed with the Share Offer;

(f) there shall develop, occur, exist or come into effect:

(i) any new law or regulation or any material change in existing laws or regulations or any change in the interpretation or application thereof by any court or other competent authority in Hong Kong, the Cayman Islands, the BVI, the PRC or any relevant jurisdiction;

(ii) any adverse change (whether or not permanent) in local, national or international stock market conditions;

(iii) the imposition of any moratorium, suspension or material restriction on trading in securities generally on the Stock Exchange due to exceptional financial circumstances or otherwise;

(g) any change or development involving a prospective change in taxation or exchange control (or the implementation of any exchange control) in Hong Kong, the Cayman Islands, the BVI or the PRC;

(h) any change or development (whether or not permanent), or any event or series of events resulting in any material adverse change in, the financial, legal, political, economic, military, industrial, fiscal, regulatory, market (including stock market) or currency matters or condition in Hong Kong, the Cayman Islands, the BVI, the PRC or elsewhere;

(i) any outbreak or escalation of hostilities involving the US, the PRC or the declaration by the US, the PRC of a national emergency or war or the occurrence of any other calamity or crisis;

(j) any material litigation or claim being threatened or instigated against any member of our Group; and

(k) any event of force majeure including but without limiting the generality thereof, any act of God, war, riot, public disorder, civil commotion, fire, flood, tsunami, explosion, epidemic, pandemic, terrorism, earthquakes, strike or lock-out involving Hong Kong, PRC or any other relevant jurisdiction;

which in the opinion of the Underwriter is or will be, or is likely to be, materially adverse to the business or financial condition or prospects of our Group taken as a whole; or has or will have or is likely to have a material adverse effect on the success of the Share Offer; or makes or will make it inappropriate, inadvisable or inexpedient for the Underwriter to proceed with the Share Offer, then in any such case, the Underwriter may terminate the Underwriting Agreement without liability to the other parties hereto by giving notice in writing to our Company, such notice (if any) to be given no later than 8:00 a.m. on the Listing Date.

Commission and expenses

The Underwriter will receive an underwriting commission of 2.5% of the aggregate Share Offer price of all Offer Shares, out of which they will pay any sub-underwriting commission. The Sponsor will receive an advisory and documentation fee in relation to the Listing and will be reimbursed for their expenses. Such commission, advisory and documentation fee, together with the Main Board listing fees, legal and other professional fees, and printing and other expenses relating to the Share Offer and Listing, are estimated to amount in aggregate to approximately HK$20 million and are to be borne by our Company.

Underwriter's interest in our Company

Save as provided for under the Underwriting Agreement, the Underwriter has no shareholding interests in any member of our Group nor has any right (whether legally enforceable or not) to subscribe for or nominate persons to subscribe for any Shares.

On 29 December 2011, the Underwriting Agreement was entered into among our Company, our executive Directors, our Controlling Shareholders and the Underwriter, pursuant to which the Underwriter has agreed to underwrite for an aggregate of 165,000,000 Offer Shares in consideration of an underwriting commission of 2.5% per Offer Share. The maximum amount of the underwriting commission shall be HK$4,125,000. The Underwriter is an indirect wholly-owned subsidiary of Sun Hung Kai & Co. Limited. whose shares are listed on the Main Board and were owned as to approximately 53.37% by Allied Properties as at the Latest Practicable Date. Since Allied Properties is a substantial shareholder (as defined in the Listing Rules) of our Company through its interests in its subsidiaries, each of Allied Properties and its associates (as defined in the Listing Rules) will become a connected person of our Company upon Listing. As the Underwriter will become a connected person of our Company upon Listing and the Underwriting Agreement is entered into on 29 December 2011, the entering into of the Underwriting Agreement will not constitute a connected transaction for our Company by itself but will constitute a connected transaction for Tian An.

The transaction contemplated under the Underwriting Agreement is one-off in nature and our Directors are of the view that the above transaction was entered into on normal commercial terms and the consideration of which was agreed after arm's length negotiation with reference to the prevailing market prices of similar transactions with the Independent Third Parties.

SPONSOR'S INTEREST IN OUR COMPANY

The Sponsor, being our Company's compliance advisor pursuant to Rule 3A.19 of the Listing Rules, will receive an advisory fee from our Company during the term of its appointment as the compliance advisor of our Company.

Save for (i) the advisory and documentation fees to be paid to Altus Capital as the Sponsor; and (ii) the advisory fee to be paid to Altus Capital as our Company's compliance advisor pursuant to the requirements under Rules 3A.19 of the Listing Rules, neither Altus Capital nor any of its associates has or may have, as a result of the Share Offer, any interest in any class of securities in our Company or any of its subsidiaries (including options or rights to subscribe for such securities).

No director or employee of Altus Capital who is involved in providing advice to our Company has or may have, as a result of the Share Offer, any interest in any class of securities of our Company or any of its subsidiaries (including options or rights to subscribe for such securities that may be subscribed for or purchased by any such director or employee pursuant to the Share Offer).

No director or employee of Altus Capital has a directorship in our Company or any of its subsidiaries.

Altus Capital is independent from our Group under Rule 3A.07 of the Listing Rules.

THE SHARE OFFER

The Share Offer comprises the Public Offer and the Placing. The 165,000,000 Offer Shares being offered in the Share Offer will represent 25% of the enlarged share capital of our Company immediately after completion of the Share Offer.

A total of 133,650,000 Shares, representing an aggregate of 81.0% of the total number of the Offer Shares, will be offered under the Placing to professional, institutional and/or other investors in Hong Kong. A total of 31,350,000 Shares, representing 19.0% of the initial total number of the Offer Shares, will be offered under the Public Offer. The number of Shares to be offered under the Public Offer and the Placing are subject to reallocation as described below.

Out of the 31,350,000 Offer Shares to be offered under the Public Offer, it is expected that (a) 16,500,000 Offer Shares will be offered as Reserved Shares to the Qualifying TA Shareholders under the Preferential Offering on an assured basis; (b) 1,485,000 Offer Shares will be offered as Employee Reserved Shares to the Eligible Employees on a preferential basis; and (c) 13,365,000 Offer Shares will be offered to the other public.

All Public Offer Shares are underwritten by the Underwriter, subject to the terms and conditions of the Underwriting Agreement. All Placing Shares will be underwritten by the Underwriter under the terms and conditions of the Underwriting Agreement.

Investors may apply for the Public Offer Shares under the Public Offer or indicate an interest for the Placing Shares under the Placing, but may not apply under both of these methods for the Offer Shares. In other words, investors may only receive Offer Shares under either the Placing or the Public Offer, but not under both of these methods. The Public Offer is open to members of the public in Hong Kong as well as to professional, institutional and/or other investors. The Placing will involve selective marketing of the Placing Shares to professional, institutional and/or other investors in Hong Kong. Professional investors generally include brokers, dealers, companies (including fund managers) whose ordinary business involves dealing in shares and other securities and corporate entities which regularly invest in shares and other securities.

PRICE PAYABLE ON APPLICATION

The Offer Price of HK$1.00 per Share plus brokerage of 1.0%, SFC transaction levy of 0.003% and Stock Exchange trading fee of 0.005%, in each case of the Offer Price, amounting to a total of HK$3,030.24 per board lot of 3,000 Offer Shares, is payable in full on application.

CONDITIONS OF THE SHARE OFFER

Acceptance of applications for the Offer Shares in the Share Offer is conditional upon, among other things:

(a) the Listing Committee granting the listing of, and permission to deal in, the Shares in issue and the Shares to be issued as mentioned in this prospectus (including the Offer Shares and any Shares, up to 10% of the issued share capital of our Company as of the Listing Date, which may be issued pursuant to the exercise of 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;

(b) the execution and delivery of the Underwriting Agreement in accordance with its terms; and

(c) the obligations of the Underwriter under the Underwriting Agreement becoming and remaining unconditional and not having been terminated in accordance with the terms of the agreement.

All conditions are expected to be satisfied or waived on or before the 30th day after the date of this prospectus (or such later date as our Company and the Sole Lead Manager may agree).

The consummation of each of the Public Offer and the Placing is conditional upon, among other things, the other becoming unconditional and not having been terminated in accordance with their respective terms.

If the above conditions are not fulfilled or waived prior to the times specified, the Share Offer will lapse and the Stock Exchange will be notified immediately. Notice of the lapse of the Share Offer will be published by our Company in The Standard (in English) and the Hong Kong Economic Times (in Chinese) and on our website (*www.alliedcement.com.hk*) and the Stock Exchange's website (*www.hkexnews.hk*) on the next day following such lapse. In such event, all application monies will be returned, without interest, on the terms set out in the section headed "How to apply for the Public Offer Shares and Reserved Shares" in this prospectus.

In the meantime, all application monies will be held in one or more separate bank account(s) with the receiving banker or any other bank(s) in Hong Kong licenced under the Banking Ordinance (Chapter 155 of the Laws of Hong Kong).

We expect to issue share certificates for the Offer Shares on Tuesday, 17 January 2012. However, these share certificates will only become valid certificates of title at 8:00 a.m. on the Listing Date provided that the Share Offer has become unconditional in all respects (including the right of termination as described in the section headed "Underwriting" in this prospectus not having been exercised) at any time prior to 8:00 a.m. on the Listing Date.

THE PUBLIC OFFER

Number of Shares initially offered

Pursuant to the Public Offer, our Company is initially offering 31,350,000 new Shares, representing 19.0 % of the total number of Offer Shares initially available under the Share Offer, for subscription by way of a public offer to the public in Hong Kong at the Offer Price. Subject to reallocation as described in the paragraph headed "Reallocation of the Offer Shares between the Public Offer and the Placing" in this section, the Public Offer Shares will represent approximately 4.75% of our enlarged issued capital immediately upon completion of the Share Offer. All Public Offer Shares are underwritten by the Underwriter subject to the terms and conditions of the Underwriting Agreement and as described in the paragraph headed "Conditions of the Share Offer" in this section.

Allocation

Allocation of the Public Offer Shares to investors under the Public Offer will be based on the level of valid applications received under the Public Offer. The basis of allocation may vary, depending on the number of Public Offer Shares validly applied for by applicants. Such allocation could, where appropriate, involve balloting, which would mean that some applicants may receive a higher allocation than others who have applied for the same number of Public Offer Shares, and those applicants who are not successful in the ballot may not receive any Public Offer Shares.

For allocation purposes only, the Public Offer Shares available under the Public Offer (assuming that there is no reallocation of Offer Shares between the Public Offer and the Placing) after deducting (a) the 16,500,000 Reserved Shares (as more particularly set out in the paragraph headed "The Preferential Offering" in this section), and (b) the 1,485,000 Employee Reserved Shares (as more particularly set out in the paragraph headed "Employee Preferential Offering" in this section) (after taking into account of any adjustment referred to below) will be divided equally into two pools: pool A and pool B, with any odd board lots being allocated to pool A. Accordingly, the maximum number of Public Offer Shares initially in pool A and pool B will be 6,684,000 Shares and 6,681,000 Shares respectively. The Public Offer Shares in pool A will be allocated on an equitable basis to successful applicants who have applied for Public Offer Shares with a total subscription price (excluding amounts of brokerage, SFC transaction levy and Stock Exchange trading fee) of HK$5 million or less. The Public Offer Shares in pool B will be allocated on an equitable basis to successful applicants who have applied for Public Offer Shares with a total subscription price (excluding amounts of brokerage, SFC transaction levy and Stock Exchange trading fee) of more than HK$5 million and up to the total value of pool B. Investors should be aware that applications in pool A and applications in pool B may receive different allocation ratios. If Public Offer Shares in one pool (but not both pools) are under-subscribed, the surplus Public Offer Shares will be transferred to the other pool to satisfy demand in that pool and be allocated accordingly. For the purposes of this paragraph only, the "subscription price" for the Offer Shares means the price payable on application thereof. Applicants can only receive an allocation of Public Offer Shares from either pool A or pool B but not from both pools and may only apply for Public Offer Shares in either pool A or pool B. In addition, multiple applications or suspected multiple applications within either pool or between pools, and any application for more 50% of the Public Offer Shares in the Public Offer (after deducting (a) the 16,500,000 Reserved Share, and (b) the 1,485,000 Employee Reserved Shares), (that is 6,681,000 Public Offer Shares) are liable to be rejected.

Applications

The Public Offer is open to all members of the public in Hong Kong. An applicant for Public Offer Shares under the Public Offer will be required to give an undertaking and confirmation in the relevant Application Forms submitted by him/her/it that he/she/it and any persons(s) for whose benefit he/she/it is making the application have not applied for or taken up or indicated an interest for or received or been placed or allocated (including conditionally and/or provisionally) and will not apply for or take up or indicate an interest for or receive or be placed or allocated any Placing Shares in the Placing, nor otherwise participate in the Placing, and such applicant's application is liable to be rejected if the said undertaking and confirmation is breached and/or found to be untrue (as the case may be). Our Directors, the Underwriter and us will take reasonable steps to identify and reject applications in the Public Offer from investors who have received Placing Shares in the Placing, and to identify and reject indications of interest in the Placing from investors who have received Public Offer Shares in the Public Offer. The Public Offer will be subject to the conditions stated in the paragraph headed "Conditions of the Share Offer" in this section.

THE PREFERENTIAL OFFERING

In order to enable shareholders of Tian An to participate in the Share Offer on a preferential basis as to allocation only, Qualifying TA Shareholders are being invited to apply for an aggregate of up to 16,500,000 Reserved Shares, representing 10.0% of the Offer Shares available under the Share Offer and 2.5% of the enlarged issued share capital of our Company upon completion of the Share Offer in the Preferential Offering, on the basis of an Assured Entitlement of one (1) Reserved Share for every integral multiple of forty nine (49) shares in Tian An held by them as at 5:00 p.m. on the Record Date. Allied Properties as a substantial shareholder of Tian An has waived its entitlements under the Preferential Offering. Fractional shareholders will not be entitled to apply for any Reserved Share. The Reserved Shares are being offered out of the Offer Shares, offered under the Public Offer and any Reserved Shares not taken up will first be allocated to satisfy the excess applications for Reserved Shares from other Qualifying TA Shareholders on a fair and reasonable basis and thereafter will be reallocated to the Public Offer as described in the paragraph headed "Reallocation of the Offer Shares between the Public Offer and the Placing" in this section.

The Reserved Shares are not available to Autobest Holdings, the Directors or chief executive of our Company or their respective associates or any other connected persons of our Company or persons who will become connected persons of our Company immediately upon completion of the Share Offer.

The Assured Entitlements may represent Shares which are not in a multiple of a full board lot of 3,000 Shares. Dealings in odd lots of Shares may be at or below their prevailing market price.

A **BLUE** Application Form is being despatched to each Qualifying TA Shareholder together with this prospectus. Qualifying TA Shareholders are permitted to apply for a number of Reserved Shares which is greater than, equal to or less than their Assured Entitlements under the Preferential Offering. A valid application in respect of a number of Reserved Shares equal to or less than a Qualifying TA Shareholder's Assured Entitlement will be accepted in full, subject to the terms and conditions set forth in the **BLUE** Application Forms. If an application is made for a number of Reserved Shares greater than the Assured Entitlement of a Qualifying TA Shareholder, the Assured Entitlement will be satisfied in full but the excess proportion of such application will only be met to the extent that there are sufficient

available Reserved Shares resulting from other Qualifying TA Shareholders with an Assured Entitlement declining to take up all or some of their Assured Entitlements. Any Reserved Share not taken up by the Qualifying TA Shareholders will first be allocated to satisfy the excess applications for the Reserved Shares from other Qualifying TA Shareholders on a fair and reasonable basis and thereafter the Public Offer.

Holders of shares in Tian An with their shares held by a nominee company (including HKSCC Nominees) should note that the board of the directors of Tian An will regard the nominee company (including HKSCC Nominees) as a single Tian An shareholder according to the register of members of Tian An. Accordingly, holders of Tian An shares should note that the aforesaid arrangement in relation to the allocation of the excess Reserved Shares will not be extended to beneficial owners individually.

If an application is made for a number of Reserved Shares greater than or less than the Assured Entitlement of a Qualifying TA Shareholder, the applicant is recommended to apply for a number in one of the multiples of full board lots stated in the table of multiples and payments on the back page of the **BLUE** Application Form which also states the amount of remittance payable on application for each multiple of full board lot of Reserved Shares. If such applicant does not follow this recommendation when applying for greater than or less than the Assured Entitlement, he/she/it must calculate the correct amount of remittance payable on application for the number of Reserved Shares applied for by using the formula set out below the table of multiples and payments on the back page of the **BLUE** Application Form. Any application not accompanied by the correct amount of application monies will be treated as invalid in its entirety and no Reserved Share will be allotted to such applicant.

In addition to any application for the Reserved Shares on a **BLUE** Application Form, Qualifying TA Shareholders who have applied for Reserved Shares under the Preferential Offering on a **BLUE** Application Form, as a beneficial owner, will be entitled to make one application for the Public Offer Shares on a **WHITE** or **YELLOW** Application Form. Qualifying TA Shareholders will receive no preference as to entitlement or allocation in respect of applications for Public Offer Shares made on **WHITE** or **YELLOW** Application Form.

Assured Entitlements of Qualifying TA Shareholders are not transferable and there will be no trading in nil-paid entitlements on the Stock Exchange. The Sole Bookrunner and the Sole Lead Manager has the authority to reallocate all or any of the Reserved Shares not taken up by the Qualifying TA Shareholders to the Public Offer in such proportions as it considers appropriate.

The procedures for application under, and the terms and conditions of, the Preferential Offering are set forth on the **BLUE** Application Form.

The documents to be issued in connection with the Share Offer (comprising this prospectus and the Application Forms) will not be registered or filed under any applicable security or equivalent legislation of any jurisdiction other than Hong Kong. Accordingly, no Reserved Share is being offered to Overseas TA Shareholders with registered addresses in Canada, Germany, Japan, Malaysia, the Philippines and the US under the Preferential Offering and no BLUE Application Form will be sent to such persons. Applications on BLUE Application Forms will not be accepted from Overseas TA Shareholders with registered addresses in Canada, Germany, Japan, Malaysia, the Philippines and the US or persons who are acting for the benefit of Overseas TA Shareholders with registered addresses in Canada, Germany, Japan, Malaysia, the Philippines and the US.

EMPLOYEE PREFERENTIAL OFFERING

Up to 1,485,000 Employee Reserved Shares, representing approximately 0.90% of the Offer Shares available under the Share Offer and approximately 0.23% of the enlarged issued share capital of our Company upon completion of the Share Offer, which are not subject to reallocation to the Placing as described in the paragraph headed "Reallocation of the Offer Shares between the Public Offer and the Placing" in this section, are available for subscription by the Eligible Employee on a preferential basis. The 1,485,000 Employee Reserved Shares available for application by Eligible Employee on **PINK** Application Form will be allocated to such applicants on a pro-rata basis in proportion (as nearly as possible without involving fraction of a board lot) to the level of valid applications received from Eligible Employee, or balloted if there are insufficient Employee Reserved Shares available to **PINK** Application Form applicants. If balloting is conducted, the Eligible Employee may be allocated more Employee Reserved Shares than others who have applied for the same number of Employee Reserved Shares. The allocation of Employee Reserved Shares to Eligible Employee will in any event be made on an equitable basis and will not be based on seniority or length of service of the Eligible Employee. No favour will be given to the Eligible Employee who apply for a large number of Employee Reserved Shares. Any application made on a **PINK** Application Form for more than 1,485,000 Employee Reserved Shares will be rejected. Allocation of Public Offer Shares under the Employee Preferential Offering will be based on the allocation guidelines contained in Practice Note 20 to the Listing Rules.

In addition to any application for Employee Reserved Shares on a **PINK** Application Form, Eligible Employee will be entitled to apply for the Public Offer Shares on a **WHITE** or **YELLOW** Application Form.

As at the Latest Practicable Date, there was one (1) Eligible Employee.

In case not all the 1,485,000 Employee Reserved Shares are subscribed for by the Eligible Employee, the undersubscribed Employee Reserved Shares will be available as Public Offer Shares for subscription by the public under the Public Offer.

THE PLACING

Pursuant to the Placing, our Company is offering 133,650,000 Shares for subscription, representing 81% of the total number of Offer Shares available under the Share Offer and approximately 20.25% of the enlarged issued share capital of our Company upon completion of the Share Offer, for Subscription by way of Placing by the Underwriter on behalf of the Company in Hong Kong with professional, institutional and/or other investors at the Offer Price.

Allocation

It is expected that the Underwriter or selling agents nominated by it on behalf of our Company will conditionally place the Placing Shares at the Offer Price with professional, institutional and/or other investors in Hong Kong.

The Placing is subject to the same conditions stated in the paragraph headed "Conditions of the Share Offer" of this section. The total number of Placing Shares to be allotted and issued pursuant to the Placing may change as a result of any reallocation of unsubscribed Shares originally included in the Public Offer as described in the paragraph headed "Reallocation of the Offer Shares between the Public Offer and the Placing" in this section.

Allocation of Placing Shares to investors pursuant to the Placing will be based on a number of factors, including the level and timing of demand, the total size of the relevant investor's invested assets or equity assets in the relevant sector and whether or not it is expected that the relevant investor is likely to buy further Shares, and/or hold or sell its Shares, after the Listing. Such allocation is generally intended to result in a distribution of the Placing Shares on a basis which would lead to the establishment of a solid shareholder base for the benefit of us and our Shareholders taken as a whole.

The Sole Bookrunner and the Sole Lead Manager may require any investor who has been offered Placing Shares under the Placing to provide sufficient information to the Sole Bookrunner and Sole Lead Manager so as to allow it to ensure that such investor is excluded from any applications for the Public Offer Shares under the Public Offer.

REALLOCATION OF THE OFFER SHARES BETWEEN THE PUBLIC OFFER AND THE PLACING

The allocation of the Public Offer Shares between (a) the Public Offer; and (b) the Preferential Offering is subject to adjustment. In the event there remains any Reserved Shares under the Preferential Offering not taken up by the Qualifying TA Shareholders after satisfying in full all the excess applications for the Reserved Shares from Qualifying TA Shareholders on a fair and reasonable basis, the remaining Reserved Shares will be reallocated to the Public Offer. Subject as mentioned below, no Reserved Shares will be reallocated from the Preferential Offering to the Placing.

In the event there remains any Employee Reserved Shares after satisfying in full all the excess application from the Eligible Employee, on a fair and reasonable basis, the remaining Employee Reserved Shares will be reallocated to the Public Offer. Subject as mentioned below, no Employee Reserved Shares will be reallocated from the Employee Preferential Offering to the Placing.

If the Public Offer Shares are not fully subscribed for, the Sole Bookrunner and the Sole Lead Manager has the authority (but not an obligation) to reallocate all or any of the unsubscribed Public Offer Shares originally included in the Public Offer to the Placing in such proportions as it deems appropriate. The Sole Bookrunner and the Sole Lead Manager may also, in respect of the Public Offer (including the Preferential Offering and the Employee Preferential Offering), give preference to topping up odd lots to whole board lots and/or reallocate odd lots of Public Offer Shares to the Placing at its absolute discretion. The number of Placing Shares available under the Placing will be correspondingly increased as a result of reallocation (if any) so described.

If the number of Shares validly applied for under the Public Offer represents (i) 15 times or more but less than 50 times, (ii) 50 times or more but less than 100 times, and (iii) 100 times or more, of the number of Shares available for subscription under the Public Offer, our Shares will be reallocated to the Public Offer from the Placing so that the total number of our Shares available under the Public Offer will be increased to 49,500,000 Shares (in the case of (i)), 66,000,000 Shares (in the case of (ii)) and 82,500,000 Shares (in the case of (iii)), respectively, representing 30%, 40% and 50%, respectively, of the total number of Shares available under the Share Offer. In addition, the Sole Bookrunner and Sole Lead Manager has the discretion to reallocate our Shares offered in the Placing to the Public Offer as it deems appropriate to satisfy valid applications under the Public Offer.

You may either use a **WHITE** or **YELLOW** Application Form to make an application for the Public Offer Shares.

Eligible Employee may also make an application for the Employee Reserved Shares pursuant to the Employee Preferential Offering by using a **PINK** Application Form.

Qualifying TA Shareholders may also make an application for the Reserved Shares pursuant to the Preferential Offering by using a **BLUE** Application Form.

Except where (i) you are a nominee and provide the required information in your application; (ii) you are an Eligible Employee who has made an application for Employee Reserved Shares using a **PINK** Application Form; or (iii) you are a Qualifying TA Shareholder who has made an application for the Reserved Shares using a **BLUE** Application Form, you or your joint applicant(s) may not make more than one application (whether individually or jointly).

I. HOW TO APPLY FOR THE PUBLIC OFFER SHARES AND RESERVED SHARES

1. Who can apply for the Public Offer Shares

You can apply for the Public Offer Shares available for subscription by the public on a **WHITE** or **YELLOW** Application Form if you, or any person(s) for whose benefit you are applying, are an individual, and:

- are 18 years of age or older;
- have a Hong Kong address;
- are not within the United States or a US person (within the meaning of Regulation S); and
- are not a legal or natural person of the PRC (except qualified domestic institutional investors).

