



CHINA TIANRUI GROUP CEMENT COMPANY LIMITED

中國天瑞集團水泥有限公司

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 1252

GLOBAL OFFERING



Joint Global Coordinators, Joint Bookrunners, Joint Lead Managers and Joint Sponsors



IMPORTANT

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



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(Incorporated in the Cayman Islands with limited liability)

GLOBAL OFFERING

Number of Offer Shares	: 400,900,000 Shares (subject to the Over-allotment Option)
Number of Hong Kong Public Offer Shares	: 40,090,000 Shares (subject to adjustment)
Number of International Placing Shares	: 360,810,000 Shares (subject to adjustment and the Over-allotment Option)
Offer Price	: Not more than HK\$3.61 per Offer Share payable in full on application, subject to refund, plus brokerage of 1.0%, SFC transaction levy of 0.003% and the Stock Exchange trading fee of 0.005%
Nominal value	: HK\$0.01 per Share
Stock code	: 1252

Joint Global Coordinators, Joint Bookrunners, Joint Lead Managers and Joint Sponsors



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

The Offer Price is expected to be determined by agreement between our Company and the Joint Global Coordinators (on behalf of the Underwriters) at the Price Determination Date. The Price Determination Date is expected to be on or around Monday, December 19, 2011 or such later time as may be agreed by our Company and the Joint Global Coordinators (on behalf of the Underwriters), but in any event no later than Tuesday, December 20, 2011.

The Offer Price will be not more than HK\$3.61 per Offer Share and is currently expected to be not less than HK\$2.41 per Offer Share. Investors applying for Hong Kong Public Offer Shares must pay, on application, the maximum Offer Price of HK\$3.61 per Offer Share, unless otherwise announced, together with a brokerage of 1.0%, SFC transaction levy of 0.003% and Hong Kong Stock Exchange trading fee of 0.005%, subject to refund if the Offer Price is lower than HK\$3.61. The Joint Global Coordinators (on behalf of the Underwriters), with the consent of our Company, may reduce the number of Offer Shares being offered under the Global Offering and/or the indicative offer price range stated in this prospectus at any time prior to the morning of the last day for lodging applications under the Hong Kong Public Offering. In such a case, a notice of the reduction in the number of Offer Shares being offered under the Global Offering and/or of the indicative offer price range will be published in The Standard (in English) and the Hong Kong Economic Times (in Chinese) not later than the morning of the last day for lodging applications under the Hong Kong Public Offering. Further details are set out in the sections headed "Structure of the Global Offering" and "How to Apply for Hong Kong Public Offer Shares" in this prospectus. If, for any reason, the Offer Price is not agreed between our Company and the Joint Global Coordinators (on behalf of the Underwriters) on or before Tuesday, December 20, 2011, the Global Offering will not proceed and will lapse.

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

Pursuant to the termination provisions contained in the Underwriting Agreements in respect of the Offer Shares, the Joint Global Coordinators, on behalf of the Hong Kong Underwriters, have the right in certain circumstances, in their sole discretion, to terminate the obligations of the Hong Kong Underwriters pursuant to the Hong Kong Underwriting Agreement at any time prior to 8:00 a.m. (Hong Kong time) on the date when dealings in our Shares first commence on The Stock Exchange of Hong Kong Limited (such first dealing date is currently expected to be Friday, December 23, 2011). Further details of the terms of the termination provisions are set out in the paragraph entitled "Grounds for Termination" under the section headed "Underwriting" in this prospectus. It is important that you refer to that section for further details.

The Offer Shares have not been and will not be registered under the United States Securities Act of 1933, as amended (the "Securities Act"), or any state securities law in the United States and may not be offered, sold, pledged or transferred within the United States, except pursuant to an exemption from, or in a transaction not subject to, the registration requirements under the Securities Act and applicable U.S. state securities laws. The Offer Shares are being offered and sold in offshore transactions outside the United States in reliance on Regulation S under the Securities Act and the applicable laws of each jurisdiction where those offers and sales occur.

December 14, 2011

EXPECTED TIMETABLE

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

2011⁽¹⁾

Latest time to complete electronic applications under the White Form eIPO service through the designated website www.eipo.com.hk ⁽²⁾	11:30 a.m. on Monday, December 19
Application lists open ⁽³⁾	11:45 a.m. on Monday, December 19
Latest time for lodging WHITE and YELLOW Application Forms	12:00 noon on Monday, December 19
Latest time to complete payment of White Form eIPO applications effecting internet banking transfer(s) or PPS payment transfer(s)	12:00 noon on Monday, December 19
Application lists close ⁽³⁾	12:00 noon on Monday, December 19
Expected Price Determination Date ⁽⁴⁾	Monday, December 19

(1) Announcement of

- the level of applications in the Hong Kong Public Offering;
- the level of indications of interest in the International Placing; and
- the basis of allotment of the Hong Kong Public Offer Shares,

to be published in The Standard (in English) and Hong Kong Economic Times (in Chinese) on or before Thursday, December 22

(2) Results of allocations of the Hong Kong Public Offering (including successful applicants' identification document numbers, where appropriate) to be available through a variety of channels (see the section headed "How to Apply for Hong Kong Public Offer Shares — 7. Publication of Results" in this prospectus) from Thursday, December 22

A full announcement of the Global Offering containing (1) and (2) above to be published on our Company's website at www.trcement.com and the website of the Stock Exchange at www.hkexnews.hk from Thursday, December 22

Results of allocations in the Hong Kong Public Offering will be available at www.iporesults.com.hk with a "search by ID" function. Thursday, December 22

Dispatch of Share certificates in respect of wholly or partially successful applications pursuant to the Hong Kong Public Offering on or before⁽⁵⁾ Thursday, December 22

EXPECTED TIMETABLE

2011⁽¹⁾

Dispatch of e-Refund Payment instructions/refund checks in respect of wholly successful (if applicable) or wholly or partially unsuccessful applications pursuant to the Hong Kong Public Offering on or before⁽⁶⁾ Thursday, December 22

Dealings in Shares on the Hong Kong Stock Exchange to commence on Friday, December 23

Notes:

- (1) All times refer to Hong Kong local time. Details of the structure of the Global Offering, including its conditions, are set out in the section headed “Structure of the Global Offering” in this prospectus. If there is any change in this expected timetable, an announcement will be published in *The Standard* in English and in the *Hong Kong Economic Times* in Chinese.
- (2) You will not be permitted to submit your application to the White Form eIPO Service Provider through the designated website at, www.eipo.com.hk, after 11:30 a.m. on the last day for submitting applications on Monday, December 19, 2011. If you have already submitted your application and obtained a payment reference number from the designated website prior to 11:30 a.m., you will be permitted to continue the application process (by completing payment of application monies) until 12:00 noon on the last day for submitting applications on Monday, December 19, 2011, when the application lists close.
- (3) If there is a “black” rainstorm warning or a tropical cyclone warning signal number eight or above in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon on Monday, December 19, 2011, the application lists will not open and close on that day. Please see the paragraph entitled “6. Effect of Bad Weather on the Opening of the Application Lists” under the section headed “How to Apply for Hong Kong Public Offer Shares” in this prospectus. If the application lists do not open and close on Monday, December 19, 2011, the dates mentioned in this section headed “Expected Timetable” may be affected. A press announcement will be made by our Company in such event.
- (4) The Price Determination Date, being the date on which the Offer Price is to be determined, is expected to be on or about Monday, December 19, 2011 and, in any event, not later than Tuesday, December 20, 2011. If, for any reason, the Offer Price is not agreed by the Company and the Joint Global Coordinators (on behalf of the Underwriters), the Global Offering (including the Hong Kong Public Offering) will not proceed and will lapse.
- (5) Applicants who apply for 1,000,000 or more Hong Kong Public Offer Shares and have indicated in their Application Forms that they wish to collect Share certificates (if applicable) and refund checks (if applicable) in person may do so from our Hong Kong Share Registrar, Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong from 9:00 a.m. to 1:00 p.m. on Thursday, December 22, 2011 or any other date notified by us in the newspapers as the date of dispatch/collection of Share certificates/e-Refund payment instructions/refund checks. Applicants being individuals who opt for personal collection must not authorize any other person to make their collection on their behalf. Applicants being corporations who opt for personal collection must attend by sending their authorized representatives each bearing a letter of authorization from his corporation stamped with the corporation’s chop. Both individuals and authorized representatives (if applicable) must produce, at the time of collection, evidence of identity acceptable to our Hong Kong Share Registrar. Applicants who have applied on **YELLOW** Application Forms may not elect to collect their Share certificates, which will be deposited into CCASS for the credit of their designated CCASS Participants’ stock accounts or CCASS Investor Participant stock accounts, as appropriate. Uncollected Share certificates and refund checks will be dispatched by ordinary post to the addressees specified in the relevant applications at the applicants’ own risk. Further information is set out in “How to Apply for Hong Kong Public Offer Shares”.

EXPECTED TIMETABLE

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

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

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

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

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

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SUMMARY

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

OVERVIEW

We are a leading clinker and cement producer in Henan and Liaoning provinces in terms of production volume for the year ended December 31, 2010. We ranked 10th among all the cement producers in China in terms of production volume⁽¹⁾ for the year ended December 31, 2010, according to the China Cement Association, and we ranked 11th among all the clinker producers in China in terms of production capacity⁽²⁾ as of December 31, 2010, according to China Cement Net (中國水泥網). Our operations range from the excavation of limestone, to the production, sale and distribution of clinker and cement. The PRC government has promulgated policies aiming at consolidating China’s cement industry and has recognized us as one of the 12 national cement producers entitled to government support in the form of priority with respect to project approvals, land use right grants and credit approvals when undertaking mergers, acquisitions and project investments in the cement industry. We are also the only non-state-owned enterprise designated by the MIIT as one of the five leading cement companies that the PRC government supports for undertaking cement industry-specific mergers and consolidation in the central China region. Under the PRC government’s current cement industry policies, small-scale cement producers with obsolete production technologies that are not environmentally friendly shall be phased out, which we believe will eventually lead to an optimal balance between the supply and demand of cement in China. The State Council recently issued guidelines on developing the central economic zone that primarily covers Henan province, one of our primary markets, with the aim to, among other things, promote its urbanization and further develop its infrastructure. As a leading cement producer in Henan and Liaoning provinces, we believe that we can benefit from these PRC government policy initiatives by further expanding our production capacity and products coverage in order to strengthen our market position.

According to data from the respective Building Materials Industry Associations (建築材料工業協會) of Henan and Liaoning provinces, we were the largest clinker producer in each of Henan and Liaoning provinces in terms of clinker production capacity⁽²⁾ as of June 30, 2011, and we were the largest cement producer in Henan province and the second largest cement producer in Liaoning province in terms of production volume⁽¹⁾ for the year ended December 31, 2010. As of June 30, 2011, we had a total of 15 clinker production lines and 35 cement grinding lines, with an annual clinker and

Notes:

- (1) Production volume represents the actual volume of clinker/cement produced at relevant production facilities in a relevant period.
- (2) Production capacity represents the volume of clinker/cement that can be produced based on the specifications of relevant production facilities as of a relevant date and clinker production capacity refers to clinker produced using NSP technology only.

SUMMARY

cement production capacity of 22.2 million tonnes and 35.2 million tonnes, respectively. In 2009, we also constructed and put in operation a clinker production line that has a daily production capacity of 12,000 tonnes, which is one of the largest clinker production lines in the world. In 2008, 2009, 2010 and for the six months ended June 30, 2011, we sold 12.2 million, 16.7 million, 22.1 million and 11.8 million tonnes of cement, and 2.5 million, 4.8 million, 6.1 million and 3.1 million tonnes of clinker, respectively. We are currently constructing one clinker production line with a capacity of 1.4 million tonnes per annum and one cement production facility with a capacity of 1.0 million tonnes per annum in Yuzhou, Henan province (together, the “Yuzhou Phase II Project”), and one cement production facility with a capacity of 4.0 million tonnes per annum in Tianjin (the “Tianjin Project”). We may further increase our production capacity through acquisitions of selected target companies or assets and through innovation and development of our production technology.

Limestone is the principal raw material used in producing cement. For the years ended December 31, 2008, 2009 and 2010 and the six months ended June 30, 2011, costs for excavating and externally sourcing limestone constituted approximately 8.7%, 9.4%, 8.5% and 7.9% of our total cost of sales, respectively. We currently source a majority of our limestone from our own limestone quarries, which have sufficient limestone reserves to support our operations. As all of our clinker production facilities are located near our limestone quarries, we believe our production facilities enjoy a stable supply of limestone with low transportation costs.

We produce a wide variety of cement products using NSP technology, one of the most advanced technologies for cement production in China. All our equipment and facilities that are related to non-NSP technologies had been disposed of and been fully written off before the Track Record Period, and during the Track Record Period all our newly constructed or acquired production lines utilized NSP technology. As such, we currently have no equipment or facilities that utilize non-NSP technologies and therefore are required to be written off. NSP production lines generally emit lower levels of pollutants and are more energy-efficient than facilities employing non-NSP technologies. Although NSP technology is not unique to us, each of our clinker production lines has been equipped with this technology, compared to the average application rate of approximately 80% of NSP technology among cement producers in China as of December 31, 2010, according to the Digital Cement and the MIIT. Our principal products also include clinker, a key intermediary component of cement. We employ residual heat recovery technology in the clinker production process. We are one of the cement producers in Henan and Liaoning provinces that equip most of our production lines with residual heat recovery technology, which allows us to achieve significant cost savings on electricity and to minimize pollution.

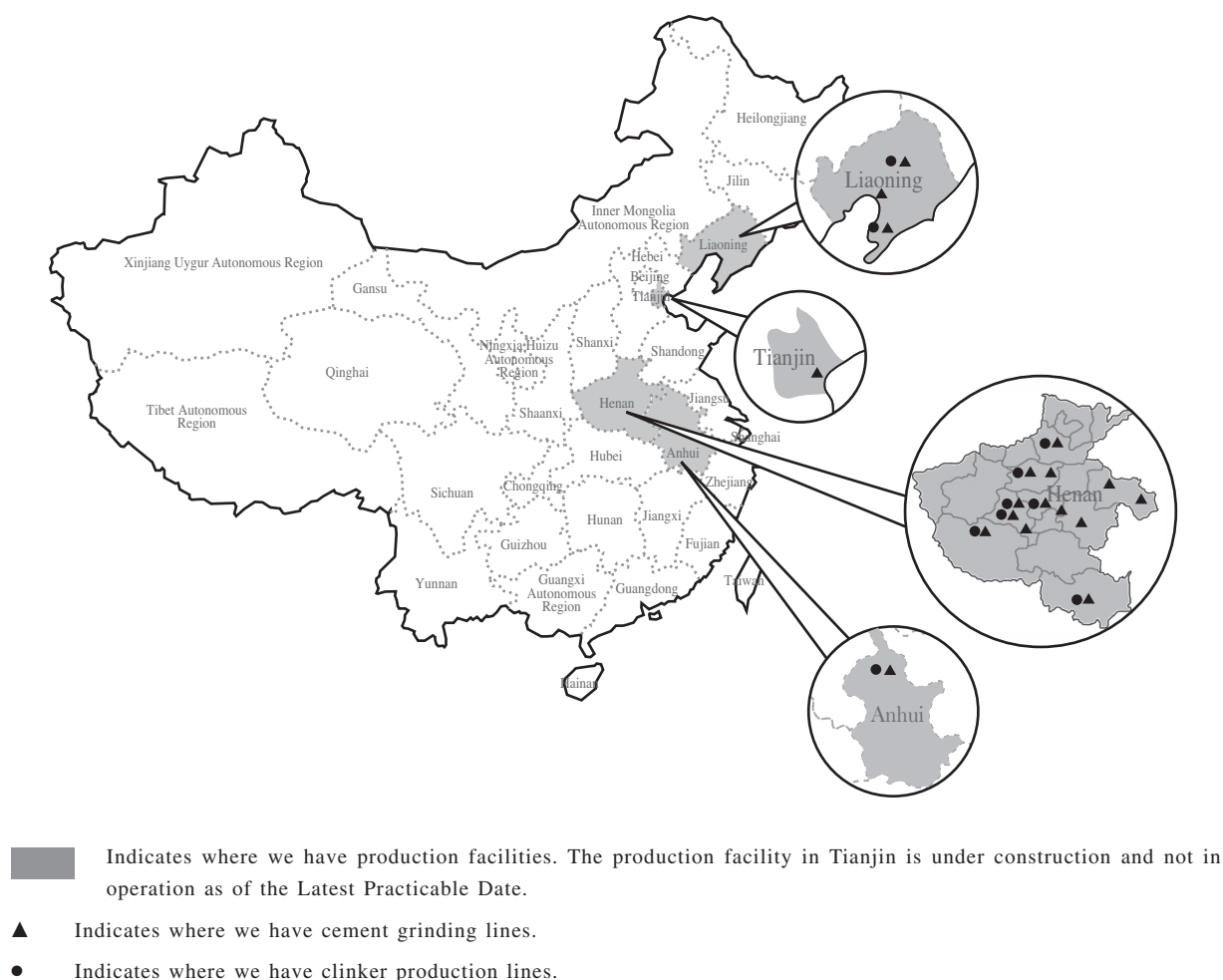
As of the Latest Practicable Date, we had obtained the ISO-9001 quality control system certification, the OHSAS 18000 certification and ISO 14001 certification with respect to certain of our production facilities. We are also one of the three Chinese cement companies and the only non-state-owned Chinese cement producer that has been accepted as a member of CSI, a global initiative sponsored by 23 major cement producers with combined operations in over 100 countries and that promotes sustainable development in the cement industry.

Our cement is sold under the brand name “天瑞TIANRUI”, which has been recognized as a “Chinese Famous Trademark” by the State Administration for Industry and Commerce. We believe that our brand has become a mark of quality within the construction industry in China. Leveraging our

SUMMARY

brand name and high product quality, we have successfully won tenders and become a qualified primary cement provider for a number of high-profile large-scale infrastructure projects in China, including, among other things, the South-North Water Transfer Project (南水北調工程), Ha'erbin-Dalian Express Railway (哈大高鐵) and Shijiazhuang-Wuhan Express Railway (石武高鐵).

The map below indicates the locations of our production facilities as of the Latest Practicable Date:



We sell our cement products to end-users both through direct sales by our in-house sales network in our target markets and through distributors. We have 18 regional sales offices that are spread across Henan, Liaoning and Anhui provinces.

We sold 12.2 million, 16.7 million, 22.1 million and 11.8 million tonnes of cement and 2.5 million, 4.8 million, 6.1 million and 3.1 million tonnes of clinker for the years ended December 31, 2008, 2009 and 2010 and the six months ended June 30, 2011, respectively. Our revenue increased from RMB3,360.3 million in 2008 to RMB4,415.2 million in 2009 and to RMB6,129.4 million in 2010, representing a CAGR of 35.1% from 2008 to 2010. For the years ended December 31, 2008, 2009 and 2010, our net profit was RMB232.2 million, RMB163.3 million and RMB397.8 million, respectively. Our revenue and net profit for the six months ended June 30, 2011 was RMB4,072.8

SUMMARY

million and RMB654.9 million, representing an increase of 62.1% and 65.5 times from the six months ended June 30, 2010, respectively. The significant increase of our net profit from the six months ended June 30, 2010 to the six months ended June 30, 2011 was primarily due to an increase in our net profit margin from 0.4% to 16.1% for the same periods resulting from a significant increase in the average selling price of our cement products by 38.8%, an increase in the average selling price of our clinker products by 61.1% and an increase in sales volume of our cement products by 20.5% for the same periods.

Our business and results of operations could be affected by various factors, including the fluctuation in the selling price of our clinker and cement products and in the purchase price of coal. For the years ended December 31, 2008, 2009 and 2010 and the six months ended June 30, 2011, the average selling price of our clinker was approximately RMB206.4 per tonne, RMB172.3 per tonne, RMB186.2 per tonne and RMB267.0 per tonne, respectively, and the average selling price of our cement was approximately RMB231.5 per tonne, RMB214.9 per tonne, RMB225.6 per tonne and RMB275.2 per tonne, respectively. The decreases in our average clinker and cement selling prices in 2009 were primarily due to the global financial crisis, and their increases in 2010 and the six months ended June 30, 2011 were primarily due to the PRC government's strict enforcement of policies to phase out production capacities with obsolete technology, which resulted in a reduction in overall supply of clinker and cement during the same periods. The average selling price for our clinker products was RMB278.1 per tonne, RMB279.1 per tonne and RMB284.1 per tonne, and the average selling price for our cement products was RMB273.3 per tonne, RMB278.5 per tonne and RMB284.3 per tonne, for July, August and September 2011, respectively. The sales volume of our clinker products was 0.5 million tonnes, 0.5 million tonnes and 0.8 million tonnes, and the sales volume for our cement products was 2.3 million tonnes, 2.3 million tonnes and 1.7 million tonnes, for July, August and September 2011, respectively. Our sales volume for cement products decreased in September 2011 primarily due to the fact that Henan province experienced an abnormally rainy September, which decreased construction activities and consequently decreased the demand for our cement products during the same period. For the years ended December 31, 2008, 2009 and 2010 and the six months ended June 30, 2011, our average purchase price of coal was approximately RMB585.7 per tonne, RMB546.7 per tonne, RMB692.6 per tonne and RMB749.5 per tonne, respectively. Our average coal purchase price decreased in 2009 primarily because the overall demand for coal decreased as a result of the global financial crisis. Our average coal purchase price increased in 2010 and the six months ended June 30, 2011 primarily because the overall demand for coal increased as the global economy recovered from the financial crisis.

The PRC cement industry is heavily influenced by, among other things, overall economic development, PRC government policies in general, the real estate industry in particular and the scale of infrastructure investment. We have benefitted from China's fast growing economy, large infrastructure development projects, including those under the PRC government's RMB4 trillion stimulus package, and PRC government policies to phase out obsolete cement production capacity. We also expect to benefit from the PRC government's plan to develop 36 million affordable housing units for low income urban residents by 2016. The PRC government recently has taken various measures to control the overheating of the real estate sector and has shown signs of being more prudent in investing in and developing infrastructure, such as express railway projects. These measures and changes may decrease or slow down the investment in the real estate sector and infrastructure projects, which in turn may decrease the demand for cement and may negatively impact China's cement

SUMMARY

industry. Due to the factors set forth above, which are beyond our control, the demand for, and the average selling prices of, our cement products have historically been volatile and may continue to be volatile in the future. However, as of the Latest Practicable Date, we do not expect that the average selling prices of our clinker and cement products will fluctuate significantly in our markets for the remainder of 2011.

OUR COMPETITIVE STRENGTHS

We believe that our competitive strengths include the following:

- Strong market position as the largest clinker producer in Henan and Liaoning provinces and the largest cement producer in Henan province and the second largest cement producer in Liaoning province;
- Significant growth opportunities in the construction industry in Henan and Liaoning provinces;
- Strategic geographic locations of our production facilities;
- Strong research and development capabilities and advanced and environmentally friendly technologies;
- Significant cost advantages and benefits achieved through sound production, marketing and management models; and
- Experienced management team with a proven track record.

OUR STRATEGIES

We intend to further strengthen our leading market position in Henan and Liaoning provinces and continue to grow our revenue and net profit. To achieve this goal, we plan to pursue the following strategies:

- Strengthen our leading market position and expand into new markets through organic growth and selective acquisitions;
- Further improve our production efficiency and reduce production costs;
- Develop new cement products and raw materials to enhance our overall competitiveness; and
- Enhance our brand awareness and marketing efforts.

SUMMARY

FUTURE PLANS

In order to meet the anticipated growing market demand for cement products, we are currently constructing the Yuzhou Phase II Project and the Tianjin Project. As of the Latest Practicable Date, we have obtained approvals from the relevant local DRCs to complete construction of these projects. As a result, we expect our clinker production capacity will increase by 1.4 million tonnes per annum and our cement production capacity will increase by 5.0 million tonnes per annum upon completion of these projects.

Chinese cement markets are geographically segmented, and a cement production facility in one area can generally only cover its own area and areas nearby. We see good development opportunities in both Yuzhou and Tianjin and have decided to develop our production capacities to meet customers' needs in these two markets as we believe that a significant amount of existing production capacity in Yuzhou does not satisfy the requirements set forth under the Policy of Cement Industry Development; and Tianjin is fast-growing and is making significant investments in developing its infrastructure, particularly relating to its Binhai New Area, an economic development zone designated by the State Council of the PRC, which could result in a significant increase in demand for building and construction materials.

The table below sets forth certain information regarding the estimated capital expenditure of our production facilities in Yuzhou and Tianjin:

	<u>Yuzhou Phase II Project</u>	<u>Tianjin Project</u>
	(RMB million, except expected production commencement time)	
Estimated total capital expenditure.....	567.7	450.4
Actual capital expenditure incurred as of September 30, 2011	130.7	398.0
Estimated capital expenditure to be incurred.....	437.0	52.4
Expected production commencement time	December 2012	December 2011

In addition to building new production lines, we will also consider acquiring other cement and clinker producers or production facilities to strengthen our market position. We intend to evaluate acquisition opportunities that may provide us with access to additional markets, production capacity and limestone reserves. In particular, we will focus on large-scale NSP clinker and cement production lines that are newly put into operation, with sufficient limestone reserves and necessary permits, certificates and licenses. We recently signed non-binding memoranda of understanding on potential acquisitions of certain clinker and cement production lines in Henan province (comprising four clinker production lines with an aggregate production capacity of approximately 9.0 million tonnes per annum and four cement production lines with an aggregate production capacity of approximately 12.0 million tonnes per annum) and Liaoning province (comprising two clinker production lines with an aggregate production capacity of approximately 3.1 million tonnes per annum and two cement production lines with an aggregate production capacity of 6.6 million tonnes per annum), which may or may not lead to binding definitive acquisition agreements. As of the Latest Practicable Date, we have not entered into any binding definitive acquisition agreements with any of these potential target companies. Therefore, all the substantive terms regarding any of such potential acquisitions, including, without limitation, clinker and cement production lines to be acquired and acquisition price, are still subject to further negotiation and definitive agreement.

SUMMARY

We intend to fund the above-mentioned estimated outstanding capital expenditure and potential acquisitions by cash generated from our operations and unutilized bank facilities. As of October 31, 2011, our cash and bank balances amounted to RMB989.7 million and our unutilized banking facilities were in an aggregate amount of RMB2,734.5 million, comprising RMB1,180.0 million from Pingdingshan Branch, Bank of China, which is available until July 31, 2012, RMB1,390.0 million from Pingdingshan Branch, Agricultural Bank of China, which is available until June 22, 2012, and an aggregate amount of RMB164.5 million from several other banks, which are of various expiration dates up to 2012.

USE OF PROCEEDS

We estimate that the aggregate net proceeds to our Company from the Global Offering (after deducting underwriting fees and estimated expenses in connection with the Global Offering payable by us and assuming that the Over-allotment Option is not exercised and an Offer Price of HK\$3.01 per Offer Share, being the mid-point of the indicative offer price range stated in this prospectus) will be approximately HK\$1,149.1 million. We currently intend to apply such net proceeds for the following purposes:

- approximately 95% of the net proceeds from the Global Offering, or HK\$1,091.7 million (equivalent to approximately RMB893.4 million), to be used to repay part of the IFC Loan and the JPM Facility on a pro rata basis according to their respective outstanding principal amounts, which were approximately US\$33.2 million (or approximately RMB211.8 million equivalent) under the IFC Loan and approximately RMB911.7 million under the JPM Facility, respectively, as of October 31, 2011; and
- the remaining 5% of the net proceeds from the Global Offering, or HK\$57.5 million, to be used as our additional general working capital.

To the extent our net proceeds are either more or less than expected, we will adjust our allocation of the net proceeds for the above purposes on a pro rata basis. We intend to settle the remaining balances under the IFC Loan and the JPM Facility with our cash and bank balances, cash generated from our operations and unutilized bank facilities.

Any additional net proceeds that we would receive from any exercise, in full or in part, of the Over-allotment Option may be applied in the manner and the proportions stated above.

To the extent that our net proceeds are not immediately used for the above purposes and to the extent permitted by the relevant laws and regulations, we intend to deposit the net proceeds into short-term interest bearing deposits and/or money market instruments.

SUMMARY

SUMMARY FINANCIAL INFORMATION

The following table sets forth our selected income statement and other financial information for the periods indicated, as derived from the Accountants' Report in Appendix I to this prospectus.

Consolidated Statements of Comprehensive Income

	Year ended December 31,			Six months ended June 30,	
	2008	2009	2010	2010	2011
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				(Unaudited)	
Revenue.....	3,360,339	4,415,224	6,129,438	2,512,535	4,072,790
Cost of sales.....	(2,683,957)	(3,695,422)	(5,080,258)	(2,275,110)	(2,870,500)
Gross profit.....	676,382	719,802	1,049,180	237,425	1,202,290
Other income.....	97,002	134,812	188,454	69,058	139,324
Selling and distribution expenses.....	(170,190)	(200,130)	(225,473)	(105,731)	(132,437)
Administrative expenses.....	(113,706)	(125,278)	(174,604)	(74,281)	(120,539)
Other expenses.....	(22,190)	(15,682)	(7,587)	(4,057)	(10,137)
Share of loss of an associate.....	(9,253)	(101,832)	—	—	—
Finance costs.....	(135,392)	(166,652)	(303,266)	(99,389)	(210,902)
Profit before taxation.....	322,653	245,040	526,704	23,025	867,599
Income tax expense.....	(90,424)	(81,779)	(128,917)	(13,172)	(212,719)
Profit for the year/period and total comprehensive income for the year/period.....	<u>232,229</u>	<u>163,261</u>	<u>397,787</u>	<u>9,853</u>	<u>654,880</u>
Profit for the year/period and total comprehensive income for the year/period attributable to:					
Owners of the Company.....	231,153	162,738	396,833	8,899	654,880
Non-controlling interest.....	1,076	523	954	954	—
	<u>232,229</u>	<u>163,261</u>	<u>397,787</u>	<u>9,853</u>	<u>654,880</u>
Earnings per share					
Basic (RMB).....	0.12	0.08	0.20	0.004	0.33

SUMMARY

Revenue by Products

The following table sets forth the breakdown of our revenue by cement and clinker products and their percentages of our total revenue for the periods indicated:

	Year ended December 31,									Six months ended June 30,					
	2008			2009			2010			2010			2011		
	Sales volume	Revenue	% Revenue	Sales volume	Revenue	% Revenue	Sales volume	Revenue	% Revenue	Sales volume	Revenue	% Revenue	Sales volume	Revenue	% Revenue
(Tonne '000)	(RMB in million)	(%)	(Tonne '000)	(RMB in million)	(%)	(Tonne '000)	(RMB in million)	(%)	(Tonne '000)	(RMB in million)	(%)	(Tonne '000)	(RMB in million)	(%)	
	(Unaudited)														
Low-grade cement ⁽¹⁾	9,816.9	2,204.6	65.6	11,846.0	2,360.4	53.5	13,083.2	2,717.7	44.3	6,467.3	1,186.9	47.2	5,554.0	1,485.4	36.5
High-grade cement ⁽²⁾	2,431.5	630.7	18.8	4,875.9	1,232.9	27.9	9,040.2	2,274.4	37.1	3,339.4	756.1	30.1	6,234.0	1,758.2	43.2
Clinker.....	2,543.8	525.0	15.6	4,769.3	821.9	18.6	6,106.5	1,137.3	18.6	3,437.3	569.5	22.7	3,106.0	829.2	20.3
Total	14,792.2	3,360.3	100.0	21,491.2	4,415.2	100.0	28,229.9	6,129.4	100.0	13,244.0	2,512.5	100.0	14,894.0	4,072.8	100.0

Notes:

- (1) Low-grade cement products are used in general industrial construction such as production of surface, underground and underwater concrete as well as reinforced concrete, pre-stressed concrete structures and commercial concrete products.
- (2) High-grade cement products refer to products with compressive strength greater than or equal to 42.5 MPa. They are generally used in major construction projects with special requirements, such as bridges, roads, high-rise buildings and high performance concrete, and projects in which a high initial level of strength is required.

SUMMARY

Consolidated Statements of Financial Position

	As of December 31,			As of
	2008	2009	2010	June 30,
	RMB'000	RMB'000	RMB'000	2011 RMB'000
NON-CURRENT ASSETS				
Property, plant and equipment	5,186,688	7,322,017	8,666,714	8,920,587
Deposits paid	317,870	509,742	473,472	352,791
Prepaid lease payments	411,795	488,367	499,927	570,432
Mining rights	166,356	222,173	228,500	224,229
Goodwill	12,275	12,275	12,275	12,275
Interest in an associate	101,832	—	—	—
Available-for-sale investments	5,200	5,200	4,000	—
Amounts due from related parties	5,070	28,070	28,070	28,070
Restricted bank balances	—	30,000	—	—
Deferred tax assets	7,420	8,283	8,528	11,106
	<u>6,214,506</u>	<u>8,626,127</u>	<u>9,921,486</u>	<u>10,119,490</u>
CURRENT ASSETS				
Inventories	546,111	656,036	800,861	894,232
Trade and other receivables	212,481	596,062	1,179,917	2,135,534
Available-for-sale investments	—	—	—	4,000
Amounts due from related parties	3,249	5,072	12,618	11,528
Amount due from a former director of Tianrui Cement	6,000	—	—	—
Restricted bank balances	45,165	325,914	1,423,888	993,202
Cash and bank balances	247,573	400,096	343,396	753,217
	<u>1,060,579</u>	<u>1,983,180</u>	<u>3,760,680</u>	<u>4,791,713</u>
CURRENT LIABILITIES				
Trade and other payables	1,203,109	1,940,644	3,577,309	3,985,777
Amounts due to related parties	30,861	2,510	10,325	11,856
Income tax payable	49,788	28,047	83,886	119,706
Short term debenture	—	—	500,000	1,000,000
Borrowings - due within one year	306,800	2,994,281	3,777,373	3,460,336
	<u>1,590,558</u>	<u>4,965,482</u>	<u>7,948,893</u>	<u>8,577,675</u>
NET CURRENT LIABILITIES	<u>(529,979)</u>	<u>(2,982,302)</u>	<u>(4,188,213)</u>	<u>(3,785,962)</u>

SUMMARY

	As of December 31,			As of June 30,
	2008	2009	2010	2011
	RMB'000	RMB'000	RMB'000	RMB'000
TOTAL ASSETS LESS CURRENT LIABILITIES	5,684,527	5,643,825	5,733,273	6,333,528
NON-CURRENT LIABILITIES				
Borrowings - due after one year	2,552,744	2,351,039	2,021,000	1,916,850
Other payables	48,009	44,360	34,237	34,237
Deferred tax liabilities	28,719	24,052	23,623	23,151
Deferred income	76,991	78,684	111,726	120,633
Provision for environmental restoration	—	4,365	6,575	7,661
	<u>2,706,463</u>	<u>2,502,500</u>	<u>2,197,161</u>	<u>2,102,532</u>
NET ASSETS	<u>2,978,064</u>	<u>3,141,325</u>	<u>3,536,112</u>	<u>4,230,996</u>
CAPITAL AND RESERVES				
Issued capital/paid-in capital	1,397,135	1,397,135	1,397,135	8
Reserves	905,168	933,196	980,924	2,378,055
Retained earnings	670,807	805,517	1,158,053	1,812,933
Equity attributable to owners of the Company	2,973,110	3,135,848	3,536,112	4,190,996
Non-controlling interest	4,954	5,477	—	40,000
TOTAL EQUITY	<u>2,978,064</u>	<u>3,141,325</u>	<u>3,536,112</u>	<u>4,230,996</u>

SUMMARY

Cash Flow

We conduct all of our operations through our operating subsidiaries in China. Cash flows generated by our operating subsidiaries on a stand-alone basis may differ significantly from that presented in our consolidated statements of cash flows. The following table sets forth certain information regarding our consolidated statements of cash flows for the periods indicated:

	Year ended December 31,			Six months ended June 30,	
	2008	2009	2010	2010	2011
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Net cash generated from operating activities	717,068	992,494	1,285,023	911,390	1,920,420
Net cash used in investing activities.....	(2,115,705)	(3,034,381)	(2,814,121)	(1,242,935)	(19,152)
Net cash generated from/(used in) financing activities	1,325,278	2,194,410	1,472,398	232,695	(1,491,447)
Net (decrease)/increase in cash and cash equivalents	(73,359)	152,523	(56,700)	(98,850)	409,821
Effect of foreign exchange rate changes	(724)	—	—	—	—
Cash and cash equivalents at beginning of year/period.....	321,656	247,573	400,096	400,096	343,396
Cash and cash equivalents at end of the year/period	247,573	400,096	343,396	301,246	753,217

SUMMARY

NET CURRENT LIABILITIES

The table below sets forth a breakdown of our current assets and current liabilities as of the dates indicated:

	As of December 31,			As of June 30,	As of October 31,
	2008	2009	2010	2011	2011
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000 (Unaudited)
CURRENT ASSETS					
Inventories.....	546,111	656,036	800,861	894,232	881,621
Trade and other receivables	212,481	596,062	1,179,917	2,135,534	2,705,098
Available-for-sale investments ..	—	—	—	4,000	4,000
Amounts due from related parties	3,249	5,072	12,618	11,528	670
Amount due from a former director of Tianrui Cement	6,000	—	—	—	—
Restricted bank balances.....	45,165	325,914	1,423,888	993,202	911,028
Cash and bank balances.....	247,573	400,096	343,396	753,217	989,690
	1,060,579	1,983,180	3,760,680	4,791,713	5,492,107
CURRENT LIABILITIES					
Trade and other payables	1,203,109	1,940,644	3,577,309	3,985,777	3,869,853
Amounts due to related parties .	30,861	2,510	10,325	11,856	—
Income tax payable.....	49,788	28,047	83,886	119,706	145,876
Short term debenture	—	—	500,000	1,000,000	1,000,000
Borrowings - due within one year.....	306,800	2,994,281	3,777,373	3,460,336	4,209,428
	1,590,558	4,965,482	7,948,893	8,577,675	9,225,157
NET CURRENT LIABILITIES.....	(529,979)	(2,982,302)	(4,188,213)	(3,785,962)	(3,733,050)

We had net current liabilities of approximately RMB530.0 million, RMB2,982.3 million, RMB4,188.2 million, RMB3,786.0 million and RMB3,733.1 million as of December 31, 2008, 2009 and 2010, June 30, 2011 and October 31, 2011, respectively. The increase in net current liabilities from approximately RMB530.0 million as of December 31, 2008 to approximately RMB2,982.3 million as of December 31, 2009 was primarily due to: (i) loans in an aggregate of RMB1,733.2 million under the JPM Facility and the IFC Loan being re-categorized from long-term liabilities to short-term liabilities as such amounts became due within one year as of December 31, 2009 and (ii) our use of increased amount of cash generated from our operations for the construction and development of our production facilities, with related payables recorded as current liabilities and related facilities

SUMMARY

recorded as non-current assets. The increase in net current liabilities from approximately RMB2,982.3 million as of December 31, 2009 to approximately RMB4,188.2 million as of December 31, 2010 was primarily due to the fact that (i) we used an increased amount of cash generated from our operations for the construction and development of our production facilities, with related payables recorded as current liabilities and related facilities recorded as non-current assets, and (ii) we used bank's acceptance bills more frequently and in greater amounts in 2010 to purchase raw materials and coal to support our business operations. The decrease in our net current liabilities from RMB4,188.2 million as of December 31, 2010 to RMB3,786.0 million as of June 30, 2011 was primarily due to (i) an increase in our accounts and other receivables for the six months ended June 30, 2011 in line with our increased revenue and our customers' increasing use of bank's acceptance bills for the purchase of our products; (ii) a significant increase in our cash and bank balances for the six months ended June 30, 2011, primarily driven by the increase in the amount of cash generated from our operation as a result of an improved operating environment and reduction in investment made in our production lines, which was partially offset by loan repayment and settlement of bills payable that we made during the six months ended June 30, 2011; and (iii) our current liabilities remaining relatively stable in the same period.

Our cash used in our purchases of mining rights, properties, plant and equipment, primarily in connection with new production lines, was approximately RMB2,028.0 million, RMB2,621.1 million, RMB1,746.2 million and RMB399.1 million for the years ended December 31, 2008, 2009 and 2010 and the six months ended June 30, 2011, respectively. During the Track Record Period, our trade and other payables increased substantially, which contributed significantly to our net current liabilities position as of the relevant balance sheet dates. As of December 31, 2008, 2009 and 2010, June 30, 2011 and October 31, 2011, our trade and other payables were RMB1,203.1 million, RMB1,940.6 million, RMB3,577.3 million, RMB3,985.8 million and RMB3,869.9 million, respectively, which were primarily for our purchase of coal and other supplies for production. As our purchases of coal and other supplies increased in line with our production expansion, our trade and other payables, which we normally recorded as current liabilities, increased as of the relevant balance sheet dates while we used a significant amount of sale proceeds of our products to finance the construction or acquisition of non-current assets. As of December 31, 2008, 2009 and 2010, June 30, 2011 and October 31, 2011, our bills payables amounted to nil, RMB327.7 million, RMB1,653.4 million, RMB1,295.4 million and RMB1,610.0 million, respectively. Bills payables increased from 2008 to 2010 as we used an increasing amount of bank acceptance bills to pay for our supplies as a result of our business growth and also because of relatively low costs in using bank acceptance bills as compared to bank borrowings. The decrease in bills payables in the first half of 2011 was primarily due to the fact that we reduced the use of bank acceptance bills as the financing costs relating to bank acceptance bills increased. As of December 31, 2008, 2009 and 2010, June 30, 2011 and October 31, 2011, our trade payables was RMB434.9 million, RMB812.1 million, RMB1,247.4 million, RMB1,636.6 million and RMB1,731.1 million, respectively. The increase of trade payables during the Track Record Period was primarily due to the fact that we purchased more raw materials and coal and incurred other costs in growing our business.

Although we recorded net current liabilities during the Track Record Period, we had not defaulted on any repayment of bank borrowings.

SUMMARY

The Chinese government has taken measures, including increasing the banks' reserve requirement ratio and benchmark interest rate, to tighten the credit market since late 2010 amid concerns over inflation and the overheating of the Chinese economy. Notwithstanding these measures, we have been able to obtain sufficient credit facilities required for our business and operations. We recently obtained a facility of up to RMB600.0 million from Zhengzhou Zhengbianlu Sub-Branch, China Everbright Bank in August 2011 and a facility of up to RMB300.0 million from Zhengzhou Branch, China Minsheng Bank in September 2011. As of October 31, 2011, we have drawn down several one-year term loans with an aggregate amount of RMB225.0 million from Zhengzhou Branch, China Minsheng Bank, with an annual interest rate of 7.216%, all of which will mature by October 2012. Our Directors believe that we should be able to satisfy all outstanding obligations and liabilities and meet all funding requirements to sustain our operations in 2011 and 2012 taking into consideration the following:

- (i) As of October 31, 2011, our unutilized banking facilities were in an aggregate amount of RMB2,734.5 million, comprising RMB1,180.0 million from Pingdingshan Branch, Bank of China, which is available until July 31, 2012, RMB1,390.0 million from Pingdingshan Branch, Agricultural Bank of China, which is available until June 22, 2012, and an aggregate amount of RMB164.5 million from several other banks, which are of various expiration dates up to 2012. These banking facilities provide that the relevant banks will provide us with loans up to the amounts mentioned above and that for each loan that is to be drawn down by us under such facilities, we shall enter into separate agreements with the relevant bank, which will set forth interest rate and other terms of the loan based on the prevailing interest rate and other requirements of the bank for similar loans. As advised by our PRC legal adviser, the banking facilities are binding;
- (ii) As of October 31, 2011, we had available cash and bank balances of approximately RMB989.7 million which can be used to repay loans becoming due;
- (iii) With respect to our two tranches of short-term financing bonds of RMB500.0 million each issued in November 2010 and March 2011, respectively, Zhengzhou Zhengdongxinqu Sub-Branch, Guangdong Development Bank, as underwriter, has undertaken that if we cannot complete a new offering of short-term financing bonds within a month after the maturity of each tranche of such short-term financing bonds, Zhengzhou Zhengdongxinqu Sub-Branch, Guangdong Development Bank will provide alternative sources of short-term financing of not less than RMB500.0 million to us to address our funding requirements; and
- (iv) we have obtained confirmations from certain banks on their intention of rolling over a combined amount of approximately RMB1,877.5 million of our existing short-term borrowings as of October 31, 2011 upon maturity. These short-term borrowings, if rolled over, are expected to have a term of up to one year commencing from their respective drawdown dates, based on our prior experience with these banks.

Our Directors confirm that we are not subject to restrictions or covenants that could have a material adverse effect on our business operations and financial condition under our subsisting bank loans as of the Latest Practicable Date.

SUMMARY

In the meantime, we entered into an underwriting agreement with two banks on June 21, 2011 for the issuance of mid-term notes in an aggregate amount of RMB500.0 million and received an approval from National Association of Financial Market Institutional Investors dated November 23, 2011 for the offering of these mid-term notes. We issued our first tranche mid-term notes in a principal amount of RMB300.0 million on December 6, 2011 for a term of three years, carrying an interest rate of 8.4% per annum, calculated and payable on an annual basis. We intend to use proceeds from issuance of the first tranche mid-term notes to repay certain short-term bank loans, thereby improving our debt structure. We expect to issue our second tranche mid-term notes in a principal amount of RMB200.0 million in the first quarter of 2012 and use the proceeds for similar uses. We believe any additional outstanding obligations and liabilities and funding requirements can be met by cash generated from our operations. In addition, we believe that our net current liabilities position will be substantially improved following the completion of the Global Offering.

INTERNAL CONTROLS OVER BANK LOANS

During the Track Record Period, although we were able to service our interest and principal installments obligations under the IFC Loan and the JPM Facility on time, we failed to comply with certain terms and covenants contained in the IFC Loan and the JPM Facility which resulted in us being in default of these two agreements. See “Risk Factors — Risks Relating to Our Business — We are highly leveraged, and our business, results of operations and financial condition could be materially and adversely affected by our indebtedness” for details of and reasons for such non-compliances and “Financial Information — Statement of Indebtedness — IFC Loan” and “Financial Information — Statement of Indebtedness — JPM Facility” for a description of these two agreements. We had communicated with the lenders with respect to such breaches. We plan to use the funds available under our bank facilities to repay these loans in the event that an early repayment of the IFC loan and the JPM Facility is requested by relevant lenders. As of October 31, 2011, the aggregate outstanding principal of the IFC Loan was US\$33.2 million (or approximately RMB211.8 million equivalent), the aggregate outstanding principal of the JPM Facility was RMB911.7 million and we had unutilized available bank facilities up to RMB2,734.5 million as of October 31, 2011. If we are required to repay such principal amounts early, we believe that our unutilized available bank facilities would be sufficient to meet such needs and we do not expect that our business, financial condition, results of operations or liquidity will be materially and adversely affected as a result. In addition, our PRC legal adviser has advised us that an early repayment of the outstanding principal of IFC Loan and JPM Facility will not breach any of our other loan agreements.