If the applicant is a firm, the application must be in the names of the individual members, not the firm's name. If the applicant is a body corporate, the application must be stamped with the company chop (bearing the company name) and signed by a duly authorised officer, who must state his or her representative capacity.

If an application is made by a person duly authorised under a valid power of attorney, our Company and the Sole Bookrunner and the Sole Lead Manager or their respective agents, as our agent, may accept it at our or their discretion, and subject to any conditions as we or they think fit, including production of evidence of the authority of the attorney. The Company, the Sole Bookrunner and the Sole Lead Manager or their respective agents have full discretion to reject or accept any application in full or in part, without assigning any reason.

The number of joint applicants may not exceed four (except for applications made using the **PINK** Application Form(s) where no joint application will be permitted).

Save under the circumstances permitted by the Listing Rules, the Public Offer Shares are not available to any person(s) who:

- are/is an existing beneficial owner of our Shares;
- are/is the chief executive or a director of our Company or any of our subsidiaries;
- are/is an associate of any of the above;
- are/is a connected person of our Company or a person who will become a connected person of our Company immediately upon completion of the Share Offer;
- are/is within the United States or a US person (within the meaning of Regulation S);
- do/does not have a Hong Kong address;
- are/is a legal or natural person of the PRC (except qualified domestic institutional investors); or
- have/has been allocated or will receive any Placing Shares or otherwise participate in the Placing or have/has indicated an interest for the Placing Shares.

2. Which application method to use

(a) Use a **WHITE** Application Form if you want the Public Offer Shares issued in your own name.

(b) Use a **YELLOW** Application Form if you want the Public Offer Shares issued 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.

(c) Use a **PINK** Application Form if you are an Eligible Employee and want the Public Offer Shares to be registered in your own name and want your application to be given preferential consideration under the Employee Preferential Offering. Joint applications are not permitted. You may not apply on behalf of other person(s) as a nominee.

(d) Use a **BLUE** Application Form despatched to you by our Company if you are a Qualifying TA Shareholder applying for the Reserved Shares. Qualifying TA Shareholders may apply on an assured basis for a number of Reserved Shares less than or equal to their Assured Entitlements, which will be specified on their individual **BLUE** Application Form. Qualifying TA Shareholders may also apply for a number of Reserved Shares in excess of their Assured Entitlements specified on their individual **BLUE** Application Form. Such excess proportion will only be met to the extent that there are sufficient available Reserved Shares resulting from other Qualifying TA Shareholders with an Assured Entitlement declining to take up all or some of their Assured Entitlements.

3. Where to collect the prospectus and Application Forms

Members of the public including Eligible Employee and Qualifying TA Shareholders who wish to obtain a copy of this printed prospectus may obtain a copy, free of charge, upon request during normal business hours from 9:00 a.m. on Friday, 30 December 2011 until 12:00 noon on Tuesday, 10 January 2012 at the following locations:

(a) You can collect a **WHITE** Application Form and this prospectus during normal business hours from 9:00 a.m. on Friday, 30 December 2011 until 12:00 noon on Tuesday, 10 January 2012 from:

Sun Hong Kai Investment Services Limited
42nd Floor, The Lee Gardens
33 Hysan Avenue
Causeway Bay, Hong Kong

or any of the following branches of Standard Chartered Bank (Hong Kong) Limited:

District	Branch Name	Branch Address
Hong Kong Island	Des Voeux Road Branch	Standard Chartered Bank Building, 4–4A Des Voeux Road Central, Central
	88 Des Voeux Road Branch	88 Des Voeux Road Central, Central
	Wanchai Southorn Branch	Shop C2 on G/F and 1/F, Lee Wing Building, No. 156–162 Hennessy Road, Wanchai
	Aberdeen Branch	Shop 4A, G/F, Aberdeen Centre Site 5, No. 6 Nam Ning Street, Aberdeen

District	Branch Name	Branch Address
Kowloon	Kwun Tong Hoi Yuen Road Branch	G/F, Fook Cheong Building, No. 63 Hoi Yuen Road, Kwun Tong
	Tsimshatsui Branch	G/F, 10 Granville Road, Tsimshatsui
	Lok Fu Shopping Centre Branch	Shop G101, G/F, Lok Fu Shopping Centre, Lok Fu
New Territories	Tsuen Wan Branch	Shop C, G/F & 1/F, Jade Plaza, 298 Sha Tsui Road, Tsuen Wan
	Metroplaza Branch	Shop No. 175–176, Level 1, Metroplaza, 223 Hing Fong Road, Kwai Fong
	New Town Plaza Branch	Shop 215, 222 & 223, Phase 1, New Town Plaza, Shatin

(b) You can collect a **YELLOW** Application Form and this prospectus during normal business hours from 9:00 a.m. on Friday, 30 December 2011 until 12:00 noon on Tuesday, 10 January 2012, from:

- the Depository Counter of HKSCC at 2nd Floor, Infinitus Plaza, 199 Des Voeux Road Central, Hong Kong; or
- your stockbroker, who may also have such Application Forms and this prospectus available.

(c) Each Eligible Employee can collect a **PINK** Application Form and this prospectus during normal business hours from 9:00 a.m. on Friday, 30 December 2011 until 4:00 p.m. on Monday, 9 January 2012 from our Company's office at 22nd Floor, Allied Kajima Building, 138 Gloucester Road, Hong Kong.

(d) A **BLUE** Application Form, together this prospectus, are being despatched to you at your address recorded on Tian An's register of members as at 5:00 p.m. on the Record Date by our Company if you are a Qualifying TA Shareholder with an Assured Entitlement. Persons who held their Tian An's shares as at 5:00 p.m. on the Record Date in CCASS indirectly through brokers or custodians, and wish to participate in the Preferential Offering, should instruct their brokers or custodians to apply for the

Reserved Shares on their behalf no later than the deadline set by HKSCC or HKSCC Nominees. In order to meet the deadline set by HKSCC, such persons should check with their brokers/custodians for the timing on the processing of their instructions, and submit their instructions to their brokers/custodians as required by them. Persons who held their Tian An's shares as at 5:00 p.m. on the Record Date in CCASS directly as a CCASS Investor Participant, and wish to participate in the Preferential Offering, should give their instructions to HKSCC via the CCASS Phone System or CCASS Internet System no later than the deadline set by HKSCC or HKSCC Nominees. Qualifying TA Shareholders who require a replacement **BLUE** Application Form should contact Tricor Secretaries Limited at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong or at its hotline (852) 2980 1333. Printed copies of this prospectus are available at our Hong Kong Share Registrar, Tricor Secretaries Limited, at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong between 9:00 a.m. on Friday, 30 December 2011 until 12:00 noon on Tuesday, 10 January 2012 for exclusive collection by Qualifying TA Shareholders.

During normal business hours from 9:00 a.m. on Friday, 30 December 2011 until 12:00 noon on Tuesday, 10 January 2012, at least three copies of this printed prospectus will be available for inspection at the respective locations where the **WHITE**, **YELLOW** or **PINK** Application Forms are distributed as set out in this section.

4. How to apply by using a WHITE, YELLOW, PINK or BLUE Application Form

(a) Obtain an Application Form as described in the paragraph headed "Where to collect the prospectus and Application Forms" in this section.

(b) There are detailed instructions on each Application Form and in this prospectus. You should read these instructions carefully. If you do not follow the instructions, your application may be rejected and returned by ordinary post together with the accompanying cheque(s) or banker's cashier order(s) to you (or the first-named applicant in the case of joint applicants) at your own risk at the address stated in the Application Form. **PINK** Application Form applicants should apply in your own name.

(c) Decide how many Public Offer Shares you would like to apply for. Calculate the amount you must pay on the basis of the maximum Offer Price of HK$1.00 per Offer Share, plus brokerage of 1.0%, SFC transaction levy of 0.003% and Stock Exchange trading fee of 0.005%.

(d) Complete the Application Form in the specified language (i.e. English or Chinese, as the case may be) in ink and sign it. Only written signatures will be accepted. Applications made by corporations whether on their own behalf, or on behalf of other persons, must be stamped with the company chop (bearing the company name) and signed by a duly authorised officer, whose representative capacity must be stated. If you are applying for the benefit of another person, you, rather than that person, must sign the Application Form. If this is a joint application, all applicants must sign it. If your application is made through a duly authorised attorney, our Company and the Sole Bookrunner and Sole Lead Manager may accept it at our or their discretion, and subject to any conditions we or they think fit, including production of evidence of the authority of your attorney.

(e) Each Application Form must be accompanied by payment, in the form of either one cheque or one banker's cashier order which must be stapled to the top left-hand corner of the Application Form.

If you pay by cheque, the cheque must:

- be in HK$;
- be drawn on your Hong Kong dollar bank account with a licensed bank in Hong Kong;
- bear your account name, which must either be pre-printed on the cheque, or be endorsed on the back of the cheque by a person authorised by the bank on which it is drawn. This account name must be the same as the name on the Application Form (or, in the case of joint applicants, the name of the first-named applicant). If the cheque is drawn on a joint account, one of the joint account names must be the same as the name of the first-named applicant;
- be made payable to "Horsford Nominees Limited — Allied Cement Public Offer" for Public Offer Shares and Employee Reserved Shares or payable to "Horsford Nominees Limited — Allied Cement Preferential Offer" for Reserved Shares;
- be crossed "Account Payee Only"; and
- not be post-dated.

Your application may be rejected if your cheque does not meet all these requirements or is dishonoured on its first presentation.

If you pay by banker's cashier order, the banker's cashier order must:

- be issued by a licensed bank in Hong Kong and have your name certified on the back of the banker's cashier order by a person authorised by the bank on which it is drawn. The name on the back of the banker's cashier order and the name on the Application Form must be the same. If it is a joint application, the name on the back of the banker's cashier order must be the same as the name of the first-named joint applicant;
- be in HK$;
- be made payable to "Horsford Nominees Limited — Allied Cement Public Offer" for Public Offer Shares and Employee Reserved Shares or payable to "Horsford Nominees Limited — Allied Cement Preferential Offer" for Reserved Shares;
- be crossed "Account Payee Only"; and
- not be post-dated.

Your application is liable to be rejected if your banker's cashier order does not meet all these requirements.

(f) If you are applying for Shares using a **WHITE** or **YELLOW** Application Form, you should lodge your Application Form in one of the special collection boxes by the time and at one of the locations as referred to in paragraph 6(a) in this section.

(g) If you are applying for Shares using a **PINK** Application Form, you should lodge your Application Form with our company secretary by the time as referred to in paragraph 6(b) in this section.

(h) If you are applying for Shares using a **BLUE** Application Form, you should lodge your Application Form in the special collection box provided at Tricor Secretaries Limited at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong, the office of the Hong Kong Branch Registrar, by the time as referred to in paragraph 6(c) in this section.

(i) Multiple or suspected multiple applications are liable to be rejected. For details, please refer to the paragraph headed "How many applications may be made" in this section.

(j) In order for an application made on the **YELLOW** Application Form to be valid:

(i) If you are applying 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 I.D. in the appropriate box in the Application Form.

(ii) If you are applying as an individual CCASS Investor Participant:

- the Application Form must contain your full name and Hong Kong identity card number; and
- your CCASS Participant I.D. must be inserted in the appropriate box in the Application Form.

(iii) If you are applying as a joint individual CCASS Investor Participant:

- the Application Form must contain full names and Hong Kong identity card numbers of all joint CCASS Investor Participants; and
- your CCASS Participant I.D. must be inserted in the appropriate box in the Application Form.

(iv) If you are applying as a corporate CCASS Investor Participant:

- the Application Form must contain your company's full name and its Hong Kong business registration number; and
- your CCASS Participant I.D. and your company chop (bearing your company name) must be inserted in the appropriate box in the Application Form.

You, as the applicant(s), must complete the Application Form as indicated above and sign on the first page of the Application Form. Only written signatures will be accepted. Incorrect or omission of details of the CCASS Participant (including CCASS Participant I.D.) or other similar matters may render the application invalid.

(k) 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.

5. How to complete the Application Form

There are detailed instructions on each Application Form. You should read these instructions carefully. If you do not strictly follow the instructions, your application may be rejected.

Details of the procedure for refunds are set out in the paragraph headed "Despatch/Collection of share certificates and refund cheques" in this section.

6. When may applications be made

(a) *Applications on **WHITE** or **YELLOW** Application Forms*

Completed **WHITE** or **YELLOW** Application Forms, together with payment attached, must be lodged by 12:00 noon on Tuesday, 10 January 2012, or, if the application lists are not open on that day, then by the time and date stated in the paragraph headed "Effect of bad weather conditions on the opening of the application lists" of this section.

Your completed **WHITE** or **YELLOW** Application Form, together with payment attached, should be deposited in one of the special collection boxes provided at any of the branches of the receiving banker listed in the paragraph headed "Where to collect the prospectus and Application Forms" of this section at the following times on the following dates:

Friday, 30 December 2011	**—**	**9:00 a.m. to 5:00 p.m.**
Saturday, 31 December 2011	**—**	**9:00 a.m. to 1:00 p.m.**
Tuesday, 3 January 2012	**—**	**9:00 a.m. to 5:00 p.m.**
Wednesday, 4 January 2012	**—**	**9:00 a.m. to 5:00 p.m.**
Thursday, 5 January 2012	**—**	**9:00 a.m. to 5:00 p.m.**
Friday, 6 January 2012	**—**	**9:00 a.m. to 5:00 p.m.**
Saturday, 7 January 2012	**—**	**9:00 a.m. to 1:00 p.m.**
Monday, 9 January 2012	**—**	**9:00 a.m. to 5:00 p.m.**
Tuesday, 10 January 2012	**—**	**9:00 a.m. to 12:00 noon**

(b) *Applications on **PINK** Application Forms*

Your completed **PINK** Application Forms, together with payment attached, must be returned to our company secretary, Ms. Wong Ka Hang, at our Company's office at 22nd Floor, Allied Kajima Building, 138 Gloucester Road, Wanchai, Hong Kong by 4:00 p.m. on Monday, 9 January 2012.

(c) *Applications on **BLUE** Application Forms*

Completed **BLUE** Application Form, together with payment attached, must be lodged by 12:00 noon on Tuesday, 10 January 2012, or, if the application lists are not open on that day, by the time and date specified in the paragraph headed "Effect of bad weather conditions on the opening of the application lists" of this section.

Your completed **BLUE** Application Form, with payment attached, should be lodged in the special collection box provided at Hong Kong Branch Registrar, Tricor Secretaries Limited at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong at the following times on the following dates:

Friday, 30 December 2011	**—**	**9:00 a.m. to 4:30 p.m.**
Saturday, 31 December 2011	**—**	**9:00 a.m. to 1:00 p.m.**
Tuesday, 3 January 2012	**—**	**9:00 a.m. to 4:30 p.m.**
Wednesday, 4 January 2012	**—**	**9:00 a.m. to 4:30 p.m.**
Thursday, 5 January 2012	**—**	**9:00 a.m. to 4:30 p.m.**
Friday, 6 January 2012	**—**	**9:00 a.m. to 4:30 p.m.**
Saturday, 7 January 2012	**—**	**9:00 a.m. to 1:00 p.m.**
Monday, 9 January 2012	**—**	**9:00 a.m. to 4:30 p.m.**
Tuesday, 10 January 2012	**—**	**9:00 a.m. to 12:00 noon**

(d) *Application lists*

The application lists will be open from 11:45 a.m. to 12:00 noon on Tuesday, 10 January 2012, except as provided in the paragraph headed "Effect of bad weather conditions on the opening of the application lists" in this section.

No proceedings will be taken on applications for the Public Offer Shares and no allocation of any such Public Offer Shares will be made until after the closing of the application lists.

(e) *Effect of bad weather conditions on the opening of the application lists*

The application lists will not open if there is:

(i) a tropical cyclone warning signal number 8 or above, or

(ii) a "black" rainstorm warning signal,

in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon on Tuesday, 10 January 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 signals in Hong Kong in force at any time between 9:00 a.m. and 12:00 noon. For this purpose, "business day" means a day that is not a Saturday, a Sunday or a public holiday in Hong Kong.

If the application lists of the Public Offer do not open and close on Tuesday, 10 January 2012 or if there is a tropical cyclone warning signal number 8 or above or a "black" rainstorm warning signal in force in Hong Kong on the other dates mentioned in the section headed "Expected timetable" in this prospectus, the dates mentioned therein may be affected. An announcement will be made in such event.

8. How many applications may be made

Multiple applications or suspected multiple applications are liable to be rejected.

(a) You may make more than one application for the Public Offer Shares only if:

(i) you are a nominee, in which case you may make an application for the Public Offer Shares as a nominee by lodging more than one Application Form in your own name if each application is made on behalf of different beneficial owners. In the box on the Application Form marked "For nominees", 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 made for your benefit;

(ii) you are an Eligible Employee applying for Public Offer Shares on a **PINK** Application Form, in which case you may also make one application for the Public Offer Shares either on a **WHITE** or **YELLOW** Application Form. However, in respect of any application for Public Offer Shares using any of the abovementioned methods other than the **PINK** Application Form, you will not enjoy any preferential treatment as accorded to you under the Employee Preferential Offering as described in the paragraph headed "The Employee Preferential Offering" under the section headed "Structure of the Share Offer" in this prospectus; or

(iii) you are a Qualifying TA Shareholder applying for Reserved Shares under the Preferential Offering on a **BLUE** Application Form, as beneficial owner, in which case you may also make one application for Public Offer Shares either on a **WHITE** or **YELLOW** Application Form. However, in respect of any application for Public Offer Shares using any of the abovementioned methods other than the **BLUE** Application Form, you will not enjoy any preferential treatment accorded to you under the Preferential Offering as described in the paragraph headed "The Preferential Offering" under the section headed "Structure of the Share Offer" in this prospectus.

Otherwise, multiple applications are not allowed and are liable to be rejected.

(b) It will be a term and condition of all applications that by completing and delivering a **WHITE** or **YELLOW** Application Form, you:

- (if the application is made for your own benefit) warrant that the application is the only application which will be made for your benefit on a **WHITE** or **YELLOW** Application Form;
- (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; and
- (if you are an agent for another person) warrant that reasonable enquiries have been made of that other person that the application is the only application which will be made for the benefit of that other person on a **WHITE** or **YELLOW** Application Form, and that you are duly authorised to sign the Application Form as that other person's agent.

(c) Save as referred to above, all of your applications for the Public Offer Shares will be rejected as multiple applications if you, or you and your joint applicant(s) together (or any of your joint applicants):

- make more than one application (whether individually or jointly) on a **WHITE** or **YELLOW** Application Form;
- make more than one application on a **PINK** Application Form;

- apply (whether individually or jointly) on one **WHITE** or **YELLOW** Application Form for more than 6,681,000 Offer Shares (being approximately 50% of the 13,365,000 Public Offer Shares available under the Public Offer after deducting (i) the 16,500,000 Reserved Shares, and (ii) the 1,485,000 Employee Reserved Shares); or

(d) **All** of your applications (subject as mentioned above) will also be rejected as multiple applications if more than one application is made for **your benefit**. 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 made for your benefit.

For these purposes:

*"**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; or*
- *control more than half of the voting power of that company; 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).*

II. HOW MUCH ARE THE PUBLIC OFFER SHARES

The Offer Price is HK$1.00 per Share. You must also pay brokerage of 1.0%, SFC transaction levy of 0.003% and Stock Exchange trading fee of 0.005%. This means that for every board lot of 3,000 Shares you will pay HK$3,030.24. The **WHITE** and **YELLOW** Application Forms have tables showing the exact amount payable for multiples of Shares applied for up to 6,681,000 Public Offer Shares. The **BLUE** Application Form has a table showing the exact amount payable for multiples of Shares applied for up to 16,500,000 Reserved Shares. The **PINK** Application Form has a table showing the exact amount payable for multiples of Shares applied for up to 1,485,000 Employee Reserved Shares.

You must pay the Offer Price and related brokerage, SFC transaction levy and Stock Exchange trading fee in full when you apply for the Public Offer Shares. You must pay the amount payable upon application for the Public Offer Shares by a cheque or a banker's cashier order in accordance with the terms set out in the Application Form. Any application not accompanied by the correct amount of application monies will be treated as invalid in its entirety and no Offer Shares will be allotted to such applicant.

If your application is successful, brokerage is paid to participants of the Stock Exchange (or the Stock Exchange, as the case may be), the SFC transaction levy is paid to the SFC and the Stock Exchange trading fee is paid to the Stock Exchange.

III. RESULTS OF ALLOCATIONS

It is expected that the level of indication of interest in the Placing, the level of applications in the Public Offer and the Preferential Offering, the basis of allotment of the Offer Shares and the Reserved Shares will be published on Tuesday, 17 January 2012, in The Standard (in English) and the Hong Kong Economic Times (in Chinese) and on our website (*www.alliedcement.com.hk*) and the Stock Exchange's website (*www.hkexnews.hk*).

The results of allocations and the Hong Kong identity card/passport/Hong Kong business registration numbers of successful applicants (where appropriate) under the Public Offer will be available at the times and dates and in the manner specified below:

(a) results of allocations for the Public Offer will be available on our website (*www.alliedcement.com.hk*) and the Stock Exchange's website (*www.hkexnews.hk*) on Tuesday, 17 January 2012;

(b) results of allocations for the Public Offer will be available from our designated results of allocations website at *www.tricor.com.hk/ipo/result* (a hyperlink to which can also be found on our website (*www.alliedcement.com.hk*) on a 24-hour basis from 8:00 a.m. on Tuesday, 17 January 2012 to 12:00 midnight on Monday, 23 January 2012. The user will be required to key in the Hong Kong identity card/passport/Hong Kong business registration number provided in his/her/its application to search for his/her/its own allocation result;

(c) results of allocations will be available from our Public Offer allocation results telephone enquiry line. 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 (852) 3691 8488 between 9:00 a.m. and 6:00 p.m. from Tuesday, 17 January 2012 to Friday, 20 January 2012; and

(d) special allocation results booklets setting out the results of allocations will be available for inspection during opening hours of individual branches from Tuesday, 17 January 2012 to Thursday, 19 January 2012 at all the receiving bank branches at the addresses set out in this section.

You will receive one share certificate for all the Offer Shares issued to you under the Public Offer (except pursuant to applications made on **YELLOW** Application Form where share certificates will be deposited into CCASS).

You should note that our website, and all information contained in our website, does not form part of this prospectus.

IV. DESPATCH/COLLECTION OF SHARE CERTIFICATES AND REFUND CHEQUES

If an application is rejected, not accepted or accepted in part only, or if the conditions of the Public Offer are not fulfilled in accordance with the section headed "Structure and conditions of the Share Offer" in this prospectus or if any application is revoked or any allotment pursuant thereto has become void, the application monies, or the appropriate portion thereof, together with the related brokerage, SFC transaction levy and Stock Exchange trading fee, will be refunded, without interest. It is intended that special efforts will be made to avoid any undue delay in refunding application monies where appropriate. No temporary documents of title will be issued with respect to the Public Offer. No receipt will be issued for sums paid on application but, subject to personal collection as mentioned below, in due course there will be sent to you (or, in the case of joint applicants, to the first-named applicant) by ordinary post, at your own risk, to the address specified on your Application Form:

(a) for applications on **WHITE** or **BLUE** Application Forms:

  (i) Share certificate(s) for all the Public Offer Shares applied for, if the application is wholly successful; or

  (ii) Share certificate(s) for the number of Public Offer Shares successfully applied for, if the application is partially successful; and/or

(b) for application on **YELLOW** Application Forms:

  for wholly successful and partially successful applicants on **YELLOW** Application Forms, share certificates for their Public Offer Shares successfully applied for will be deposited into CCASS as described below

(c) for applications on **WHITE** or **YELLOW** or **BLUE** Application Forms, refund cheque(s) crossed "Account Payee Only" in favour of the applicant (or, in the case of joint applicants, the first-named applicant) for

  (i) the surplus application monies for the Public Offer Shares unsuccessfully applied for, if the application is partially unsuccessful; or

  (ii) all the application monies, if the application is wholly unsuccessful.

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 firstnamed applicant, provided by you may be printed on your refund cheque, if any. Such data could 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.

Subject to personal collection as mentioned below, refund cheques for surplus application monies (if any) with respect to wholly and partially unsuccessful applications under **WHITE** or **YELLOW** Application Forms; and Share certificates for wholly and partially successful applicants under **WHITE** Application Forms are expected to be posted on or before Tuesday, 17 January 2012. The right is reserved to retain any Share certificate(s) and any surplus application monies pending clearance of cheque(s).

Share certificates will only become valid certificates of title at 8:00 a.m. on the Listing Date provided that the Share Offer has become unconditional in all respects and the right of termination described in paragraph headed "Grounds for termination" under the section headed "Underwriting" in this prospectus has not been exercised.