We have designated our treasurer of finance department to review and examine our financial conditions quarterly and when we draw down a new loan. The reviews are focused on, among other things, any potential non-compliance with our current bank loan covenants and once any potential non-compliance is identified, the treasurer will report it to our CFO and the management team which will take appropriate actions to address such potential non-compliance. We are of the view that our implementation of the above internal control measures will significantly strengthen our ability to manage our financial condition, particularly to monitor certain financial ratios and figures, so as to avoid future non-compliance with our bank loan covenants.

SUMMARY

PROFIT FORECAST FOR THE YEAR ENDING DECEMBER 31, 2011

We forecast that, on the bases and assumptions set out in Appendix III to this prospectus and in the absence of unforeseen circumstances, the net profit attributable to owners of our Company for the year ending December 31, 2011 is expected to be not less than RMB1,254.0 million.

The unaudited pro forma basic earnings per Share for the year ending December 31, 2011 is expected to be not less than RMB0.52, which has been calculated based on the forecast for net profit attributable to owners of our Company for the year ending December 31, 2011 divided by 2,400,900,000 Shares, assuming that the Global Offering had been completed on January 1, 2011 and no outstanding share option will be exercised during the period from the date of this prospectus to December 31, 2011, without taking into account of any Shares which may be allotted and issued upon the exercise of the Over-allotment Option.

The following table illustrates the sensitivity of our forecasted net profit attributable to owners of our Company for the year ending December 31, 2011 to the changes in the average selling prices of our clinker and cement products, assuming that all other factors remain unchanged:

	<u>5% increase in average clinker and cement selling price</u>	<u>10% increase in average clinker and cement selling price</u>	<u>5% decrease in average clinker and cement selling price</u>	<u>10% decrease in average clinker and cement selling price</u>
Increase/(Decrease) in forecasted net profit (RMB in million)	81.1	162.3	(81.1)	(162.3)
Forecasted net profit (RMB in million)..	1,335.1	1,416.3	1,172.9	1,091.7

The following table illustrates the sensitivity of our forecasted net profit attributable to owners of our Company for the year ending December 31, 2011 to the changes in our average coal purchase prices, assuming that all other factors remain unchanged:

	<u>5% increase in average coal purchase price</u>	<u>10% increase in average coal purchase price</u>	<u>5% decrease in average coal purchase price</u>	<u>10% decrease in average coal purchase price</u>
(Decrease)/increase in forecasted net profit (RMB in million)	(27.7)	(55.4)	27.7	55.4
Forecasted net profit (RMB in million)..	1,226.3	1,198.6	1,281.7	1,309.4

SUMMARY

The following table illustrates the sensitivity of our forecasted net profit attributable to owners of our Company for the year ending December 31, 2011 to the changes in the utilization rate of our production capacity, assuming that all other factors remain unchanged:

	5% increase in the utilization rate of production capacity	10% increase in the utilization rate of production capacity	15% increase in the utilization rate of production capacity	20% increase in the utilization rate of production capacity	5% decrease in the utilization rate of production capacity	10% decrease in the utilization rate of production capacity	15% decrease in the utilization rate of production capacity	20% decrease in the utilization rate of production capacity
Increase/(Decrease) in forecasted net profit (RMB in million)	19.4	38.8	58.1	77.5	(19.4)	(38.8)	(58.1)	(77.5)
Forecasted net profit (RMB in million)	1,273.4	1,292.8	1,312.1	1,331.5	1,234.6	1,215.2	1,195.9	1,176.5

Due to the size of our operations, we enjoy economies of scale for certain components of cost of sales such as purchase costs of raw materials and coal. On the other hand, other components of our cost of sales such as depreciation cost of our property, plant and equipment are recorded on a straight-line basis and therefore remain relatively stable during their estimated useful lives and are not likely to be affected by our economies of scale. As a result, an increase or decrease in the size of our operations may not lead to a direct proportionate increase or decrease in our overall cost of sales or profitability.

The sensitivity illustrations above are intended for reference only. Investors should note in particular that (i) these sensitivity illustrations are not meant to be exhaustive and only assume the change only relates to one variable, while other variables remain unchanged; (ii) any variation could exceed the ranges given; and (iii) the profit forecast for the year ending December 31, 2011 is subject to further and additional uncertainties generally.

GLOBAL OFFERING STATISTICS

All statistics in this table are based on the assumptions that the Over-allotment Option is not exercised, without taking into account any Shares that may be issued pursuant to the Share Option Scheme.

	Based on an Offer Price of HK\$2.41	Based on an Offer Price of HK\$3.61
Market capitalization (HK\$'000) ⁽¹⁾	5,786,169	8,667,249
Unaudited pro forma net tangible asset value per share ⁽²⁾⁽⁴⁾	HK\$2.39 (RMB1.96)	HK\$2.59 (RMB2.12)
Prospective price/earnings multiple on a pro forma fully diluted basis ⁽³⁾	3.8 times	5.6 times

SUMMARY

Notes:

- (1) The calculation of market capitalization is based on 2,400,900,000 Shares (including 400,900,000 Shares to be issued in the Global Offering) that are expected to be outstanding immediately after the Global Offering.
- (2) The pro forma adjusted net tangible asset value per Share is arrived at after the adjustments referred to in the section headed “Financial Information — Unaudited Pro Forma Statement of Adjusted Net Tangible Assets” and on the basis of 2,400,900,000 Shares in issue at the respective Offer Prices of HK\$2.41 per Share and HK\$3.61 per Share.
- (3) The calculation of the prospective price/earnings multiple on a pro forma fully diluted basis is based on the forecast earnings per Share on a pro forma fully diluted basis at the respective Offer Prices of HK\$2.41 per Share and HK\$3.61 per Share.
- (4) Amounts in Hong Kong dollars are converted into RMB amounts at a rate of RMB1.00 to HK\$1.2219.

RISK FACTORS

There are certain risks relating to investments in the Offer Shares. These risks can be categorized into (i) risks relating to our business; (ii) risks relating to the cement industry in China; (iii) risks relating to the PRC; and (iv) risks relating to the Global Offering. These risks are listed below and are further described in the section headed “Risk Factors” in this prospectus.

Risks Relating to Our Business

- We are highly leveraged, and our business, results of operations and financial condition could be materially and adversely affected by our indebtedness.
- We have a substantial amount of bank borrowings, some of which have floating interest rates. Increases in the interest rates on our borrowings may have an adverse effect on our financial performance.
- Our business depends generally on market conditions in the construction industry in China and the regional markets in which we operate.
- We may not be able to continue to grow at a rate comparable to our historical growth rates or at all, and we may have difficulty managing any future growth.
- We may be unable to identify suitable acquisition targets, any acquisition or strategic investments we undertake could be difficult to complete, and any such acquisition could be difficult to integrate or manage or otherwise may not be successful.
- Significant fluctuations in cement prices may materially and adversely affect our profitability.
- Our business and results of operations may be adversely affected by increases in coal or electricity prices or shortages of coal and electricity supplies.
- 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.

SUMMARY

- We may not be able to renew our existing mining rights or secure additional mining rights on favorable terms or at all, or the rate of resource tax that we are required to pay may increase.
- We currently receive certain PRC government priorities, tax incentive and VAT refunds. Expiration of, or unfavorable changes to, these tax incentives and VAT refunds could materially and adversely affect our results of operations and financial condition.
- We may not be able to renew our quarry land use rights upon their expiry.
- We recorded net current liabilities during the Track Record Period, and we may continue to record net current liabilities in the future, which may adversely affect our liquidity.
- Our business depends on our ability to manage our working capital successfully.
- We may be subject to risks associated with contingent or hidden liabilities, non-compliance or other irregularities relating to or involving companies we may acquire.
- Our business operations and construction of new facilities may be disrupted by reasons beyond our control.
- Any failure to maintain an effective quality control system at our production facilities could have a material adverse effect on our business, results of operations and financial condition.
- The global market fluctuations and economic downturn that began in 2008 could materially and adversely affect our business, results of operations and financial condition.
- Our results of operations are subject to seasonal changes in demand for cement products.
- Our business depends on the retention and services of our executive directors, senior management and a skilled labor force.
- We may have limited insurance coverage and may be subject to liabilities resulting from potential operational risks and losses that may not be covered by our insurance policies.
- Any significant product liability claims made against us, whether successful or not, could harm our business, results of operations and financial condition.
- Unauthorized use of our brand names, trademarks and other intellectual property rights may materially and adversely affect our business, results of operations and financial condition.
- We rely on 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 financial condition and cash flow.
- We may not be able to comply with environmental regulations on a cost-effective basis.

SUMMARY

- We are subject to safety and health laws and regulations in China, and any non-compliance could adversely affect our operations.
- Our interests may conflict with those of our Controlling Shareholders, which could take actions that are not in our or our public shareholders' best interests.
- We do not possess valid legal title or the right to lease with respect to certain properties that we occupy.

Risks Relating to the Cement Industry in China

- The cement industry is capital intensive, and our future growth depends to a large extent on our ability to obtain external financing.
- We face intense competition in the cement industry, which may reduce demand for our products.
- The cement industry is subject to significant regulation by the PRC government.

Risks Relating to China

- Any slowdown in the PRC economy or changes in the political or economic policies of the PRC government could have an adverse effect on overall growth in China, which could reduce the demand for our products and materially and adversely affect our business, results of operations and financial condition.
- Uncertainties with respect to the PRC legal system could have a material adverse effect on us.
- PRC regulation of direct investment and loans by offshore holding companies to PRC entities may delay or limit us from using the proceeds of the Global Offering to make additional capital contributions or loans to our PRC subsidiaries.
- We may be deemed a PRC resident enterprise under the new PRC Enterprise Income Tax Law and may be subject to the PRC taxation on our worldwide income.
- Dividends payable by us to our foreign investors and gains on the sale of our Shares may become subject to withholding taxes under PRC tax laws.
- We may be subject to fines and penalties under the PRC Contract Labor Law, and our labor costs may increase.
- Exchange rate fluctuations of the Renminbi may adversely affect your investment and our results of operations.

SUMMARY

- Government control over currency conversion may affect the value of your investment and limit our ability to utilize our cash effectively.
- You may experience difficulties in effecting service of legal process and enforcing judgments against us and our management.
- Our results of operations and the trading price of our Shares may be adversely affected by the occurrence of an epidemic.

Risks Relating to the Global Offering

- There has been no prior public market for our Shares. The market prices and liquidity of our Shares following the Global Offering may be volatile.
- The trading price of our Shares may be volatile, which could result in substantial losses to you.
- Future sales of substantial amounts of our Shares in the public market could adversely affect the prevailing market price of our Shares.
- Purchasers of our Shares in the Global Offering will experience immediate dilution, and may experience further dilution if we issue additional Shares in the future.
- There are no assurances that we will pay dividends in the future.
- Certain facts and other statistics with respect to China, the PRC economy and the PRC cement industry in this prospectus are derived from various official government sources and third party sources and may not be reliable.
- You should read the entire prospectus carefully and we strongly caution you not to place any reliance on any information contained in press articles or other media regarding us and the Global Offering.

DEFINITIONS

In this prospectus, unless otherwise defined or required by the context, the following terms have the following meanings.

“ACCA”	Association of Chartered Certified Accountants in the United Kingdom
“Antai Cement”	Lushan Antai Cement Company Limited (魯山縣安泰水泥有限公司), a company established in the PRC with limited liability and a wholly-owned subsidiary of our Company
“Application Form(s)”	White Application Form(s), Yellow Application Form(s) and Green Application Form(s) or, where the context so requires, any of them
“Articles of Association” or “Articles”	the articles of association of our Company conditionally adopted pursuant to resolutions passed by our Shareholders in writing on December 12, 2011 and to become effective on the Listing Date
“associate(s)”	has the meaning ascribed thereto under the Listing Rules
“Audit Committee”	the audit committee of the Board
“Board” or “Board of Directors”	the board of Directors of our Company
“Bridging Loan”	the loan provided by BOCI Leveraged and Structured Finance Limited to Yu Kuo
“business day”	any day (other than Saturdays and Sundays and public holidays in Hong Kong) on which banks in Hong Kong are generally open for normal banking business
“BVI”	the British Virgin Islands
“CAGR”	compound annual growth rate
“Capitalization Issue”	the capitalization of an amount of HK\$19,990,000 from the amount standing to the credit of the share premium account of the Company as set out in the paragraph headed “4. Written resolutions of our Shareholders passed on December 12, 2011” under the section headed “A. Further information about our Group” in Appendix VI to this prospectus
“Cayman Companies Law” or “Companies Law”	the Companies Law, Cap. 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands

DEFINITIONS

“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
“CCB Pingdingshan”	China Construction Bank Limited, Pingdingshan Branch
“Chairman Li”	Li Liufa (李留法), the founder, chairman and a Controlling Shareholder of our Group
“China” or “PRC”	the People’s Republic of China excluding, for the purpose of this prospectus, Hong Kong, the Macau Special Administrative Region of China and Taiwan
“China Cement Association”	China Cement Association (中國水泥協會), a non-profit industry organization organized by the constituencies of the cement industry of the PRC, which includes over 4,000 cement producers in the PRC with an annual aggregate production volume of 1.2 billion tonnes
“Company” or “our Company”	China Tianrui Group Cement Company Limited (中國天瑞集團水泥有限公司), a limited liability company incorporated on February 7, 2011 in the Cayman Islands
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“Controlling Shareholder(s)”	has the meaning ascribed to it under the Listing Rules (i.e. any person (including a holder of depositary receipts) who is or group of persons (including any holder of depositary receipts) who are together entitled to exercise or control the exercise of 30% (or such other amount as may from time to time be specified in the Takeovers Code as being the level for triggering a mandatory general offer) or more of the voting power at general meetings of the issuer or who is or are in a position to control the composition of a majority of the board of directors of the issuer) and, in the context of this prospectus, refers to Chairman Li, Li Xuanyu, Yu Kuo, Yu Qi and/or Holy Eagle

DEFINITIONS

“CPC”	Communist Party of China
“CSI”	the Cement Sustainability Initiative, which is a global initiative by 23 major cement producers with combined operations in more than 100 countries and that promotes sustainable development in the cement industry. CSI is a sector-project of the World Business Council for Sustainable Development, which is a global association of some 200 companies dealing exclusively with business and sustainable development
“CSRC”	the China Securities Regulatory Commission (中國證券監督管理委員會)
“Dalian Cement”	Dalian Tianrui Cement Company Limited (大連天瑞水泥有限公司), a company established in the PRC with limited liability and a wholly-owned subsidiary of our Company
“Digital Cement”	an organization that is established by the China Cement Association (an Independent Third Party), which advises the PRC government on formulating industry development strategies, legal policies, and industry standards and guidelines. Digital Cement publishes cement industry publication regularly and also provides Internet-based information services and industry consulting services to the public
“Director(s)”	the director(s) of our Company
“DRC”	Development and Reform Commission (發展和改革委員會)
“Exchange Act”	the Securities Exchange Act of 1934, as amended
“Framework Agreement”	the agreement dated April 2, 2011 among our Company, our Controlling Shareholders, Tianrui Group, Tianrui Cement, Zhong Yuan Cement, Tianrui (HK), Titan Cement, IFC, JPMorgan PCA and Wan Qi
“GDP”	gross domestic product (all references to GDP growth are to real as opposed to nominal rates of growth)
“Global Offering”	the Hong Kong Public Offer and the International Placing
“GREEN Application Form(s)”	the application form(s) to be completed by White Form eIPO service provider, Computershare Hong Kong Investor Services Limited

DEFINITIONS

“Group”, “our Group”, “our”, “we” or “us”	our Company and its subsidiaries
“Guangshan Cement”	Tianrui Group Guangshan Cement Company Limited (天瑞集團光山水泥有限公司), a company established in the PRC with limited liability and a wholly-owned subsidiary of our Company
“Hangzhou Jinjiang”	Hangzhou Jinjiang Group Company Limited (杭州錦江集團有限公司)
“Henan Development Company”	Henan Economic Development Company (河南省經濟技術開發公司)
“HKICPA”	Hong Kong Institute of Certified Public Accountants
“HKSCC”	Hong Kong Securities Clearing Company Limited
“HKSCC Nominees”	HKSCC Nominees Limited, a wholly-owned subsidiary of HKSCC
“Holy Eagle”	Holy Eagle Company Limited (神鷹有限公司), a company incorporated in the BVI with limited liability, which is wholly owned by Chairman Li and one of our Controlling Shareholders
“Hong Kong” or “HK”	The Hong Kong Special Administrative Region of the PRC
“Hong Kong Companies Ordinance”	the Companies Ordinance (Chapter 32 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
“Hong Kong dollars” or “HK dollars” or “HK\$” and “cents”	Hong Kong dollars and cents, respectively, the lawful currency of Hong Kong
“Hong Kong Public Offer” or “Hong Kong Public Offering”	the offer of the Hong Kong Public Offer Shares for subscription by the public in Hong Kong for cash at the Offer Price (plus brokerage of 1%, SFC transaction levy of 0.003% and Stock Exchange trading fee of 0.005%), on the terms and subject to the conditions described in this prospectus and the Application Forms
“Hong Kong Public Offer Shares”	the 40,090,000 Shares (subject to adjustment as described in the section headed “Structure of the Global Offering” in this prospectus) being initially offered by us for subscription under the Hong Kong Public Offer

DEFINITIONS

“Hong Kong Securities and Futures Ordinance” or “SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
“Hong Kong Takeovers Code”	the Codes on Takeovers and Mergers and Share Repurchases issued by the SFC, as amended, supplemented or otherwise modified from time to time
“Hong Kong Underwriters”	the underwriters of the Hong Kong Public Offer listed in the section headed “Underwriting — Hong Kong Underwriters” in this prospectus
“Hong Kong Underwriting Agreement”	the underwriting agreement dated December 13, 2011 relating to the Hong Kong Public Offer entered into by, among others, our Company and the Hong Kong Underwriters
“IFC”	International Finance Corporation, a former investor of our Company and the lender of the IFC Loan
“IFC Loan”	a loan of US\$50 million that IFC advanced to Tianrui Cement pursuant to a loan agreement dated June 28, 2007 between IFC and Tianrui Cement
“IFRS”	International Financial Reporting Standards
“Independent Third Party(ies)”	party(ies) which is/are independent of and not connected with any of our Directors, chief executives, substantial shareholders or any of our subsidiaries or any of their associates
“International Placing”	the conditional placing of the International Placing Shares to institutional, professional and other investors
“International Placing Agreement”	the underwriting agreement relating to the International Placing which is expected to be entered into, among others, our Company and the International Underwriters on or around Monday, December 19, 2011
“International Placing Shares”	the 360,810,000 Shares (subject to adjustment and the Over-allotment Option) being initially offered by us for subscription under the International Placing
“International Underwriters”	the underwriters of the International Placing
“Investors”	Titan Investments (Cayman), JPMorgan PCA and Wan Qi

DEFINITIONS

“Joint Global Coordinators” or “Joint Bookrunners” or “Joint Lead Managers”	Deutsche Bank AG, Hong Kong Branch, BOCI Asia Limited, BOCOM International Securities Limited and CCB International Capital Limited
“Joint Sponsors”	Deutsche Bank AG, Hong Kong Branch, BOCI Asia Limited, BOCOM International (Asia) Limited and CCB International Capital Limited
“JPM”	JP Morgan Chase Bank (China) Company Limited Shanghai Branch
“JPM Facility”	a credit facility of up to RMB1,993 million granted by a syndicate led by JPM to Tianrui Cement and nine of its subsidiaries in the PRC pursuant to a facility agreement entered into among the syndicate, Tianrui Cement and such nine subsidiaries on August 22, 2007
“JPMorgan PCA”	JPMorgan PCA Holdings (Mauritius) I Limited, a company established in Mauritius with limited liability and one of the Investors
“Latest Practicable Date”	December 7, 2011, being the latest practicable date for ascertaining certain information in this prospectus before its publication
“Liaoyang Cement”	Liaoyang Tianrui Cement Company Limited (遼陽天瑞水泥有限公司), a company established in the PRC with limited liability and a wholly-owned subsidiary of our Company
“LIBOR”	London Interbank Offered Rate
“Li Family”	Chairman Li and Li Xuanyu
“Li Xuanyu”	a Controlling Shareholder and the son of Chairman Li
“Listing”	the listing of the Shares on the Stock Exchange
“Listing Committee”	the Listing Committee of the Stock Exchange
“Listing Date”	the date, expected to be on or about Friday, December 23, 2011, on which our Offer Shares are listed on the Main Board
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (as amended, supplemented or otherwise modified from time to time)

DEFINITIONS

“Main Board”	the stock market operated by the Stock Exchange prior to the establishment of Growth Enterprise Market of the Stock Exchange (excluding the options market) and which continues to be operated by the Stock Exchange in parallel with the Growth Enterprise Market of the Stock Exchange
“Memorandum” or “Memorandum of Association”	the amended and restated memorandum of association of our Company conditionally adopted on December 12, 2011, as amended from time to time
“MIIT”	the Ministry of Industry and Information Technology of the PRC (中華人民共和國工業和信息化部)
“Ministry of Finance”	the Ministry of Finance of the PRC (中華人民共和國財政部)
“Ministry of Land and Resources”	the Ministry of Land and Resources of the PRC (中國人民共和國國土資源部)
“MOFCOM”	the Ministry of Commerce of the PRC (中華人民共和國商務部)
“Mr. Tang”	Tang Ming Chien (唐明千), a Canadian citizen and the sole shareholder of Wan Qi
“Mrs. Li”	Li Fengluan (李鳳變), Chairman Li’s wife
“Nanzhao Cement”	Tianrui Group Nanzhao Cement Company Limited (天瑞集團南召水泥有限公司), a company established in the PRC with limited liability and a wholly-owned subsidiary of our Company
“National Association of Financial Market Institutional Investors”	中國銀行間市場交易商協會, a self-regulatory organization which, among other things, regulates debt and other securities offerings in the inter-bank market in China
“National People’s Congress” or “NPC”	the National People’s Congress of the PRC (中華人民共和國全國人民代表大會)
“NDRC”	the National Development and Reform Commission of the PRC (中華人民共和國國家發展和改革委員會)
“Ningling Cement”	Tianrui Group Ningling Cement Company Limited (天瑞集團寧陵水泥有限公司), a company established in the PRC with limited liability and a wholly-owned subsidiary of our Company