(a) If you apply using a **WHITE** , **PINK** or **BLUE** Application Form:

If you apply for 1,000,000 Public Offer Shares or more on a **WHITE** Application Form or 30,000 Employee Reserved Shares or more on a **PINK** Application Form or 1,000,000 Reserved Shares or more on a **BLUE** Application Form and have indicated your intention in your Application Form to collect your refund cheque(s) (where applicable) and/or Share certificate(s) (where applicable) from our Company's Hong Kong Branch Registrar and transfer office, Tricor Secretaries Limited and have provided all information required by your Application Form, you may collect your refund cheque(s) (where applicable) and Share certificate(s) (where applicable) from our Company's Hong Kong Branch Registrar, Tricor Secretaries Limited at 26/F., Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong from 9:00 a.m. to 1:00 p.m. on Tuesday, 17 January 2012 or such other place and date as notified by the Company in the newspapers as the place and date of collection/despatch of refund cheques/Share certificates.

If you are an individual who opts for personal collection, you must not authorise any other person to make collection on your behalf. If you are a corporate applicant which opts for personal collection, you must attend by your authorised representative bearing a letter of authorisation from your corporation stamped with your corporation's chop. Both individuals and authorised representatives (if applicable) must produce, at the time of collection, evidence of identity acceptable to our Company's Hong Kong Branch Registrar, Tricor Secretaries Limited. If you do not collect your refund cheque(s) (where applicable) and/or Share certificate(s) (where applicable) personally within the time specified for collection, they will be sent to the address as specified in your Application Form promptly thereafter by ordinary post and at your own risk.

If you apply for less than 1,000,000 Public Offer Shares or 1,000,000 Reserved Shares or if you apply for 1,000,000 Public Offer Shares or 1,000,000 Reserved Shares or more but have not indicated on your Application Form that you will collect your refund cheque(s) (where applicable) and/or Share certificate(s) (where applicable) in person, your refund cheque(s) (where applicable) and/or Share certificate(s) (where applicable) will be sent to the address on your Application Form on or before Tuesday, 17 January 2012, by ordinary post and at your own risk.

If you apply for less than 30,000 Employee Reserved Shares, or if you apply for 30,000 Employee Reserved Shares or more but have not indicated on your Application Form that you will collect your refund cheque(s) (where applicable) and/or share certificate(s) (where applicable) in person, your share certificate(s) and/or refund cheque(s) (where applicable) will be sent to the

Company on your behalf on or before Tuesday, 17 January 2012, and the Company will arrange for onward despatch to you, by ordinary post and at your own risk, at the address specified in your Application Form or as otherwise notified by you to the Company.

(b) If you apply using a **YELLOW** Application Form:

If you apply for 1,000,000 Public Offer Shares or more and you have elected on your **YELLOW** Application Form to collect your refund cheque (where applicable) in person, please follow the same instructions as those for **WHITE** Application Form applicants as described above.

If you apply for less than 1,000,000 Public Offer Shares or if you apply for 1,000,000 Public Offer Shares or more but have not indicated on your Application Form that you will collect your refund cheque(s) (where applicable) in person, your refund cheque(s) (where applicable) will be sent to the address on your Application Form on or before Tuesday, 17 January 2012, by ordinary post and at your own risk.

If you apply for Public Offer Shares using a **YELLOW** Application Form 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 as instructed by you in your Application Form on Tuesday, 17 January 2012, or under contingent situation, on any other date as shall be determined by HKSCC or HKSCC Nominees.

(c) If you are applying through a designated CCASS Participant (other than a CCASS Investor Participant):

For Public Offer Shares credited to the stock account of your designated CCASS Participant (other than a CCASS Investor Participant), you can check the number of Public Offer Shares allocated to you with that CCASS Participant.

(d) 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 Public Offer in the newspapers on Tuesday, 17 January 2012. You should check the announcement published by our Company and report any discrepancies to HKSCC before 5:00 p.m. on Tuesday, 17 January 2012 or such other date as shall be determined by HKSCC or HKSCC Nominees. Immediately after the credit of the Public Offer Shares to your stock account, you can check your new account balance via the CCASS Phone System or 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 Public Offer Shares credited to your stock account.

V. COMMENCEMENT OF DEALINGS IN THE SHARES

Dealings in the Shares are expected to commence on Wednesday, 18 January 2012. The Shares will be traded in board lots of 3,000 Shares each. The Stock Exchange stock code for the Shares is 1312.

VI. SHARES WILL BE ELIGIBLE FOR ADMISSION INTO CCASS

Subject to the granting of the approval for listing of, and permission to deal in, the Shares on the Stock Exchange and the Company's compliance with the stock admission requirements of HKSCC, the 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 as HKSCC chooses.

Settlement of transaction 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 the Shares to be admitted into CCASS. Investors should seek the advice of their stockbroker or other professional adviser for details of those settlement arrangements and how such arrangements will affect their rights and interests.

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

Deloitte.
德勤

德勤·關黃陳方會計師行
香港金鐘道88號
太古廣場一座35樓

Deloitte Touche Tohmatsu
35/F One Pacific Place
88 Queensway
Hong Kong

30 December 2011

The Directors
Allied Cement Holdings Limited
Altus Capital Limited

Dear Sirs,

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

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

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

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

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

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

Notes:

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

A. FINANCIAL INFORMATION

Combined Statements of Comprehensive Income

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

Combined Statements of Financial Position

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

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

Combined Statements of Changes in Equity

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

Notes:

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

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

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

Combined Statements of Cash Flows

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

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

Notes to Financial Information

1. BASIS OF PRESENTATION OF FINANCIAL INFORMATION

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

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

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

2. APPLICATION OF HONG KONG FINANCIAL REPORTING STANDARDS

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

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

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

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

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

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

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

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

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES

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

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

Basis of combination

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

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

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

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

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

Allocation of total comprehensive income to non-controlling interests

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

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

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

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

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

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

Business combinations

Business combination that took place prior to 1 January 2010

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

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

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

Goodwill

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

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

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

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

Non-current assets held for sale

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

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

Revenue recognition

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

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

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

Technical services income is recognised when services are provided.

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

Property, plant and equipment

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

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

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

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

Mining right

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

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

Impairment of tangible assets and mining right

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

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

Leasing

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

The Group as lessee

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

Leasehold land and building

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

To the extent the allocation of the lease payments can be made reliably, interest in leasehold land that is accounted for as an operating lease is presented as "prepaid lease payments on land use rights" in the combined statement of financial position and is amortised over the lease term on a straight-line basis. When the lease payments cannot be allocated reliably

between the land and building elements, the entire lease is generally classified as a finance lease and accounted for as property, plant and equipment unless it is clear that both elements are operating lease, in which case the entire lease is classified as an operating lease.

Properties held for sale

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

Inventories

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

Taxation

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

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

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

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

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

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

Borrowing costs

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

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

Foreign currencies

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

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

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

Government grants

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

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

Retirement benefit costs

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

Financial instruments

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

Financial assets

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

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

Effective interest method

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

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

Financial assets at fair value through profit or loss

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

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

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- the financial asset forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
- it forms part of a contract containing one or more embedded derivatives, and HKAS 39 permits the entire combined contract (asset or liability) to be designated as at FVTPL.

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

Loans and receivables

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

Impairment of financial assets

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

Objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation; or
- the disappearance of an active market for that financial asset because of financial difficulties.

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

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

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

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

Financial liabilities and equity instruments

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

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

Effective interest method

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

Interest expense is recognised on an effective interest basis.

Financial liabilities

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

Equity instruments

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

Embedded derivatives

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

Derecognition

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

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

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

4. KEY SOURCES OF ESTIMATION UNCERTAINTY

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

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

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

Estimated allowance for bad and doubtful debts

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

Valuation of inventories of properties

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

Estimated useful lives of property, plant and equipment

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

Estimated impairment of goodwill

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

5. CAPITAL RISK MANAGEMENT

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

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

6. FINANCIAL INSTRUMENTS

Categories of financial instruments

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

Financial risk management objectives and policies

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

Market risk

Interest rate risk

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

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

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

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

Sensitivity analysis

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

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

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

Foreign currency risk

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

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

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

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

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

Other price risk

The Group is exposed to other price risk through its financial assets designated as at fair value through profit or loss, which are principal protected-structured deposits and their interest varies depending on the movement of exchange rate between the United Stated Dollars and Euro or of the Shanghai Interbank Offered Rate. The sensitivity analysis has been determined based on the exposure to the fluctuation of exchange rate between the United Stated Dollars and Euro or of the Shanghai Interbank Offered Rate. Based on the terms of the principal protected-structured deposits, the interest would be

adjusted only when there is 26% or above increase or decrease in the United Stated Dollars against Euro or at least a 580 basis point increase or decrease in the Shanghai Interbank Offered Rate. The management consider that the opportunity for such movement is remote based on current market situation and there is no significant change on the profit for the year ended 31 December 2010 and the six month ended 30 June 2011.

Credit risk

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

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

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

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

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

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

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

Liquidity risk

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

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

Liquidity and interest risk tables

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

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

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

Fair values

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

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

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

Fair value measurements recognised in the statement of financial position

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

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

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

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

7. REVENUE

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

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

8. OPERATING SEGMENT

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

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

Information about major products

The revenue of the major products is analysed as follows:

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

Information about major customers

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

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

Geographical information

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

9. OTHER INCOME

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

10. OTHER EXPENSES

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

11. FINANCE COSTS

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

12. DIRECTORS' AND EMPLOYEES' EMOLUMENTS

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

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

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

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

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

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

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

Employees' emoluments

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

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

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

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

a. Amount of profits

b. Average cost of production

c. Quantities of cement and clinker produced

d. Electricity consumption

e. Coal consumption

f. Aggregate amount of aging debts

g. Sales volume

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

13. TAXATION

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

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

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

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

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

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

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

14. PROFIT FOR THE YEAR/PERIOD

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

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

15. EARNINGS PER SHARE

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

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

16. PROPERTY, PLANT AND EQUIPMENT

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

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

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

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

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

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

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

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

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

17. PREPAID LEASE PAYMENTS ON LAND USE RIGHTS

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

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

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

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

18. GOODWILL AND IMPAIRMENT TEST ON GOODWILL

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

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

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

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

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

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

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

19. MINING RIGHT

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

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

20. PROPERTIES HELD FOR SALE

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

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

21. INVENTORIES

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

22. TRADE AND BILLS RECEIVABLES

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

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

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

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

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

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

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

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

Movement in the allowance for bad and doubtful debts

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

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

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

23. OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

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

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

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

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

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

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

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

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

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

25. LOAN RECEIVABLE

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

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

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

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

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

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

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

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

27. ASSETS CLASSIFIED AS HELD FOR SALE

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

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

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

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

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

28. TRADE AND BILLS PAYABLES

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

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

29. OTHER PAYABLES AND DEPOSITS RECEIVED

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

30. DEPOSIT RECEIVED ON LAND RESUMPTION

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

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

31. BORROWINGS

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

32. SHARE CAPITAL

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

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

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

33. DEFERRED TAXATION

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

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

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

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

34. SHARE OPTION SCHEME

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

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

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

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

35. RETIREMENT BENEFIT SCHEME

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

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

36. OPERATING LEASE COMMITMENTS

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

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

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

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

37. CAPITAL COMMITMENTS

The Group had the following capital commitments:

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

38. CONTINGENT LIABILITIES

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

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

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

39. RELATED PARTY TRANSACTIONS

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

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

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

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

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

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

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

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

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

Notes:

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

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

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

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

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

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

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

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

B. IMMEDIATE AND ULTIMATE HOLDING COMPANY

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

C. FINANCIAL INFORMATION OF THE COMPANY

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

D. DIRECTORS' REMUNERATION

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

E. EVENTS SUBSEQUENT TO 30 JUNE 2011

The following transactions took place subsequent to 30 June 2011:

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

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

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

F. SUBSEQUENT FINANCIAL STATEMENTS

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

Yours faithfully,
Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong

A. UNAUDITED PRO FORMA STATEMENT OF ADJUSTED NET TANGIBLE ASSETS

The following is an illustrative unaudited pro forma statement of adjusted net tangible assets of the Group, which has been prepared for the purpose of illustrating the effect of the Share Offer as if it had taken place on 30 June 2011. It is prepared based on the audited combined net assets of the Group as of 30 June 2011 as set out in the Accountants' Report 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 Accountants' Report in Appendix I to this prospectus. The unaudited pro forma financial information has been prepared for illustrative purpose only, and because of its nature, it may not give a true picture of the financial position of the Group had the Share Offer been completed as of 30 June 2011 or any future date.

	Audited adjusted combined net tangible assets of the Group attributable to owners of the Company as at 30 June 2011	Estimated net proceeds from the Share Offer	Unaudited pro forma adjusted net tangible assets attributable to owners of the Company	Unaudited pro forma adjusted net tangible assets per Share
	HK$'000 *(Note 1)*	HK$'000 *(Note 2)*	HK$'000	HK$ *(Note 3)*
Based on Offer Price of HK$1.00 per Share	297,018	145,000	442,018	0.67

Notes:

1. The audited adjusted combined net tangible assets of the Group attributable to owners of the Company as at 30 June 2011 is based on the net assets attributable to owners of the Company, after deducting the intangible asset with aggregate carrying amount of HK$7,781,000, extracted from the Accountants' Report set out in Appendix I to this prospectus.

2. The estimated net proceeds from the Share Offer are based on an Offer Price of HK$1.00 per Share (after deducting the underwriting fees and other related expenses), and takes no account of any Shares which may be issued pursuant to the exercise of any options which may be granted under the Share Option Scheme.

3. The number of Shares used for the calculation of unaudited pro forma adjusted net tangible assets attributable to owners of the Company per Share is based on 660,000,000 Shares to be in issue immediately after the Share Offer, which included the 142,292,167 Shares issued for the loan capitalisation as stated in note 4 below, and without taking into account any Shares which may be issued upon the exercise of any options which may be granted under the Share Option Scheme.

4. Subsequent to 30 June 2011, shareholders' loans due to Tian An Group with an aggregate amount of approximately HK$227,305,000 have been capitalised for the consideration of the issuance of 142,292,167 Shares. No pro forma adjustment has been made to the net tangible assets of the Group in connection to these shareholders' loans capitalisation. If the shareholders' loans capitalisation were to be adjusted to the pro forma net tangible assets of the Group, the unaudited pro forma adjusted net tangible assets per Share would have been approximately HK$1.01.

5. With reference to the valuation of the Group's buildings and prepaid lease payments on land use rights as at 31 October 2011 as set out in Appendix III to this prospectus, there was a valuation surplus of the Group's buildings and prepaid lease payments on land use rights of approximately HK$53.5 million. The Group will not incorporate the valuation surplus in its future financial statements. If the valuation surplus were to be incorporated in the Group's financial statements, additional annual depreciation and amortisation charge of approximately HK$1.5 million would have been charged against the profit or loss.

B. REPORT FROM THE REPORTING ACCOUNTANTS ON UNAUDITED PRO FORMA STATEMENT OF ADJUSTED NET TANGIBLE ASSETS

The following is the text of a report received from the independent reporting accountants, Deloitte Touche Tohmatsu, Certified Public Accountants, Hong Kong.

Deloitte.
德勤

ACCOUNTANTS' REPORT ON UNAUDITED PRO FORMA FINANCIAL INFORMATION TO THE DIRECTORS OF ALLIED CEMENT HOLDINGS LIMITED

We report on the unaudited pro forma statement of adjusted net tangible assets (hereinafter referred to as the "Unaudited Pro Forma Financial Information") of Allied Cement Holdings Limited (the "Company") and its subsidiaries (hereinafter collectively referred to as the "Group"), which has been prepared by the directors of the Company for illustrative purposes only, to provide information about how the placing and public offer might have affected the financial information presented, for inclusion in Appendix II to the prospectus of the Company dated 30 December 2011 (the "Prospectus"). The basis of preparation of the Unaudited Pro Forma Financial Information is set out on page II-1 of Appendix II to the Prospectus.

Respective responsibilities of directors of the Company and reporting accountants

It is the responsibility solely of the directors of the Company to prepare the Unaudited Pro Forma Financial Information in accordance with paragraph 29 of Chapter 4 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and with reference to Accounting Guideline 7 "Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars" issued by the Hong Kong Institute of Certified Public Accountants.

It is our responsibility to form an opinion, as required by paragraph 29(7) of Chapter 4 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 Hong Kong Institute of Certified Public Accountants. Our work consisted primarily of comparing the unadjusted financial information with source documents, considering the evidence supporting the adjustments and discussing the Unaudited Pro Forma Financial Information with the directors of the Company. This engagement did not involve independent examination of any of the underlying financial information.

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 purpose of the Unaudited Pro Forma Financial Information as disclosed pursuant to paragraph 29(1) of Chapter 4 of the Listing Rules.

The Unaudited Pro Forma Financial Information is for illustrative purpose 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 future and may not be indicative of the financial position of the Group as at 30 June 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 29(1) of Chapter 4 of the Listing Rules.

Deloitte Touche Tohmatsu
Certified Public Accountants

Hong Kong, 30 December 2011

The following is the text of a letter, summary of values and valuation certificates prepared for the purpose of incorporation in this document received from Norton Appraisals Limited, an independent professional surveyor firm, in connection with its valuation as at 31 October 2011 of the property interests of the Group.

Norton Appraisals
Registered Professional Surveyors, Valuers & Property Advisers

Unit 01, 21/F, Emperor Group Centre
288 Hennessy Road, Wanchai, Hong Kong
Tel: (852) 2810 7337 Fax: (852) 2810 6337

30 December 2011

The Directors
Allied Cement Holdings Limited
22/F, Allied Kajima Building
138 Gloucester Road
Wanchai
Hong Kong

Dear Sirs,

In accordance with the instructions from Allied Cement Holdings Limited (hereinafter referred to as the "Company") for us to value the property interests held and leased by the Company and its subsidiaries (hereinafter together referred to as the "Group") located in the People's Republic of China (hereinafter referred to as the "PRC"), we confirm that we have carried out inspections, made relevant enquiries and obtained such further information as we consider necessary for the purpose of providing you with our opinion of values of such property interests as at 31 October 2011 (hereinafter referred to as the "Date of Valuation").

Basis of Valuation

Our valuation is our opinion of 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

In valuing Property No. 1 in Group I, due to the nature of buildings and structures constructed, there are no readily identifiable market comparables and accordingly this property cannot be valued by comparison with open market transactions. Therefore, we have adopted the Depreciated Replacement Cost ("DRC") Approach in arriving at the value of such property interest. The DRC Approach is based on an estimate of the market value for the existing use of the land in the property, and the costs to reproduce or replace in new condition the buildings and structures being valued in accordance with current construction costs for similar buildings and structures in the locality, with allowance for accrued depreciation as evidenced by observed condition or obsolescence present, whether arising from physical, functional or economic causes. The DRC Approach generally furnishes the most reliable indication of value for property in the absence of a known market, based on comparable sales.

In valuing Property Nos. 2 to 6 in Group I, we have valued these properties by Direct Comparison Approach assuming sale of these property interests in their existing states with the benefit of vacant possession and by making reference to comparable sales evidence as available in the relevant market.

We have not attributed any commercial value to Property Nos. 7 to 9 in Groups I & II due to the lack of title proof and Property Nos. 10 to 13 in Group III which are leased by the Group due either to the short-term nature of the leases or the prohibition against assignment or sub-letting or otherwise due to the lack of substantial profit rents.

Valuation Assumptions

Our valuation of each of the properties has been made on the assumption that such property is sold on the open market without the benefit of deferred terms contract, leaseback, joint venture, management agreement or any similar arrangement which could serve to affect its value. In addition, no account has been taken of any option or right of pre-emption concerning or affecting sales of the property interests and no forced sale situation in any manner is assumed in our valuations.

No allowance has been made in our valuations for any charges, mortgages or amounts owing on any of the property interests valued or for any expenses or taxation which may be incurred in effecting a sale. Unless otherwise stated, it is assumed that the property interests are free from encumbrances, restrictions and outgoings of any onerous nature which could affect their values.

Title Investigation

We have been provided by the Group with extract copies of documents in relation to the titles for the property interests in the PRC. We have not examined the original documents to verify the ownership and to ascertain the existence of any amendments that may not appear on the copies handed to us. In the course of our valuation, we have relied on the advice given by the Company and the legal opinion prepared by Zhong Lun W&D Law Firm, the Group's legal adviser on the PRC law (hereinafter referred to as the "PRC Legal Adviser"), regarding the titles for the property interests.

Limiting Conditions

We have inspected the exterior and, where possible the interior of the property interests. In the course of our inspections, we did not note any serious defects. However, no structural survey has been made and we are therefore unable to report whether the properties are free from rot, infestation or any other defects. No tests were carried out on any of the services.

We have not carried out on-site measurements to verify the correctness of the site and floor areas of the property interests but have assumed that the site and floor areas shown on the documents available to us are correct. Dimensions, measurements and areas included in the attached valuation certificates are based on information contained in the documents provided to us and are, therefore, only approximations.

Furthermore, we have not carried out any site investigations to determine or otherwise the suitability of the ground conditions, the presence or otherwise of contamination and the provision of or otherwise suitability for services, etc. for future development.

We have relied to a considerable extent on the information provided by the Group and the legal opinion of the PRC Legal Adviser. We have accepted advice on such matters as planning approvals, statutory notices, easements, tenures, development proposals, construction costs already expended, estimated total construction costs, site and floor areas and all other relevant materials in the identification of the properties in which the Group has valid interests.

We have had no reason to doubt the truth and accuracy of the information provided to us by the Group. We were also advised by the Group that no material facts have been omitted from the information provided. 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 our valuation, we have complied with all the requirements contained in the Chapter 5 and Practice Note 12 to the Rules Governing the Listing of Securities issued by The Stock Exchange of Hong Kong Limited, The Codes on Takeovers and Mergers and Share Repurchase issued by The Securities and Future Commission and The HKIS Valuation Standards on Properties (1st Edition) published by the Hong Kong Institute of Surveyors.

Remarks

Unless otherwise stated, all monetary amounts stated in our valuation certificates are in Renminbi (RMB).

Our Summary of Values and the Valuation Certificates are attached herewith.

Yours faithfully,
For and on behalf of
Norton Appraisals Limited
Paul M. K. Wong
MRICS, MHKIS, RPS (G.P.)
Director

Note: Mr. Paul M. K. Wong is a Registered Professional Surveyor who has more than 20 years' experience in valuation of properties in Hong Kong and in the PRC.

SUMMARY OF VALUES

	Property	Capital value in existing state as at 31 October 2011	Interest attributable to the Group	Capital value attributable to the Group as at 31 October 2011
		RMB		RMB
Group I — Property interests owned and occupied by the Group in the PRC				
1.	Land and buildings in the factory complex of Shandong Allied Wangchao Cement Limited located at Dundong Village, Jiantouji Town, Taierzhuang District, Zaozhuang City, Shandong Province, the PRC	81,200,000	100%	81,200,000
2.	Units 2002 and 2004 Residential Block of Everbright Convention and Exhibition Centre, 86 Caobao Road, Xuhui District, Shanghai, the PRC	4,400,000	49.98%	2,199,120
3.	Unit 1603 of Jin Xuan Buildings, No. 3, Lane 228, East Nandan Road, Xuhui District, Shanghai, the PRC	2,370,000	49.98%	1,184,526
4.	Units 201 and 202, Jin Cheng Lu Yuan No. 69, Lane 398, Shenbei Road, Minhang District, Shanghai, the PRC	3,600,000	49.98%	1,799,280

	Property	Capital value in existing state as at 31 October 2011	Interest attributable to the Group	Capital value attributable to the Group as at 31 October 2011
		RMB		RMB
5.	Room 102, Building 27, 張江集電港二期(西塊) (Zhangjiang Semiconductor Industry Park Phase II (West Site)), No. 1388 Zhangdong Road, Pudong New District, Shanghai, the PRC	20,800,000	49.98%	10,395,840
6.	Unit 20G, 協和公寓第一號樓 (Xiehe Mansion No. 1 Building), No. 13, Lane 814, North Zhongshan Road, Zhabei District, Shanghai, the PRC	1,300,000	49.98%	649,740
7.	Unit 1501, Block 2, House No. 3 of Jin Quan Jia Yuan, Datun Road, Chaoyang District, Beijing, the PRC	No Commercial Value	100%	No Commercial Value
8.	Unit 11A, 建愛大廈 (Jianai Building), No. 8, Changyang Road, Hongkou District, Shanghai, the PRC	No Commercial Value	49.98%	No Commercial Value
	Sub-total:	113,670,000		97,428,506

	Property	Capital value in existing state as at 31 October 2011	Interest attributable to the Group	Capital value attributable to the Group as at 31 October 2011
		RMB		RMB
Group II — Property interest held for sale by the Group in the PRC				
9.	Unit 1403, 明都公寓 (Mingdu Apartment), No. 83, Anshun Road, Changning District, Shanghai, the PRC	No Commercial Value	49.98%	No Commercial Value
	Sub-total:	No Commercial Value		No Commercial Value
Group III — Property interests leased by the Group in the PRC				
10.	No. 19, Lane 2895, Longdong Main Road, Tang Village, Pudong New District, Shanghai, the PRC			No Commercial Value
11.	A portion of an industrial complex located in Sunsuzhuang Village, Jiantouji Town, Taierzhuang District, Zaozhuang City, Shandong Province, the PRC			No Commercial Value
12.	Jianwei Office Buildings, No. 58 Yanhe Road North, Yuan Taierzhuang District, Zaozhuang City, Shandong Province, the PRC			No Commercial Value
13.	A port located at Hanzhuang River, Dundong Village, Taierzhuang District, Zaozhuang City, Shandong Province, the PRC			No Commercial Value
	Sub-total:			No Commercial Value
	GRAND TOTAL:	**113,670,000**		**97,428,506**

VALUATION CERTIFICATE

Group I — Property interests owned and occupied by the Group in the PRC

No.	Property	Description and tenure	Particulars of occupancy	Capital Value in existing state as at 31 October 2011
				RMB
1.	Land and buildings in the factory complex of Shandong Allied Wangchao Cement Limited located at Dundong Village, Jiantouji Town, Taierzhuang District, Zaozhuang City, Shandong Province, the PRC	The property comprises a parcel of land with a site area of approximately 141,838 sq.m. together with the buildings and associated structures erected thereon. The buildings mainly include cement production facilities, administrative building, warehouses, dormitories, staff canteen, pump rooms and a boiler room. The buildings have a total registered gross floor area of approximately 20,036 sq.m., completed in about 2005. An additional 4.5 MW waste heat power station and cement grinding station with a total gross floor area of approximately 7,301.21 sq.m. is planned to be completed late 2011. The land use rights of the property have been granted for industrial use for a term expiring on the 6 August 2056.	The property is occupied by Shandong Allied Wangchao Cement Limited for production purpose.	81,200,000 (100% interest attributable to the Group: 81,200,000)

Notes:

SECTION I: TITLE DOCUMENTS

1. Pursuant to the Certificate for State-owned Land Use Rights — Tai Guo Yong (2006) No. 0052 dated 2 February 2006 issued by the 棗莊市台兒莊區人民政府 (the People's Government of Zaozhuang City Taierzhuang District), the land use rights of the property, having a site area of 141,838 sq.m., have been granted to 山東聯合王晁水泥有限公司 (Shandong Allied Wangchao Cement Limited), a wholly owned subsidiary of the Company, with a land use term of 50 years expiring on 6 August 2056 for industrial use.