DEFINITIONS

“Offer Price”	the final Hong Kong dollar price per Offer Share (exclusive of brokerage, SFC transaction levy and Stock Exchange trading fee) at which the Offer Shares are to be subscribed under the Hong Kong Public Offer and the International Placing Shares are to be offered under the International Placing, to be determined in the manner further described in the section headed “Structure of the Global Offering — Pricing and Allocation” in this prospectus
“Offer Shares”	the Hong Kong Public Offer Shares and the International Placing Shares together, where relevant, with the additional Shares issued under the exercise of the Over-allotment Option
“Over-allotment Option”	the option to be granted by us to the International Underwriters exercisable by the Stabilizing Manager (after consultation with the Joint Global Coordinators) on behalf of the International Underwriters under the International Placing Agreement under which we may be required to issue up to 60,135,000 additional Shares at the Offer Price, to cover over-allocations in the International Placing
“PBOC”	The People’s Bank of China (中國人民銀行)
“PRC Company Law”	the Company Law of the PRC (中華人民共和國公司法), enacted by the Standing Committee of the Eighth National People’s Congress on December 29, 1993 and effective on July 1, 1994, as amended, supplemented or otherwise modified from time to time
“PRC Court”	means any court or arbitral tribunal of the PRC
“PRC EIT Law”	the PRC Enterprise Income Tax Law (中華人民共和國企業所得稅法), promulgated on March 16, 2007 by the National People’s Congress and effective on January 1, 2008
“PRC GAAP”	the generally accepted accounting principles in the PRC
“PRC government” or “State”	the central government of the PRC, including all governmental sub-divisions (such as provincial, municipal and other regional or local government entities)

DEFINITIONS

“PRC Project Companies”	Ruzhou Cement, Zhoukou Cement, Weihui Cement, Shangqiu Cement, Zhengzhou Cement (Xingyang), Dalian Cement, Yingkou Cement, Nanzhao Cement, Liaoyang Cement, Yuzhou Cement, Xuchang Cement, Guangshan Cement, Zhengzhou Tianrui, Xiaoxian Cement, Ningling Cement, Antai Cement, Yuzhou Mining and Tianjin Cement
“PRC”, “China” or the “People’s Republic of China”	the People’s Republic of China, which for the purposes of this prospectus only (unless otherwise indicated) excludes Hong Kong, Macau and Taiwan
“Price Determination Date”	the date, expected to be on or around Monday, December 19, 2011, but no later than Tuesday, December 20, 2011, on which the Offer Price is fixed for the purpose of the Global Offering
“prospectus”	this prospectus being issued in connection with the Hong Kong Public Offering
“Regulations S”	Regulation S under the Securities Act
“Reorganization”	the reorganization of the companies within our Group as set out in the section headed “History, Reorganization and Corporate Structure — Our Reorganization” of this prospectus
“RMB” or “Renminbi”	Renminbi, the lawful currency of the PRC
“Ruiping Power”	Pingdingshan Ruiping Power Company Limited (平頂山瑞平煤電有限公司), a company incorporated in the PRC with limited liability
“Ruiping Shilong”	Pingdingshan Ruiping Shilong Cement Company Limited (平頂山瑞平石龍水泥有限公司), a company incorporated in the PRC with limited liability
“Ruzhou Cement”	Tianrui Group Ruzhou Cement Company Limited (天瑞集團汝州水泥有限公司), a company established in the PRC with limited liability and a wholly-owned subsidiary of our Company
“Sanmenxia Tianyuan Aluminum”	Sanmenxia Tianyuan Aluminum Company Limited (三門峽天元鋁業股份有限公司), a joint stock company incorporated in the PRC, a subsidiary of Tianrui Group and whose H Shares are listed on the Growth Enterprise Market operated by the Stock Exchange

DEFINITIONS

“Securities Act”	the United States Securities Act of 1933, as amended
“SFC”	the Securities and Futures Commission of Hong Kong
“SFO”	the Securities and Future Ordinance (Chapter 571 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
“Shangqiu Cement”	Shangqiu Tianrui Cement Company Limited (商丘天瑞水泥有限公司), a company established in the PRC with limited liability and a wholly-owned subsidiary of our Company
“Share(s)”	ordinary share(s) with a nominal value of HK\$0.01 each in the share capital of our Company
“Shareholder(s)”	holder(s) of the Share(s)
“Share Option Scheme”	the share option scheme conditionally adopted by us on December 12, 2011, the principal terms of which are summarized in the section headed “Statutory and General Information — D. Other Information” in Appendix VI to this prospectus
“Shareholders Agreement”	the shareholders’ agreement dated April 2, 2011 among our Company, our Controlling Shareholders, JPMorgan PCA, Wan Qi, IFC and Titan Cement
“Stabilizing Manager”	Deutsche Bank AG, Hong Kong Branch
“State Administration for Industry and Commerce” or “SAIC”	the State Administration for Industry and Commerce of the PRC (中華人民共和國工商行政管理總局)
“State Administration of Foreign Exchange” or “SAFE”	the State Administration of Foreign Exchange of the PRC (中華人民共和國國家外匯管理局), the PRC governmental agency responsible for matters relating to foreign exchange administration, including local branches, when applicable
“State Administration of Taxation” or “SAT”	the State Administration of Taxation of the PRC (中華人民共和國國家稅務總局)
“State Council”	the State Council of the PRC (中華人民共和國國務院)
“State Environmental Protection Administration”	the State Environmental Protection Administration of China (中華人民共和國國家環境保護總局)

DEFINITIONS

“State-owned Assets Supervision and Administration Commission”	the State-owned Assets Supervision and Administration Commission of the State Council (中華人民共和國國務院國有資產監督管理委員會)
“Stock Exchange” or “Hong Kong Stock Exchange”	The Stock Exchange of Hong Kong Limited, a wholly-owned subsidiary of Hong Kong Exchanges and Clearing Limited
“subsidiary”	has the meaning ascribed thereto in section 2 of the Companies Ordinance (Chapter 32 of the Laws of Hong Kong)
“Supplemental Shareholders Agreement”	the agreement dated December 12, 2011 entered into among our Company, our Controlling Shareholders and the existing Shareholders prior to the Global Offering, namely, JPMorgan PCA, Wan Qi and Titan Investments (Cayman), pursuant to which the parties thereto agreed to amend certain provisions of the Shareholders Agreement
“Tianjin Cement”	Tianjin Tianrui Cement Company Limited (天津天瑞水泥有限公司), a company established in the PRC with limited liability and a subsidiary of our Company
“Tianrui Cement”	Tianrui Group Cement Company Limited (天瑞集團水泥有限公司), a wholly foreign-owned enterprise established in the PRC with limited liability and a wholly-owned subsidiary of our Company
“Tianrui Foundry”	Tianrui Group Foundry Company Limited (天瑞集團鑄造有限公司), a company established in the PRC with limited liability and a subsidiary of Tianrui Group
“Tianrui Group”	Tianrui Group Company Limited (天瑞集團有限公司), a company established in the PRC with limited liability and a company held as to 51.25% and 48.75% by Chairman Li and Li Xuanyu, respectively
“Tianrui (HK)”	China Tianrui (Hong Kong) Company Limited (中國天瑞(香港)有限公司), a company incorporated in Hong Kong with limited liability and a wholly-owned subsidiary of our Company
“Tianrui Hotel”	Tianrui Zhongzhou Hotel Company Limited (天瑞中州飯店有限公司), a company established in the PRC with limited liability and a subsidiary of Tianrui Group

DEFINITIONS

“Tianrui Travel”	Tianrui Group Travel Development Company Limited (天瑞集團旅遊發展有限公司), a company established in the PRC with limited liability and a subsidiary of Tianrui Group
“Titan Cement”	Titan Cement Limited, a company established in the BVI with limited liability and a wholly owned subsidiary of Titan Investments (Luxembourg)
“Titan Investments (Cayman)”	Titan Investments Limited, a company incorporated in the Cayman Islands with limited liability and one of the Investors
“Titan Investments (Luxembourg)”	Titan Investments S.à r.l., a company incorporated in Luxembourg and a wholly owned subsidiary of Titan Investments (Cayman)
“Track Record Period”	the financial years ended December 31, 2008, 2009 and 2010 and the six months ended June 30, 2011
“Underwriters”	the Hong Kong Underwriters and the International Underwriters
“Underwriting Agreements”	the Hong Kong Underwriting Agreement and the International Placing Agreement
“United States” or “U.S.”	the United States of America, its territories, its possessions and all areas subject to its jurisdiction
“US dollars” or “US\$”	United States dollars, the lawful currency of the United States
“VAT”	value added tax
“Wan Qi”	Wan Qi Company Limited, a company established in the BVI with limited liability and one of the Investors
“Weihui Cement”	Weihui Tianrui Cement Company Limited (衛輝市天瑞水泥有限公司), a company established in the PRC with limited liability and a wholly-owned subsidiary of our Company
“WHITE Application Form(s)”	the application form(s) to be completed in accordance with the instructions in the section of this prospectus headed “How to Apply for Hong Kong Public Offer Shares — 1. Applying by Using An Application Channel”

DEFINITIONS

“White Form eIPO”	the application for Hong Kong Public Offer Shares to be issued in the applicant’s own name by submitting applications online through the designated website of White Form eIPO at www.eipo.com.hk
“White Form eIPO Service Provider”	Computershare Hong Kong Investor Services Limited
“Xiaoxian Cement”	Tianrui Group Xiaoxian Cement Company Limited (天瑞集團蕭縣水泥有限公司), a company established in the PRC with limited liability and a wholly-owned subsidiary of our Company
“Xinxiang Investment Company”	Xinxiang Economic Development Company Limited (新鄉市經濟投資有限責任公司)
“Xuchang Cement”	Tianrui Group Xuchang Cement Company Limited (天瑞集團許昌水泥有限公司), a company established in the PRC with limited liability and a wholly-owned subsidiary of our Company
“YELLOW Application Form(s)”	the application form(s) to be completed in accordance with the instructions in the section of this prospectus headed “How to Apply for Hong Kong Public Offer Shares — 1. Applying by Using an Application Channel”
“Yingkou Cement”	Yingkou Tianrui Cement Company Limited (營口天瑞水泥有限公司) (formerly known as Yingkou ETD Zone Golden Earth Cement Co., Ltd (營口經濟技術開發區金地球水泥有限公司)), a company established in the PRC with limited liability and a wholly-owned subsidiary of our Company
“Yu Kuo”	Yu Kuo Company Limited (煜闊有限公司), a company incorporated in the BVI with limited liability, which is 51.25% owned by Holy Eagle and 48.75% owned by Yu Qi, and is a Controlling Shareholder
“Yu Qi”	Yu Qi Company Limited (煜祺有限公司), a company incorporated in the BVI with limited liability, which is wholly owned by Li Xuanyu, and is a Controlling Shareholder
“Yuzhou Cement”	Yuzhou Zhongjin Cement Company Limited (禹州市中錦水泥有限公司), a company established in the PRC with limited liability and a wholly-owned subsidiary of our Company

DEFINITIONS

“Yuzhou Mining”	Yuzhou Zhongjin Mining Company Limited (禹州中錦礦業有限公司), a company established in the PRC with limited liability and a wholly-owned subsidiary of our Company
“Yuzhou Zhongfeng”	Yuzhou Zhongfeng (Lvgou) Group Company (禹州中鋒(呂溝)企業集團公司)
“Zhejiang Kangrui”	Zhejiang Kangrui Investment Company Limited (浙江康瑞投資有限公司)
“Zhengzhou Cement (Xinyang)”	Tianrui Group Zhengzhou Cement Company Limited (天瑞集團鄭州水泥有限公司) (formerly known as Tianrui Group Xinyang Cement Company Limited (天瑞集團滎陽水泥有限公司), a company established in the PRC with limited liability and a wholly-owned subsidiary of our Company
“Zhengzhou Tianrui”	Zhengzhou Tianrui Cement Company Limited (鄭州天瑞水泥有限公司), a company established in the PRC with limited liability and a wholly-owned subsidiary of our Company
“Zhong Yuan Cement”	Zhong Yuan Cement Company Limited (中原水泥有限公司), a company incorporated in the BVI with limited liability and a wholly-owned subsidiary of our Company
“Zhoukou Cement”	Tianrui Group Zhoukou Cement Company Limited (天瑞集團周口水泥有限公司), a company established in the PRC with limited liability and a wholly-owned subsidiary of our Company
“Zhoukou Power”	Henan Zhoukou Power Company Limited (河南省周口發電有限公司), a company established in the PRC with limited liability
“%”	per cent

For ease of reference, the names of the PRC established companies or entities and the titles of PRC laws or regulations have been included in this prospectus in both Chinese and English and in the event of any inconsistency between the Chinese names or titles in this prospectus and their English translations, the Chinese names or titles shall prevail.

The English names of certain entities referred to in this prospectus are provided for your convenience only. Some of these entities do not have registered English names.

GLOSSARY OF TECHNICAL TERMS

This glossary of technical terms contains explanations of certain terms used in this prospectus as they relate to our Company and as they are used in this prospectus in connection with our business or us. These terms and their given meanings may not correspond to standard industry definitions.

“cement”	a grey powder, made by calcining lime and silicious raw material, which hardens when mixed with water and is generally used in producing mortar and concrete
“clay”	a natural mineral having plastic properties and composed of very fine particles, moldable when wet and fused into permanent form at very high temperatures
“clinker”	a major semi-finished product in the cement production process
“cm”	centimeter(s)
“Composite Portland Cement”	a type of cement produced by Ordinary Portland Cement along with 15% to 50% of aggregates, such as flyash
“FAI”	fixed asset investment
“flyash”	residues generated from the combustion of coal which can be used in lieu of virgin materials in cement production
“GWh”	gigawatt-hour, The standard unit of energy used in the electric power industry. One gigawatt-hour is the amount of energy that would be produced by a generator producing one billion watts for one hour
“km”	kilometer(s)
“KW”	kilowatt, one thousand watts
“KWh”	kilowatt-hour, The standard unit of energy used in the electric power industry. One kilowatt-hour is the amount of energy that would be produced by a generator producing one thousand watts for one hour
“limestone”	a sedimentary rock composed largely of calcium carbonate
“MPa”	megapascal, one million units of pascal, which is one newton of force applied to one square meter
“New Dry Process”	new suspension preheater dry process, during which the raw materials of cement are preheated and disintegrated before being fed into a rotary kiln

GLOSSARY OF TECHNICAL TERMS

“NSP technology”	new suspension preheater technology, an energy efficient technology, in which raw materials are heated in conical vessels using high temperature gas from the kiln
“Ordinary Portland Cement”	a type of quick hardening cement with relatively strong initial compressive strength and resistant to abrasion
“Slag Portland Cement”	a type of cement produced by mixing clinker with iron blast furnace slag and other additives
“slag”	a partially vitreous by-product of smelting ore that can be used as an additive in the production of cement

FORWARD LOOKING STATEMENT

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

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

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

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

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

FORWARD LOOKING STATEMENT

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

RISK FACTORS

You should consider carefully all the information set out in this prospectus, including the risks and uncertainties described below, before making an investment in the Offer Shares. Our Company's business, results of operations, financial condition or prospects could be materially and adversely affected by any of these risks. The trading price of the Offer Shares could decline due to any of these risks, and you may lose all or part of your investment.

RISKS RELATING TO OUR BUSINESS

We are highly leveraged, and our business, results of operations and financial condition could be materially and adversely affected by our indebtedness.

We have primarily relied on cash generated from our operations, short-term and long-term loans, and capital contributions from our shareholders to fund our capital requirements in the past, and we expect to continue to derive funding from cash generated from our operations and bank loans in the future. As of December 31, 2008, 2009 and 2010 and June 30, 2011, our aggregate outstanding short-term and long-term borrowings were approximately RMB2,859.5 million, RMB5,345.3 million, RMB5,798.4 million and RMB5,377.2 million, respectively. Our level of indebtedness could materially and adversely affect us. For example, it could:

- require us to allocate a higher portion of our cash flow from operations to fund repayments of our borrowings, thereby reducing the availability of our cash flow to fund working capital, capital expenditures and other general corporate purposes;
- increase our vulnerability to adverse economic or industry conditions;
- limit our flexibility in planning for, or reacting to, changes in our business or the industry in which we operate;
- potentially restrict us from pursuing strategic business opportunities;
- restrict our ability to take on more borrowings or raise additional funds; and
- increase our exposure to interest rate fluctuations.

We had unutilized bank facilities up to RMB2,734.5 million as of October 31, 2011, and we had not experienced any reduction or withdrawal of credit or banking facilities by our lenders during the Track Record Period and up to October 31, 2011, but we cannot assure you that we will be able to continue to refinance our bank loans when they become due. We may not have sufficient funds available to repay our bank loans, particularly our short-term loans, upon maturity. As of December 31, 2008, 2009 and 2010 and June 30, 2011, our interest coverage ratio, which is the result of dividing net profits before interest and tax by interest expenses, was 3.4, 2.5, 2.7 and 5.1, respectively, and our debt coverage ratio, which is the result of dividing net income plus amortization, depreciation and interest expenses by interest payments and loan principal repayments (excluding loans that are renewed in the same period), was 1.6, 1.9, 0.9 and 1.3, respectively. The debt coverage ratio as defined above is different from a ratio called debt service coverage ratio under the IFC Loan and the JPM Facility which is defined based on certain requirements of relevant lenders. For the years ended

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December 31, 2008, 2009 and 2010 and the six months ended June 30, 2011, our finance costs as a percentage of profits before interest and tax were 29.6%, 40.5%, 36.5% and 19.6%, respectively. Failure to service our debts or comply with the terms, conditions and covenants of our facility agreements could result in penalties, including, among other things, enforcement of mortgages and charges, realization of our pledged assets by our creditors, increases in interest rates, accelerated repayment of loans and interest, termination of facilities and legal actions against us by our creditors, any of which could have a material and adverse effect on our business, results of operations and financial condition.

In particular, during the Track Record Period, although we were able to service our interest and principal installments obligations under the IFC Loan and the JPM Facility on time, we failed to comply with certain terms and covenants contained in the IFC Loan and the JPM Facility, which resulted in our default under these two agreements, both of which contain cross-default provisions. The terms and covenants we breached during the Track Record Period or thereafter include:

- several terms requiring us to complete the registration of charges or mortgages over certain assets in favor of the facility agent, including the requirement to obtain land and building use rights certificates for Yuzhou Cement and mortgage those rights in favor of the facility agent;
- a covenant requiring us to maintain our leverage ratio below a certain prescribed threshold, which we have failed to comply as of December 31, 2009, June 30, 2010 and December 31, 2010; and
- several covenants requiring us to provide certain financial information within a specified time frame, such as audited accounts and cash flow forecasts, to the facility agent.

The circumstances leading to such non-compliance were as follows:

- (i) our application for and the registration of charges or mortgages over certain assets with relevant local authorities were suspended or delayed due to the complexity of the application procedures and, as a result, we failed to complete the registration of charges or mortgages on schedule as required under the IFC Loan and the JPM Facility;
- (ii) we had significantly expanded our business and had experienced significant growth since we entered into the IFC Loan and the JPM Facility, which required more capital than we had originally expected when entering into the IFC Loan and the JPM Facility. As a result, we incurred other bank borrowings and debt in an aggregate amount larger than permitted under the IFC Loan and the JPM Facility, and we breached the prescribed leverage ratio under the IFC Loan and the JPM Facility; and
- (iii) although we had provided the draft annual audited financial reports for 2009 and 2010 to the lenders under the IFC Loan and the JPM Facilities, the issuance of the final reports for 2009 and 2010 by our auditors was delayed in anticipation of, and in preparation for, this Global Offering.

RISK FACTORS

On April 16, 2010, we entered into a supplemental agreement in respect of the JPM Facility under which it was agreed that the scope of the security to be provided by us would be reduced subject to certain conditions, and the parties thereto acknowledged that the amount that should be and had been released under the JPM Facility was RMB1.68 billion, as opposed to the RMB1.99 billion originally stated in the facility agreement. We are seeking waivers from the relevant lenders under the IFC Loan and the JPM Facility with respect to relevant breaches, which we may or may not be able to obtain before the completion of the Global Offering. We plan to use the net proceeds from the Global Offering, our cash and bank balances, cash generated from our operations and unutilized bank facilities to repay the JPM Facility and the IFC Loan. Until all of our outstanding payments and obligations under the JPM Facility and the IFC Loan have been repaid or fulfilled, or waivers have been obtained from the lenders thereunder, the lenders may have certain rights with respect to our breaches under the JPM Facility and the IFC Loan, including the right demand for immediate repayment of the entire amount of principal, interest, expenses and fees under or related to the agreements. If either IFC or JPM were to exercise such rights, a dispute could arise regarding our obligations to immediately repay all sums payable under both agreements, which may, in turn, require us to immediately draw down other available banking facilities and/or use other available cash to make the repayments. As of October 31, 2011, the outstanding principal amount of the IFC Loan was US\$33.2 million (or approximately RMB211.8 million equivalent) and the outstanding principal amount of the JPM Facility was RMB911.7 million. As of October 31, 2011, we had unutilized available bank facilities up to RMB2,734.5 million. In the case of being required to repay such principal amounts early, we believe that our unutilized available bank facilities would be sufficient to meet such needs and we do not expect that our business, financial condition, results of operations or liquidity will be materially and adversely affected. However, if we are not able to draw down such available bank facilities, we may have to seek other sources of financing on unfavorable terms and our cash flow, results of operations and financial condition may be materially and adversely affected as a result. Furthermore, our liquidity depends on the amount of cash we generate from operations and our access to other financial resources to fulfill our short-term payment obligations, which will be affected by our future operating performance, prevailing economic conditions and other factors, some of which are beyond our control.

We have a substantial amount of bank borrowings, some of which have floating interest rates. Increases in the interest rates on our borrowings may have an adverse effect on our financial performance.

We have borrowed, and will continue to borrow, bank loans that have floating interest rates. As of December 31, 2008, 2009 and 2010 and June 30, 2011, we had total bank loans of RMB2,746.7 million, RMB4,966.1 million, RMB4,422.7 million and RMB4,080.8 million, respectively, with floating interest rates linked to, among other things, the benchmark rates of the PBOC and LIBOR. As of December 31, 2008, 2009, 2010 and June 30, 2011, if interest rates on our borrowings had increased or decreased by 27 basis points⁽¹⁾ with all other variables held constant, our net profit during

Note:

- (1) Prior to October 2010, the PBOC adjusted interest rates in increments of 9 basis points. Accordingly, we have prepared the sensitivity analysis of the impact of the change in interest rates on net profit based on 27 basis points instead of 50 or 100 basis points.

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the respective periods would have decreased or increased by approximately RMB3.5 million, RMB5.5 million, RMB3.3 million and RMB2.0 million, respectively, and our cash flow would have decreased or increased by approximately RMB6.6 million, RMB12.0 million, RMB7.2 million and RMB6.3 million, respectively, mainly as a result of the higher or lower interest expenses on our floating rate borrowings. If there is a material increase in the benchmark interest rates related to our floating rate bank loans, our finance costs may increase substantially and our results of operations and financial performance may be adversely affected. In addition, if our financing costs increase substantially, we may not be able to service our bank loan obligations in full, in a timely manner or at all, if we cannot generate sufficient cash from our operations or obtain sufficient financing from bank loans or other sources, which may cause lenders to accelerate loan repayments and may consequently have a material adverse effect on our cash flow, financial condition and results of operations.

Our business depends generally on market conditions in the construction industry in China and the regional markets in which we operate.

We operate our business primarily in Henan and Liaoning provinces, and our products are primarily sold to customers in these two markets. Therefore, demand for our cement products primarily depends on the general level of activity and growth in the construction industry in Henan province and Liaoning province. General national economic conditions, mortgage and interest rate levels, PRC government policies, inflation, unemployment, demographic trends and GDP growth, among other factors, may have a significant impact on the performance and growth of the construction industry in the regional markets in which we operate and, consequently, the demand for our cement products. While the economy of China and Henan and Liaoning provinces have generally experienced rapid growth in recent years, we cannot assure you that such economic growth will continue in the future. In particular, there are significant uncertainties and risks that may adversely affect the recovery of the global economy from the recent financial crisis and economic downturn. Any deterioration in the global economy could in turn adversely affect the economic conditions in China. In addition, China may experience a slowdown in its economic growth or even an economic downturn due to such internal factors as high inflation or the PRC government's failure to stimulate domestic consumption. The PRC government recently has taken various measures to control the overheating of the real estate sector and has shown signs of being more prudent in investing in and developing infrastructure, which may decrease demand for our products. Any slowdown in the growth of the economy of China, Henan province or Liaoning province or any downturn in the construction industry, particularly in the government infrastructure project sector, in China or in any of the regional markets in which we operate, could materially and adversely affect our results of operations and our financial condition.

We may not be able to continue to grow at a rate comparable to our historical growth rates or at all, and we may have difficulty managing any future growth.

Our business grew significantly during the Track Record Period. Our revenue increased from approximately RMB3,360.3 million in 2008 to approximately RMB4,415.2 million in 2009 and to approximately RMB6,129.4 million in 2010, representing a CAGR of 35.1% from 2008 to 2010. We also recorded revenue of RMB4,072.8 million during the six months ended June 30, 2011, representing

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an increase of approximately 62.1% over the same period in 2010. The significant increase in our revenue was mainly due to the growth in the demand for our products and the expansion of our production capacity, which in turn were attributable to the growth of the PRC economy in general and the construction industry in the regional markets in which we operate.

We may not be able to grow at a rate comparable to our historical growth rates or at all. Our revenue and profitability may be affected by a variety of factors, such as the economic conditions and the level of activity and growth in the construction industry in the regional markets in which we operate, as well as our ability to continue to manage our expansion and growth. For example, our plan to expand capacity in certain markets may involve our construction of additional production lines, selective acquisitions of other companies and strategic investments, which may strain our managerial, operational, technical and financial resources. As a result, we may not be able to manage such growth in a cost-effective manner. Failure to effectively manage our growth could have a material adverse effect on our business, results of operations and financial condition, and could jeopardize our ability to achieve our business strategies and maintain our market position.

We may be unable to identify suitable acquisition targets, any acquisition or strategic investments we undertake could be difficult to complete, and any such acquisition could be difficult to integrate or manage or otherwise may not be successful.

We have undertaken and will continue to undertake selective acquisitions or strategic investments in order to expand our business and production capacity, increase our market share and strengthen our market position. We may not be able to identify suitable acquisition or investment targets, or even if we do identify suitable targets, we may not be able to complete such transactions on terms acceptable to us or at all, or we may fail to obtain the required governmental and other approvals for such acquisitions or investments. The inability to identify suitable acquisition or investment targets or the inability to complete such transactions may adversely affect our competitiveness or growth prospects. Acquisitions involve risks, including challenges in retaining personnel, risks and difficulties associated with integrating acquired businesses and diversion of management's attention and other resources. In addition, acquisitions may result in the incurrence of additional debt and other liabilities, assumption of potential legal liabilities in respect of the acquired businesses and incurrence of impairment charges related to goodwill and other intangible assets, any of which could harm our results of operations and financial condition. In particular, if any of the acquired businesses fail to perform to the level that we previously expected, we may be required to recognize a significant impairment charge, which may materially and adversely affect our results of operations. As a result, we cannot assure you that we will be able to achieve the strategic purpose of any acquisition, the desired level of operational synergy or our investment return target.

Significant fluctuations in cement prices may materially and adversely affect our profitability.

Cement prices fluctuated significantly during the Track Record Period. For the years ended December 31, 2008, 2009 and 2010 and the six months ended June 30, 2011, the average selling price of our cement was approximately RMB231.5 per tonne, RMB214.9 per tonne, RMB225.6 per tonne and RMB275.2 per tonne, respectively. Our gross profit was RMB676.4 million, RMB719.8 million, RMB1,049.2 million and RMB1,202.3 million and our gross margin was approximately 20.1%, 16.3%,

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17.1% and 29.5% for the same periods, respectively. The average selling price for our clinker products was RMB278.1 per tonne, RMB279.1 per tonne and RMB284.1 per tonne, and the average selling price for our cement products was RMB273.3 per tonne, RMB278.5 per tonne and RMB284.3 per tonne, for July, August and September 2011, respectively. Cement prices may continue to experience significant fluctuations in the future due to changes in the supply and demand of cement products in our existing and future markets, and our profitability and results of operations may be materially and adversely affected as a result.

Our business and results of operations may be adversely affected by increases in coal or electricity prices or shortages of coal and electricity supplies.

We use a substantial amount of coal and electricity in our production process, and any shortage of or interruption in these supplies could disrupt our operations, and any increase in coal or electricity prices could increase our cost of sales and reduce our profitability.

For the years ended December 31, 2008, 2009 and 2010 and the six months ended June 30, 2011, our cost of coal as a percentage of our total cost of sales was approximately 34.3%, 36.0%, 42.2% and 44.0%, respectively. The pricing of coal in our supply agreements is directly linked to market prices, so we bear the risk of coal price fluctuations. Our average purchase prices of coal were approximately RMB585.7 per tonne, RMB546.7 per tonne, RMB692.6 per tonne and RMB749.5 per tonne for the years ended December 31, 2008, 2009 and 2010 and the six months ended June 30, 2011, respectively. We experienced significant increases in coal prices in 2008 due to a surge in demand for coal and a supply shortage in the market. In 2009, our average coal purchase price declined by 6.7% to RMB546.7 per tonne from RMB585.7 per tonne in 2008 as overall demand for coal decreased primarily as a result of the global economic downturn. In 2010, our average coal purchase price increased by 26.7% to RMB692.6 per tonne from RMB546.7 per tonne in 2009 due to rising demand as the global economy started to recover from the economic downturn. The average coal purchase price further increased by 8.2% to RMB749.5 per tonne for the first half of 2011 from RMB692.6 per tonne in 2010 as the market supply shortage continued. We cannot predict future price trends for coal, or the degree of any volatility. An interruption of coal supply or increase in the price of coal could have a material adverse effect on our business, results of operations and financial condition.

For the years ended December 31, 2008, 2009 and 2010 and the six months ended June 30, 2011, our cost of electricity as a percentage of our total cost of sales was 18.2%, 17.8%, 17.0% and 15.9%, respectively. Electricity prices for industrial enterprises are generally regulated by the PRC government. Our average purchase price per KWh for externally sourced electricity was approximately RMB0.47, RMB0.49, RMB0.52 and RMB0.54 for the years ended December 31, 2008, 2009 and 2010 and the six months ended June 30, 2011, respectively. We cannot predict future price trends for electricity, or the degree of any volatility. An interruption in the electricity supply or an increase in the electricity price could have a material adverse effect on our business, results of operations and financial condition.

RISK FACTORS

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.

Our production depends on reliable sources of large quantities of a variety of raw materials, such as gypsum, flyash and pyrite cinder. For the years ended December 31, 2008, 2009 and 2010 and the six months ended June 30, 2011, our cost of raw materials accounted for approximately 39.7%, 37.2%, 31.6% and 30.1% of our total cost of sales, respectively. These raw materials are subject to price volatility caused by external conditions, such as commodity price fluctuations and changes in governmental policies. If prices of the raw materials required for our production increase significantly and we cannot pass on the cost increments to our customers, our business, results of operations and financial condition could be materially and adversely affected.

We source our raw materials from selected suppliers in each of the regional markets in which we operate. For the years ended December 31, 2008, 2009 and 2010 and for the six months ended June 30, 2011, our top five raw material suppliers accounted for approximately 25.6%, 22.6%, 23.0% and 21.7%, respectively, of our total purchases of raw materials. We cannot assure you that our key suppliers will continue to supply us with raw materials at reasonable prices or at all.

We may not be able to renew our existing mining rights or secure additional mining rights on favorable terms or at all, or the rate of resource tax that we are required to pay may increase.

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 must obtain mining rights before undertaking any mining activities, and the mining rights are limited to a specific area for a specified term. We have obtained mining licenses with respect to all of our limestone quarries. We may apply for additional mining rights to limestone quarries in the future. We cannot assure you that we will be able to renew our existing mining rights once such rights expire or secure additional mining rights on favorable terms or at all. See the section headed “Business — Raw Materials” of this prospectus for details of our existing mining rights. Our operations and expansion could be adversely affected if we were to fail to renew our existing mining rights or secure additional mining rights.

In addition, our mining rights are subject to annual review by the relevant government departments governing land and resources in the areas in which we operate. We cannot assure you that we will pass the annual reviews or avoid any penalties as a result of legal or regulatory non-compliance in the future.

Furthermore, we are also required to pay a resource tax at a rate of RMB2.0 per tonne of limestone excavated to the local governments where our mining activities are conducted. For the years ended December 31, 2008, 2009 and 2010 and the six months ended June 30, 2011, we paid resource taxes of approximately RMB29.3 million, RMB33.8 million, RMB57.6 million and RMB49.6 million, respectively. If the resource tax rate increases in the future, our results of operations and financial condition could be materially and adversely affected.

RISK FACTORS

We currently receive certain PRC government priorities, tax incentives and VAT refunds. Expiration of, or unfavorable changes to, these tax incentives and VAT refunds could materially and adversely affect our results of operations and financial condition.

Certain of our subsidiaries in the PRC are entitled to government support in the form of priority with respect to project approvals, land use right grants and credit approvals in undertaking project investments. PRC government bodies have also granted us certain government incentives and enterprise income tax exemptions during the Track Record Period. Tianrui Cement obtained preferential tax treatment from local tax authorities, which provides a full tax exemption on its assessable profit in 2007 and 2008 and a 50% reduction of the applicable enterprise income tax rate on its assessable profit in 2009, 2010 and 2011. In addition, we received government incentives of RMB9.9 million, RMB41.0 million, RMB33.8 million and RMB10.7 million in 2008, 2009 and 2010 and the six months ended June 30, 2011, respectively, for setting up a cement production business in Dalian and for technological improvements at Tianrui Cement. For the years ended December 31, 2008, 2009 and 2010 and the six months ended June 30, 2011, these PRC government incentive subsidies accounted for approximately 10.2%, 30.4%, 17.9% and 7.7% of our other income, respectively. The discontinuation of these government incentives and subsidies may have an adverse effect on our business, financial condition and results of operations.

In addition, 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), we receive VAT refunds for cement products we produce that utilize recycled materials, such as slag and flyash. For the years ended December 31, 2008, 2009 and 2010 and the six months ended June 30, 2011, these VAT refunds amounted to approximately RMB61.3 million, RMB83.6 million, RMB114.5 million and RMB77.0 million, respectively, representing 63.2%, 62.0%, 60.7% and 55.3% of our other income during the same periods. This incentive is currently in effect, and we are not aware of any intention of the PRC government to discontinue it. However, there is no assurance that we will be able to continue to receive these tax incentives or VAT refunds on the same terms, or at all, in the future. Discontinuation of, or unfavorable changes to, these tax incentives or VAT refunds in the future may adversely and materially affect our business, financial condition and results of operations.

We may not be able to renew our quarry land use rights upon their expiry.

As of the Latest Practicable Date, we had obtained two-year temporary land use rights approval letters in respect of all of our 14 parcels of quarry land with an aggregate area of approximately 10.6 million square meters. Pursuant to these approval letters, we are entitled to the land use right for these 14 parcels of quarry land within two years from the date of the respective approval letter. Pursuant to the *Land Administration Law* (土地管理法), the term of temporary land use rights generally may not extend beyond two years. After the expiry of the temporary land use rights approval letters, we intend to apply for renewal for another term of two years. As there are no specific provisions under the Land Administration Law and other relevant laws and regulations regarding the renewal of the temporary land use rights approval letters, there is legal uncertainty as to our ability to renew these

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temporary land use rights. If we are unable to renew these land use rights upon expiry of these approval letters, we might not be able to carry out mining or related operations on relevant lands and, as a result, our business, results of operations and financial performance may be adversely affected.

We recorded net current liabilities during the Track Record Period, and we may continue to record net current liabilities in the future, which may adversely affect our liquidity.

As of December 31, 2008, 2009 and 2010 and June 30, 2011, we had net current liabilities of RMB530.0 million, RMB2,982.3 million, RMB4,188.2 million and RMB3,786.0 million, respectively. Our net current liability position as of the relevant balance sheet dates was attributable primarily to outstanding short-term bank borrowings and trade and other payables. We used a significant amount of cash generated from our operations to finance the construction of our production facilities and to purchase equipment. We normally record such assets as non-current assets rather than current assets. As of December 31, 2008, 2009 and 2010 and June 30, 2011, we had also incurred RMB1,203.1 million, RMB1,940.6 million, RMB3,577.3 million and RMB3,985.8 million of trade and other payables, respectively, primarily in relation to our purchases of coal and other supplies for production. The increase in our trade and other payables and bank borrowings contributed to our increased net current liabilities position as of December 31, 2008, 2009 and 2010.

We expect that we will continue to record net current liabilities in the foreseeable future. Our net current liabilities position exposes us to liquidity risk. Our future liquidity, the payment of trade and other payables and the repayment of our outstanding debt obligations as and when they become due will depend primarily on our ability to maintain adequate cash inflows from operating activities and financing activities. Our continuing access to financing is subject to a variety of factors, such as market conditions, the PRC government's monetary and other economic policies, the overall availability of credit to the cement industry and our credit capacity. The global capital markets and credit markets remain volatile following the recent global financial crisis and economic downturn. This market volatility may adversely affect our ability to raise funds. As of the Latest Practicable Date, we had not experienced any liquidity problems in settling our payables or rolling over our short-term bank loans in the ordinary course of business when they fell due. However, we cannot assure you that we will always be able to raise sufficient funds to refinance our short-term borrowings upon maturity and finance our capital commitments. If we are unable to refinance our short-term borrowings or obtain sufficient alternative funding on reasonable terms, we will have to repay these borrowings, and we cannot assure you that our business will generate sufficient cash flow to do so. In such circumstances, our business operations, liquidity, financial position and prospects may be materially and adversely affected.

Our business depends on our ability to manage our working capital successfully.

Our operating activities and short-term bank loans generate working capital that we depend on for our business operations and capital expenditures. As of December 31, 2008, 2009 and 2010 and June 30, 2011, we had total short-term loans of RMB306.8 million, RMB2,994.3 million, RMB3,777.4

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million and RMB3,460.3 million, respectively. Our future success depends on our ability to continue to secure and successfully manage sufficient amounts of working capital. Successful management involves:

- timely payment of, or rolling over of, our short-term indebtedness and securing new loans on acceptable terms;
- timely payment of, or re-negotiation of our payment terms for, our trade payables;
- efficient utilization of banking facilities;
- timely collection of trade receivables; and
- preparing and following accurate and feasible budgets for our business operations.

If we cannot manage our working capital successfully, our business, results of operations and financial condition could be materially and adversely affected. We cannot assure you that we will be able to effectively manage our working capital. Should we fail to effectively implement sufficient internal control procedures and management systems to manage our working capital and other sources of financing, we may have insufficient capital to maintain and grow our business, and we may breach the terms of our financing agreements with banks, face claims under cross-default provisions and be unable to obtain new financing, any of which would have a material adverse effect on our business, results of operations and financial condition.

We may be subject to risks associated with contingent or hidden liabilities, non-compliance or other irregularities relating to or involving companies we may acquire.

We may be subject to risks associated with contingent or hidden liabilities, non-compliance or other irregularities relating to or involving companies we acquire. For example, we acquired a 2.91% equity interest in Zhengzhou Tianrui from certain of its previous shareholders in 2007 and certain equity interests in Zhoukou Cement from certain of its previous shareholders in 2006 and 2010. The transfer of these equity interests did not go through an asset valuation or open bidding processes that are generally required for similar transactions and therefore they may be subject to the risk of being cancelled or revoked by relevant courts. See “History, Reorganization and Corporate Structure — Our Corporate History — Our Major Subsidiaries — Zhengzhou Tianrui” and “History, Reorganization and Corporate Structure — Our Corporate History — Our Major Subsidiaries — Zhoukou Cement” in this prospectus.

Our business operations and construction of new facilities may be disrupted by reasons beyond our control.

Our business operations and construction of new facilities may be disrupted by, among other things, extreme climatic and weather conditions, fire, natural disasters, raw material shortages, equipment and system failures, labor force shortages and epidemics. Any significant disruption to our operations could adversely affect our ability to produce and sell products to meet our customers’ needs, which could materially and adversely affect our business, results of operations and financial

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condition. For example, our monthly sales volume of cement products decreased from 2.3 million tonnes in August 2011 to 1.7 million tonnes in September 2011 primarily due to abnormally rainy weather in September 2011 that impacted the level of construction activities in our sales areas. In addition, due to the nature of our business and notwithstanding our compliance with safety requirements and standards, our operations are subject to operational risks associated with the production of clinker and cement, such as storage tank leaks, explosion, discharge of hazardous substances and malfunctioning of production machinery, among other things. These risks may result in personal injuries, property damage and imposition of civil or even criminal liabilities.

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

The quality of our products is critical to the success of our business, and quality depends on the effectiveness of our quality control system, which, in turn, depends on a number of factors, including the design of our system, our quality control training program, and the implementation and application of our quality control policies and guidelines. Any significant failure or deterioration of our quality control system could result in defective or substandard products, which, in turn, may result in delays in the delivery of our products and the need to replace defective or substandard products. As a result, our reputation, business, results of operations and financial condition could be materially and adversely affected.

We put in place stringent quality control standards for our production process from the purchase of raw materials to the delivery of finished products. During the Track Record Period, we were not subject to any litigation concerning product quality claims, nor did any third parties have any material claims against us concerning product quality. However, there is no assurance that product claims will not be brought against us in the future if we fail to meet or conform to applicable requirements and specifications or if any of our products contain defects.

The global market fluctuations and economic downturn that began in 2008 could materially and adversely affect our business, results of operations and financial condition.

The global capital and credit markets have experienced significant volatility and disruptions since 2008. Concerns over inflation or deflation, energy costs, geopolitical issues, the availability and cost of credit, the U.S. mortgage market and a declining residential real estate market in the United States and elsewhere contributed to market volatility and diminished expectations of growth for the global economy and the capital and consumer markets in the future. These factors, together with volatile oil prices, declining business activities and consumer confidence and increased unemployment, precipitated an economic slowdown that started in the second half of 2008 and continued through 2009. Although the global economy has started to recover from the economic downturn, there exist significant uncertainties in global economic growth outlook, particularly the uncertainties arising from the sovereign debt crisis in Europe. These uncertainties may adversely affect the PRC economy, which, in turn, could materially and adversely affect the construction industry, particularly the government infrastructure project sector, in China generally and in each of the regional markets in which we operate. As a result, the demand for our products may significantly decrease, thereby materially and adversely affecting our business, results of operations and financial condition.

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Our results of operations are subject to seasonal changes in demand for cement products.

Our results of operations are subject to seasonal fluctuations. We generally record lower sales volume in winter when construction activities in our markets are generally slow due to the cold weather (particularly in Liaoning province) and Chinese New Year holiday, which falls in January or February each year. We generally record higher sales volumes in other periods when construction activities remain at a relatively stable level. As a result of these seasonal fluctuations, our sales volume and revenue in the second half of a given year are generally higher than the first half of the same year.

Our business depends on the retention and services of our executive directors, senior management and a skilled labor force.

Our success depends, to a large extent, on the continued services of our executive directors, senior management and key personnel. We depend on their experience and expertise in corporate and financial management, strategic development, sales and marketing and the cement industry for the success of our business. If one or more of our executive directors or senior management are unable or unwilling to continue their employment with us, we may be unable to identify and recruit suitable replacements in a timely manner or at all. In addition, if any member of our senior management joins a competitor or forms a competing company, we may lose some of our know-how and customers.

Furthermore, recruiting and retaining a skilled labor force, particularly experienced engineers and technicians familiar with our production processes, are critical to maintaining the quality of our products, improving our production processes and supporting the expansion of our production capacity. There is substantial competition for qualified personnel in the cement industry in China, and we cannot assure you that we will be able to attract or retain qualified personnel. If we are unable to attract and retain qualified employees, key personnel and senior management, our business, results of operations and financial condition may be materially and adversely affected.

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

We are exposed to potential liabilities for personal injury and loss of life, damage to or destruction of property, plant and equipment, transportation accidents and delays and environment pollution. In particular, our business involves the operation and handling of heavy machinery, which, if operated improperly, may result in personal injuries or death. Accidents have occurred in the past due to improper operation and handling of machinery, equipment malfunction or employee negligence. During the Track Record Period, our Directors were not aware of any accidents at our production facilities resulting in fatality or injuries that would have had a material impact on our operations. We cannot assure you that accidents will not happen in the future that could have a material impact on our operations.

If an accident occurs, we could be liable to pay compensation for personal injuries, loss of life or damage to property or for fines or penalties for violation of applicable PRC laws and regulations, and we may be subject to business interruptions caused by shutdowns or suspension of operations due

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to government investigations or the requirement to implement additional safety measures. If we were to incur substantial losses or liabilities and our insurance coverage were unavailable or inadequate to cover the losses or liabilities, our business, results of operations and financial condition could be materially and adversely affected.

Any significant product liability claims made against us, whether successful or not, could harm our business, results of operations and financial condition.

We are exposed to product liability claims if the use of our cement products results in damage or injury. Our cement products are mainly used by our customers as construction materials. We cannot assure you that product liability claims against us will not arise, whether due to product defects or other causes. Furthermore, we cannot assure you that we will be able to defend against such claims successfully. If any such claims were ultimately successful, we could be required to pay substantial damages, which could materially and adversely affect our business, results of operations and financial condition.

Unauthorized use of our brand names, trademarks and other intellectual property rights may materially and adversely affect our business, results of operations and financial condition.

We rely on the PRC intellectual property and competition laws and contractual restrictions to protect our brand names, trademarks and other intellectual property rights. Our brand names, trademarks and other intellectual property rights are important to our business. Our cement products are sold under the brand “天瑞 TIANRUI”. Any unauthorized use of our brand names, trademarks and other intellectual property rights by third-parties could adversely affect our business, reputation and market position.

We cannot assure you that the measures we take to protect our brand names, trademarks and other intellectual property rights and to minimize the possibility that our key brand names and trademarks are associated with products of inferior quality will be sufficient. In addition, the application and interpretation of the PRC laws governing intellectual property rights in China are uncertain, which undermines the level of legal protection these laws may offer. If we are unable to adequately protect our brand names, trademarks and other intellectual property rights, our business, results of operations and financial condition could be adversely and materially affected.

We rely 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 financial condition and cash flow.

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, including the funds necessary to pay dividends to our Shareholders, to service 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 PRC GAAP. According

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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 each year at least 10% of its after-tax profit based on PRC GAAP 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 pay dividends or make other distributions to us. As a result, each of our PRC subsidiaries is restricted in 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 financial condition and cash flow.

We may not be able to comply with environmental regulations on a cost-effective basis.

We are subject to national and local environmental protection laws and regulations. These laws and regulations include provisions for the prevention and treatment of noise, water, soil and air pollution and other industrial pollution. Failure to comply with these laws and regulations may result in penalties, fines, administrative sanctions, proceedings and/or suspension or revocation of our licenses or permits to conduct our business. The PRC government has adopted various environmental policies to reduce the adverse effects of the cement industry on the environment. With the increasing awareness of environmental protection issues, we anticipate that the PRC environmental regulatory framework will become increasingly stringent. Government requirements that affect our operations include those relating to air quality, solid waste management and waste water treatment. These requirements are complex and subject to change. We cannot assure you that the PRC government will not introduce new rules and regulations that impose more stringent controls over industrial pollution. We may be unable to comply with additional environmental regulations in the future on a cost-effective basis if at all. In such an event, our business, results of operations and financial condition could be materially and adversely affected.