2. Pursuant to the Contract for Grant of State-owned Land Use Rights No. GF-2000-2601 dated 6 July 2006, the land use rights of the property have been granted to the Shandong Allied Wangchao Cement Limited. The salient conditions as stipulated in the said contract are summarised as follows:

(i)	Location	:	澗頭集鎮頓東村 (Dundong Village, Jiantouji Town)
(ii)	Site area	:	141,838 sq.m.
(iii)	Land grant consideration	:	RMB16,453,208
(iv)	Use	:	industrial
(v)	Land use term	:	50 years

3. Pursuant to 6 Certificates for Building Ownership issued by 棗莊市房產管理局 (Zaozhuang City Real Estate Administration Bureau) all dated 19 March 2008, the titles of the property are vested in Shandong Allied Wangchao Cement Limited with a total gross floor area of 20,036 sq.m.. The salient details are listed as follows:

Building Ownership Certificate	Use	Total Gross Floor Area (sq.m.)
Zao Fang Quan Zheng Tai Zi No. JT-0027	Industrial	3,683.39
Zao Fang Quan Zheng Tai Zi No. JT-0027(1)	Industrial	2,140.13
Zao Fang Quan Zheng Tai Zi No. JT-0027(2)	Industrial	7,767.74
Zao Fang Quan Zheng Tai Zi No. JT-0027(3)	Industrial	2,918.40
Zao Fang Quan Zheng Tai Zi No. JT-0027(4)	Industrial	1,857.46
Zao Fang Quan Zheng Tai Zi No. JT-0027(5)	Industrial	1,668.88
	Total:	**20,036**

SECTION II: CORPORATE BACKGROUND

4. Pursuant to the Joint Venture Contract (the "Contract") entered into between 山東王晁煤電集團有限公司 ("Party A"), 上聯水泥集團有限公司 (Shanghai Allied Cement Holdings Limited) ("Party B") and 聯合國際工業(上海)有限公司 ("Party C") dated 19 November 2003, the three parties agreed to establish a joint venture company. The salient conditions stipulated in the Contract are summarised as follows:

(i)	Name of joint venture company	:	山東聯合王晁水泥有限公司 (Shandong Allied Wangchao Cement Limited)
(ii)	Registered capital	:	US$4,600,000
(iii)	Scope of operation	:	Production and sale of cement and clinker products
(iv)	Capital interest/contribution	:	Party A : US$460,000 (10%) Party B : US$460,000 (10%) Party C : US$3,680,000 (80%)
(v)	Profit/loss sharing	:	As per the parties' equity interests in the JV Company
(vi)	Period of operation	:	50 years form the date of issuance of the business licence

5. Pursuant to the Business Licence No. 370400400000717 dated 23 May 2008, Shandong Allied Wangchao Cement Limited was permitted to operate with a registered capital of US$9,200,000 with a business period from 29 December 2003 to 28 December 2053. The scope of business is in the manufacture and sales of cement, clinker and cement products.

SECTION III: STATUS OF THE PROPERTY

6. Pursuant to the Certificate for Commencing Construction No. 2009015 dated 23 September 2009, construction works of the 4.5MW waste heat power station with a total gross floor area of 1,500 sq.m. has been permitted.

7. Pursuant to the Certificate for Commencing Construction No. 2009038 dated 30 December 2009, construction works of the cement grinding station with a total gross floor area of 4,000 sq.m. has been permitted.

8. Pursuant to two Certificates for Construction Engineering Planning — Nos. 2011005 and 2011006 both issued by 棗莊市台兒莊區住房和城鄉建設局 (Zaozhuang City Taierzhuang District Housing and Urban Planning Bureau) and dated 18 April 2011, approval has been granted to develop the 4.5MW waste heat power station and cement grinding station with a total gross floor area of 7,301.21 sq.m.

9. In the course of our valuation, we have not taken into account the portions of the 4.5 MW waste heat power station and the cement grinding station due to no building ownership certificates have been obtained as at the date of valuation.

SECTION IV: OTHERS

10. We have been provided with a legal opinion on the title to the property issued by the Group's PRC legal adviser, which contains, *inter alia*, the following information:

    (i) The title to the property possessed by Shandong Allied Wangchao Cement Limited is legally valid and free from encumbrances; and

    (ii) The land use rights of the property are freely transferable by way of transfer, mortgage or letting for its residual term of the land use rights.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Capital Value in existing state as at 31 October 2011
				RMB
2.	Units 2002 and 2004 Residential Block of Everbright Convention and Exhibition Centre, 86 Caobao Road, Xuhui District, Shanghai, the PRC	Everbright Convention and Exhibition Centre is a 30-storey comprehensive development including hotels and commercial/residential composite buildings. The property comprises two apartment units in the residential block of the development, having a total gross floor area of approximately 225.78 sq.m., completed in about 2000. The land use rights of the property have been granted for a term of 40 years from 10 January 2002 to 3 September 2042 for comprehensive use.	The property is currently owner-occupied.	4,400,000 (49.98% interest attributable to the Group: 2,199,120)

Notes:

SECTION I: TITLE DOCUMENT

1. Pursuant to 2 Certificates for Real Estate Ownership issued by 上海市房屋土地管理局 (Shanghai Housing and Land Administration Bureau), the titles of the property with a total gross floor area of 225.78 sq.m. are vested in 上海聯合水泥有限公司 (Shanghai Allied Cement Co., Ltd.), a 49.98% interest owned by the Company, for a common term of 40 years from 10 January 2002 to 3 September 2042 for comprehensive use. The details are listed as follows:

No.	Unit	Certificate for Real Estate Ownership No.	Issuance Date	Gross Floor Area
				(sq.m.)
1.	2002	Hu Fang Di Shi Zi (2002) No. 000674	22 January 2002	133.91
2.	2004	Hu Fang Di Shi Zi (2002) No. 000675	22 January 2002	91.87
			Total:	225.78

SECTION II: OTHERS

2. We have been provided with a legal opinion on the title to the property issued by the Group's PRC legal adviser, which contains, *inter alia*, the following information:

   (i) The title to the property possessed by Shanghai Allied Cement Co., Ltd. is legally valid and free from encumbrances; and

   (ii) The land use rights of the property are freely transferable by way of transfer, mortgage or letting.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Capital Value in existing state as at 31 October 2011
				RMB
3.	Unit 1603 of Jin Xuan Buildings, No. 3, Lane 228, East Nandan Road, Xuhui District, Shanghai, the PRC	Jin Xuan Buildings is a comprehensive development including 4 blocks of 20 to 28-storey commercial/residential composite buildings. The property comprises a residential unit within the development having a gross floor area of approximately 110.17 sq.m. on the 16th floor of a 20-storey residential building completed in about 1997. The land use rights of the property have been granted for a term of 50 years from 31 December 1993 to 30 December 2043 for comprehensive use.	The property is currently owner-occupied.	2,370,000 (49.98% interest attributable to the Group: 1,184,526)

Notes:

SECTION I: TITLE DOCUMENT

1. Pursuant to the Certificate for Real Estate Ownership — Hu Fang Di Xu Zi (2001) No. 052027 issued by 上海房屋土地資源管理局 (Shanghai Housing and Land Resources Administration Bureau) on 17 July 2001, the title of the property with a gross floor area of 110.17 sq.m. is vested in 上海聯合水泥有限公司 (Shanghai Allied Cement Co., Ltd.), a 49.98% interest owned by the Company, for a term of 50 years from 31 December 1993 to 30 December 2043 for comprehensive use.

SECTION II: OTHERS

2. We have been provided with a legal opinion on the title to the property issued by the Group's PRC legal adviser, which contains, *inter alia*, the following information:

   (i) The title to the property possessed by Shanghai Allied Cement Co., Ltd. is legally valid and free from encumbrances; and

   (ii) The land use rights of the property are freely transferable by way of transfer, mortgage or letting.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Capital Value in existing state as at 31 October 2011
				RMB
4.	Units 201 and 202, Jin Cheng Lu Yuan No. 69, Lane 398, Shenbei Road, Minhang District, Shanghai, the PRC	Jin Cheng Lu Yuan is a low-rise residential development located near the junction of Xihuan Road with Shenbei Road of Minhang District. The property comprises two residential units within the development having a total gross floor area of approximately 274.57 sq.m. The land use rights of the property have been granted for a term up to 30 December 2043 for residential use.	The property is currently owner-occupied.	3,600,000 (49.98% interest attributable to the Group: 1,799,280)

Notes:

SECTION I: TITLE DOCUMENT

1. Pursuant to 2 Certificates for Building Ownership issued by 上海閔行區房地產管理局 (Shanghai Minhang District Housing and Land Administration Bureau), the titles of the property with a total gross floor area of 274.57 sq.m. are vested in 上海聯合水泥有限公司 (Shanghai Allied Cement Co., Ltd.), a 49.98% interest owned by the Company, for a common term of 50 years from 31 December 1993 to 30 December 2043. The details are listed as follows:

No.	Unit	Certificate for Building Ownership No.	Issuance Date	Gross Floor Area (sq.m)
1.	201	Hu Fang Min Zi No. Shen 02760	11 March 1995	137.14
2.	202	Hu Fang Min Zi No. Shen 02761	11 March 1995	137.43
			Total:	274.57

SECTION II: OTHERS

2. We have been provided with a legal opinion on the titles to the property issued by the Group's PRC legal adviser, which contains, *inter alia*, the following information:

   (i) The title to the property possessed by Shanghai Allied Cement Co., Ltd. is legally valid and free from encumbrances; and

   (ii) The land use rights of the property are freely transferable by way of transfer, mortgage or letting.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Capital Value in existing state as at 31 October 2011
				RMB
5.	Room 102, Building 27, 張江集電港二期 (西塊）(Zhangjiang Semiconductor Industry Park Phase II (West Site)), No. 1388 Zhangdong Road, Pudong New District, Shanghai, the PRC	張江集電港二期(西塊) (Zhangjiang Semiconductor Industry Park Phase II (West Site)) (the "Development") comprises a comprehensive industrial development with a site area of approximately 116,330 sq.m.. The property comprises an industrial unit of Building 27 of the Development with a gross floor area of approximately 857.60 sq.m.. The land use rights of the Development have been granted for a term from 31 May 2011 to 24 May 2049 for industrial use.	The property is currently owner-occupied.	20,800,000 (49.98% interest attributable to the Group: 10,395,840)

Notes:

SECTION I: STATUS OF THE PROPERTY

1. Pursuant to the Certificate for Real Estate Ownership — Hu Fang Di Pu Zi (2011) No. 038270 issued by the Shanghai Housing Security & Administration Bureau and Shanghai Planning, Land & Resources Bureau, the title of the property with a gross floor area of 857.60 sq.m. is vested in 上海聯合水泥有限公司 (Shanghai Allied Cement Co., Ltd.), a 49.98% interest owned by the Company, for a term from 31 May 2011 to 24 May 2049 for industrial use.

SECTION II: OTHERS

2. We have been provided with a legal opinion on the titles to the property issued by the Group's PRC legal adviser, which contains, *inter alia*, the following information:

   (i) The title to the property possessed by Shanghai Allied Cement Co., Ltd. is legally valid and free from encumbrances; and

   (ii) The land use rights of the property are freely transferable by way of transfer, mortgage or letting.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Capital Value in existing state as at 31 October 2011
				RMB
6.	Unit 20G, 協和公寓第一號樓 (Xiehe Mansion No. 1 Building), No. 13, Lane 814, North Zhongshan Road, Zhabei District, Shanghai, the PRC	The building, known as 協和公寓第一號樓 (Xiehe Mansion No. 1 Building), is a 20-storey residential building completed in 2003. The property comprises a residential unit on the 20th floor of the building. The gross floor area of the property is approximately 77.20 sq.m.. The land use rights of the property have been granted for a term of 70 years from 15 October 1997 to 14 October 2067 for residential use.	The property is currently owner-occupied.	1,300,000 (49.98% interest attributable to the Group: 649,740)

Notes:

SECTION I: TITLE DOCUMENTS

1. Pursuant to the Certificate for Real Estate Ownership - Hu Fang Di Zha Zi (2011) No. 004821, issued by the Shanghai Housing Security & Administration Bureau and Shanghai Planning, land & Resources Administration Bureau, the title of the property with a gross floor area of 77.20 sq.m. is vested in 上海聯合水泥有限公司 (Shanghai Allied Cement Co., Ltd.), a 49.98% interest owned by the Company, for a term of 70 years from 15 October 1997 to 14 October 2067 for residential use.

SECTION II: OTHERS

2. We have been provided with a legal opinion on the titles to the property issued by the Group's PRC legal adviser, which contains, *inter alia*, the following information:

   (i) The title of the property possessed by Shanghai Allied Cement Co., Ltd. is legally valid and free from encumbrances; and

   (ii) The land use rights of the property are freely transferable by way of transfer, mortgage or letting.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Capital Value in existing state as at 31 October 2011
				RMB
7.	Unit 1501, Block 2, House No. 3 of Jin Quan Jia Yuan, Datun Road, Chaoyang District, Beijing, the PRC	Jin Quan Jia Yuan (the "Development") is a comprehensive residential/community service center development. The property comprises a residential unit within the Development having a gross floor area of approximately 148.03 sq.m. on the 15th floor of a 30-storey residential building completed in early 2009. The land use rights of the property have been granted for a term of 70 years from 9 March 2003 to 8 March 2073 for residential use.	The property is currently owner-occupied.	No Commercial Value (100% interest attributable to the Group: No Commercial Value)

Notes:

SECTION I: TITLE DOCUMENT

1. Pursuant to a 北京市商品房預售合同 (Beijing City Commodity House Pre-sale Contract) No. Y639634 (the "Contract") dated 19 June 2008 entered into between 北京政泉置業有限公司 and 山東上聯水泥發展有限公司 (Shandong Shanghai Allied Cement Co., Ltd.), 北京政泉置業有限公司 agreed to transfer the title of the property (formerly known as 北京朝陽區大屯里政泉花園3號樓15層2單元1501) with a gross floor area of approximately 148.03 sq.m. to Shandong Shanghai Allied Cement Co., Ltd., a wholly owned subsidiary of the Company, for residential use.

SECTION II: OTHERS

2. We have been provided with a legal opinion on the titles to the property issued by the Group's PRC legal adviser, which contains, *inter alia*, the following information:

   (i) The aforementioned pre-sale contract is legally valid;

   (ii) The aforementioned property is free from encumbrances;

   (iii) The obtainment procedures for the Certificate for Building Ownership by Shandong Shanghai Allied Cement Co., Ltd. will not encounter any legal obstacle; and

   (iv) Upon completion of obtainment procedures, the land use rights of the property possessed by Shandong Shanghai Allied Cement Co., Ltd. will be freely transferable by way of transfer, mortgage or letting.

3. In the valuation of this property, we have relied on the aforesaid legal opinion and attributed no commercial value to the property. However, for reference purpose, we are of the opinion that the capital value of the property as at the Date of Valuation would be RMB3,330,000 assuming all relevant title Certificates have been obtained by Shandong Shanghai Allied Cement Co., Ltd. and the land use rights of the property could be freely transferred.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Capital Value in existing state as at 31 October 2011
				RMB
8.	Unit 11A, 建愛大廈 (Jianai Building), No. 8, Changyang Road, Hongkou District, Shanghai, the PRC	建愛大廈 (Jianai Building) is a 26-storey composite building completed in 1996. The property comprises a unit on the 11th floor of the building.The gross floor area of the property is approximately 126.92 sq.m..	The property is currently owner-occupied.	No Commercial Value (49.98% interest attributable to the Group: No Commercial Value)

Notes:

SECTION I: TITLE DOCUMENT

1. According to the【抵賬協議】(off setting account balance agreement) entered into between 上海市建築構件製品公司 (Shanghai Building Components Products Co., Ltd.), 上海揚帆建築物資供應有限公司 (Shanghai Yangfan Building Materials Supplier Co., Ltd.) and 上海聯合水泥有限公司 (Shanghai Allied Cement Co., Ltd.), dated 4 November 2003, the usage rights of the property were transferred to Shanghai Allied Cement Co., Ltd., a 49.98% interest owned by the Company, as a result of off setting the remaining balance between the three parties.

2. Pursuant to the Certificate for Real Estate Ownership — Hu Fang Di Hong Zi (2011) No. 012443 issued by Shanghai Housing Security & Administration Bureau and Shanghai Planning, Land & Resources Administration Bureau on 10 November 2011, the title of the property with a gross floor area of 126.92 sq.m. is vested in Shanghai Allied Cement Co., Ltd., for a term of 50 years from 3 January 1997 to 2 January 2047 for comprehensive use.

SECTION II: OTHERS

3. We have been provided with a legal opinion on the titles to the property issued by the Group's PRC legal adviser, which contains, *inter alia*, the following information:

   (i) The aforementioned off setting account balance agreement is legally valid and binding on the signed parties; and

   (ii) Shanghai Allied Cement Co., Ltd. is entitled to occupy and use the property and receive income generated by the property.

4. In the valuation of this property, we have relied on the aforesaid legal opinion and attributed no commercial value to the property. However, for reference purpose, we are of the opinion that the capital value of the property as at the Date of Valuation would be RMB2,300,000 assuming the relevant Certificate of Real Estate Ownership was to be obtained by Shanghai Allied Cement Co., Ltd. and the land use rights of the property could be freely transferred.

VALUATION CERTIFICATE

Group II — Property interest held for sale by the Group in the PRC

No.	Property	Description and tenure	Particulars of occupancy	Capital Value in existing state as at 31 October 2011
				RMB
9.	Unit 1403, 明都公寓 (Mingdu Apartment), No. 83, Anshun Road, Changning District, Shanghai, the PRC	明都公寓 (Mingdu Apartment) is a 18-storey residential/office building completed in 2000. The property comprises an office unit on the 14th floor of the building with a gross floor area approximately 146.48 sq.m.. The land use rights of the property is allocated with unspecified term for office use.	The property is currently owner-occupied.	No Commercial Value (49.98% interest attributable to the Group: No Commercial Value)

Notes:

SECTION I: TITLE DOCUMENT

1. Pursuant to the Certificate for Real Estate Ownership — Hu Fang Di Chang Zi (2011) No. 009503 on 31 August 2011 issued by Shanghai Housing Security & Administration Bureau and Shanghai Planning, Land & Resources Bureau, the title of the property with a gross floor area of 146.48 sq.m. is vested in 上海聯合水泥有限公司 (Shanghai Allied Cement Co., Ltd.), a 49.98% interest owned by the Company.

SECTION II: OTHERS

2. We have been provided with a legal opinion on the titles to the property issued by the Group's PRC legal adviser, which contains, *inter alia*, the following information:

   (i) The title of the property possessed by Shanghai Allied Cement Co., Ltd. is legally valid and free from encumbrances; and

   (ii) Since the land use rights of the property have been obtained via allocation from the state, Shanghai Allied Cement Co., Ltd. is entitled to occupy and utilize the property under the law of the PRC, however the right to transfer, mortgage or lease the land use rights is restricted.

3. In the valuation of this property, we have attributed no commercial value to the property which is non-transferable as at the Date of Valuation. However, for reference purpose, we are of the opinion that the capital value of the property as at the Date of Valuation would be RMB2,420,000 assuming the land use rights of the property could be freely transferred.

VALUATION CERTIFICATE

Group III — Property interests leased by the Group in the PRC

No.	Property	Description and Occupancy	Capital Value in existing state as at 31 October 2011
			RMB
10.	No. 19, Lane 2895, Longdong Main Road, Tang Village, Pudong New District, Shanghai, the PRC	The property comprises a villa with a gross floor area of approximately 250 sq.m. The property is currently occupied by the Group for storage use.	No Commercial Value

Notes:

1. According to the tenancy agreement dated 3 July 2010 entered into between 汪燕紅 (Wang Yanhong) (the "Landlord") and 上海聯合水泥有限公司 (Shanghai Allied Cement Co., Ltd.) (the "Tenant"), a 49.98% interest owned by the Company, the Landlord agreed to let the property to the Tenant for a term of two years from 15 July 2010 to 14 July 2012 at a monthly rental of RMB5,000 including of management fees.

2. We have been provided with a legal opinion on the titles to the property issued by the Group's PRC legal adviser, which contains, *inter alia*, the following information:

   (i) The Landlord has not yet obtained a Certificate of Real Estate Ownership. Upon completion of obtainment procedures, the tenancy will be legally valid and enforceable; and

   (ii) The property is currently occupied for the storage of old office equipment, should the tenancy agreement be terminated, Shanghai Allied Cement Co., Ltd. can vacate the premises at any time without significant impact on its operations.

VALUATION CERTIFICATE

No.	Property	Description and Occupancy	Capital Value in existing state as at 31 October 2011
			RMB
11.	A portion of an industrial complex located in Sunsuzhuang Village, Jiantouji Town, Taierzhuang District, Zaozhuang City, Shandong Province, the PRC	The industrial complex located in Sunsuzhuang Village comprises an industrial development erected on a parcel of land with a site area of approximately 90,130 sq.m. completed in about 1999. The property comprises a portion of industrial complex with a site area of approximately 40,000 sq.m. and a 300,000 ton cement production line, mine, buildings and a set of 3 cement grinders erected thereon. The property is currently occupied by the Group for production use.	No Commercial Value

Notes:

1. According to the tenancy agreement dated 2 May 2001 entered into between 棗莊市台兒莊區水泥有限公司 (Zaozhuang City Taierzhuang District Cement Co., Ltd.) (the "Landlord") and 聯合國際工業(水泥)有限公司 ("AII-cement Limited"), a wholly owned subsidiary of the Company, the Landlord agreed to let the subject site and the 300,000 ton cement production line, mine and buildings erected thereon to AII-cement Limited for a term of 20 years from 26 May 2001 to 26 May 2021 at annual rentals of RMB4,000,000 (year 1), RMB4,500,000 (year 2), RMB5,000,000 (year 3), RMB5,500,000 (year 4) and RMB6,000,000 (year 5 and onwards).

2. According to the 場地使用協議 (Site Usage Agreement) dated 31 May 2001 entered into between the Landlord and 山東上聯水泥發展有限公司 (Shandong Shanghai Allied Cement Co., Ltd.), a wholly owned subsidiary of the Company, the Landlord agreed to allow the usage of the adjoining land to the 300,000 ton cement production line, mine and buildings with a site area of 40,000 sq.m. as part of the aforementioned tenancy agreement.

3. According to the tenancy agreement dated 17 February 2004 entered into between the Landlord and Shandong Shanghai Allied Cement Co., Ltd. (the "Tenant"), the Landlord agreed to let the set of 3 cement grinders and the related facilities in the eastern factory area of the property to the Tenant for a term from 1 March 2004 to 30 May 2021 at an annual rental of RMB800,000.