We are subject to safety and health laws and regulations in China, and any non-compliance could adversely affect our operations.

We are required to comply with production safety standards in the operation of our business. Our production plants and the facilities we use are subject to regular inspections for compliance with the *Production Safety Law of the PRC* (中華人民共和國安全生產法). Furthermore, under the *PRC Labor Law* and the *PRC law on the Prevention and Treatment 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 regarding occupational safety and health conditions for employees. We also provide our employees with work safety training, protective tools and facilities, and regular health examinations for those who are engaged in work involving occupational hazards. Failure to meet the relevant legal requirements for production and labor safety could subject us to warnings from governmental authorities, governmental orders to rectify non-compliance and fines of up to RMB500,000. We may also be required to suspend our production temporarily or cease our operations permanently for significant non-compliance. Any of the foregoing could have a material adverse effect on our business, results of operations and financial condition.

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Our interests may conflict with those of our Controlling Shareholders, which could take actions that are not in our or our public shareholders' best interests.

Our Controlling Shareholders, including Chairman Li, Li Xuanyu, Yu Kuo, Yu Qi and Holy Eagle, will hold approximately 39.57% of our issued share capital upon the completion of the Global Offering, without taking into account any Shares that may be issued under the Share Option Scheme and assuming no exercise of the Over-allotment Option (or approximately 38.60% if the Over-allotment Option is exercised in full). Accordingly, subject to our Articles of Association and applicable laws and regulations, our Controlling Shareholders will, through their representatives on our Board, be able to influence major corporate developments, including, but not limited to, amendments to our Articles of Association and bylaws, issuances of securities, adjustments to our capital structure, the timing and distribution of dividends, the election of our Directors, mergers and acquisitions and major policy decisions.

The interests of our Controlling Shareholders may not always coincide with our or your best interests. If the interests of our Controlling Shareholders conflict with the interests of our other Shareholders, or if our Controlling Shareholders choose to cause us to pursue strategic objectives that conflict with the interests of our other Shareholders, those other Shareholders may be disadvantaged as a result.

We do not possess valid legal title or the right to lease with respect to certain properties that we occupy.

Neither we nor our landlords have obtained all valid title certificates to certain properties that we occupy. We may not be able to freely transfer title to those properties, or use them freely. With respect to the properties that we own, as of the Latest Practicable Date, we had not obtained proper land use rights certificates and building ownership certificates for two parcels of land with an aggregate area of approximately 311,303.6 square meters and 102 buildings with an aggregate gross floor area of approximately 32,472.8 square meters, respectively. With respect to the properties that we lease, as of the Latest Practicable Date, the relevant landlords had not provided us with title documents in respect of one parcel of land with an aggregate area of 5,200 square meters and one building with an aggregate gross floor area of 95 square meters, respectively. We use these properties for various purposes, including offices and ancillary facilities, such as parking lots. The operations we conduct on or from these properties may be adversely affected as a result of the absence of valid legal title or right to lease these properties. For example, we may be required to relocate these operations temporarily or permanently, and any business interruption may adversely affect our business, results of operations and financial condition. As of the Latest Practicable Date, applications for land use right certificates with a carrying value of approximately RMB57.0 million as of June 30, 2011 were still in process.

RISKS RELATING TO THE CEMENT INDUSTRY IN CHINA

The cement industry is 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 facilities, to purchase production equipment and to develop and

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implement new technologies. In addition, we are planning to construct additional production lines and may pursue external expansion by acquiring suitable targets. We expect that our capacity expansion plan will allow us to capture additional market share in our target markets. As a result, we will need significant amounts of capital to fund our future growth.

Our internally generated capital resources, the net proceeds from the Global Offering and our available bank facilities may not be sufficient to finance our capital expenditures and growth plans. We may have to seek additional financing from third parties, including banks, venture capital firms, joint-venture partners and other strategic investors. If we are unable to obtain 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, results of operations, financial condition and future prospects.

We face intense competition in the cement industry, which may reduce demand for our products.

The cement industry is intensely competitive and price sensitive. Our major competitors include small regional producers in the markets in which we operate as well as national companies, such as China United Cement Corporation (中國聯合水泥集團有限公司) and China Shanshui Cement Group Ltd. (中國山水水泥集團有限公司).

We compete directly with these and other competitors for customers, raw materials, energy resources and distribution networks. We compete primarily on the basis of the price of our products, the quality and variety of product offerings, access to resources, sales and marketing and production capacity and efficiency. Some of our current and potential competitors may have better brand recognition in the markets in which they operate, more competitive pricing or greater financial, technical or marketing resources than we do. As a result, we may fail to compete successfully against our competitors, which in turn could materially and adversely affect our business, results of operations and financial condition.

The cement industry is subject to significant regulation by the PRC government.

Various PRC government authorities, including the Ministry of Land and Resources, the State Environmental Protection Administration, the General Administration of Quality Supervision Inspection and Quarantine, MOFCOM and the Ministry of Construction of the PRC, have the authority to issue and implement regulations governing various aspects of cement production and excavation activities of raw materials.

In order to engage in cement production, we are required to maintain certain licenses and permits, such as cement production permits and production safety permits. In addition, our products are required to meet certain standards stipulated by various PRC government authorities. For example, the General Administration of Quality Supervision Inspection and Quarantine issued the GB175-1999 standards that govern certain aspects of the production and sales of cement products in China. Cement producers in China are required to comply with these standards, and cement products that fail to meet the relevant quality standards may not be sold in China. These standards provide strict guidelines regarding the composition and technical specifications for cement products. Should there be any

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change to the existing requirements or new requirements applicable to our cement products, we may need to incur additional expenses to ensure compliance, and we cannot assure you that we will successfully obtain new licenses, permits or approvals in a timely manner or at all. If we are not able to meet all applicable licensing conditions or regulatory requirements, our business, results of operations and financial condition could be materially and adversely affected.

The PRC government's current policies in respect of the cement industry are generally market-oriented. However, the PRC government closely monitors the cement industry and may from time to time issue regulations and policies to regulate the industry. For example, on February 18, 2007, the NDRC issued the *Notice Regarding Phase-Out of Obsolete Cement Production Capability* (關於做好淘汰落後水泥生產能力有關工作的通知), which requires local governments to gradually phase out cement producers with annual output of less than 200,000 tonnes and those with production methods that do not meet applicable environmental standards. In addition, according to the *State Council's Notice Approving the NDRC and Certain Other Departments' Guidelines on Redundant Construction, Curbing Overcapacity in Certain Industries for Healthy Industrial Development* (國務院批轉發展改革委等部門關於抑制部分行業產能過剩和重複建設引導產業健康發展若干意見的通知) promulgated on September 26, 2009, new cement production capacity must be strictly controlled, and obsolete cement production capacity must be phased out. Specifically, each production line, including those under construction, must have an annual production capacity of over 200,000 tonnes.

Furthermore, projects involving significant capital investment require the approval of or filings with various PRC government authorities. Compliance with these regulations and policies and efforts to obtain these approvals may require us to make significant adjustments to our current or future development plans, increase our costs and divert our management resources, which, in turn, may adversely affect our profitability, competitiveness and growth prospects.

RISKS RELATING TO CHINA

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

All of our cement products are sold to customers in China. Accordingly, our business, results of operations and financial condition are significantly affected by economic, political and legal developments in China. Demand for our products is dependent on the pace of economic growth in China and, in particular, the general level of activity and growth in the construction industry in the areas in which we operate. In addition, general national economic conditions, mortgage and interest rate levels, inflation, unemployment, demographic trends, GDP growth and consumer confidence also influence the performance and growth of the construction industry and, consequently, the demand for our products. A downturn in the construction industry in China or in any of the regional markets in which we operate could materially and adversely affect our business, results of operations and financial condition.

The PRC government has implemented various measures to encourage economic growth and guide the allocation of resources. Some of these measures, while benefiting the overall PRC economy,

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may have a negative effect on us. For example, efforts by the PRC government to slow the pace of growth of the real estate industry in China may negatively affect the real estate market and consequently impede the growth of the construction industry. Policies and measures that were introduced and those that may be introduced by the PRC government may lead to changes in market conditions, including price instability and an imbalance between the supply of, and demand for, properties in China. Any weakening in the PRC property sector in our target regional markets could adversely affect our financial condition and results of operations.

As a result, any adverse change in government economic policies or economic conditions in China could have a material adverse effect on overall growth in China, which, in turn, could lead to a reduction in the demand for our products and consequently have a material adverse effect on our business, financial position and results of operations.

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

Substantially all of our business and operations are conducted in China and are governed by PRC laws, rules and regulations. Our PRC subsidiaries are generally subject to laws, rules and regulations applicable to foreign investments in China and, in particular, laws applicable to wholly foreign-owned enterprises. The PRC legal system is a civil law system based on written statutes. Prior court decisions may be cited for reference but have limited precedential value. Since the late 1970s, the PRC government has significantly enhanced PRC legislation and regulations to provide protections to various forms of foreign investments in China. However, China has not developed a fully integrated legal system, and recently enacted laws and regulations may not sufficiently address all relevant aspects of economic activities in China. As many of these laws, rules and regulations are relatively new, and because of the limited volume and precedential value of published decisions, the interpretation and enforcement of these laws, rules and regulations involve uncertainties and may not be as consistent or predictable as in other more developed jurisdictions. In addition, the PRC legal system is based in part on government policies and administrative rules that could have retroactive effect. As a result, we may not be aware of our violation of these policies and rules until some time after the violation. Furthermore, the legal protection available to us under these laws, rules and regulations may be limited. Any litigation or regulatory enforcement action in China may be protracted and could result in substantial costs and diversion of resources and management attention, which could have a material and adverse effect on our business, results of operations and financial condition.

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

Any capital contributions or loans that we, as an offshore entity, make to our PRC subsidiaries, including the proceeds from the Global Offering, are subject to PRC regulations. For example, pursuant to the *Interim Measures on the Management of Foreign Debts* (外債管理暫行辦法), promulgated by the State Administration of Foreign Exchange of the PRC on March 1, 2003, any of our loans to our PRC subsidiaries cannot exceed the difference between the total amount of investment each of our PRC subsidiaries is approved to make under relevant PRC laws and the registered capital of each of our PRC subsidiaries, and such loans must be registered with the local branch of SAFE. In

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addition, our capital contributions to each of our PRC subsidiaries must be approved by MOFCOM or its local counterpart. We cannot assure you that we will be able to obtain these approvals on a timely basis or at all. If we fail to obtain these approvals, our ability to make equity contributions or provide loans to our PRC subsidiaries or to fund their operations may be negatively affected, which may adversely affect our PRC subsidiaries' liquidity and ability to fund their working capital and expansion projects and meet their obligations and commitments.

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

Under the new PRC Enterprise Income Tax Law that took effect on January 1, 2008, enterprises established outside of 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 promulgated implementation rules for this new tax law which defines “de facto management body” as an organization that exercises substantial and overall management and control over an enterprise's manufacturing or business operation, finance and property. In addition, 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), which was issued on April 22, 2009, and has a retroactive effect from January 1, 2008, provides specific tests regarding under what situations an enterprise's “de facto management body” would be considered to be located in China. While substantially all of our management is currently based in China, 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 PRC subsidiaries, will be subject to PRC income tax. See “— Dividends payable by us to our foreign investors and gain on the sale of our Shares may become subject to withholding taxes under PRC tax laws” below.

In addition, pursuant to the *Notice on Strengthening Administration of Enterprise Income Tax for Share Transfers by Non-PRC Resident Enterprise* (關於加強非居民企業股權轉讓所得企業所得稅管理的通知) (Circular Guoshuihan 2009 No. 698) issued by the State Administration of Taxation on December 10, 2009, even if we or our overseas subsidiaries are considered non-PRC resident enterprises, we cannot provide any assurance that any direct or indirect transfer of our equity interests in our PRC subsidiaries via our overseas holding companies in the future will not be subject to examination by our PRC subsidiaries' tax authorities and therefore subject to a withholding tax of 10%. See “— Dividends payable by us to our foreign investors and gains on the sale of our Shares may become subject to withholding taxes under PRC tax laws” below.

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

Under the new PRC Enterprise Income Tax Law and the related implementation regulations issued by the State Council, a PRC income tax at the rate of 10% is applicable to dividends payable to investors that are “non-resident enterprises” (i.e. enterprises that do not have an establishment or place of business in China or that have such an establishment or place of business but do not have

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income that is effectively connected with the establishment or place of business) to the extent these dividends have their source within China. Similarly, any gain realized on the transfer of shares by such investors is also subject to a 10% PRC income tax if the gain is regarded as income derived from sources within China.

Similarly, Circular Guoshuihan 2009 No. 698 provides that where a foreign investor indirectly transfers the equity of a PRC resident enterprise by disposing of the equity of an overseas holding company (“Indirect Transfer”) located in a tax jurisdiction that: (i) has an effective tax rate of less than 12.5%, or (ii) does not tax its residents on their foreign income, the foreign investor shall report the Indirect Transfer to the competent PRC tax authority within 30 days of the date when the equity transfer agreement was entered into. The PRC tax authority will examine the true nature of the Indirect Transfer. Should it deem the foreign investor to have made the transfer in order to avoid the PRC tax, the PRC tax authority may disregard the existence of the overseas holding company and re-characterize the Indirect Transfer. As a result, gains derived from such an Indirect Transfer may be subject to PRC withholding tax at the rate of 10%. Circular Guoshuihan 2009 No. 698 also provides that, where a non-PRC resident enterprise transfers its equity interests in a PRC resident enterprise to its related parties at a price lower than the fair market value, the competent tax authority has the authority to adjust the amount of taxable income pertaining to the transaction.

We may be subject to fines and penalties under the PRC Contract Labor Law, and our labor costs may increase.

The PRC Labor Contract Law imposes requirements concerning, among other things, the types of contracts to be executed between an employer and an employee, and establishes time limits for probation periods and for fixed-term employment contracts. It also requires the employer to contribute to social insurance and housing funds on behalf of its employees. We are unsure whether the PRC Labor Contract Law will affect our current employment policies. We cannot assure you that our employment policies do not or will not violate the PRC Labor Contract Law and that we will not be subject to related penalties, fines or legal fees.

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

Exchange rate fluctuations of the Renminbi may adversely affect your investment and our results of operations.

The exchange rates between the Renminbi and the Hong Kong Dollar, the US Dollar and other foreign currencies are affected by, among other things, changes in China’s political and economic conditions. Pursuant to the *Announcement Reforming the RMB Exchange Rate Regime* (關於完善人民幣匯率形成機制改革的公告) issued by the People’s Bank of China on July 21, 2005, the PRC government changed its decade-old policy of pegging the value of the Renminbi to the US Dollar. Under the new policy, the Renminbi is pegged to a basket of currencies determined by the

RISK FACTORS

PBOC, against which the Renminbi can rise or fall by as much as 0.5% each day. As of June 30, 2011, there had been an approximately 20.2% appreciation of the Renminbi against the US Dollar based on the median between bid and ask prices promulgated by PBOC since the removal of the Renminbi's peg to the US Dollar on July 21, 2005.

Appreciation of the Renminbi against certain foreign currencies could have an adverse effect on the Renminbi amount we receive following conversion. As we rely on dividends paid to us by our subsidiaries in the PRC, any significant revaluation of Renminbi may have a material adverse effect on the value of the dividends payable in foreign currency terms. Furthermore, we will need to convert the proceeds from the Global Offering and future financing in foreign currencies into the Renminbi for our operational use. Very limited hedging transactions are available in China to reduce our exposure to exchange rate fluctuations. To date, we have not entered into any hedging transactions to reduce our exposure to foreign currency exchange risk. If we decide to enter into hedging transactions in the future, the availability and effectiveness of these transactions may be limited, and we may not be able to successfully hedge our exposure at all. In addition, our currency exchange losses may be magnified by PRC exchange control regulations that restrict our ability to convert Renminbi into foreign currencies. As a result, any significant revaluation of the Renminbi may have a material and adverse effect on our cash flow, results of operations and financial position.

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

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

Under our current corporate structure, we derive a significant portion of our income from dividend payments from our PRC subsidiaries. Shortages in the availability of foreign currency may restrict the ability of our PRC subsidiaries to remit sufficient foreign currency to pay dividends or other payments to us, or otherwise satisfy their foreign currency-denominated obligations. If the foreign exchange control system prevents us from obtaining sufficient foreign currency to satisfy our currency demands, we may not be able to pay dividends in foreign currencies to our shareholders.

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

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

All of our production lines and a majority of our Directors are located in China. As a result, it may not be possible for you to effect service of legal process upon us or our Directors in the PRC. The PRC does not have treaties providing for reciprocal recognition and enforcement of judgments of courts with Hong Kong, the United States, the United Kingdom and most other western countries. Thus, it may be difficult for you to enforce any judgments obtained from non-PRC courts against us or our Directors in the PRC.

Our results of operations and the trading price of our Shares may be adversely affected by the occurrence of an epidemic.

A threatened or actual outbreak of any widespread public health problem in China, such as severe acute respiratory syndrome, avian influenza or swine influenza, could have a negative effect on our results of operations and the trading price of our Shares. Our operations may be affected by a number of health-related factors, including quarantines or closures 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 THE GLOBAL OFFERING

There has been no prior public market for our Shares. The market prices and liquidity of our Shares following the Global Offering may be volatile.

Prior to the Global Offering, there has been no public market for our Shares. Following the completion of the Global Offering, the Hong Kong Stock Exchange will be the only market on which our Shares are listed. We cannot assure you that an active, liquid public trading market for our Shares will develop upon the present listing on the Hong Kong Stock Exchange. In addition, following the Global Offering our Shares may trade in the public market below the Offer Price. The Offer Price will be determined by agreement among us and the Joint Bookrunners, on behalf of the Underwriters, and the Offer Price may differ significantly from the market price of our Shares following the completion of the Global Offering. If an active trading market for our Shares does not develop or is not sustained after the Global Offering, the market price and liquidity of our Shares could be materially and adversely affected.

The trading price of our Shares may be volatile, which could result in substantial losses to you.

The trading price of our Shares may be volatile and could fluctuate widely in response to factors beyond our control, including general market conditions of the securities markets in Hong Kong, China, the United States and elsewhere in the world. In particular, the performance and fluctuation of the market prices of other companies with business operations located mainly in China that have listed their securities in Hong Kong, and in particular other cement companies, may affect the volatility in the price of and trading volumes for our Shares. Recently, a number of PRC companies have listed their securities, or are in the process of preparing to list their securities, in Hong Kong. Some of the recently listed companies have experienced significant share price volatility, including significant

RISK FACTORS

declines, after their initial public offerings. The trading performances of the securities of these companies at the time of or after their offerings may affect the overall investor sentiment towards companies listed in Hong Kong whose operations are primarily in China, and, consequently, may impact the trading performance of our Shares. These broad market and industry factors may significantly affect the market price and volatility of our Shares, regardless of our actual operating performance.

In addition to market and industry factors, the share price and trading volume for our Shares may be highly volatile for specific business reasons. In particular, factors such as variations in our turnover, earnings and cash flow, or the occurrence of any of the risks described elsewhere in this “Risk Factors” section, could cause the market price of our Shares to change substantially. Any of these factors may result in large and sudden changes in the price and trading volume of our Shares.

Future sales of substantial amounts of our Shares in the public market could adversely affect the prevailing market price of our Shares.

Sales of substantial amounts of our Shares in the public market, or the perception that these sales may occur, may materially and adversely affect the prevailing market price of our Shares. In addition, the Shares held by our Controlling Shareholders, JPMorgan PCA, Wan Qi and Titan Investments (Cayman) are subject to certain lock-up periods beginning on the date on which trading in our Shares commences on the Hong Kong Stock Exchange, the details of which are set out in the section headed “Underwriting” in this prospectus. We cannot assure you that, after such restrictions expire, these shareholders will not dispose of any Shares.

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

The Offer Price of our Shares is higher than the value of the net tangible assets per Share immediately prior to the Global Offering. Therefore, purchasers of our Shares in the Global Offering will experience an immediate dilution to the value of the pro forma adjusted net tangible assets of HK\$2.59 per Share based on the maximum offer price of HK\$3.61 per Share.

In order to expand our business, we may consider issuing additional Shares in the future. Purchasers of our Shares may experience further dilution in the net tangible asset book value per Share of their Shares if we issue additional Shares in the future at a price which is lower than the net tangible asset book value per Share.

There are no assurances that we will pay dividends in the future.

During the Track Record Period, we did not pay any dividends. Our Directors may declare dividends after taking into account, among other things, our results of operations, financial condition and position, the amount of distributable profits based on IFRS, our Memorandum and Articles of Association, the Cayman Companies Law, applicable laws and regulations and other factors that our

RISK FACTORS

Directors deem relevant. For further details of our dividend policy, please see the section headed “Financial Information — Dividend Policy” in this prospectus. Our future payments of dividends will be at the absolute discretion of our Board. We cannot assure you when or whether we will pay dividends in the future.

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

Certain facts and other statistics in this prospectus relating to China, the PRC economy and the PRC cement industry have been derived from various official government publications and third-party sources. However, we cannot guarantee the quality or reliability of these sources. They have not been prepared or independently verified by us or any of our affiliates or advisers and, therefore, we make no representation as to the accuracy of such facts and statistics. Due to possibly flawed or ineffective collection methods or discrepancies between published information and market practice and other problems, the facts and statistics herein may be inaccurate or may not be comparable to facts and statistics produced for other economies. As a result, prospective investors should consider carefully how much weight or importance they should attach to or place on such facts or statistics.

You should read the entire prospectus carefully and we strongly caution you not to place any reliance on any information contained in press articles or other media regarding us and the Global Offering.

Prior to the publication of this prospectus, there has been press and media coverage regarding us and the Global Offering, including, but not limited to, coverage in *Hong Kong Commercial Daily*, *Hong Kong Daily News*, *Ta Kung Pao*, *Wen Wei Po*, *Oriental Daily News* and *Sing Pao Daily News* on December 3, 2011, which included, among other things, certain financial information, financial projections, production capacity, valuations and/or other information about our Group and the Global Offering. We have not authorized the disclosure of any such information in the press or media and do not accept any responsibility for any press or media coverage or the accuracy or completeness of any such information. We make no representation as to the appropriateness, accuracy, completeness or reliability of any such information or publication. To the extent that any such information is inconsistent or conflicts with the information contained in this prospectus, we disclaim responsibility for it. Accordingly, you should not rely on any such information. In making your decision as to whether to purchase our Shares, you should rely only on the information included in this prospectus.

WAIVERS FROM STRICT COMPLIANCE WITH THE LISTING RULES

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

CONNECTED TRANSACTIONS

Members of our Group have entered into certain transactions that would constitute continuing connected transactions of our Company under the Listing Rules after the Listing. Among such transactions, there is a continuing connected transaction subject to the reporting, announcement and annual review requirements but exempt from the independent shareholders' approval requirement under Chapter 14A of the Listing Rules. Our Company has received from the Stock Exchange a waiver from strict compliance with the announcement requirement set out in Chapter 14A of the Listing Rules for such a non-exempt continuing connected transaction. Further details of such a non-exempt continuing connected transaction and the waiver are set out in the section headed "Relationship with The Li Family — Continuing Connected Transaction Exempt from the Independent Shareholders' Approval" in this prospectus.