4. We have been provided with a legal opinion on the title to the property issued by the Group's PRC legal adviser, which confirms that the aforementioned tenancy agreements and land usage agreement are legally valid and enforceable.

VALUATION CERTIFICATE

No.	Property	Description and Occupancy	Capital Value in existing state as at 31 October 2011
			RMB
12.	Jianwei Office Buildings, No. 58 Yanhe Road North, Yuan Taierzhuang District, Zaozhuang City, Shandong Province, the PRC	The property comprises part office complex of Jianwei Office Buildings with a total gross floor area of approximately 1,400 sq.m.. The property is currently occupied by the Group for office use.	No Commercial Value

Notes:

1. According to the tenancy agreement dated 22 May 2002 entered into between 棗莊市台兒莊區建設局 (Zaozhuang City Taierzhuang District Construction Bureau) (the "Landlord") and 山東上聯水泥發展有限公司 (Shandong Shanghai Allied Cement Co., Ltd.) (the "Tenant"), a wholly owned subsidiary of the Company, the Landlord agreed to let the property to the Tenant for a term of 20 years from 1 June 2002 to 31 May 2022 at an annual rental of RMB33,000.

2. We have been provided with a legal opinion on the title to the property issued by the Group's PRC legal adviser, which confirms that the tenancy agreement is legally valid and enforceable.

VALUATION CERTIFICATE

No.	Property	Description and Occupancy	Capital Value in existing state as at 31 October 2011
			RMB
13.	A port located at Hanzhuang River, Dundong Village, Taierzhuang District, Zaozhuang City, Shandong Province, the PRC	The property comprises a port and ancillary loading structure with a site area of approximately 60.05 mu (40,033.33 sq.m.) and is currently occupied by the Group for loading/unloading purpose.	No Commercial Value

Notes:

1. According to the tenancy agreement dated 9 December 2004 entered into between 棗莊市台兒莊區頓東村 (Zaozhuang City Taierzhuang District Dundong Village) (the "Landlord") and 山東聯合王晁水泥有限公司 (Shandong Allied Wangchao Cement Limited) (the "Tenant"), a wholly owned subsidiary of the Company, the Landlord agreed to let the property to the Tenant for a term of 10 years from 1 December 2004 to 1 December 2014 at an annual rental of RMB48,040 exclusive of compensation for replaced crops..

2. Pursuant to the 河道提防工程佔用協議書 (Agreement for River Embankment Occupation and Construction) dated 28 November 2004 entered into between 水利部淮委南四湖韓莊運河水利管理局 (Shuili Buhuai Weinan Sihu Hanzhuang Yunhe Shuili Guanliju) (the "Bureau") and Shandong Allied Wangchao Cement Limited, the port construction and occupation by Shandong Allied Wangchao Cement Limited have been approved by the Bureau at an annual fee of RMB60,000.

3. We have been provided with a legal opinion on the title to the property issued by the Group's PRC legal adviser, which confirms that the aforementioned agreements are legally valid and enforceable.

Set out below is a summary of certain provisions of the Memorandum and Articles of Association of our Company and of certain aspects of Cayman Companies Law.

Our Company was incorporated in the Cayman Islands as an exempted company with limited liability on 21 March 2011 under the Cayman Companies Law. Our Company's constitutional documents consist of our Amended and Restated Memorandum of Association (the "Memorandum") and the Amended and Restated Articles of Association (the "Articles").

1. MEMORANDUM OF ASSOCIATION

(a) The Memorandum provides, *inter alia*, that the liability of members of our Company is limited and that the objects for which our Company is established are unrestricted (and therefore include acting as an investment company), and that our Company shall have and be capable of exercising any and all of the powers at any time or from time to time exercisable by a natural person or body corporate whether as principal, agent, contractor or otherwise and since our Company is an exempted company that our Company will not trade in the Cayman Islands with any person, firm or corporation except in furtherance of the business of our Company carried on outside the Cayman Islands.

(b) By special resolution our Company may alter the Memorandum with respect to any objects, powers or other matters specified therein.

2. ARTICLES OF ASSOCIATION

The Articles were adopted on 20 December 2011 with effect from the Listing Date. The following is a summary of certain provisions of the Articles:

(a) Shares

(i) *Classes of shares*

The share capital of our Company consists of ordinary shares.

(ii) *Share certificates*

Every person whose name is entered as a member in the register of members shall be entitled without payment to receive a certificate for his shares. The Cayman Companies Law prohibits the issue of bearer shares to any person other than an authorised or recognised custodian defined in the Cayman Companies Law. The requirement on all service providers to implement appropriate due diligence procedures on the identity of a client in order to "know your client" as a result of proceeds of crime legislation mandates that special procedures should be followed when issuing bearer shares.

Every certificate for shares, warrants or debentures or representing any other form of securities of our Company shall be issued under the seal of our Company, and shall be signed autographically by one Director and the Secretary, or by two Directors, or by some other person(s) appointed by the Board for the purpose. As regards any certificates for shares or

debentures or other securities of our Company, the Board may by resolution determine that such signatures or either of them shall be dispensed with or affixed by some methods or systems of mechanical signature other than autographic or may be printed thereon as specified in such resolution or that such certificates need not be signed by any person. Every share certificate issued shall specify the number and class of shares in respect of which it is issued and the amount paid thereon and may otherwise be in such form as the Board may from time to time prescribe. A share certificate shall relate to only one class of shares, and where the capital of our Company includes shares with different voting rights, the designation of each class of shares, other than those which carry the general right to vote at general meetings, must include the words "restricted voting" or "limited voting" or "non-voting" or some other appropriate designation which is commensurate with the rights attaching to the relevant class of shares. Our Company shall not be bound to register more than four persons as joint holders of any share.

(b) Directors

(i) *Power to allot and issue shares and warrants*

Subject to the provisions of the Cayman Companies Law, the Memorandum and Articles and without prejudice 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 our 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). Any share may be issued on terms that upon the happening of a specified event or upon a given date and either at the option of our Company or the holder thereof, they are liable to be redeemed.

The Board may issue warrants to subscribe for any class of shares or other securities of our Company on such terms as it may from time to time determine.

Where warrants are issued to bearer, no certificate thereof shall be issued to replace one that has been lost unless the Board is satisfied beyond reasonable doubt that the original certificate thereof has been destroyed and our Company has received an indemnity in such form as the Board shall think fit with regard to the issue of any such replacement certificate.

Subject to the provisions of the Cayman Companies Law, the Articles and, where applicable, the rules of any stock exchange of the Relevant Territory (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 our 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 our absolute discretion thinks fit, but so that no shares shall be issued at a discount.

Neither our 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 whose registered addresses are in any

particular territory or territories where, in the absence of a registration statement or other special formalities, this is or may, in the opinion of the Board, be unlawful or impracticable. However, no member affected as a result of the foregoing shall be, or be deemed to be, a separate class of members for any purpose whatsoever.

(ii) *Power to dispose of the assets of our Company or any subsidiary*

While there are no specific provisions in the Articles relating to the disposal of the assets of our Company or any of our subsidiaries, the Board may exercise all powers and do all acts and things which may be exercised or done or approved by our Company and which are not required by the Articles or the Cayman Companies Law to be exercised or done by our Company in general meeting, but if such power or act is regulated by our Company in general meeting, such regulation shall not invalidate any prior act of the Board which would have been valid if such regulation had not been made.

(iii) *Compensation or payments for loss of office*

Payments to any present 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 or statutorily entitled) must be approved by our 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 and their associates which are equivalent to provisions of Hong Kong law prevailing at the time of adoption of the Articles.

Our Company shall not directly or indirectly make a loan to a Director or a director of any holding company of our Company or any of their respective associates, enter into any guarantee or provide any security in connection with a loan made by any person to a Director or a director of any holding company of our Company or any of their respective associates, or if any one or more of the Directors hold (jointly or severally or directly or indirectly) a controlling interest in another company, make a loan to that other company or enter into any guarantee or provide any security in connection with a loan made by any person to that other company.

(v) *Disclosure of interest in contracts with our Company or with any of our subsidiaries*

With the exception of the office of auditor of our Company, a Director may hold any other office or place of profit with our Company in conjunction with his office of Director for such period and, 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 or member of any other company in which our Company may be interested, and shall not be liable to account to our Company or the members for any remuneration or other benefits received by him as a director, officer or

member of such other company. The Board may also cause the voting power conferred by the shares in any other company held or owned by our 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.

No Director or intended Director shall be disqualified by his office from contracting with our Company, either as vendor, purchaser or otherwise, 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 our Company for any profit realised by any such contract or arrangement by reason only of such Director holding that office or the fiduciary relationship thereby established. A Director who is, in any way, materially interested in a contract or arrangement or proposed contract or arrangement with our Company shall declare the nature of his interest at the earliest meeting of the Board at which he may practically do so.

There is no power to freeze or otherwise impair any of the rights attaching to any Share by reason that the person or persons who are interested directly or indirectly therein have failed to disclose their interests to our Company.

A Director shall not vote (nor shall he be counted in the quorum) on any resolution of the Board in respect of any contract or arrangement or other proposal in which he or his associate(s) is/are materially interested, and if he shall do so his vote shall not be counted nor shall he be counted in the quorum for that resolution, but this prohibition shall not apply to any of the following matters namely:

(aa) the giving of any security or indemnity to the Director or his associate(s) in respect of money lent or obligations incurred or undertaken by him or any of them at the request of or for the benefit of our Company or any of our subsidiaries;

(bb) the giving of any security or indemnity to a third party in respect of a debt or obligation of our Company or any of our subsidiaries for which the Director or his associate(s) has/have 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 proposal concerning an offer of shares or debentures or other securities of or by our Company or any other company which our 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 proposal concerning any other company in which the Director or his associate(s) is/are interested only, whether directly or indirectly, as an officer or executive or a member or in which the Director or his associate(s) is/are beneficially interested in shares of that company, provided that the Director and

any of his associates are not in aggregate beneficially interested in 5% or more of the issued shares of any class of such company (or of any third company through which his interest or that of his associate(s) is derived) or of the voting rights;

(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 associate(s) and employees of our Company or of any of our subsidiaries and does not provide in respect of any Director, or his associate(s), as such any privilege or advantage not generally accorded to the employees to which such scheme or fund relates; or

(ff) 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 our Company by virtue only of his/their interest in shares or debentures or other securities of our Company.

(vi) *Remuneration*

The Directors shall be entitled to receive, as ordinary remuneration for their services, such sums as shall from time to time be determined by the Board, or our Company in general meeting, as the case may be, such sum (unless otherwise directed by the resolution by which it is determined) to be divided amongst the Directors in such proportions and in such manner as they may agree or failing agreement, equally, except that in such event any Director holding office for only a portion 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 has held office. The Directors shall also be entitled to be repaid all travelling, hotel and other expenses reasonably incurred by them in attending any Board meetings, committee meetings or general meetings or otherwise in connection with the discharge of their duties as Directors. Such remuneration shall be in addition to any other remuneration to which a Director who holds any salaried employment or office in our Company may be entitled by reason of such employment or office.

Any Director who, at the request of our Company performs services which in the opinion of the Board go beyond the ordinary duties of a Director may be paid such special or 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 shall be in addition to his ordinary remuneration as a Director.

The Board may establish, either on its own or jointly in concurrence or agreement with other companies (being subsidiaries of our Company or with which our Company is associated in business), or may make contributions out of our Company's monies to, such

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 former Director who may hold or have held any executive office or any office of profit with our Company or any of our subsidiaries) and former employees of our Company and their dependents or any class or classes of such persons.

In addition, the Board may also pay, enter into agreements to pay or make grants of revocable or irrevocable, whether or not subject to any terms or conditions, pensions or other benefits to employees and former employees and their dependents, or to any of such persons, including pensions or benefits additional to those, if any, to which such employees or former employees or their dependents are or may become entitled under any such scheme or fund as mentioned above. Such pension or benefit may, if deemed desirable by the Board, be granted to an employee either before and in anticipation of, or upon or at any time after, his actual retirement.

(vii) *Appointment, retirement and removal*

At any time or from time to time, the Board shall have the power to appoint any person as a Director either to fill a casual vacancy on the Board or as an additional Director to the existing Board subject to any maximum number of Directors, if any, as may be determined by the members in general meeting. Any Director appointed by the Board to fill a casual vacancy shall hold office only until the first general meeting of our Company after his appointment and be subject to re-election at such meeting. Any Director appointed by the Board as an addition to the existing Board shall hold office only until the next following annual general meeting of our Company and shall then be eligible for re-election.

At each annual general meeting, one third of the Directors for the time being will retire from office by rotation. However, if the number of Directors is not a multiple of three, then the number nearest to but not less than one third shall be the number of retiring Directors. The Directors who shall retire in each year will be those who have been longest in the office since their last re-election or appointment but as between persons who become or were last re-elected Directors on the same day those to retire will (unless they otherwise agree among themselves) be determined by lot.

No person, other than a retiring Director, shall, unless recommended by the Board for election, be eligible for election to the office of Director at any general meeting, unless notice in writing of the intention to propose that person for election as a Director and notice in writing by that person of his willingness to be elected shall have been lodged at the head office or at the registration office. The period for lodgment of such notices will commence no earlier than the day after the despatch of the notice of the meeting appointed for such election and end no later than 7 days prior to the date of such meeting and the minimum length of the period during which such notices to our Company may be given must be at least 7 days.

A Director is not required to hold any shares in our Company by way of qualification nor is there any specified upper or lower age limit for Directors either for accession to the Board or retirement therefrom.

A Director may be removed by an ordinary resolution of our Company before the expiration of his term of office (but without prejudice to any claim which such Director may have for damages for any breach of any contract between him and our Company) and our Company may by ordinary resolution appoint another in his place. The number of Directors shall not be less than two.

In addition to the foregoing, the office of a Director shall be vacated:

(aa) if he resigns his office by notice in writing delivered to our Company at the registered office or head office of our Company for the time being or tendered at a meeting of the Board;

(bb) if he dies or becomes of unsound mind as determined pursuant to an order made by any competent court or official on the grounds that he is or may be suffering from mental disorder or is otherwise incapable of managing his affairs and the Board resolves that his office be vacated;

(cc) if, without special leave, he is absent from meetings of the Board 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 generally;

(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;

(gg) if he has been validly required by the stock exchange of the Relevant Territory (as defined in the Articles) to cease to be a Director and the relevant time period for application for review of or appeal against such requirement has lapsed and no application for review or appeal has been filed or is underway against such requirement; or

(hh) if he is removed from office by notice in writing served upon him signed by not less than three-fourths in number (or, if that is not a round number, the nearest lower round number) of the Directors (including himself) then in office.

From time to time the Board may 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 our 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 also delegate any of its powers to committees consisting of such Director or Directors and other person(s) as the Board thinks fit, and from time to time it may also 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 so delegated, conform to any regulations that may from time to time be imposed upon it by the Board.

(viii) *Borrowing powers*

Pursuant to the Articles, the Board may exercise all the powers of our Company to raise or borrow money, to mortgage or charge all or any part of the undertaking, property and uncalled capital of our Company and, subject to the Cayman Companies Law, to issue debentures, debenture stock, bonds and other securities of our Company, whether outright or as collateral security for any debt, liability or obligation of our Company or of any third party. The provisions summarized above, in common with the Articles of Association in general, may be varied with the sanction of a special resolution of our Company.

(ix) *Register of Directors and officers*

Pursuant to the Cayman Companies Law, our Company is required to maintain at our 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 30 days of any change in such directors or officers.

(x) *Proceedings of the Board*

Subject to the Articles, the Board may meet anywhere in the world for the despatch of business and may adjourn and otherwise regulate its meetings as it thinks 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 a second or casting vote.

(c) Alterations to the constitutional documents

To the extent that the same is permissible under Cayman Islands law and subject to the Articles, the Memorandum and Articles of our Company may only be altered or amended, and the name of our Company may only be changed by our Company by special resolution.

(d) Variation of rights of existing shares or classes of shares

Subject to the Cayman Companies Law, if at any time the share capital of our Company is divided into different classes of shares, all or any of the special rights attached to any class of shares may (unless otherwise provided for by the terms of issue of the shares 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 shall *mutatis mutandis* apply, but so that the necessary quorum (other than at an adjourned meeting) shall be not less than two persons together holding (or in the case of a shareholder being a corporation, by its duly authorized representative) or representing by proxy not less than one-third

in nominal value of the issued shares of that class. Every holder of shares of the class shall be entitled on a poll to one vote for every such share held by him, and any holder of shares of the class present in person or by proxy may demand a poll.

Any 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) Alteration of capital

Our Company may, by an ordinary resolution of our members, (a) increase our share capital by the creation of new shares of such amount as it thinks expedient; (b) consolidate or divide all or any of our share capital into shares of larger or smaller amount than our existing shares; (c) divide our unissued shares into several classes and attach thereto respectively any preferential, deferred, qualified or special rights, privileges or conditions; (d) subdivide our shares or any of them into shares of an amount smaller than that fixed by the Memorandum; and (e) cancel shares which, at the date of the passing of the resolution, have not been taken or agreed to be taken by any person and diminish the amount of our share capital by the amount of the shares so cancelled; (f) make provision for the allotment and issue of shares which do not carry any voting rights; (g) change the currency of denomination of our share capital; and (h) reduce our share premium account in any manner authorized and subject to any conditions prescribed by law.

Reduction of share capital — subject to the Cayman Companies Law and to confirmation by the court, a company limited by shares may, if so authorised by our Articles of Association, by special resolution, reduce our share capital in any way.

(f) Special resolution — majority required

In accordance with the Articles, a special resolution of our 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 by proxy or, in the case of members which are corporations, by their duly authorised representatives or, where proxies are allowed, by proxy at a general meeting of which not less than 21 clear days' notice, specifying the intention to propose the resolution as a special resolution, has been duly given. However, 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 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 less than 21 clear days' notice has been given.

Under Cayman Companies Law, a copy of any special resolution must be forwarded to the Registrar of Companies in the Cayman Islands within 15 days of being passed.

An "ordinary resolution", by contrast, is defined in the Articles to mean a resolution passed by a simple majority of the votes of such members of our Company as, being entitled to do so, vote in person or, in the case of members which are corporations, by their duly authorised representatives or, where proxies are allowed, by proxy at a general meeting of which not less than

fourteen clear days' notice has been given and held in accordance with the Articles. A resolution in writing signed by or on behalf of all members shall be treated as an ordinary resolution duly passed at a general meeting of our Company duly convened and held, and where relevant as a special resolution so passed.

(g) Voting rights (generally and on a poll) and right to demand a poll

Subject to any special rights, restrictions or privileges as to voting for the time being attached to any class or classes of shares at any general meeting on a show of hands, every member who is present in person or by proxy or being a corporation, is present by its duly authorised representative shall have one vote, and on a poll every member present in person or by proxy or, in the case of a member being a corporation, by its duly authorised representative shall have one vote for every share which is fully paid or credited as fully paid registered in his name in the register of members of our Company but so that no amount paid up or credited as paid up on a share in advance of calls or instalments is treated for the foregoing purpose as paid up on the share. Notwithstanding anything contained in the Articles, where more than one proxy is appointed by a member which is a Clearing House (as defined in the Articles) (or its nominee(s)), each such proxy shall have one vote on a show of hands. On a poll, a member entitled to more than one vote need not use all his votes or cast all the votes he does use in the same way.

At any general meeting a resolution put to the vote of the meeting is to be decided on a show of hands unless (before or on the declaration of the result of the show of hands or on the withdrawal of any other demand for a poll) a poll is demanded or otherwise required under the rules of the stock exchange of the Relevant Territory (as defined in the Articles). A poll may be demanded by:

(i) the chairman of the meeting; or

(ii) at least two members present in person or, in the case of a member being a corporation, by its duly authorised representative or by proxy for the time being entitled to vote at the meeting; or

(iii) any member or members present in person or, in the case of a member being a corporation, by its duly authorised representative or by proxy and representing not less than one-tenth of the total voting rights of all the members having the right to vote at the meeting; or

(iv) a member or members present in person or, in the case of a member being a corporation, by its duly authorised representative or by proxy and holding shares in our Company conferring a right to vote at the meeting being shares on which an aggregate sum has been paid equal to not less than one-tenth of the total sum paid up on all the shares conferring that right.

Should a Clearing House or its nominee(s), be a member of our Company, such person or persons may be authorised as it thinks fit to act as its representative(s) at any meeting of our Company or at any meeting of any class of members of our Company provided that, if more than one person is so authorised, the authorisation shall specify the number and class of shares in

respect of which each such person is so authorised. A person authorised in accordance with this provision shall be entitled to exercise the same rights and powers on behalf of the Clearing House or its nominee(s), as if such person were an individual member including the right to vote individually on a show of hands.

Where our Company has knowledge that any member is, under the Listing Rules, required to abstain from voting on any particular resolution of our Company or restricted to voting only for or only against any particular resolution of our Company, any votes cast by or on behalf of such member in contravention of such requirement or restriction shall not be counted.

(h) Annual general meetings

Our Company must hold an annual general meeting each year. Such meeting must be held not more than 15 months after the holding of the last preceding annual general meeting, or such longer period as may be authorised by the Stock Exchange at such time and place as may be determined by the Board.

(i) Accounts and audit

The Board shall cause proper books of account to be kept of the sums of money received and expended by our Company, and the matters in respect of which such receipt and expenditure take place, and of the assets and liabilities of our Company and of all other matters required by the Cayman Companies Law necessary to give a true and fair view of the state of our Company's affairs and to show and explain our transactions.

The books of accounts of our Company shall be kept at the head office of our Company 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 account or book or document of our Company except as conferred by the Cayman Companies Law or ordered by a court of competent jurisdiction or authorised by the Board or our Company in general meeting.

The Board shall from time to time cause to be prepared and laid before our Company at our annual general meeting balance sheets and profit and loss accounts (including every document required by law to be annexed thereto), together with a copy of the Directors' report and a copy of the auditors' report not less than 21 days before the date of the annual general meeting. Copies of these documents shall be sent to every person entitled to receive notices of general meetings of our Company under the provisions of the Articles together with the notice of annual general meeting, not less than 21 days before the date of the meeting.

Subject to the rules of the stock exchange of the Relevant Territory (as defined in the Articles), our Company may send summarized financial statements to shareholders who has, in accordance with the rules of the stock exchange of the Relevant Territory (as defined in the Articles), consented and elected to receive summarized financial statements instead of the full financial statements. The summarized financial statements must be accompanied by any other documents as may be required under the rules of the stock exchange of the Relevant Territory (as

defined in the Articles), and must be sent to the shareholders not less than twenty-one days before the general meeting to those shareholders that have consented and elected to receive the summarized financial statements.

Our Company shall appoint auditor(s) to hold office until the conclusion of the next annual general meeting on such terms and with such duties as may be agreed with the Board. The auditors' remuneration shall be fixed by our Company in general meeting or by the Board if authority is so delegated by the members.

The auditors shall audit the financial statements of our Company in accordance with generally accepted accounting principles of Hong Kong, the International Accounting Standards or such other standards as may be permitted by the Stock Exchange.

(j) Notices of meetings and business to be conducted thereat

An annual general meeting and any extraordinary general meeting at which it is proposed to pass a special resolution must be called by at least 21 days' notice in writing, and any other extraordinary general meeting shall be called by at least 14 days' notice in writing. The notice shall be exclusive of the day on which it is served or deemed to be served and of the day for which it is given, and must specify the time, place and agenda of the meeting, and particulars of the resolution(s) to be considered at that meeting, and, in the case of special business, the general nature of that business.

Except where otherwise expressly stated, any notice or document (including a share certificate) to be given or issued under the Articles shall be in writing, and may be served by our Company on any member either personally or by sending it through the post in a prepaid envelope or wrapper addressed to such member at his registered address as appearing in our Company's register of members or by leaving it at such registered address as aforesaid or (in the case of a notice) by advertisement in the newspapers. Any member whose registered address is outside Hong Kong may notify our Company in writing of an address in Hong Kong which for the purpose of service of notice shall be deemed to be his registered address. Where the registered address of the member is outside Hong Kong, notice, if given through the post, shall be sent by prepaid airmail letter where available. Subject to the Cayman Companies Law and the Listing Rules, a notice or document may be served or delivered by our Company to any member by electronic means to such address as may from time to time be authorised by the member concerned or by publishing it on a website and notifying the member concerned that it has been so published.

Although a meeting of our Company may be called by shorter notice than as specified above, such meeting may 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 our 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 95% in nominal value of the issued shares giving that right.

All business transacted at an extraordinary general meeting shall be deemed special business and all business shall also be deemed special business where it 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;

(ee) the fixing of the remuneration of the Directors and of the auditors;

(ff) the granting of any mandate or authority to the Board to offer, allot, grant options over, or otherwise dispose of the unissued shares of our Company representing not more than 20% in nominal value of our existing issued share capital (or such other percentage as may from time to time be specified in the rules of the Stock Exchange) and the number of any securities repurchased by our Company since the granting of such mandate; and

(gg) the granting of any mandate or authority to the Board to repurchase securities in our Company.

(k) Transfer of shares

Subject to the Cayman Companies Law, all transfers of shares shall be effected by an instrument of transfer in the usual or common form or in such other form as the Board may approve provided always that it shall be in such form prescribed by the Stock Exchange and may be under hand or, if the transferor or transferee is a Clearing House or its nominee(s), under hand or by machine imprinted signature or by such other manner of execution as the Board may approve from time to time.

Execution of the instrument of transfer shall be 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 transferor or transferee or accept mechanically executed transfers in any case in which it in its discretion thinks fit 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 of our Company in respect thereof.

The Board may, in its absolute discretion, at any time and from time to time remove any share on 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 removed to any branch register nor shall shares on any branch register be removed to the principal register or any other branch register. All removals and other documents of title shall be lodged for registration and registered, in the case of shares on any branch register, at the relevant registration office and, in the case of shares on the principal register, at the place at which the principal register is located.

The Board may, in its absolute discretion, decline 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 option scheme 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 our Company has a lien.

The Board may decline to recognize any instrument of transfer unless a fee of such maximum sum as the Stock Exchange may determine to be payable or such lesser sum as the Board may from time to time require is paid to our Company in respect thereof, the instrument of transfer is properly stamped (if applicable), is in respect of only one class of share and is lodged at the relevant registration office or the place at which the principal register is located 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 register of members may, subject to the Listing Rules (as defined in the Articles), be closed at such time or for such period not exceeding in the whole 30 days in each year as the Board may determine.

Fully paid shares shall be free from any restriction with respect to the right of the holder thereof to transfer such shares (except when permitted by the Stock Exchange) and shall also be free from all liens.

(l) Power of our Company to purchase our own shares

Our Company is empowered by the Cayman Companies Law and the Articles to purchase our own shares subject to certain restrictions and the Board may only exercise this power on behalf of our Company subject to any applicable requirement imposed from time to time by the Articles, code, rules or regulations issued from time to time by the Stock Exchange and/or the Securities and Futures Commission of Hong Kong.

Where our Company purchases for redemption a redeemable Share, purchases not made through the market or by tender shall be limited to a maximum price, and if purchases are by tender, tenders shall be available to all members alike.

(m) Power of any subsidiary of our Company to own shares in our Company

There are no provisions in the Articles relating to the ownership of shares in our Company by a subsidiary.

(n) Dividends and other methods of distribution

Our 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.

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, although 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 in accordance with the amount paid up on the shares during any portion or portions of the period in respect of which the dividend is paid. The Board may deduct from any dividend or other monies payable to any member all sums of money (if any) presently payable by him to our Company on account of calls, instalments or otherwise.

Where the Board or our Company in general meeting has resolved that a dividend should be paid or declared on the share capital of our Company, the Board may resolve:

(aa) 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 members entitled thereto will be entitled to elect to receive such dividend (or part thereof) in cash in lieu of such allotment; or

(bb) that the members 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.

Upon the recommendation of the Board our Company may by ordinary resolution in respect of any one particular dividend of our Company determine that it may be satisfied wholly in the form of an allotment of shares credited as fully paid up without offering any right to members to elect to receive such dividend in cash in lieu of such allotment.

Any dividend, bonus 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, but in the case of joint holders, shall be addressed to the holder whose name stands first in the register of members of our Company in respect of the shares at his address as appearing in the register, or addressed to such person and at such address as the holder or joint holders may in writing so direct. Every such cheque or warrant shall be made payable to the order of the person to whom it is sent and shall be sent at the holder's or joint holders' risk and payment of the cheque or warrant by the bank on which it is drawn shall constitute a good discharge to our 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 our 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.

The Board may, if it thinks fit, receive from any member willing to advance the same, and either in money or money's worth, all or any part of the money uncalled and unpaid or instalments payable upon any shares held by him, and in respect of all or any of the moneys so advanced may pay interest at such rate (if any) not exceeding 20 % per annum, as the Board may decide, but a payment in advance of a call shall not entitle the member to receive any dividend or to exercise any other rights or privileges as a member in respect of the share or the due portion of the shares upon which payment has been advanced by such member before it is called up.

All dividends, bonuses or other distributions unclaimed for one year after having been declared may be invested or otherwise made use of by the Board for the benefit of our Company until claimed and our Company shall not be constituted a trustee in respect thereof. All dividends, bonuses or other distributions unclaimed for six years after having been declared may be forfeited by the Board and, upon such forfeiture, shall revert to our Company.

No dividend or other monies payable by our Company on or in respect of any share shall bear interest against our Company.

Our Company may exercise the power to cease sending cheques for dividend entitlements or dividend warrants by post if such cheques or warrants remain uncashed on two consecutive occasions or after the first occasion on which such a cheque or warrant is returned undelivered.

(o) Proxies

Any member of our Company entitled to attend and vote at a meeting of our 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 our Company or at a class meeting. A proxy need not be a member of our 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. On a poll or on a show of hands, votes may be given either personally (or, in the case of a member being a corporation, by its duly authorized representative) or by proxy.

The instrument appointing a proxy shall be in writing under the hand of the appointor or of his attorney duly authorised in writing, or if the appointor is a corporation, either under seal or under the hand of an officer or attorney duly authorised. Every instrument of proxy, whether for a specified meeting or otherwise, shall be in such form as the Board may from time to time approve, provided that any form issued to a member for use by him for appointing a proxy to attend and vote at an extraordinary general meeting or at an annual general meeting at which any business is to be transacted shall be such as to enable the member, according to his intentions, to instruct the proxy to vote in favour of or against (or, in default of instructions, to exercise his discretion in respect of) each resolution dealing with any such business.

(p) Calls on shares and forfeiture of shares

The Board may from time to time make such calls as it may think fit 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) and not by the conditions of allotment thereof made payable at fixed times. A call may be made payable either in one sum or by instalments. 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 20% per annum as the Board shall fix 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 money uncalled and unpaid or instalments payable upon any shares held by him, and in respect of all or any of the monies so advanced our Company may pay interest at such rate (if any) not exceeding 20% per annum as the Board may decide.

If a member fails to pay any call or instalment of a call on the day appointed for payment thereof, the Board may, at any time thereafter during such time as any part of the call or instalment remains unpaid, serve not less than 14 days' notice on him requiring payment of so much of the call or instalment as is unpaid, together with any interest which may have accrued and which may still accrue up to the date of actual payment. The notice will name a further day (not earlier than the expiration of 14 days from the date of the notice) on or before which the payment required by the notice is to be made, and it shall also name the place where payment is to be made. The notice shall also state that, in the event of non-payment 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, nevertheless, remain liable to pay to our Company all moneys which, at the date of forfeiture, were payable by him to our 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 payment at such rate not exceeding 20 per cent per annum as the Board may prescribe.

(q) Inspection of corporate records

Members of our Company have no general right under the Cayman Companies Law to inspect or obtain copies of the register of members or corporate records of our Company. However, the members of our Company will have such rights as may be set forth in the Articles. The Articles provide that for so long as any part of the share capital of our Company is listed on the Stock Exchange, any member may inspect any register of members of our Company maintained

in Hong Kong (except when the register of member is closed) without charge and require the provision to him of copies or extracts thereof in all respects as if our Company were incorporated under and were subject to the Hong Kong Companies Ordinance.

An exempted company may, subject to the provisions of its articles of association, maintain its principal register of members and any branch registers at such locations, whether within or outside the Cayman Islands, as its directors may, from time to time, think fit.

(r) 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, and continues to be present until the conclusion of the meeting.

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 authorised 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.

(s) Rights of minorities in relation to fraud or oppression

There are no provisions in the Articles concerning the rights of minority members in relation to fraud or oppression. However, certain remedies may be available to members of our Company under Cayman Islands law, as summarized in paragraph 3(f) of this Appendix.

(t) Procedures on liquidation

A resolution that our 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 our Company shall be wound up and the assets available for distribution amongst the members of our Company shall be more than sufficient to repay the whole of the capital paid up at the commencement of the winding up, then 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 our 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, on the shares held by them respectively.

In the event that our Company is wound up (whether the liquidation is voluntary or compelled by the court) the liquidator may, with the sanction of a special resolution and any other sanction required by the Cayman Companies Law divide among the members in specie or kind the

whole or any part of the assets of our 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 and the members within each class. The liquidator may, with the like sanction, vest any part of the assets in trustees upon such trusts for the benefit of members as the liquidator shall think fit, but so that no member shall be compelled to accept any shares or other property upon which there is a liability.

(u) Untraceable members

Our Company may exercise the power to cease sending cheques for dividend entitlements or dividend warrants by post if such cheques or warrants remain uncashed on two consecutive occasions or after the first occasion on which such a cheque or warrant is returned undelivered.

In accordance with the Articles, our Company is entitled to sell any of the shares of a member who is untraceable if:

(i) all cheques or warrants, 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 years and 3 months period (being the 3 months notice period referred to in sub-paragraph (iii)), our Company has not during that time received any indication of the existence of the member; and

(iii) our Company has caused an advertisement to be published in accordance with the rules of the stock exchange of the Relevant Territory (as defined in the Articles) giving notice of its intention to sell such shares and a period of three months has elapsed since such advertisement and the stock exchange of the Relevant Territory (as defined in the Articles) has been notified of such intention. The net proceeds of any such sale shall belong to our Company and upon receipt by our Company of such net proceeds, it shall become indebted to the former member of our Company for an amount equal to such net proceeds.

(v) Subscription rights reserve

Pursuant to the Articles, provided that it is not prohibited by and is otherwise in compliance with the Cayman Companies Law, if warrants to subscribe for shares have been issued by our Company and our 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 the shares to be issued on the exercise of such warrants, a subscription rights reserve shall be established and applied in paying up the difference between the subscription price and the par value of such shares.

3. CAYMAN ISLANDS COMPANY LAW

Our Company was incorporated in the Cayman Islands as an exempted company on 21 March 2011 subject to the Cayman Companies Law. Certain provisions of Cayman Islands company law are set out below but this section does not purport to contain all applicable qualifications and exceptions or to be a complete review of all matters of the Cayman Companies Law and taxation, which may differ from equivalent provisions in jurisdictions with which interested parties may be more familiar.

(a) Company operations

As an exempted company, our Company must conduct its operations mainly outside the Cayman Islands. Moreover, our 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

In accordance with the Cayman Companies Law, a Cayman Islands company may issue ordinary, preference or redeemable shares or any combination thereof. The Cayman Companies Law provides that where a company issues shares at a premium, whether for cash or otherwise, a sum equal to the aggregate amount or 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 arrangements in consideration of the acquisition or cancellation of shares in any other company and issued at a premium. The Cayman 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 such manner as the company may from time to time determine including, but without limitation, the following:

(i) paying distributions or dividends to members;

(ii) paying up unissued shares of the company to be issued to members as fully paid bonus shares;

(iii) in accordance with the detailed provisions of section 37 of the Cayman Companies Law;

(iv) writing-off the preliminary expenses of the company; and

(v) writing-off the expenses of, or the commission paid or discount allowed on, any issue of shares or debentures of the company.

Notwithstanding the foregoing, the Cayman Companies Law provides that 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 of business.

It is further provided by the Cayman Companies Law that, subject to confirmation by the court, a company limited by shares or a company limited by guarantee and having a share capital may, if authorized to do so by its articles of association, by special resolution reduce its share capital in any way.

The Articles include 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

There are no statutory prohibitions in the Cayman Islands on the granting of financial assistance by a company to another person for the purchase of, or subscription for, its own, its holding company's or a subsidiary's shares. Therefore, a company may provide financial assistance provided the directors of the company when proposing to grant such financial assistance discharge their duties of care and acting in good faith, for a proper purpose and in the interests of the company. Such assistance should be on an arm's-length basis.

(d) Purchase of shares and warrants by a company and its subsidiaries

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 member and, for the avoidance of doubt, 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. Nonetheless, if the articles of association do not authorize the manner and terms of purchase, a company cannot purchase any of its own shares without the manner and terms of purchase first being authorized by an ordinary resolution of the company. A company may not redeem or purchase its shares unless they are fully paid. Furthermore, 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. In addition, 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.

Under Section 37A(1) the Cayman Companies Law, shares that have been purchased or redeemed by a company or surrendered to the company shall not be treated as cancelled but shall be classified as treasury shares if (a) the memorandum and articles of association of the company do not prohibit it from holding treasury shares; (b) the relevant provisions of the memorandum and

articles of association (if any) are complied with; and (c) the company is authorised in accordance with the company's articles of association or by a resolution of the directors to hold such shares in the name of the company as treasury shares prior to the purchase, redemption or surrender of such shares. Shares held by a company pursuant to section 37A(1) shall continue to be classified as treasury shares until such shares are either cancelled or transferred pursuant to the Cayman Companies Law.

A Cayman Islands company may be able to purchase its own warrants subject to and in accordance with the terms and conditions of the relevant warrant instrument or certificate. Thus there is no requirement under Cayman Islands law that a company's memorandum or articles of association contain a specific provision enabling such purchases. The directors of a company may under the general power contained in its memorandum of association be able 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 sections 34 and 37A(7) of the Cayman Companies Law, there are no statutory provisions relating to the payment of dividends. Based upon English case law which is likely to be persuasive in the Cayman Islands, dividends may be paid only out of profits. In addition, section 34 of the Cayman 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 sub-paragraph 2(n) of this Appendix for further details). Section 37A(7)(c) of the Cayman Companies Law provides that for so long as a company holds treasury shares, 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.

(f) Protection of minorities and shareholders' suits

It can be expected that the Cayman Islands courts will ordinarily follow English case law precedents (particularly the rule in the case of *Foss v. Harbottle* and the exceptions thereto) which permit a minority member to commence a representative action against or derivative actions in the name of the company to challenge:

(i) an act which is *ultra vires* the company or illegal;

(ii) an act which constitutes a fraud against the minority and the wrongdoers are themselves in control of the company; and

(iii) an irregularity in the passing of a resolution the passage of which requires a qualified (or special) majority which has not been obtained.

Where a company (not being a bank) is one which has a share capital divided into shares, the court may, on the application of members thereof holding not less than one-fifth of the shares of the company in issue, appoint an inspector to examine the affairs of the company and, at the direction of the court, to report thereon.

Moreover, any member 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.

In general, claims against a company by its members must be based on the general laws of contract or tort applicable in the Cayman Islands or be based on potential violation of their individual rights as members as established by a company's memorandum and articles of association.

(g) Disposal of assets

There are no specific restrictions in the Cayman Companies Law on the power of directors to dispose of assets of a company, although it specifically requires that 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 interest 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

Section 59 of the Cayman Companies Law provides that a company shall cause proper records of accounts to be kept with respect to (i) all sums of money received and expended by the company and the matters with respect to 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.

Section 59 of the Cayman Companies Law further states that 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 effect in the Cayman Islands.

(j) Taxation

Pursuant to section 6 of the Tax Concessions Law (1999 Revision) of the Cayman Islands, our Company has obtained an undertaking from the Governor-in-Council:

(i) that no law which is enacted in the Cayman Islands imposing any tax to be levied on profits or income or gains or appreciation shall apply to our Company or our operations; and

(ii) in addition, that no tax be levied on profits, income gains or appreciations or which is in the nature of estate duty or inheritance tax shall be payable by our Company:

(aa) on or in respect of the shares, debentures or other obligations of our Company; or

(bb) by way of withholding in whole or in part of any relevant payment as defined in section 6(3) of the Tax Concessions Law (1999 Revision).

The undertaking for our Company is for a period of twenty years from 31 May 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 our Company levied by the Government of the Cayman Islands save certain stamp duties which may be applicable, from time to time, on certain instruments.

(k) Stamp duty on transfers

There is no stamp duty payable in the Cayman Islands on transfers of shares of Cayman Islands companies save for those which hold interests in land in the Cayman Islands.

(l) Loans to directors

The Cayman Companies Law contains no express provision prohibiting the making of loans by a company to any of its directors. However, the Articles provide for the prohibition of such loans under specific circumstances.

(m) Inspection of corporate records

The members of the company have no general right under the Cayman 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 of association.

(n) Register of members

A Cayman Islands exempted company may, subject to the provisions of its articles of association, maintain its principal register of members and any branch registers at such locations, whether within or outside the Cayman Islands, as the directors may, from time to time, think fit. The Cayman Companies Law contains no requirement for an exempted company to make any returns of members to the Registrar of Companies in 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.

(o) Winding up

A Cayman Islands company may be wound up either by (i) an order of the court; (ii) voluntarily by its members; or (iii) under the supervision of the court.

The court has authority to order winding up in a number of specified circumstances including where, in the opinion of the court, it is just and equitable that such company be so wound up.

A voluntary winding up of a company occurs where the members so resolve by special resolution that it be wound up voluntarily, or, where the company in general meeting resolves that it be wound up voluntarily because it is unable to pay its debt as they fall due; 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 where the event occurs on the occurrence of which the memorandum or articles provides that the company is to be wound up. In the case of a voluntary winding up, such company is obliged to cease to carry on its business from the commencement of its winding up except so far as it may be beneficial for its winding up. Upon appointment of a voluntary liquidator, all the powers of the directors cease, except so far as the company in general meeting or the liquidator sanctions their continuance.

In the case of a members' voluntary winding up of a company, one or more liquidators shall be appointed for the purpose of winding up the affairs of the company and distributing its assets.

As soon as the affairs of a company are fully wound up, the liquidator must make a report and an account of the winding up, showing how the winding up has been conducted and the property of the company has been disposed off, and thereupon call a general meeting of the company for the purposes of laying before it the account and giving an explanation thereof.

When a resolution has been passed by a company to wind up voluntarily, the liquidator or any contributory or creditor may apply to the court for an order for the continuation of the winding up under the supervision of the court, on the grounds that (i) the company is or is likely to become insolvent; or (b) the supervision of the court will facilitate a more effective, economic or expeditious liquidation of the company in the interests of the contributories and creditors. A supervision order shall take effect for all purposes as if it was an order that the company be wound up by the court except that a commenced voluntary winding up and the prior actions of the voluntary liquidator shall be valid and binding upon the company and its official liquidator.

For the purpose of conducting the proceedings in winding up a company and assisting the court, there may be appointed one or more persons to be called an official liquidator or official liquidators; and the court may appoint to such office such person or persons, either provisionally or otherwise, as it thinks fit, and if more than one persons are appointed to such office, the court shall declare whether any act 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.

(p) Reconstructions

Reconstructions and amalgamations are governed by specific statutory provisions under the Cayman Companies Law whereby such arrangements may be approved by a majority in number representing 75% in value of members or creditors, depending on the circumstances, as are present at a meeting called for such purpose and thereafter sanctioned by the courts. Whilst a dissenting

member would have the right to express to the court his view that the transaction for which approval is being sought would not provide the members with a fair value for their shares, nonetheless the courts are unlikely to disapprove the transaction on that ground alone in the absence of evidence of fraud or bad faith on behalf of management and if the transaction were approved and consummated the dissenting member would have no rights comparable to the appraisal rights (i.e. the right to receive payment in cash for the judicially determined value of their shares) ordinarily available, for example, to dissenting members of a United States corporation.

(q) Take-overs

Where an offer is made by a company for the shares of another company and, within four months of the offer, the holders of not less than 90% of the shares which are the subject of the offer accept, the offeror may at any time within two months after the expiration of the said four months, by notice require the dissenting members to transfer their shares on the terms of the offer. A dissenting member may apply to the court of the Cayman Islands within one month of the notice objecting to the transfer. The burden is on the dissenting member 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 members.

(r) 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, save to the extent any such provision may be held by the court to be contrary to public policy, for example, where a provision purports to provide indemnification against the consequences of committing a crime.

4. GENERAL

Appleby, our Company's legal adviser on Cayman Islands Laws, has sent to our Company a letter of advice which summarises certain aspects of Cayman Islands company law. This letter, together with a copy of the Cayman 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 COMPANY

1. Incorporation of our Company and registration of our Company under Part XI of the Companies Ordinance

Our Company was incorporated in the Cayman Islands under the Companies Law as an exempted company with limited liability on 21 March 2011.

Our Company has established a principal place of business in Hong Kong at 22nd Floor, Allied Kajima Building, 138 Gloucester Road, Wanchai, Hong Kong and has been registered as an overseas company in Hong Kong under Part XI of the Companies Ordinance on 13 May 2011. Mr. Li Chi Kong of Flat F, 24th Floor, Block 16, Yee Tsui Court, South Horizons, Apleichau, Hong Kong has been appointed as the authorised representative of our Company for the acceptance of service of process and notices on behalf of our Company in Hong Kong.

As our Company was incorporated in the Cayman Islands, it operates subject to the Companies Law and to its constitution which comprises our Memorandum of Association and the Articles. A summary of various provisions of our Company's constitutional documents and relevant aspects of the Companies Law is set out in Appendix IV to this prospectus.

2. Changes in the share capital of our Company

(1) As at the date of incorporation, the authorised share capital of our Company was HK$380,000 divided into 38,000,000 Shares with a nominal value of HK$0.01 each. On 21 March 2011, one subscriber's Share was transferred to Autobest Holdings as our Company's sole shareholder.

(2) Pursuant to the written resolutions of the sole Shareholder passed on 20 December 2011, the authorised share capital was increased from HK$380,000 to HK$200,000,000 comprising 20,000,000,000 Shares of HK$0.01 each by creation of 19,962,000,000 Shares with a nominal value of HK$0.01 each.

(3) On 20 December 2011, the Company allotted and issued 352,707,832 Shares to Autobest Holdings under the payment instructions by Sunwealth at the price of HK$1.00 per Share, all credited as fully paid, in consideration of transfer of one share in Splendid Link to the Company. On 20 December 2011, 142,292,167 new Shares were allotted and issued to Autobest Holdings under the payment instructions by Sunwealth at the price of HK$1.00 per Share, all credited as fully paid, in consideration of the assignment of the outstanding shareholder's loan owed by our Group to Sunwealth in the aggregate sum of HK$227,305,017.43.

Immediately following the completion of the Share Offer, the issued share capital of the Company will be HK$6,600,000 divided into 660,000,000 Shares of HK$0.01 each, all fully paid or credited as fully paid.

Other than pursuant to the exercise of any options which may be granted under the Share Option Scheme below, our Company does not have any present intention to issue any part of the authorised 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.

Save as aforesaid and as mentioned in the paragraph headed "Written resolutions of the sole Shareholder passed on 20 December 2011" below, there has been no alteration in the share capital of our Company since the date of its incorporation.

3. Change in share capital of our subsidiaries

Our subsidiaries are set out in the section headed "Appendix I — Accountants' report of the Company" to this prospectus. In addition to those disclosed in the sub-paragraphs headed "Change in the share capital of our Company" in this Appendix, the following alterations in the share or registered capital of our subsidiaries had taken place within two years immediately preceding the date of this prospectus:

(a) *Splendid Link*

Splendid Link was incorporated as a limited liability company under the laws of the BVI on 19 November 2010. One share with par value of US$1.00 was allotted and issued as fully paid to Sunwealth at the time of its incorporation.

(b) *SAC Intellectual*

SAC Intellectual was incorporated as a limited liability company under the laws of the BVI on 11 March 2010. One share with par value of US$1.00 was allotted and issued as fully paid to SAC Investments at the time of its incorporation.

(c) *Allied Wangchao*

On 20 August 2011, the registered capital of Allied Wangchao was increased from US$9,200,000 to US$14,360,000 which the capital injection in the amount of US$5,160,000 was contributed by SAC Holdings.

Save as disclosed in this prospectus, there has been no alternation in the share capital of any of our subsidiaries within the two years preceding the date of this prospectus.

4. Written resolutions of the sole Shareholder passed on 28 April 2011

On 28 April 2011, written resolutions of the sole Shareholder were passed, pursuant to which conditional on (i) the passing by the shareholders of Tian An in general meeting of an ordinary resolution to approve the adoption of the Share Option Scheme; (ii) the Listing Committee of the Stock Exchange granting the listing of and permission to deal in the Shares which may fall to be issued pursuant to the exercise of any options under the Share Option Scheme; and (iii) the commencement of the listing of the Shares on the Stock Exchange, the rules of the Share Option Scheme (the principal terms of which are set out in the paragraph headed "Share Option Scheme"

in this Appendix V) were approved and adopted and the Directors were authorised, at their absolute discretion, to grant options to subscribe for Shares thereunder and to allot, issue and deal with the Shares pursuant to the exercise of subscription rights under any options which may be granted under the Share Option Scheme and to take all such steps as may be necessary or desirable to implement the Share Option Scheme.