MANAGEMENT PRESENCE IN HONG KONG

Pursuant to Rule 8.12 of the Listing Rules, we must have a sufficient management presence in Hong Kong. This normally means that at least two of our executive Directors must be ordinarily resident in Hong Kong. Since our principal business operations are primarily located in the PRC, the senior management members of our Group are, and are expected to continue to be, based in the PRC. Therefore, for the purpose of our Group's operations, our Directors consider that it is not necessary for our Group to appoint two executive Directors who ordinarily resides in Hong Kong. At present, the Board consists of 8 Directors. All 3 executive Directors ordinarily reside in the PRC. We have applied to the Stock Exchange for a waiver from strict compliance with the requirement under Rule 8.12 of the Listing Rules.

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 authorized representatives pursuant to Rule 3.05 of the Listing Rules who will act as our principal communication channel with the Stock Exchange and will ensure that they comply with the Listing Rules at all times. The two authorized representatives appointed are Mr. Liu Wenying, our executive Director and Mr. Yu Chunliang, one of our joint company secretaries. Each of them will be available to meet with the Stock Exchange in Hong Kong upon short notice and will be readily contactable by telephone, facsimile or e-mail. Each of the two authorized representatives has been duly authorized to communicate on behalf of our Company with the Stock Exchange. Meanwhile, each of them has appointed Mr. Chan Him, Alfred, as his alternate authorized representative as an additional communication channel between the Company and the Stock Exchange when the authorized representatives are outside Hong Kong;
- (b) We have appointed Guotai Junan Capital Limited as our compliance adviser pursuant to Rule 3A.19 of the Listing Rules who will also act as our Company's communication channel with the Stock Exchange when the authorized representative are not available;

WAIVERS FROM STRICT COMPLIANCE WITH THE LISTING RULES

- (c) The authorized representatives have means to contact all members of the Board (including the non-executive Directors and the independent non-executive Directors) promptly at all times as and when the Stock Exchange wishes to contact the members of the Board for any matters. We will implement a policy whereby (i) each Director will provide his or her mobile phone number, residential phone number, facsimile number and e-mail address to the authorized representatives; (ii) each Director will provide valid phone numbers or means of communication to the authorized representatives when he or she is traveling; and (iii) each Director will provide his or her mobile phone number, residential phone number, office phone number, facsimile number and e-mail address to the Stock Exchange;
- (d) Mr. Chan Him, Alfred, one of the joint company secretaries of the Company, is ordinarily resident in Hong Kong. He will (i) provide his office phone number, mobile phone number, facsimile number and e-mail address to the Stock Exchange; and (ii) have the office phone numbers, mobile phone numbers, residential phone numbers, facsimile numbers and e-mail addresses of all the Directors and the authorized representatives;
- (e) Meetings between the Stock Exchange and the Directors could be arranged through the authorized representatives or our compliance adviser, or directly with the Directors within a reasonable time frame. We will inform the Stock Exchange promptly in respect of any change in our authorized representatives and compliance adviser in accordance with the Listing Rules; and
- (f) All of the Directors who are not ordinarily resident in Hong Kong have confirmed that they possess valid travel documents to visit Hong Kong and will be able to meet with the relevant members of the Stock Exchange within a reasonable period of time, when required.

JOINT COMPANY SECRETARIES

According to Rule 8.17 of the Listing Rules, the secretary of our Company must be a person who is ordinarily resident in Hong Kong, has the requisite knowledge and experience to discharge the functions of a company secretary and is either (i) a member of the Hong Kong Institute of Chartered Secretaries, a solicitor or barrister (as defined in the Legal Practitioners Ordinance) or a professional accountant, or (ii) an individual who, by virtue of his academic or professional qualifications or relevant experiences, is in the opinion of the Stock Exchange capable of discharging those functions.

Our Company has appointed Mr. Yu Chunliang as one of the joint company secretaries. Although Mr. Yu has a thorough understanding of the operation of the Board, our Company and our Group, Mr. Yu is ordinarily resident in the PRC, does not possess a qualification as stipulated in Rule 8.17 of the Listing Rules and may not be able to solely fulfill the requirements as stipulated under Rules 8.17 of the Listing Rules. As such, our Company appointed Mr. Chan Him, Alfred as another joint company secretary who is ordinarily resident in Hong Kong and is able to fully comply with the requirements set out under Rule 8.17 of the Listing Rules.

WAIVERS FROM STRICT COMPLIANCE WITH THE LISTING RULES

Over a period of three years from the Listing Date, our Company proposes to implement the following measures to assist Mr. Yu in becoming a joint company secretary who possesses all the requisite qualifications as required under the Listing Rules: (i) Mr. Chan will provide assistance and guidance to Mr. Yu in his discharge of duties as a joint company secretary and in gaining the relevant experience as required by the Listing Rules; and (ii) our Company will ensure Mr. Yu has access to the relevant training and support to enable him to familiarize himself with the Listing Rules and the duties required for a company secretary of an issuer listed on the Stock Exchange.

Further, our Company will ensure that we will have at least one company secretary who is ordinarily resident in Hong Kong and possesses the requirements of a company secretary as stipulated under Rule 8.17 of the Listing Rules at all times.

In order to ensure effective communication between our Company and the Stock Exchange, our Company has appointed Mr. Liu Wenying (executive Director) and Mr. Yu (one of the joint company secretaries) as the authorized representatives of our Company, who will act as our principal communication channel with the Stock Exchange. Meanwhile, each of the authorized representatives has also appointed Mr. Chan Him, Alfred who is based in Hong Kong as his alternate authorized representative. The authorized representatives and the alternate authorized representative will be available to meet with the Stock Exchange within a reasonable time frame upon request by the Stock Exchange and will be readily contactable by telephone or facsimile or email. Our Company has also appointed Guotai Junan Capital Limited as our compliance adviser, pursuant to Rule 3A.19 of the Listing Rules, that will also act as our Company's alternative communication channel with the Stock Exchange, in addition to our Company's authorized representatives and alternate authorized representative. The contact persons of the compliance adviser will be fully available to answer enquiries from the Stock Exchange. Contact details of the compliance adviser have been provided to the Stock Exchange.

We have applied to the Stock Exchange for, and the Stock Exchange has granted, a waiver under and in respect of Rule 8.17 of the Listing Rules. The waiver is valid for an initial period of three years from the Listing Date. Upon the expiry of such three-year period, our Company will re-evaluate the qualifications and experience of Mr. Yu to consider whether the requirements stipulated in Rules 8.17 of the Listing Rules can be satisfied.

We understand that in the event Mr. Chan, during such three-year period, ceases to provide assistance and guidance to Mr. Yu, the waiver will be revoked with immediate effect.

INFORMATION ABOUT THIS PROSPECTUS AND THE GLOBAL OFFERING

DIRECTORS' RESPONSIBILITY FOR THE CONTENTS OF THIS PROSPECTUS

This prospectus, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Hong Kong Companies Ordinance, the Securities and Futures (Stock Market Listing) Rules and Listing Rules for the purpose of giving information to the public with regard to the Group. 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 that there are no other matters the omission of which would make any statement herein or this prospectus misleading.

UNDERWRITING

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

The listing of our Shares on the Hong Kong Stock Exchange is sponsored by the Joint Sponsors. The Hong Kong Public Offering is fully underwritten by the Hong Kong Underwriters under the terms of the Hong Kong Underwriting Agreement, subject to agreement on the Offer Price between the Joint Global Coordinators (on behalf of the Underwriters) and us on the Price Determination Date. The International Placing is expected to be underwritten by the International Underwriters. If, for any reason, the Offer Price is not agreed between the Company and the Joint Global Coordinators, on behalf of the Underwriters, the Global Offering will not proceed.

The Global Offering is managed by the Joint Global Coordinators.

For further information about the Underwriters and the underwriting arrangements, see the section headed "Underwriting" in this prospectus.

INFORMATION ON THE GLOBAL OFFERING

The Offer Shares are offered solely on the basis of the information contained and representations made in this prospectus and the Application Forms and on the terms and subject to the conditions set out herein and therein. No person is authorized to give any information in connection with the Global Offering or to make any representation not contained in this prospectus, and any information or representation not contained herein must not be relied upon as having been authorized by the Company, the Joint Sponsors, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Underwriters, or any of their respective directors, agents, employees or advisers or any other party involved in the Global Offering. Details of the structure of the Global Offering, including its conditions, are set out in the section headed "Structure of the Global Offering", and the procedures for applying for Hong Kong Public Offer Shares are set out in the section headed "How to Apply for Hong Kong Public Offer Shares" and in the relevant Application Forms.

INFORMATION ABOUT THIS PROSPECTUS AND THE GLOBAL OFFERING

RESTRICTIONS ON OFFER AND SALE OF THE OFFER SHARES

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

No action has been taken to permit a public offering of the Offer Shares in any jurisdiction other than in Hong Kong, or the distribution of this prospectus in any jurisdiction other than Hong Kong. Accordingly, this prospectus may not be used for the purpose of, and does not constitute an offer or invitation in any jurisdiction or in any circumstances in which such an offer or invitation is not authorized 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 authorization by the relevant securities regulatory authorities or an exemption therefrom.

APPLICATION FOR LISTING OF THE SHARES ON THE HONG KONG STOCK EXCHANGE

We have applied to the Listing Committee of the Hong Kong Stock Exchange for the authorization to list, and the permission to deal in, our Shares in issue, and the Shares to be issued pursuant to the Global Offering (including any Over-allotment Shares which may be sold under the Over-allotment Option) and any Shares which may fall to be issued pursuant to the exercise of the Share Option Scheme. No part of our Shares is listed on or dealt in on any other stock exchange and no such listing or permission to list is being or proposed to be sought in the near future.

SHARES WILL BE ELIGIBLE FOR ADMISSION INTO CCASS

Subject to the granting of listing of, and permission to deal in, the Shares on the Hong Kong 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 date of commencement of dealings in the Shares on the Hong Kong Stock Exchange or any other date as determined by HKSCC. Settlement of transactions between participants of the Hong Kong Stock Exchange is required to take place in CCASS on the second business day after any trading day. All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time. All necessary arrangements have been made for the Shares to be admitted into CCASS.

REGISTER OF MEMBERS AND STAMP DUTY

The Company's principal register of members will be maintained by its principal registrar, Codan Trust Company (Cayman) Limited, in the Cayman Islands, and the Company's Hong Kong register of members will be maintained by Computershare Hong Kong Investor Services Limited, in Hong Kong.

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

INFORMATION ABOUT THIS PROSPECTUS AND THE GLOBAL OFFERING

Dealings in our Shares registered on our Hong Kong Share Register will be subject to Hong Kong stamp duty.

PROFESSIONAL TAX ADVICE RECOMMENDED

Potential investors in the Global Offering are recommended to consult their professional advisers if they are in any doubt as to the taxation implications of subscribing for, purchasing, holding or disposing of, and dealing in our Shares (or exercising rights attached to them). None of us, the Joint Global Coordinators, the Joint Sponsors, the Joint Bookrunners, the Underwriters, any of their respective directors or any other person or party involved in the Global Offering accepts responsibility for any tax effects on, or liabilities of, any person resulting from the subscription, purchase, holding or disposal of, dealing in, or the exercise of any rights in relation to, the Offer Shares.

OVER-ALLOTMENT OPTION AND STABILIZATION

Details of the arrangements relating to the Over-allotment Option and stabilization are set out in the section headed “Structure of the Global Offering” in this prospectus.

PROCEDURE FOR APPLICATION FOR HONG KONG PUBLIC OFFER SHARES

You may find the application procedures for our Hong Kong Public Offer Shares in the section headed “How to Apply for Hong Kong Public Offer Shares” in this prospectus and on the relevant Application Forms.

STRUCTURE OF THE GLOBAL OFFERING

You may find details of the structure of the Global Offering, including its conditions, in the section headed “Structure of the Global Offering” in this prospectus.

CURRENCY TRANSLATIONS

Solely for your convenience, this prospectus contains translations of certain Renminbi amounts into Hong Kong dollars and certain US dollar amounts into Renminbi amounts at specified rates. Unless we indicate otherwise, the translation of Renminbi into HK dollars was made at the rate of RMB1.00 to HK\$1.2219, the exchange rate prevailing on November 25, 2011 set by the PBOC for foreign exchange transactions, the translation of US dollars into Renminbi was made at the rate of US\$1.00 to RMB6.3802, and the translation of US dollars into HK dollars was made at the rate of US\$1.00 to HK\$7.7957, the noon buying rate in New York City on November 25, 2011 for cable transfers as certified for customs purposes as set forth in the weekly H.10 statistical release of the Federal Reserve Board. Any discrepancies in any table between totals and sums of amounts listed therein are due to rounding. No representation is made that any amounts in US dollar, Hong Kong dollar or RMB can be or could have been at the relevant dates converted at the rates disclosed in this prospectus or any other rates or at all.

INFORMATION ABOUT THIS PROSPECTUS AND THE GLOBAL OFFERING

LANGUAGE

If there is any inconsistency between the names of any of the entities mentioned in this prospectus which are not in English and their English translations, such foreign language names shall prevail.

ROUNDING

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 relevant figures.

DIRECTORS AND PARTIES INVOLVED IN THE GLOBAL OFFERING

DIRECTORS

Executive Directors

<u>Name</u>	<u>Address</u>	<u>Nationality</u>
Li Heping (李和平)	No. 6 Community Xinyuan South Road Chaoyang District Beijing, PRC	Chinese
Liu Wenying (劉文英)	No. 303, First Door Block 28, 10 Neighbourhood Jianxi District Luoyang City Henan Province, PRC	Chinese
Yu Yagang (郁亞杠)	No. 402, Second Door Block 12, 18 Neighbourhood Jianxi District Luoyang City Henan Province, PRC	Chinese

Non-executive Directors

<u>Name</u>	<u>Address</u>	<u>Nationality</u>
Li Liufa (李留法)	Tianrui Community No. 63 Guangcheng East Road Ruzhou City, Henan Province PRC	Chinese
Tang Ming Chien (唐明千)	Flat F, 32/F, Tower 1 8 Sham Mong Road Harbour Green Tai Kok Tsui, Kowloon Hong Kong	Canadian

DIRECTORS AND PARTIES INVOLVED IN THE GLOBAL OFFERING

Independent non-executive Directors

<u>Name</u>	<u>Address</u>	<u>Nationality</u>
Wang Yanmou (王燕謀)	1402, 13/F Cuiwei Community (West) Haidian District Beijing, PRC	Chinese
Poon Chiu Kwok (潘昭國)	Flat G, 22nd Floor Block 19, Laguna City Kwun Tong, Kowloon Hong Kong	Chinese
Song Quanqi (宋全啟)	Flat A, 20/F No. 1, 458 Nong Wanhangdu Road Jingan District Shanghai, PRC	Chinese
Ma Chun Fung Horace (馬振鋒) (formerly known as Ma Ka Keung (馬家強))	12/F, 42C Broadway Mei Foo Sun Chuen Hong Kong	Chinese

DIRECTORS AND PARTIES INVOLVED IN THE GLOBAL OFFERING

PARTIES INVOLVED IN THE GLOBAL OFFERING

**Joint Global Coordinators,
Joint Bookrunners and
Joint Lead Managers**

Deutsche Bank AG, Hong Kong Branch
52nd Floor, International Commerce Centre
1 Austin Road West
Kowloon
Hong Kong

BOCI Asia Limited
26th Floor, Bank of China Tower
1 Garden Road
Central
Hong Kong

BOCOM International Securities Limited
9th Floor, Man Yee Building
68 Des Voeux Road Central
Hong Kong

CCB International Capital Limited
34th Floor, Two Pacific Place
88 Queensway
Admiralty
Hong Kong

Joint Sponsors

Deutsche Bank AG, Hong Kong Branch
52nd Floor, International Commerce Centre
1 Austin Road West
Kowloon
Hong Kong

BOCI Asia Limited
26th Floor, Bank of China Tower
1 Garden Road
Central
Hong Kong

BOCOM International (Asia) Limited
9th Floor, Man Yee Building
68 Des Voeux Road Central
Hong Kong

CCB International Capital Limited
34th Floor, Two Pacific Place
88 Queensway
Admiralty
Hong Kong

DIRECTORS AND PARTIES INVOLVED IN THE GLOBAL OFFERING

Legal Advisers to the Company

As to Hong Kong law

Li & Partners

22nd Floor, World-Wide House
Central
Hong Kong

As to United States law

Morrison & Foerster

33/F, Edinburgh Tower
The Landmark
15 Queen's Road Central
Hong Kong

As to PRC law

Commerce & Finance Law Offices

6th Floor, NCI Tower
A12 Jianguomenwai Avenue
Chaoyang District
Beijing 100022
PRC

As to the Cayman Islands law

Conyers Dill & Pearman

Cricket Square
Hutchins Drive P.O. Box 2681
Grand Cayman
KY1-1111
Cayman Islands

Legal Advisers to the Joint Sponsors and the Underwriters

As to Hong Kong law

Paul Hastings

21st-22nd Floor, Bank of China Tower
1 Garden Road
Central
Hong Kong

As to United States law

Paul Hastings LLP

21st-22nd Floor, Bank of China Tower
1 Garden Road
Central
Hong Kong

DIRECTORS AND PARTIES INVOLVED IN THE GLOBAL OFFERING

As to PRC law

Jingtian & Gongcheng

34th Floor, Tower 3, China Central Place
77 Jianguo Road
Chaoyang District, 100025
Beijing
PRC

Auditors and Reporting Accountants

Deloitte Touche Tohmatsu

Certified Public Accountants

35th Floor, One Pacific Place
88 Queensway
Hong Kong

Property Valuer

BMI Appraisals Limited

33rd Floor
Shui On Centre
6-8 Harbour Road
Wanchai
Hong Kong

Receiving Banks

The Hongkong and Shanghai Banking Corporation Limited

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CORPORATE INFORMATION

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INDUSTRY OVERVIEW

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

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

INTRODUCTION

Cement is a basic and essential construction material, and Portland Cement is the most common type of cement. Various types of Portland Cement are produced by grinding and mixing different proportions of gypsum, blast furnace slag and other additives with clinker, a semi-finished product. The different proportions of clinker and additives determine the ultimate performance quality of the cement.

Clinker is an intermediate product produced in the cement manufacturing process. Clinker is ground down and mixed with gypsum and anhydrite, among other materials, to produce cement.

In connection with the Global Offering, we have commissioned Digital Cement, an Independent Third Party, for a fee of RMB50,000 to prepare research reports on the cement industry in Henan and Liaoning provinces. We used certain data from such reports in this prospectus. Digital Cement uses a variety of government sources and conducts market surveys to gather market information in preparation for such reports. We also used certain other data in this prospectus that is publicly available from Digital Cement and other entities and organizations. Digital Cement is an organization established by the China Cement Association (an Independent Third Party), which advises the PRC government on formulating development strategies, legal policies, and industry standards and guidelines for the PRC cement sector. Digital Cement publishes cement industry publications regularly and also provides Internet-based information services and industry consulting services to the public.

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Uses and Types of Cement

Cement is commonly used in the production of concrete, mortar and precast. Cement can be manufactured into concrete and formed on-site for large-scale projects such as buildings, bridges, dams and roadways. In addition, cement can also be used for mortar, acting as a bonding agent for brick walls and indoor tiling work. Alternatively, cement can be made into precast concrete products such as bricks, panels, railway sleepers, poles, precast beams and highway dividers.

There are three basic types of cement: Ordinary Portland Cement, Slag Portland Cement and Composite Portland Cement. The common grades are 32.5, 42.5 and 52.5, as well as 32.5R, 42.5R and 52.5R, which differ in their compression strength. The label “R” indicates cement with high early strength and hydration heat in its strength category.

Ordinary Portland Cement is a quick hardening cement with relatively strong initial compressive strength and is more resistant to abrasion than other types of cement. Typically, this type of cement is used in construction projects, such as roads and bridges, which have to be completed within a short period of time.

Slag Portland Cement is produced by mixing clinker with iron blast furnace slag and other additives. Slag Portland Cement has lower initial strength and less stable coagulation time than Ordinary Portland Cement. It has lower heat of hydration and good adhesion with steel bars. This type of cement is used widely in underground buildings made with mass concrete such as dam, underwater and sea constructions.

Composite Portland Cement is made of Ordinary Portland Cement along with 15% to 50% of aggregates, such as flyash. Composite Portland Cement contains less clinker which makes it less expensive than Ordinary Portland Cement and Slag Portland Cement. It also has a lower compressive strength than Ordinary Portland Cement and is commonly used for general industrial and civil buildings.

Cement Production and Its Raw Materials

Raw materials such as limestone, clay, blast furnace slag (or slate), silica sand and iron ore are fed through primary and secondary crushers or hammer mills. The next step can be either a wet or dry process. In the wet process, raw materials in controlled proportions are ground with water to form slurry and then transferred into a calcining kiln. In the dry process, the raw materials are ground and mixed without water before being transferred into a kiln.

A kiln is a large, cylindrical steel tube which acts as an oven and heats the above mixtures at temperatures of up to 1,450°C. Rotary kilns are placed horizontally at a slight angle. Slurry or dry raw materials are fed into the higher end of the rotary kiln, and as they approach the lower end, a blast flame heats and chemically alters them. The blast flame is produced by burning either coal, oil or gas. Kilns can also use waste materials such as tires, rubber, paper, sewage sludge or plastic as fuel. As the raw materials move through the kiln, they release certain elements in gas form, while the remaining material solidifies into small, marble-sized pieces called clinker.

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Clinker, which possesses physical and chemical properties different from its raw materials, is then crushed into fine powder. Gypsum and other materials such as volcanic ash and flyash are added to the ground clinker, resulting in a powder that is Portland Cement. Gypsum is a key addition which adjusts the setting time of the cement when cement is eventually used in the production of concrete. The production process of cement contains a series of chemical and physical tests and specification analyses to ensure the quality of the cement.

Two main types of kilns are used in the cement production process: vertical kilns and rotary kilns. Vertical kilns employ less advanced technology, yield lower quality clinker and are less energy efficient. Vertical kilns can only use the semi-dry process of cement production. In contrast, rotary kilns employ more advanced technology (including NSP technology) that allows for enhancing the clinker quality.

The following table shows a comparison between rotary kilns and vertical kilns:

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

Prior to 2000, most cement production lines in the PRC used vertical kilns to produce cement. Rotary kilns adopting NSP technology generally discharge fewer harmful emissions and produce better quality cement. It is the PRC government's policy to encourage the use of NSP technology to control pollution and industry waste. Rotary kilns with NSP technology are now the most common cement production technology in the world, which contributed approximately 80% of the total clinker produced in 2010, according to the MIIT.

CEMENT MARKET IN THE PRC

China's economy has grown rapidly in recent years. From 2006 to 2010, China's GDP increased from approximately RMB21,631.4 billion to approximately RMB39,798.3 billion. Such growth represented a CAGR of approximately 16.5%, making China one of the fastest growing economies in the world. This general economic expansion led to a significant rise in building and construction projects of infrastructure and other FAI across China.

The massive expansion of the construction industry in turn drove the growth of cement production and consumption in China. As a result, China's cement consumption during the last 10 years experienced a notable expansion. According to Digital Cement, China is the largest cement producing country in the world, with a total production volume of approximately 1,868 million tonnes in 2010, representing an increase of 13.6% compared to 2009, accounting for over 50% of the world's total cement production.