5. Written resolutions of the sole Shareholder passed on 20 December 2011

On 20 December 2011, written resolutions of the sole Shareholder of our Company were passed pursuant to which, among other things:

(a) the authorised share capital of our Company was increased from HK$380,000 to HK$200,000,000 by the creation of additional 19,962,000,000 Shares of HK$0.01 each in the capital of our Company to rank pari passu in all respects with the then existing issued Shares of HK$0.01 each in the capital of our Company;

(b) following the increase in authorised share capital, the allotment of and issue of 494,999,999 Shares, all credited as fully paid, to Autobest Holdings under the payment instructions by Sunwealth as consideration for (i) the acquisition by the Company of the entire issued share capital of Splendid Link from Sunwealth; and (ii) the assignment of the shareholder's loan from Sunwealth to the Company in the total amount of HK$227,305,017.43 owed by Splendid Link and its subsidiary, namely SAC Holdings, to Sunwealth was approved and the Directors were authorised to allot and issue the 494,999,999 Shares;

(c) conditional on (i) the Listing Committee granting the approval of the listing of, and permission to deal in, the Shares in issue and to be issued as mentioned herein (including any Shares which may be issued pursuant to any options which may be granted under the Share Option Scheme); and (ii) the obligations of the Underwriter under the Underwriting Agreement becoming unconditional (including, if relevant, as a result of the waiver of any condition(s) by the Underwriter) and not being terminated in accordance with the terms of such agreement or otherwise, in each case on or before such dates as may be specified in the Underwriting Agreement, the Share Offer was approved and the Directors were authorised to effect the same and to allot and issue the Offer Shares;

(d) a general unconditional mandate was given to the Directors to exercise all the powers of the Company to allot, issue and deal with, otherwise than by way of rights issue or an issue of Shares upon the exercise of options which may be granted under the Share Option Scheme or under any option scheme or similar arrangements for the time being adopted for the grant or issue to officers and/or employees of our Company and/or any of its subsidiaries or any other person of Shares or rights to acquire Shares or 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 or a specific authority granted by the Shareholders in general meeting, Shares with a total nominal value not exceeding 20% of the total nominal value of the share

capital of our Company in issue immediately following completion of the Share Offer (excluding any Shares which may be issued upon exercise of any options that 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 of the Cayman Islands to be held; or

(iii) the passing of an ordinary resolution of the Shareholders in a general meeting revoking, varying or renewing such mandate;

(e) a general unconditional mandate was given to the Directors authorising them to exercise all powers of our Company to repurchase on the Stock Exchange or on any other stock exchange on which the shares of our Company may be listed and which is recognised by the SFC and the Stock Exchange for this purpose such number of Shares with a total nominal value not exceeding 10% of the aggregate of the total nominal amount of the share capital of our Company in issue immediately following completion of the Share Offer (excluding any Shares which may be issued upon exercise of any options that 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 of the Cayman Islands to be held; or

(iii) the passing of an ordinary resolution of the Shareholders in a general meeting revoking, varying or renewing such mandate;

(f) the general unconditional mandate mentioned in paragraph (d) 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 by the 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 (e) above provided that such extended amount shall not exceed 10% of the total nominal value of the share capital of our Company in issue immediately following the completion of the Share Offer (excluding any Shares which may be issued upon exercise of any options that may be granted under the Share Option Scheme); and

(g) our Company conditionally approved and adopted the Memorandum and Articles of Association.

6. Corporate reorganisation

The companies comprising our Group underwent the corporate reorganisation to rationalise our Group's structure in preparation for the listing of the Shares on the Stock Exchange. The corporate reorganisation involved the following:

(a) On 19 November 2010, Splendid Link was incorporated in the BVI as a limited liability company, which is authorised to issue a maximum of 50,000 shares of a single class each with a par value of US$1.00. On 23 December 2010, one share at par was allotted and issued as fully paid to Sunwealth.

(b) On 31 December 2010, an agreement for the sale and purchase of one share in SAC Intellectual was entered into between Splendid Link and SAC Investments pursuant to which Splendid Link agreed to acquire one share at par in the capital of SAC Intellectual, representing its entire issued share capital. The transfer of one share in SAC Intellectual from SAC Investments to Splendid Link was completed on the same date and Splendid Link has become the sole shareholder of SAC Intellectual accordingly. On 31 December 2010, a deed of assignment relating to a shareholder's loan owed by SAC Intellectual to SAC Investments in the principal amount of HK$2,192.20 was entered into between SAC Investments and Splendid Link, pursuant to which SAC Investments agreed to assign and Splendid Link agreed to take the assignment of the shareholder's loan at the consideration equivalent to its principal amount.

(c) On 31 December 2010, an agreement for the sale and purchase of 10,000,000 shares in SAC Holdings, being its entire issued share capital, was entered into between Sunwealth and Splendid Link, pursuant to which Splendid Link agreed to acquire the entire issued share capital of SAC Holdings at the consideration of HK$50,027,000. The transfer of the entire issued share capital of SAC Holdings from Sunwealth to Splendid Link was completed on 31 December 2010 and Splendid Link has become the sole shareholder of SAC Holdings accordingly.

(d) On 11 March 2011, Autobest Holdings was incorporated in the BVI as a limited liability company, which is authorised to issue a maximum of 50,000 shares of a single class each with a par value of US$1.00. On 18 March 2011, one share at par was allotted and issued as fully paid to Tian An.

(e) On 21 March 2011, the Company was incorporated in the Cayman Islands as an exempted company with limited liability with an authorised share capital of HK$380,000 divided into 38,000,000 shares of HK$0.01 each. On the same date, one subscriber share with par value of HK0.01 each was transferred to Autobest Holdings.

(f) On 20 December 2011, the Company acquired one share with par value of US$1.00 in the capital of Splendid Link, representing the entire issued share of Splendid Link, from Sunwealth at a total consideration of HK$352,707,832. In consideration of such acquisition, the Company allotted and issued 352,707,832 news Shares to Autobest Holdings under the payment instructions of Sunwealth at the issue price of HK$1.00 per Share. The transfer of one share in Splendid Link from Sunwealth to the Company was

completed on the same date and Splendid Link has become the direct wholly-owned subsidiary of the Company accordingly. On 20 December 2011, a shareholder's loan in the amount of HK$177,266,325.23 owed by SAC Holdings to Sunwealth and a shareholder's loan in the amount of HK$50,038,692.20 owed by Splendid Link to Sunwealth were assigned from Sunwealth to our Company. These two loans were assigned to our Company at an aggregate consideration of HK$142,292,167 which is satisfied by the allotment and issue of an aggregate of 142,292,167 new Shares at the issued price of HK$1.00 per Share in accordance with the payment instructions given by Sunwealth to our Company.

7. Repurchase by our Company of its own securities

This section includes information relating to the repurchase of the Shares, including information required by the Stock Exchange to be included in this prospectus concerning such repurchase.

(a) *Relevant legal and regulatory requirements*

The Listing Rules permit Shareholders to grant the Directors a general mandate to repurchase the Shares that are listed on the Stock Exchange.

(b) *Shareholder's approval*

All proposed repurchases of Shares (which must be fully paid up) 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.

Under the Listing Rules, Shares to be repurchased by our Company must be fully paid up.

Pursuant to a written resolution passed by all the Shareholders on 20 December 2011, the Directors were granted a general unconditional mandate to repurchase up to 10% of the aggregate nominal value of the share capital of our Company in issue immediately following completion of the Share Offer (excluding any Shares which may be issued upon exercise of any options that may be granted under the Share Option Scheme) on the Stock Exchange or on any other stock exchange on which the securities may be listed and which is recognized by the SFC and the Stock Exchange for this purpose. This mandate will expire at 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 and applicable laws of the Cayman Islands to be held, or (iii) such mandate being revoked, varied or renewed by resolutions of the Shareholders in a general meeting.

(c) *Source of funds*

The repurchase of the Shares listed on the Stock Exchange must be funded out of funds legally available for such purpose in accordance with the Memorandum and Articles of Association of our Company and the applicable laws of the Cayman Islands and any other

laws and regulations applicable to our Company. Our Company shall not repurchase Shares on the Stock Exchange for consideration other than cash or for the settlement otherwise than in accordance with the trading rules of the Stock Exchange from time to time.

(d) *Trading restrictions*

Our Company may repurchase up to 10% of the issued share capital immediately after completion of the Share Offer (excluding any Shares which may be issued upon exercise of any options that may be granted under the Share Option Scheme). Our Company may not issue or announce a proposed issue of the Shares for a period of 30 days immediately following a repurchase of Shares, without the prior approval of the Stock Exchange. Our Company is also prohibited from repurchasing the Shares on the Stock Exchange if the repurchase would result in the number of listed Shares which are in the hands of the public falling below the minimum percentage required by the Stock Exchange.

(e) *Status of repurchased securities*

All repurchased securities (whether on the Stock Exchange or otherwise) will be automatically cancelled and the certificates for those securities must be cancelled and destroyed as soon as reasonably practicable following settlement of any such repurchase. Under the laws of the Cayman Islands, a company's repurchased shares shall be treated as cancelled and the amount of the company's issued share capital shall be diminished by the aggregate nominal value of the repurchased shares accordingly although the authorised share capital of the company will not be reduced.

(f) *Suspension of repurchase*

No repurchase of the Company's securities are permitted during the period from the time a price sensitive development has occurred or has been the subject of a decision until such time as the price sensitive information has been publicly announced. In particular, during the period of one month immediately preceding the earlier of either (i) the date of the board meeting for the approval of the Company's results for any year, half-year or quarter-year period or any other interim period; or (ii) the deadline for an announcement of the Company's results for any year, half-year or quarter-year period or any other interim period and ending on the date of the results announcement, the Company may not repurchase its Shares on the Stock Exchange unless the circumstances are exceptional. In addition, the Stock Exchange may prohibit repurchases of securities on the Stock Exchange if the Company has breached the Listing Rules.

(g) *Reporting requirements*

Repurchases of securities on the Stock Exchange or otherwise must be reported to the Stock Exchange not later than 30 minutes before the earlier of the commencement of the morning trading session or any pre-opening session on the trading day immediately following the date of repurchase. In addition, a company's annual report and accounts are required to disclose details regarding repurchases of securities made during the financial year under

review, including the number of securities repurchased each month (whether on the Stock Exchange or otherwise) and the purchase price per share or the highest and lowest price paid for all such purchases, where relevant, and the aggregate prices paid.

(h) *Connected persons*

A company is prohibited from knowingly repurchasing securities on the Stock Exchange from a "connected person", that is, a director, chief executive or substantial shareholder of such company or any of its subsidiaries or any of their associates (as defined in the Listing Rules) and a connected person shall not knowingly sell his securities to our Company on the Stock Exchange.

(i) *Reasons for repurchases*

Repurchases will only be made where the Directors believe that such repurchases will benefit our Company and the Shareholders. Such repurchases may, depending on market conditions and funding arrangements at the time, lead to an enhancement of the net asset value of our Company and/or earnings per Share.

(j) *General*

The Directors have undertaken to the Stock Exchange that, so far as the same may be applicable, they will exercise the repurchase mandate in accordance with the Listing Rules, the memorandum of association of our Company, the Articles of Association and any other applicable laws of the Cayman Islands.

There might be a material adverse impact on the working capital or gearing position of our Company (as compared with the position disclosed in this prospectus) in the event that the repurchase mandate is exercised in full. However, the 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 on its gearing positions which in the opinion of the Directors are from time to time appropriate for our Company.

If, as a result of any repurchase of the Shares, a Shareholder's proportionate interest in our Company's voting rights is increased, such increase will be treated as an acquisition for the purposes of the Takeovers Code. Accordingly, a Shareholder or a group of Shareholders acting in concert (within the meaning of the Takeovers Code) 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 as a result of a repurchase of Shares by the Company. Save as aforesaid, the Directors are not aware of any other consequences which would arise under the Takeovers Code as a consequence of any repurchase made pursuant to the repurchase mandate.

None of the Directors nor, to the best of their knowledge, having made all reasonable enquiries, any of their respective associates as defined by the Listing Rules, has any present intention to sell any Shares to our Company.

No connected person (as defined by the Listing Rules) of our Company has notified our Company that he has a present intention to sell his Shares to our Company, or has undertaken not to do so, if the repurchase mandate is exercised.

B. FURTHER INFORMATION ABOUT OUR BUSINESS

1. Summary of material contracts

The following contracts (not being contracts in the ordinary course of business of our Group) have been entered into by members of our Group within the two years preceding the date of this prospectus and are or may be material:

(a) an agreement dated 20 December 2010 entered into between Shanghai SAC and Allied Wangchao in relation to the sale of equipments, stock accessories and materials from Shanghai SAC to Allied Wangchao due to relocation of Shanghai SAC's plant at a consideration of RMB5,164,300, RMB1,735,059.26 and RMB200,000 respectively, totaling RMB7,099,359.26;

(b) a sale and purchase agreement dated 31 December 2010 between SAC Investments and Splendid Link for the transfer of one share in SAC Intellectual from SAC Investments to Splendid Link at the consideration of US$1.00;

(c) an assignment of loan by way of deed dated 31 December 2010 between SAC Investments and Splendid Link in relation to the assignment of a loan in the amount of HK$2,192.20 owing from SAC Intellectual to SAC Investments at the consideration of HK$2,192.20;

(d) a sale and purchase agreement dated 31 December 2010 between Sunwealth and Splendid Link for the transfer of 10,000,000 shares in SAC Holdings from Sunwealth to Splendid Link at the consideration of HK$50,027,000;

(e) the deed of reorganisation dated 20 December 2011 entered into between the Company, Sunwealth and Tian An, pursuant to which Sunwealth agreed to sell the one share in Splendid Link and the shareholder's loan in the total amount of HK$227,305,017.43 owed by Splendid Link and its subsidiary, namely SAC Holdings, to the Company in consideration of the Company's allotting and issuing 494,999,999 Shares of HK$0.01 each credited as fully paid at an issue price of HK$1.00 per Share to Sunwealth or as it may direct (the "Deed of Reorganisation");

(f) pursuant to terms and conditions of the Deed of Reorganisation, a deed of loan assignment dated 20 December 2011 entered into between the Company, Sunwealth, Splendid Link and SAC Holdings in relation to the assignment of a loan in the amount of HK$227,305,017.43 due from Splendid Link and SAC Holdings to Sunwealth;

(g) the Non-competition Deed;

(h) a deed of indemnity dated 20 December 2011 given by Autobest Holdings and Tian An in favour of the Company (for itself and as trustee for and on behalf of its subsidiaries as stated in this prospectus) as more particulars referred to in the paragraph headed "Estate duty, tax and other indemnity" in this Appendix; and

(i) the Underwriting Agreement.

2. Intellectual property rights of our Group

(a) *Trademarks*

As of the Latest Practicable Date, our Group had the following registered trademarks:

Registrant	Trademark	Place of registration	Class *(Note)*	Registration Number	Expiry date
SAC Intellectual		Hong Kong	19	301570833	23 March 2020
SAC Intellectual	(A)	Hong Kong	19	301896283	20 April 2021
	(B)				
Shanghai SAC		PRC	19	904806	27 November 2016
Shanghai SAC		PRC	19	3458451	20 January 2015

Note: Specifications of the relevant registered trademarks in Class 19 relate to building materials (non-metallic); ceramics tiles, not of metal, for building; non-metallic wall tiles; non-metallic floor tiles, cements, granite, marble products, all the aforesaid goods for use in the construction field or in the building industry.

(b) *Patents*

As of the Latest Practicable Date, our Group had the following registered patents:

Patent holder	Name of utility model patent	No. of patent	Date of application	Date of notification	Expiry date
Shanghai SAC	cyclone air type cement cooler (旋風式水泥冷卻器)	ZL 03 2 30763.2	29.04.2003	30.06.2004	28 April 2013
Shanghai SAC	a method of using dry sludge as an ingredient to produce clinker and cement (一種採用脱水污泥配料制得的水泥熟料及水泥的生產方法)	ZL 2007 1 0045299.2	27.08.2007	05.08.2009	26 August 2017
Shanghai SAC	a method of using slag as an ingredient to produce clinker and other production (一種採用鋼渣配料制得的水泥熟料及其生產方法)	ZL 03 1 16681.4	29.04.2003	26.07.2006	28 April 2013

(c) *Domain name*

As at the Latest Practicable Date, our Group had registered the following domain name:

Domain name	Registrant	Expiry Date
www.alliedcement.com.hk	SAC Holdings	20 April 2016

C. DISCLOSURE OF INTERESTS

1. Directors

(a) *Interests in Shares*

Immediately following completion of the Share Offer (taking no account of Shares which may be issued pursuant to the exercise of the options which may be granted under the Share Option Scheme), none of the Directors and chief executives of our Company have any interests or short positions in the shares, underlying shares and debentures of our Company or its associated corporations (within the meaning of Part XV of the SFO) which will have to be notified to our Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they are taken or deemed to have taken under such provisions of the SFO) once the Shares are listed, or which will be required to be entered in the register kept by our Company pursuant to section 352 of the SFO, or which, once the Shares are listed, will be required to be notified to our Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies contained in the Listing Rules.

(b) *Particulars of employment contracts/service contracts*

Each of the executive Directors has entered into an employment contract with our Company commencing from the Listing Date which may be terminated by either party giving not less than 90 days' prior notice in writing and is subject to termination provisions therein and retirement and re-election at the annual general meetings of our Company in accordance with the Articles of Association of our Company or any other applicable laws from time to time whereby he shall vacate his office. Particulars of the employment contracts of the executive Directors are in all material respects the same. Each of the executive Directors shall be entitled to (i) a monthly salary package; (ii) a discretionary bonus which is based on the performance of the Director and the Company; (iii) a thirteen-month salary payment; and

(iv) a Director's fee of HK$10,000 per annum which is determined by the Board and shall be subject to the approval by the Shareholders. Mr. Yu Zhong, being an executive Director, is also entitled to a performance bonus based on the sales incentive scheme adopted by Shanghai SAC. Details of the sales incentive scheme are set out in the paragraph headed "The Company's relationship with employees" under the section headed "Directors, Senior Management and Employees" in this prospectus. The annual remuneration of the executive Directors excluding discretionary and performance bonuses pursuant to their respective employment contract is as follows:

Name of Director	Annual Director's remuneration excluding bonuses (HK$)
Mr. Ng Qing Hai	1,960,000
Mr. Li Chi Kong	100,000
Mr. Yu Zhong	499,489 *(Note)*

Note: Mr. Yu is entitled to an annual salary package (excluding the Director's fee) of RMB398,931, which is equivalent to approximately HK$489,489.

Each of the independent non-executive Directors has signed an appointment letter with our Company for a service term of two years commencing on the Listing Date subject to retirement and re-election at the annual general meetings of our Company in accordance with the Articles of Association of our Company or any other applicable laws from time to time whereby he/she shall vacate his/her office. Pursuant to the letters of appointment between our Company and each of Mr. Chan Sze Chung, Mr. Cheng Kin Chung and Ms. Yang Yan Tung Doris (all of whom are independent non-executive Directors), each of them is entitled to receive a respective service fee of HK$70,000, HK$90,000 and HK$70,000 per annum and a Director's fee of HK$10,000 per annum which is determined by the Board and shall be subject to the approval by the Shareholders.

Save as disclosed above, none of the Directors has entered or has proposed to enter into any service agreements with our Company or any members of our Group (other than contracts expiring or determinable by the employer within one year without payment of compensation other than statutory compensation).

(c) *Remuneration of Directors*

During the three years ended 31 December 2008, 2009 and 2010 and the six months ended 30 June 2011, the aggregate amount of remuneration paid and benefits in kind granted to the Directors by our Group was approximately HK$1,443,000, HK$1,770,000, HK$3,829,000 and HK$619,000 respectively. None of the Directors has waived any remuneration during the Track Record Period.

Under the arrangements currently in force, the estimated amounts of remuneration, excluding discretionary bonuses, if any, payable to our Directors for the financial year ending 31 December 2011 will be approximately HK$1,646,000.

2. Substantial Shareholders

(a) *Interests in our Company*

So far as the Directors are aware, immediately following completion of the Share Offer (taking no account of Shares which may be issued pursuant to the exercise of any options which may be granted under the Share Option Scheme), the following persons (not being a Director or chief executive of our Company) are expected to have an interest or short position in the Shares and 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:

Name of Substantial Shareholder	Nature of interest and capacity	Number of Shares directly or indirectly held immediately following the allotment of the Offer Shares	Percentage of shareholding
Autobest Holdings *(Note 2)*	Beneficial Owner	495,000,000 (L)	75%
Tian An *(Note 2)*	Interest in a controlled corporation	495,000,000 (L)	75%
China Elite Holdings Limited *(Note 3)*	Interest in a controlled corporation	495,000,000 (L)	75%
Fine Class Holdings Limited *(Note 3)*	Interest in a controlled corporation	495,000,000 (L)	75%
Allied Properties *(Note 3)*	Interest in a controlled corporation	495,000,000 (L)	75%
Allied Group Limited *(Note 4)*	Interest in a controlled corporation	495,000,000 (L)	75%
Lee and Lee Trust *(Note 5)*	Interest in a controlled corporation	495,000,000 (L)	75%

Notes:

1. The letter "L" denotes the entity's long position in the Shares.

2. The entire issued share capital of Autobest Holdings is beneficially owned by Tian An which is deemed to be interested in the Shares held by Autobest Holdings pursuant to the SFO.

3. Allied Properties is interested in approximately 46.85% of the entire issued share capital of Tian An through its direct and indirect wholly-owned subsidiaries, namely Fine Class Holdings Limited and China Elite Holdings Limited. Therefore, Allied Properties is deemed to be interested in the Shares which Tian An is interested for the purpose of the SFO.

4. Allied Group Limited is interested in approximately 72.34% of the entire issued share capital of Allied Properties. Therefore, Allied Group Limited is deemed to be interested in the Shares which Allied Properties is interested for the purpose of the SFO.

5. Mr. Lee Seng Hui together with Ms. Lee Su Hwei and Mr. Lee Seng Huang are the trustees of Lee and Lee Trust, being a discretionary trust. They together owned approximately 56.75% interest in the issued share capital of Allied Group Limited and were therefore deemed to have an interest in the Shares in which Allied Group Limited was interested for the purpose of the SFO.

(b) *Interest in other members of our Group*

As of the Latest Practicable Date, so far as the Directors are aware, the following persons were directly or indirectly interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any member of our Group:

Name of shareholder	Name of member of the Group	Percentage of shareholding
Aso Corporation	AII-Shanghai	16.67%
Shanghai Cement Factory	Shanghai SAC	40%

3. Related party transactions

Save as disclosed in this prospectus and in the accountants' report, the text of which is set out in Appendix I to this prospectus, during the two years immediately preceding the date of this prospectus, our Company had not engaged in any other material connected transactions or related party transactions.

4. Agency fees and commissions received

Save as disclosed in this prospectus, no commission, discounts, brokerages or other special terms were granted within two years preceding the date of this prospectus in connection with the issue or sale of any capital of any member of our Group.

D. SHARE OPTION SCHEME

The following is a summary of the principal terms of the Share Option Scheme approved by the resolution of the sole Shareholder of the Company passed on 28 April 2011 and the shareholders of Tian An on 30 May 2011 respectively:

(a) Purpose

The purpose of the Share Option Scheme is to provide incentives to Participants (as defined in paragraph (d) below) to contribute to the Group and to enable the Group to recruit and retain high-calibre employees and attract and retain human resources that are valuable to the Group.

(b) Conditions

The Share Option Scheme is conditional upon: (a) the passing by the shareholder of the Company of an ordinary resolution to approve the adoption of the Share Option Scheme; (b) the passing by the shareholders of Tian An in general meeting of an ordinary resolution to approve the adoption of the Share Option Scheme by the Company pursuant to the Listing Rules; (c) the Listing Committee of the Stock Exchange granting the listing of and permission to deal in, any Shares which may be issued pursuant to the exercise of options under the Share Option Scheme; and (d) the commencement of the Listing of the Shares on the Stock Exchange.

(c) Period of the Share Option Scheme

The Share Option Scheme shall be valid and effective for a period of ten (10) years commencing on the date on which the Share Option Scheme becomes unconditional after which period no further options will be granted and accepted; and thereafter for so long as there are any outstanding unexercised options granted and accepted pursuant thereto prior to the expiration of the said ten-year period and in order to give effect to the exercise of any such options or otherwise as may be required in accordance with the provisions of the Share Option Scheme.

(d) Who may join

The Board may grant (subject to acceptance in accordance with the terms of the Share Option Scheme) an option to subscribe for such number of Shares as it may determine at a price determined in accordance with paragraph (e) below to any individual being an employee, officer, agent, consultant or representative of any member of the Group (including any executive or non-executive director of any member of the Group) who, as the Board may determine in its absolute discretion, has made valuable contribution to the business of the Group based on his/her performance and/or years of service, or is regarded to be a valuable human resource of the Group based on his/her working experience, knowledge in the industry and other relevant factors (a "Participant"), subject to such conditions as the Board may think fit, provided that no grants shall be made except to such number of Participants and in such circumstances that the Company will not be required under applicable securities laws and regulations to issue a prospectus or other offer document in respect thereof; and will not result in the breach by the Company or its directors of any applicable securities laws and regulations or in any filing or other requirements arising.

(e) Subscription price for the Shares under the Share Option Scheme

The subscription price for the Shares on the exercise of options under the Share Option Scheme shall be a price determined by the Board and notified to the relevant Participant at the time the grant of the options (subject to any adjustments made pursuant to paragraph (q) below) is made to (subject to acceptance by) the Participant and shall 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 on which the option is granted, which date 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 five (5) business days immediately preceding the date on which the option is granted; and (iii) the nominal value of the Share.

(f) Maximum number of the Shares available for subscription

The limit on the total number of the Shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Share Option Scheme and any other share option scheme(s) of the Company must not exceed 30% of the total number of the Shares in issue from time to time. Options lapsed or cancelled in accordance with the terms of the Share Option Scheme or any other share option scheme(s) of the Company shall not be counted for the purpose of calculating the said 30% limit.

In addition, subject to below provided this paragraph (f), the total number of the Shares which may be issued upon exercise of all options to be granted under the Share Option Scheme, together with all options to be granted under any other share option scheme(s) of the Company, must not represent more than 10% of the total number of the Shares in issue as at the date of commencement of the listing of the Shares on the Stock Exchange (the "Scheme Mandate Limit"). Options lapsed in accordance with the terms of the Share Option Scheme or any other share option scheme(s) of the Company shall not be counted for the purpose of calculating the Scheme Mandate Limit.

The Company may seek separate approval from the Shareholders in general meeting to refresh the Scheme Mandate Limit, but in any event the total number of the Shares in respect of which options may be granted by the Board under the Share Option Scheme and any other share option scheme(s) of the Company shall not exceed 10% of the total number of the Shares in issue as at the date of approval of the refreshed Scheme Mandate Limit. Options previously granted under the Share Option Scheme and any other share option scheme(s) of the Company (including those outstanding, cancelled, lapsed in accordance with the Share Option Scheme or exercised options) will not be counted for the purpose of calculating such refreshed Scheme Mandate Limit. The Company may also seek separate approval from the Shareholders in general meeting in accordance with the relevant provisions of the Listing Rules for granting options to specified Participants beyond the Scheme Mandate Limit (or refreshed Scheme Mandate Limit) in respect of such number of the Shares and on such terms as may be specified in such approval.

(g) Maximum number of options to each Participant

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

(h) Grant of options to connected persons

Where any grant of options is proposed to be made to a Participant who is a director, chief executive or substantial shareholder (each has the meaning as ascribed under the Listing Rules) of the Company or any of their respective associates, such grant must be approved by the independent non-executive directors of the Company (excluding independent non-executive director who is the Participant).

Where the Board proposes to grant any option to a Participant who is a substantial shareholder or an independent non-executive director of the Company or any of their respective associates and such option which would result in the Shares issued and which may fall to be issued upon the exercise of all options already granted and to be granted (including options exercised,

cancelled and outstanding) to such person under the Share Option Scheme and any other share option scheme(s) of the Company in the 12-month period up to and including the proposed date of grant for such options:

(i) representing in aggregate more than 0.1% of the number of the Shares then in issue; and

(ii) having an aggregate value, based on the closing price of the Shares as stated in the Stock Exchange daily quotations sheet on each relevant date of the grant (subject to acceptance) of the options, in excess of HK$5,000,000.00,

such proposed grant of options must be approved by the Shareholders in general meeting at which all connected persons of the Company must abstain from voting (except where any connected person intends to vote against the relevant resolution provided that such intention to do so has been stated in the circular). Any vote taken at the meeting to approve the grant of such options must be taken on a poll.

(i) Offer and acceptance

A grant of an option shall be made to a Participant by letter in such form as the Board may from time to time determine requiring the Participant to undertake to hold the option on the terms on which it is to be granted including but not limited to the minimum period for which an option must be held before it can be exercised (if any) and to be bound by the provisions of the Share Option Scheme and shall remain open for acceptance by the Participant for a period of twenty eight (28) days from the date of grant.

An option shall be deemed to have been accepted when the duplicate letter, comprising acceptance of the option duly signed by the Grantee together with a remittance in favour of the Company of HK$1.00 by way of consideration for the grant thereof, is received by the Company.

(j) Transferability of options

An option shall be personal to the Grantee and shall not be assignable and no grantee shall in any way sell, transfer, assign, charge, mortgage, encumber or create any interest in favour of any third party over or in relation to any option or purport to do any of the foregoing. Any breach of the foregoing shall entitle the Company to cancel the relevant grantee's outstanding options in whole or in part.

(k) Performance target

No performance target needs to be achieved by the grantee before the options can be exercised, unless otherwise determined by the Board.

(l) Time of exercise of options

An option may be exercised in accordance with the terms of the Share Option Scheme and such other terms and conditions upon which an option was granted, at any time during the option period after the option has been granted by the Board but in any event, not longer than ten (10) years from the date of grant. An option shall lapse automatically and not be exercisable (to the extent not already exercised) on the expiry of the option period.

(m) Rights on ceasing employment or death

If the grantee ceases to be an employee (including any executive director), officer (including any non-executive director), agent, consultant or representative of the relevant member of the Group for any reason other than on death, ill health, disability or insanity or the termination of employment, office, agency, consultancy or representation on certain grounds specified in the Share Option Scheme, then, if the option period has not at the date of cessation commenced, the option shall lapse; and if the option period has commenced, the grantee may exercise the option up to his/her entitlement at the date of cessation (to the extent not already exercised) until whichever is the earlier of the date of expiry of the option period or the date falling one (1) month from the date of such cessation, and such cessation date shall be the last actual day of employment, office, agency, consultancy or representation with the relevant member of the Group whether payment in lieu of notice is made or not (if applicable).

For the purposes of this paragraph (m), a grantee shall not be regarded as ceasing to be an employee (including any executive director), officer (including any non-executive director), agent, consultant or representative of the relevant member of the Group if he/she ceases to hold a position of employment, office, agency, consultancy or representation with a particular member of the Group but at the same time takes up a different position of employment, office, agency, consultancy or representation with another member of the Group.

(n) Rights on death, ill health, disability or insanity

If the grantee ceases to be an employee (including any executive director), officer (including any non-executive director), agent, consultant or representative of the relevant member of the Group by reason of death, ill health, disability or insanity before exercising the option in full and none of certain events which would be a ground for termination of his/her employment, office, agency, consultancy or representation specified in the Share Option Scheme arises, the grantee or his/her legal personal representative(s) shall be entitled after commencement of the option period until whichever is the earlier of the date of expiry of the option period or the date falling twelve (12) months from the date of cessation (or such longer period as the Board may determine) to exercise the option (to the extent not already exercised) up to his/her entitlement.

(o) Rights on takeover

If a general offer to acquire the Shares (whether by takeover offer, merger, privatisation proposal by scheme of arrangement between the Company and the Shareholders or otherwise in like manner) is made to all the Shareholders (or all such holders other than the offeror and/or any person controlled by the offeror and/or any person acting in concert with the offeror) and such offer, having been approved (if required) in accordance with applicable laws and regulatory

requirements, becomes or is declared unconditional, the grantee (or his/her legal personal representative(s)) shall, even though the option period has not yet commenced, be entitled to exercise the option (to the extent not already exercised) at any time until whichever is the earlier of the date of expiry of the option period or the date falling fourteen (14) days from the date on which the offer becomes or is declared unconditional, after which the option shall lapse.

(p) Rights on winding-up

If a notice is given by the Company to the Shareholders to convene a general meeting for the purposes of considering, and if thought fit, approving a resolution to voluntarily wind up the Company, the Company shall on the same date as or soon after it despatches such notice to each Shareholder give notice thereof to all grantees and thereupon, each grantee (or his/her legal personal representative(s)) shall be entitled to exercise all or any of his/her options at any time not later than five (5) business days prior to the proposed general meeting of the Company by giving notice in writing to the Company, accompanied by a remittance for the full amount of the aggregate subscription price for the Shares in respect of which the notice is given whereupon the Company shall as soon as possible and, in any event, no later than the business day immediately prior to the date of the proposed general meeting referred to above, allot the relevant Shares to the grantee credited as fully paid.

(q) Effect on reorganisation of capital structure

In the event of any capitalisation issue, rights issue, open offer, consolidation, sub-division or reduction of the share capital of the Company (other than an issue of the Shares as consideration in respect of a transaction), corresponding adjustments (if any) shall be made in:

(i) the number or nominal amount of the Shares subject to options so far as unexercised;

(ii) the subscription price in relation to each outstanding option; and/or

(iii) the method of exercise of the options,

provided that any such adjustments shall be made such that the proportion of the issued share capital of the Company to which an option entitles the grantee to subscribe after such adjustment must be the same as that to which the option entitled the grantee to subscribe immediately before such adjustment, but so that no such adjustment shall be made to the extent that the effect of such adjustment would be to enable any Share to be issued at less than its nominal value.

In respect of any adjustment required by the foregoing provisions, other than any adjustment made on a capitalisation issue, an independent financial adviser or the auditor for the time being of the Company must also confirm to the Board in writing that the adjustments satisfy the foregoing provisions and fairly and reasonably satisfy the requirement that any such adjustment shall be made in compliance with the provisions stipulated under Chapter 17 of the Listing Rules or such other guidelines and supplementary guidance on the interpretation of the Listing Rules issued or as may be issued by the Stock Exchange from time to time (including supplemental guidance attached to the letter from the Stock Exchange dated 5 September 2005 to all issuers relating to the Share Option Scheme).

In any event, any such alterations will be made on the basis that a grantee shall have the same proportion of the issued share capital of the Company. No such alteration will be made the effect of which would be to enable a Share to be issued at less than its nominal value. The issue of securities as consideration in a transaction is not to be regarded as a circumstance requiring any such alterations.

(r) Ranking of Shares

The Shares to be allotted and issued upon the exercise of an option will be subject to all the provisions of the articles of association of the Company for the time being in force and will rank *pari passu* with the fully paid Shares in issue on the date of allotment or, if that date falls on a day when the register of members of the Company is closed, the first day of the reopening of the register of members and accordingly will entitle the holders to participate in all dividends or other distributions paid or made on or after the date of allotment other than any dividend or other distribution previously declared or recommended or resolved to be paid or made if the record date thereof is before the date of allotment.

A Share issued upon the exercise of an option shall not carry any voting rights until the registration of the grantee (or any other person) as the holder thereof.

(s) Cancellation of options

The Board may effect the cancellation of any options granted but not exercised on such terms as may be agreed with the relevant grantee, as the Board may in its absolute discretion see fit and in a manner that complies with all applicable legal requirements for such cancellation.

Where the Company cancels any options granted but not exercised and grants new option to the same grantee, the grant of such new options may only be made under the Share Option Scheme if there is available unissued options (excluding the cancelled options) within each of the 10% limits as referred to in paragraph (f) above and there is available options (excluding the cancelled options) under the 1% limit for each Participant as referred to in paragraph (g) above.

(t) Lapse of option

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 other periods referred to in paragraphs (m), (n) or (o);

(iii) subject to paragraph (p) above, the earliest of the close of business on the 5th business day prior to the general meeting referred to in paragraph (p) above or the date of commencement of the winding-up of the Company;

(iv) save as otherwise provided in paragraph (o) above or by the Court in relation to the Share Option Scheme in question, upon the sanctioning pursuant to the Companies Law by the Grand Court of the Cayman Islands of a compromise or arrangement between the Company and the Shareholders or creditors for the purposes of or in connection with a scheme for the reconstruction of the Company or its amalgamation with any other company or companies;

(v) the date on which the grantee ceases to be an employee (including any executive director), officer (including any non-executive director), agent, consultant or representative of any relevant member of the Group by reason of the termination of his/her employment, office, agency, consultancy or representation on certain grounds specified in the Share Option Scheme including but not limited to, guilty of misconduct, bankruptcy or insolvency, having made any arrangement or composition with his creditors generally, or conviction of any criminal offence involving his integrity or honesty or (if so determined by the Board) on any other ground on which an employer or principal would be entitled to terminate his/her employment, office, agency, consultancy or representation at common law or pursuant to any applicable laws or under the grantee's service contract, terms of office, or agency, consultancy, or representation agreement or arrangement with the relevant member of the Group; or

(vi) the date on which the Board exercises the Company's right to cancel the option because of a breach by the Grantee of the rules summarised in paragraph (j).

(u) Alteration of the Share Option Scheme

The terms of the Share Option Scheme may be altered in any respect by resolution of the Board except that the provisions of the Share Option Scheme relating to matters contained in Rule 17.03 of the Listing Rules shall not be altered to the advantage of Participants unless with the prior sanction of a resolution of the Shareholders in general meeting.

Any alterations to the terms and conditions of the Share Option Scheme which are of a material nature or any change to the terms of options granted must first be approved by the Shareholders in general meeting, except where the alterations take effect automatically under the existing terms of the Share Option Scheme.

The amended terms of the Share Option Scheme or the options must still comply with the relevant requirements of Chapter 17 of the Listing Rules.

(v) Termination of the Share Option Scheme

The Company may by ordinary resolution in general meeting terminate or the Board may at any time terminate the operation of the Share Option Scheme and in such event no further options will be granted but in all other respects the provisions of the Share Option Scheme in relation to any outstanding options shall remain in full force and effect. All options granted and accepted prior to such termination and not then exercised shall continue to be valid and exercisable subject to and in accordance with the Share Option Scheme.

As at the date of this prospectus, no option has been granted or agreed to be granted under the Share Option Scheme. On the assumption that 660,000,000 Shares are in issue on the date of commencement of dealings in the Shares on the Stock Exchange, the application to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in the Shares on the Stock Exchange includes the 66,000,000 Shares which may be issued upon the exercise of the Options which may be granted under the Share Option Scheme.

E. OTHER INFORMATION

1. Estate duty, tax and other indemnity

Our Controlling Shareholders (the "Indemnifiers") have entered into a deed of indemnity with and in favor of our Company (for itself and as trustee for each of its present subsidiaries) (being the contract referred to in paragraph (5) of the subsection headed "Summary of material contracts" in this Appendix) to provide indemnities on a joint and several basis against, among other things, any estate duty, death duty, inheritance tax, succession duty or any other similar tax or duty which is or becomes payable by our Company or any of its subsidiaries by the operation of any estate duty, death duty, inheritance tax, succession duty or any other similar legislation in Hong Kong or the PRC or any other relevant jurisdiction as a result or in consequence of any event or transaction occurring on or before the date upon which the Share Offer becomes unconditional (the "Relevant Date").

The deed of indemnity also contains indemnities given jointly and severally by the Indemnifier in respect of taxation resulting from income, profits or gains earned, accrued or received on or before the Relevant Date which might be payable by any member of our Group. The Indemnifier shall be under no liability under the deed of indemnity in respect of taxation:

(a) to the extent that provision has been made for such taxation in the combined audited accounts of the Company as set out in the accountants' reports set out in Appendix I to this prospectus and for each of the three years ended 31 December 2010 and the six months ended 30 June 2011;

(b) for which any member of our Group is liable as a result of any event occurring or income or profits earned, accrued or received or alleged to have been earned, accrued or received or transactions entered into in the ordinary course of business or in the ordinary course of acquiring and disposing of capital assets after the Relevant Date;

(c) to the extent that such taxation or liability would not have arisen but for any act or omission by any member of our Group (whether alone or in conjunction with some other act, omission or transaction, whenever occurring) voluntarily effected without the prior written consent or agreement of the Indemnifiers, otherwise than in the ordinary course of business after the Relevant Date or carried out, made or entered into pursuant to a legally binding commitment created after the Relevant Date;

(d) to the extent that such taxation or liability is discharged by another person who is not the Company or any members of our Group and that our Company or such Group member is not required to reimburse such person in respect of the discharge of the taxation or liability; and

(e) to the extent that the relevant taxation claim arises or is incurred as a consequence of any retrospective change in the law or the interpretation or practice thereof by the Hong Kong Inland Revenue Department or the tax authorities or any other authority in any part of the world coming into force after the Relevant Date or to the extent that such claim arises or is increased by an increase in the rates of taxation after the Relevant Date with retrospective effect.

Pursuant to the deed of indemnity, the Controlling Shareholders also agree and undertake to indemnify our Group on demand in respect of and to the extent of, any losses, liabilities or damages suffered or incurred by or falling on any of the companies of our Group in respect of and to the extent of arising from or relating to operations of our Group before the Listing Date including but not limited to losses, liabilities or damages suffered or incurred by our Group in respect of and to the extent of arising from or relating to the following including but not limited to those disclosed in this prospectus:

(a) illegal use or occupation of land wherever situated including but not limited to failure to obtain relevant title documents in respect of land and/or properties in the PRC; or

(b) non-compliance of any legal and/or regulatory requirements of any jurisdiction, including but not limited to:

    (i) breach of land use rights or failure to make payment of duty or tax;

    (ii) failure to pay all or any part of pension premium or housing provident fund for any employees of the Group and failure to deduct employee's salary or remuneration payment of the employee's corresponding contributions on behalf of employees;

    (iii) failure to obtain the relevant licenses and permits for the operation of our Group.

(c) additional liability in the maximum amount of HK$4 million incurred by the Group under the legal proceedings as disclosed in the section headed "Business — Legal Proceedings — Former limestone excavation contractor" and sub-paragraph 2(b) in the paragraph headed "Litigations" under this section if the final aggregate amounts ordered by the relevant government authorities to be paid by the Group in those proceedings exceeds the provision made by the Group as at 30 June 2011 in the approximate amount of HK$4.4 million;

(d) claims arising from operation of our Group's businesses, tortious or contractual or otherwise, including but not limited to:

    (i) personal injury; or

    (ii) misrepresentation,

(e) any non-compliance or breach of General Rule on Lending (貸款通則) for granting of financial assistance to Tian An Shanghai whereby any interest income earned by way of financial assistance is subject to confiscation and the Group is subject to a maximum fine up to 5 times of the interest income as imposed by The People's Bank of China (中國人民銀行);

save and except such losses, liabilities or damages arise or are incurred as a result of a retrospective change in law (but not implementation of law) coming into force after the Listing Date.

The Directors have been advised that no material liability for estate duty is likely to fall on our Company or any of our subsidiaries.

2. Litigations

As at the Latest Practicable Date, there were two legal proceedings commenced against the Group with details as follows:

(a) a former employee initiated legal proceedings against Allied Wangchao, claiming personal injuries damages in the total sum of RMB1,128,057 at Taierzhuang District People's Court (台兒莊區人民法院) in connection with an accident in Allied Wangchao plant on 31 August 2005. Judgment of the first trial was made against Allied Wangchao, ordering us to pay RMB1,115,388.6 to this employee. On 12 October 2010, we appealed to the Zaozhuang City Intermediate People's Courts (棗莊市中級人民法院) which set aside Taierzhuang District People's Courts' judgment on 20 December 2010 and remitted the case for re-trial. The re-trial has been conducted and the re-trial judgment would be delivered. The judgement was still pending; and

(b) a former limestone excavation services provider (the "Former Contractor") initiated legal proceedings against Allied Wangchao and Shandong SAC in November 2009 at Zaozhuang City Intermediate People's Court (棗莊市中級人民法院) for the failure of Allied Wangchao to settle services fees in respect of infrastructure at Langshan, Taierzhuang (台兒莊狼山礦區) and supply of limestone excavated from Langshan quarry in accordance with the contract entered into between Allied Wangchao and the Former Contractor on 6 September 2004. Under this legal proceeding, the Former Contractor claimed for outstanding services fee for infrastructure of approximately RMB2.7 million and for excavation and supply of minerals of approximately RMB4.3 million, totaling approximately RMB7 million. In addition, the Former Contractor further claimed for damages of RMB1.4 million for alleged breach of contract. Allied Wangchao and Shandong SAC counterclaimed against the Former Contractor for the damages of approximately RMB2.8 million as compensation for the monetary losses caused by the Former Contractor's failure to provide Allied Wangchao the relevant invoices for claiming VAT refund in the same year. On 5 July 2010, the Zaozhuang City Intermediate People's Court handed down a judgement in favour of the Former Contractor. concluding that Allied Wangchao and Shandong SAC shall pay the Former Contractor a total sum of approximately RMB8.4 million. Our Group appealed to a higher court and on 10 December 2010, the Shandong Province High People's Court (山

東省高級人民法院) set aside the judgement of the Zaozhuang City Intermediate People's Court and remit the case for re-trial. The re-trial has been conducted and the retrial judgment would be delivered. The judgement was still pending.

Save as disclosed above, as at the Latest Practicable Date, neither our Company nor any other member of our Group was engaged in any litigation or arbitration of material importance and, so far as the Directors are aware, no litigation, arbitration or claim of material importance is pending or threatened against any member of our Group.

3. Sponsor

The Sponsor has made an application on behalf of our Company to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, the Shares in issue and to be issued as mentioned herein (including any Shares falling to be issued pursuant to the exercise of any options which may be granted under the Share Option Scheme).

4. Preliminary expenses

The preliminary expenses of our Company are estimated to be approximately HK$43,557 and are payable by our Company.

5. Qualifications of experts

The following are the qualifications of the experts who have given opinion or advice which are contained in this prospectus:

Name	Qualification
Altus Capital	Licensed corporation under the SFO to carry on type 4 (advising on securities), type 6 (advising on corporate finance) and type 9 (asset management) regulated activities under the SFO
P.C. Woo & Co.	Legal adviser to our Company as to Hong Kong laws
Zhong Lun W&D Law Firm	Legal adviser to our Company as to PRC laws
Appleby	Legal adviser to our Company as to Cayman Islands laws
Deloitte Touche Tohmatsu	Certified public accountants
Norton Appraisals Limited	Property valuer

6. Consents of experts

Each of Atlus Capital, P.C. Woo & Co., Zhong Lun W&D Law Firm, Appleby, Deloitte Touche Tohmatsu and Norton Appraisals Limited 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 opinion and/or valuation certificate (as the case may be) and/or the references to its name included herein in the form and context in which they are respectively included.

As at the Latest Practicable Date and save as disclosed in this prospectus, none of the experts named in the section headed "Qualifications of experts" in this Appendix had any shareholding interests in any of our member or the right or option (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any of our member.

7. 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.

8. Disclaimers

Save as disclosed in this prospectus:

(a) none of the Directors nor any of the parties whose names are listed in the paragraph headed "Consents of experts" under the section headed "Other information" in this Appendix V is interested in the promotion of our Company, or in any assets which have been, within the two years immediately preceding the issue 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; and

(b) none of the Directors nor any of the parties whose names are listed in the paragraph headed "Consents of experts" under the section headed "Other information" in this Appendix V is 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.

9. Miscellaneous

(a) Save as disclosed in this prospectus:

(i) within the two years preceding the date of this prospectus, 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, management or deferred shares of our Company or any of its subsidiaries have been issued or agreed to be issued;

(iv) within the two years immediately preceding the date of this prospectus, no commission has been paid or payable (except commissions to underwriters) for subscription, agreeing to subscribe, procuring subscription or agreeing to procure subscription of any Shares in our Company; and

(v) the Directors confirm that since 30 June 2011 (being the date to which the latest audited financial statements of our Group were made up), there has been no material adverse change in the financial or trading position or prospects of our Group.

10. Bilingual prospectus

The English language and Chinese language 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).

DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES IN HONG KONG

The documents attached to the copy of this prospectus delivered to the Registrar of Companies in Hong Kong for registration were copies of the **WHITE**, **YELLOW**, **PINK** and **BLUE** Application Forms, the written consents referred to in the paragraph headed "Consents of experts" under the section headed "Other information" in Appendix V to this prospectus and copies of the material contracts referred to in the paragraph headed "Summary of material contracts" under the section headed "Further information about our business" in Appendix V to this prospectus.

DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection at the offices of P. C. Woo & Co. at 12th Floor, Prince's Building, 10 Chater Road, Central, Hong Kong during normal business hours up to and including the date which is 14 days from the date of this prospectus:

(1) the Memorandum and Articles of Association;

(2) the accountants' report prepared by Deloitte Touche Tohmatsu, the text of which is set out in Appendix I to this prospectus;

(3) the audited financial statements of companies comprising our Group for each of the three financial years ended 31 December 2010 (or the period since their respective dates of incorporation of the relevant member of our Group where it is shorter), except for those companies for which there are no statutory audit requirements in their respective jurisdictions of incorporation;

(4) the letter prepared by Deloitte Touche Tohmatsu relating to the unaudited pro forma financial information, the text of which is set out in Appendix II to this prospectus;

(5) the letters, summary of values and valuation certificates relating to the property interests of our Group prepared by Norton Appraisals Limited, the texts of which are set out in Appendix III to this prospectus;

(6) the letter of advice prepared by Appleby summarising certain aspects of Cayman Companies Law referred to in Appendix IV to this prospectus;

(7) the Cayman Companies Law;

(8) the material contracts referred to in the paragraph headed "Summary of material contracts" under the section headed "Further information about our business" in Appendix V to this prospectus;

(9) the service contracts with executive Directors and the appointment letters with independent non-executive Directors, referred to in the paragraph headed "Particulars of employment contracts/service contracts" under the section headed "Disclosure of interests" in Appendix V to this prospectus;

(10) the written consents referred to in the paragraph headed "Consents of experts" under the section headed "Other information" in Appendix V to this prospectus;

(11) legal opinion issued by Zhong Lun W&D Law Firm, the legal advisers to the Company as to PRC laws; and

(12) the rules of Share Option Scheme.

AC GROUP

Allied Cement Holdings Limited

聯合水泥控股有限公司