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The table below sets forth the amounts and growth rates of GDP, FAI, cement consumption and cement production in China for the periods indicated:

	Year ended December 31,					CAGR
	2006	2007	2008	2009	2010	2006-2010
GDP						
RMB (in billions)	21,631.4	26,581.0	31,404.5	34,050.7	39,798.3	16.5%
Growth rate (%).....	12.7	14.2	9.6	9.1	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						
Tonnes (in millions).....	1,236.8	1,361.2	1,423.6	1,644.0	1,868.0	10.9%
Growth rate (%).....	15.7	10.1	4.6	15.5	13.6	
Cement Consumption						
Tonnes (in millions).....	1,200.0	1,330.0	1,370.0	1,630.0	1,860.0	11.6%
Growth rate (%).....	14.3	10.8	3.0	19.0	14.1	

Sources: China Statistical Yearbook 2010, National Development and Reform Commission, Digital Cement and National Bureau of Statistics of China (Cement Consumption data only)

The PRC government has recently raised quality standards and in turn raised barriers of entry into the cement industry. For example, pursuant to the *Policy of Cement Industry Development* (水泥工業產業發展政策) issued on October 17, 2006, all newly constructed clinker production lines must now have sufficient limestone resources to support operations for at least 30 years, and all newly established cement grinding plants should now have a minimum annual production capacity of 0.6 million tonnes.

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The table below sets forth the twelve largest producers of cement and clinker in China in terms of clinker production capacity in 2010:

Ranking	Producer	Clinker capacity* (in millions of tonnes)
1	Anhui Conch Cement Company Limited (安徽海螺水泥股份有限公司)	102.8
2	South Cement Company Limited (南方水泥有限公司)	70.2
3	China United Cement Company Limited (中國聯合水泥集團有限公司)	46.5
4	Tangshan Jidong Cement Company (河北唐山冀東水泥股份有限公司)	45.0
5	China National Materials Group Corporation (中國中材集團有限公司)	43.2
6	TCC International Holdings Limited (台泥國際集團有限公司)	41.2
7	China Resources Cement Holdings Limited (華潤水泥控股有限公司)	37.1
8	Huaxin Cement Co., Ltd (湖北華新水泥股份有限公司)	30.6
9	Shandong Shanshui Cement Group Company Limited (山東山水水泥集團有限公司)	29.4
10	Hongshi Holding Group Co., Ltd. (紅獅控股集團有限公司)	26.0
11	Henan Tianrui Group Corporation (河南天瑞集團公司)	25.9
12	BBMG Corporation (北京金隅股份有限公司)	23.7

* The above data represents only the NSP clinker production capacity as of December 31, 2010.

Source: China Cement Net (中國水泥網)

GOVERNMENT POLICIES TO STIMULATE DEMAND FOR CEMENT

Infrastructure Spending

As a result of the international financial turmoil in the latter half of 2008 and in 2009, the PRC government introduced a comprehensive stimulus package involving major project investment plans with an aggregate value of RMB4 trillion in order to stabilize the domestic economy and encourage domestic consumption (the “RMB4 trillion stimulus package”). As a result of this stimulus package, many government and infrastructure projects, including railways, highways, rural development, subsidized housing and post-disaster reconstructions, which together accounted for approximately 81.8% of the total stimulus package, were either accelerated or commenced in 2008 and 2009. In addition, a national railway construction plan with an aggregate value of RMB2 trillion was announced by the PRC government to stimulate infrastructure spending. The PRC government continues to develop a number of major infrastructure projects, which in turn drove a significant increase in FAI. Examples of these projects include the South-North Water Transfer Project (南水北調工程), Ha’erbin-Dalian Express Railway (哈大高鐵), the Shijiazhuang-Wuhan Express Railway (石武高鐵) and the Zhengzhou East New Area (鄭東新區). China’s Twelfth Five-Year Plan (2011-2015) released in 2010 has further strengthened the government’s policy of boosting public spending on major infrastructure projects.

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Pursuant to the *Decision of the State Council of the Central Government of PRC Regarding the Acceleration of Water Conservancy Reform and Development* (中共中央國務院關於加快水利改革發展的決定) promulgated by the PRC government on December 31, 2010, the Central Government of the PRC decided to accelerate water conservancy development by among other things, increasing construction for farmland water conservancy projects and speeding up construction of infrastructure projects for water conservancy. Accordingly, the PRC government decided to increase public funding of water conservancy development projects with a target of doubling public funding for the construction of water conservancy projects by 2020 compared with that of the year 2010, and to make water conservancy a main area for the receipt of public funding. As such, given that water conservancy investment in China in 2010 amounted to RMB200 billion, the targeted total investment amount for water conservancy for the period from 2011 to 2020 is RMB4,000 billion. Because water conservancy construction will consume a large amount of cement, it is expected that this policy will positively affect the demand for cement in China in the near term.

New Rural Construction

On December 31, 2009, the PRC government issued the *Certain Opinions of the CPC Central Committee and the State Council on Improving the Overall Planning for Urban and Rural Development and Further Solidifying the Foundation for Agricultural and Rural Development* (中共中央國務院關於加大統籌城鄉發展力度進一步夯實農業農村發展基礎的若干意見), according to which, the PRC government voiced strong support for rural housing construction and launched a policy of “Building Materials Going to Countryside” (建材下鄉) to encourage the use of building materials in rural areas. This policy has generated significantly positive results for the use of cement. It is expected that this policy will provide more business opportunities for large and renowned cement producers that have wide market coverage, including the rural areas of China.

Government-Subsidized Housing

In 2010, the PRC government promulgated certain policies in support of the construction of three million units of government-subsidized housing. On January 27, 2011, the PRC government further issued the *Notice of the State Council on Firmly Curbing the Surging Housing Prices in Certain Cities* (國務院辦公廳關於進一步做好房地產市場調控工作有關問題的通知), which provided that the land for construction of government-subsidized housing, shanty town renovation and small and medium ordinary commodity houses shall account for no less than 70% of the total volume of land supply for housing, and land lots shall be allocated with priority for those purposes. It is expected that promoting the construction of government-subsidized housing will offset the adverse impact caused by China’s policy control over construction of commercial real estate in the short term, and thus provide continuing support for the demand for cement.

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KEY INDUSTRY TRENDS IN THE PRC

Vertical Kiln Phase-Out and NSP Technology Application

The production of cement involves large amounts of coal and power, and in turn results in high energy costs. Vertical kilns consume significantly more coal than rotary kilns, imposing a significant cost disadvantage on producers using vertical kilns as compared to those using rotary kilns given recent increases in coal and electricity prices. Vertical kilns also discharge more pollutants than rotary kilns. Vertical kiln plants constantly risk shutdown due to their greater exposure to power shortages and the price volatility of coal and electricity.

The PRC government has issued a series of regulations intended to phase out vertical kilns. On October 17, 2006, the NDRC issued the *Policy on Cement Industry Development* (水泥工業產業發展政策), which outlaws the establishment of new production centers using vertical kilns and less advanced technologies. This policy further stated that by the end of 2008, kilns that use obsolete technologies should be replaced, and that the production quota of vertical kilns should be further reduced. The policy explicitly stated that all vertical kilns should be shut down by the end of 2008, although the policy did not specifically name any regions. In the meantime, the State Electricity Regulatory Commission and the NDRC discourage the operation of vertical kilns, and have implemented a new electricity pricing scheme that favors rotary kilns. Moreover, some government authorities have promulgated an increasing number of environmental regulations that force small scale cement producers to adopt more environmentally friendly technologies. The increased coal consumption in the use of vertical kilns and the costs of adopting environmentally friendly technologies present serious challenges to small scale cement producers.

Addressing environmental concerns, the PRC government offers tax rebates to cement producers that demonstrate a 30% recycling rate for raw materials. Such tax rebates favor rotary kilns, as vertical kilns have difficulties attaining such rates of raw material recycling.

In August 2010 and July 2011, the MIIT published a list of enterprises with obsolete cement production capacity to be shut down in 2010 and 2011, respectively. The table below sets forth the top six provinces in terms of the production capacity required to be shut down by the MIIT.

Region	Ranking	2011 (million tonnes)	2010 (million tonnes)
Hebei	1	27.0	13.1
Liaoning	2	16.3	5.4
Sichuan	3	14.5	0.0
Shanxi	4	12.8	8.4
Zhejiang	5	10.2	6.3
Henan	6	9.9	8.6
China		153.3	107.3

Source: MIIT

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The majority of the world's industrialized nations began phasing out vertical kilns in the 1970s. Development of NSP technology in China began in the 1980s. The key component of NSP technology is the cyclone. A cyclone is a cone-shaped vessel and was originally used to clean the dust-laden gases exiting the dry process kilns. The entire feed of dry raw materials is fed through the cyclone, resulting in an efficient heat exchange, which, in turn, results in less heat emissions to the atmosphere.

The table below presents a breakdown of cement production in China by NSP and non-NSP technology during the periods indicated:

Technology	Year ended December 31,		
	2008	2009	2010
Non-NSP.....	39%	28%	20%
NSP	61%	72%	80%
Total	100%	100%	100%

Sources: *Digital Cement and MIIT*

Consolidation of a Fragmented Market

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 Digital Cement, 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 companies with leading market positions to merge with and acquire other small scale cement producers in order to optimize the industrial environment for competition.

Along with the adjustment of technology and industrial structure, major PRC cement producers have accelerated their consolidation activities, leading to an increase in their respective market shares. Pursuant to the Twelfth Five-Year Plan (2011-15) released by the PRC government, the aggregate cement production volume of the top 10 cement producers, in terms of production volume, should account for at least 35% of the total cement production capacity of the country with an average production volume of over 70 million tonnes. Therefore, the cement industry in China still has a lot of room for consolidation in the near future.

The PRC government has been supporting larger and more efficient cement companies and helping fuel the consolidation trend with the issuance of several regulations. In the *Specialized Plan for Developing the Cement Industry* (水泥工業發展專項規劃) issued on October 17, 2006, the NDRC noted that “small factories that are overly polluted and wasteful shall be shut down; successful enterprises should be actively cultivated through mergers and acquisitions and industrial consolidation to enhance competitiveness; and large enterprises are encouraged to acquire small enterprises to accelerate industry consolidation.” On the same day, the NDRC also noted in the *Policy of Cement Industry Development* (水泥工業產業發展政策) that the goal with respect to centralization and consolidation of the cement industry is to reduce the number of cement producers from 5,000 in 2006 to 2,000 by 2020. Among the 2,000 cement producers, 10 shall have annual production capacity of 30

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million tonnes and 40 shall have annual production capacity of 5 million tonnes. On December 31, 2006, the NDRC, the Ministry of Land and Resources and the PBOC jointly issued a notice stating that when seeking project investments or mergers and acquisitions, the 12 national and 48 local cement companies listed in the notice will receive government support in the form of priority with respect to project approvals, land use right grants and credit approvals. Set forth below are the 12 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	(中國中材集團公司)
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)

In 2009, the MIIT designated several cement companies with leading market positions in the cement industry that the PRC government supports for undertaking cement industry-specific mergers and consolidation in the central China region, including, without limitation, Anhui Conch Cement Company Limited (安徽海螺水泥股份有限公司), Huaxin Cement Co., Ltd. (湖北華新水泥股份有限公司), China National Materials Group Corporation (中國中材集團公司), **Henan Tianrui Group Corporation** (河南天瑞集團公司) and China National Building Material Company Limited (中國建材股份有限公司).

Under these cement policies, small-scale cement producers with obsolete production technologies that are not environmentally friendly shall be phased out, which we believe will create an undersupply of cement in certain regions of China. As a leading cement producer in central China and northeast China, we believe that we can benefit from such opportunity by further expanding our production capacity and product coverage and thereby strengthen our market position.

Increased Focus on Environmental Protection

The PRC government has implemented new environmental regulations to reduce emissions and noise pollution in the production of cement. These efforts have resulted in the increased use of rotary kilns and NSP technology and the decrease in energy consumption, production costs and environmental pollution. Recent improvements in related technologies have increased the use of energy saving and environmentally friendly production processes, reducing energy consumption in the cement clinker production process across the industry in the PRC.

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According to 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的通知) issued by the NDRC and seven other ministries of the PRC government on April 13, 2006, by the end of 2010, the heat consumption for producing clinker with NSP technology should have been reduced from 130 kg/tonne to 110 kg/tonne of coal equivalent, the percentage of production lines with residual heat power generation should then reach 40% and utilization rate of limestone reserves should then be increased from 60% to 80%.

We believe these policies will eventually lead to an optimal balance between the supply and demand of cement in China.

Pursuant to the *Guiding Opinions on Energy Saving and Emission Reduction in Cement Industry* (關於水泥工業節能減排的指導性意見) promulgated by the MIIT on November 25, 2010, the emission volume of cement particles should have been reduced by 50% against the same period in 2009. In the meantime, cement enterprises around major Chinese cities are required to possess basic household garbage and sewage treatment capabilities, so that cement production incorporating pollution treatment capabilities can be turned into a new type of environmental protection industry.

On November 30, 2010, the MIIT further promulgated the *Entrance Conditions for Cement Industry* (水泥行業准入條件) which requires certain government authorities to strictly control the new production capacity of cement industry in the future, to expedite the replacement of obsolete production capacity, improve pollution treatment within the cement industry, and establish sophisticated systems of data collection and monitoring and examination for industrial energy savings and emission reduction. The emphasis is to upgrade and rebuild cement production lines and replace obsolete production lines by applying NSP technology.

Curbing Oversupply

In recent years, certain industries in the PRC, including the cement industry, were over-expanding, which led the government to launch policies to limit new capacity growth. 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復建設引導產業康發展若干意見的通知) issued by the State Council on September 26, 2009, and the *Entrance Conditions for Cement Industry* (水泥行業准入條件) issued by the MIIT on September 7, 2009, the PRC government set out rules and opinions to increase the entry barriers of new cement production companies, including imposing stricter requirements on capital, industry experience and compliance with local development plans. New cement production lines or expansion of current cement production lines must comply with the cement industrial policy of the province in which that particular production line is located.

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REGIONAL CEMENT MARKETS IN HENAN, LIAONING, TIANJIN AND ANHUI

Due to the bulky product nature and high transportation costs, the market for cement products is regionalized. Production facilities are generally located near customers or suppliers to keep transportation costs low. Prices of cement products are predominantly influenced by local supply and demand conditions. The profitability of cement producers in China varies significantly by region.

The table below sets forth the top 10 provinces, municipalities and autonomous regions in China in terms of cement production volume in 2010 (in descending order):

Province	Cement production volume (in millions of tonnes)	Percentage of total production volume (%)
Jiangsu.....	156.5	8.4
Shandong.....	147.5	7.9
Sichuan.....	132.3	7.1
Hebei.....	125.9	6.7
Guangdong.....	115.4	6.2
Henan.....	114.8	6.2
Zhejiang.....	112.8	6.0
Hubei.....	89.8	4.8
Hunan.....	87.0	4.7
Anhui.....	78.7	4.2

Source: *Digital Cement*

The table below sets forth the demand for cement in Henan province, Liaoning province, Anhui province and Tianjin for the periods indicated:

	Henan province	Liaoning province	Anhui province	Tianjin
	(in millions of tonnes)			
2008.....	118.8	51.8	73.0	14.1
2009.....	119.6	51.9	73.5	14.8
2010.....	120.4	52.0	74.0	15.2

Source: *Digital Cement*

Henan Province

Henan province, with a population of approximately 95 million as of December 31, 2009, is one of the most important markets for cement producers.

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Henan is located in the central region of China. Henan's overall urbanization level falls behind the eastern coastal region of China. The table below sets forth the urbanization rate in Henan province and the national average in the PRC for the periods indicated:

Urbanization rate	Year ended December 31,		
	2007	2008	2009
Henan province.....	34.3%	36.0%	37.7%
National average.....	44.9%	45.7%	46.6%

Source: National Bureau of Statistics of China

With the commencement of the PRC government's *Strengthening Economic Development in Central and Western Regions* (中西部地區經濟發展的支持) policy during the period of the Tenth Five-Year Plan (2001-2005) and the initiation of the *Energize the Development of the Central China Region* (促進中部地區崛起) policy in 2006, Henan province's economy has gone through a phase of rapid development over the past few years. During the period from 2006 to 2010, the GDP in Henan province increased at a CAGR of 16.7%, which was slightly higher than the overall growth rate of 16.5% in China. In the same period, the Henan provincial government made significant efforts to improve the infrastructure of Henan province, resulting in growth of its FAI at a CAGR of 29.5%, which was higher than the overall growth rate of 26.1% for the entire China.

The table below sets forth the GDP, FAI, cement production volume and their respective growth rates in Henan province for the periods indicated:

	Year ended December 31,					CAGR
	2006	2007	2008	2009	2010	2006-2010
GDP: RMB (in billions)						
Henan.....	1,236	1,501	1,802	1,948	2,294	16.7%
GDP growth rate (%)						
Henan.....	14.4	14.6	12.1	10.9	12.2	
China.....	12.7	14.2	9.6	9.1	10.3	
FAI: RMB (in billions)						
Henan.....	590	801	1,049	1,370	1,659	29.5%
FAI growth rate (%)						
Henan.....	36.9	35.7	31.0	30.6	21.0	
China.....	23.9	24.8	25.9	30.0	23.8	
Cement production						
(in million tonnes)						
Henan.....	74.1	92.7	102.3	117.1	114.8	11.6%
Cement production growth rate (%)						
Henan.....	19.4	25.1	10.3	14.5	-2.0	
China.....	15.7	10.1	4.6	15.5	13.6	

Sources: National Bureau of Statistic of China and Digital Cement

INDUSTRY OVERVIEW

Due to Henan's flat terrain and its location in the central part of China, among other reasons, Henan has implemented many transport infrastructure projects, including some of the most high-profile infrastructure projects in China such as the South-North Water Transfer Project (南水北調工程) and West-East Gas Pipeline Project (Second Line) (西氣東輸二線工程), creating a substantial demand for cement. Henan province also has one of the most developed road networks in China, which provides strong support for the sale and transport of cement. With the rapid development and the growing popularity of NSP technology, which is more energy-efficient and environmentally friendly, the traditional cement manufacturing technologies have gradually been replaced. The *List for the Elimination of Enterprises with Obsolete Production Capacities in 2010* (2010年水泥淘汰落後產能企業名單) published by the MIIT on August 6, 2010 mandated that an aggregate obsolete production capacity of 8.6 million tonnes of 33 cement enterprises in Henan province is to be eliminated, of which an aggregate obsolete production capacity of 4.2 million tonnes was attributable to five cement enterprises in Yuzhou.

The table below sets forth the top five clinker producers in terms of clinker production capacity using NSP technology and their respective market share in Henan province as of June 30, 2011:

Producers	Clinker production capacity (million tonnes)	Percentage of total production capacity (%) in Henan province
Tianrui Group Cement Co., Ltd. (天瑞集團水泥有限公司)	16.0	19.6
China United Cement Henan Division (中聯水泥河南運營管理區).....	10.9	13.4
Henan Tongli Cement Co., Ltd. (河南同力水泥有限公司).....	10.7	13.1
Henan Mengdian Group Cement Co., Ltd. (河南孟電集團水泥有限公司)	5.0	6.1
Henan Baofeng Dadi Cement Co., Ltd. (河南寶豐大地水泥有限公司)	3.1	3.8

Source: Henan Building Materials Industry Association (河南省建築材料工業協會)

INDUSTRY OVERVIEW

The table below sets forth the top 10 cement producers in terms of production volume and their respective market share in Henan province in 2010:

Producers	Cement production volume (million tonnes)	Percentage of total production volume (%) in Henan province
Tianrui Group Cement Co., Ltd. (天瑞集團水泥有限公司)	16.9	14.7
China United Cement Henan Division (中聯水泥河南運營管理區).....	12.6	10.9
Henan Tongli Cement Co., Ltd. (河南同力水泥有限公司).....	8.2	7.2
Henan Anyang Hubo Cement Co., Ltd. (河南省安陽湖波水泥有限公司).....	6.7	5.9
Henan Mengdian Group Cement Co., Ltd. (河南孟電集團水泥有限公司)	3.6	3.1
Henan Dadi Cement Co., Ltd. (河南省大地水泥有限公司).....	1.9	1.6
Jiaozuo Coal (Group) Co., Ltd. (焦作煤業(集團)有限責任公司)....	1.7	1.4
Huaxin Cement Co., Ltd. (湖北華新水泥股份有限公司)	1.6	1.4
Zhengzhou Coal Longli Cement Co., Ltd. (鄭煤龍力水泥有限公司)	1.4	1.2
Henan Jinrong Cement Co., Ltd. (河南錦榮水泥有限公司)	1.2	1.1

Source: Henan Building Materials Industry Association (河南省建築材料工業協會)

Liaoning Province

Since the commencement of the PRC government's revitalization of industrial base in northeast China (振興東北老工業基地) policy during the period of the Tenth Five-Year Plan (2001-2005), Liaoning province, a traditional leading province in heavy industry located in China's northeast region, has gradually regained its competitiveness. Under the policy, the PRC government is committed to promoting the development of the northeast China region by, among other things, improving the infrastructure, promoting frontier trade with neighboring countries, attracting foreign investments by lifting regulatory limitations in traditionally restricted sectors such as transportation, education, municipal engineering and construction, and encouraging exploration of energy, raw materials and mineral resources.

As a result of this policy, according to National Bureau of Statistic of China, FAI in Liaoning province has been growing rapidly in recent years. During the period from 2006 to 2010, Liaoning province recorded a GDP CAGR of 18.4% and an FAI CAGR of 29.6%, which were higher than China's average GDP CAGR of 16.5% and FAI CAGR of 26.1%, respectively. Rapid growth in FAI has created considerable opportunities for the development of the building materials industry. In 2010, the cement production volume in Liaoning province reached 48 million tonnes, representing an increase of 1.8% compared to 2009, accounting for approximately 2.6% of the aggregate production volume in China, according to Digital Cement and the China Statistical Yearbook 2010.

INDUSTRY OVERVIEW

The table below sets forth the GDP, FAI, cement production volume and their respective growth rates in Liaoning province for the periods indicated:

	Year ended December 31,					CAGR
	2006	2007	2008	2009	2010	2006-2010
GDP: RMB (in billions)						
Liaoning	930	1,116	1,367	1,521	1,828	18.4%
GDP growth rate (%)						
Liaoning	14.2	15.0	13.4	13.1	14.1	
China.....	12.7	14.2	9.6	9.1	10.3	
FAI: RMB (in billions)						
Liaoning	569	744	1,002	1,229	1,604	29.6%
FAI growth rate (%)						
Liaoning	35.5	30.7	34.8	22.7	30.5	
China.....	23.9	24.8	25.9	30.0	23.8	
Cement production						
(in million tonnes)						
Liaoning	32.1	38.8	40.7	46.9	47.8	10.5%
Cement production growth rate (%)						
Liaoning	22.7	21.0	5.0	15.2	1.8	
China.....	15.7	10.1	4.6	15.5	13.6	

Sources: National Bureau of Statistics of China and Digital Cement

The cement industry in Liaoning province is highly fragmented. We believe the cement market in Liaoning province is intensely competitive and a dominant competitive position for certain cement producers does not currently exist. The leading cement producers may undertake selective acquisitions or strategic investments and replacement of obsolete production capacity to expand their market shares and strengthen their market positions. The *List for the Elimination of Enterprises with Obsolete Production Capacities in 2010* (2010年水泥淘汰落後產能企業名單) published by the MIIT on August 6, 2010 mandated an aggregate obsolete production capacity of 5.4 million tonnes of 29 cement enterprises in Liaoning province be eliminated.

INDUSTRY OVERVIEW

The table below sets forth the top five clinker producers in terms of clinker production capacity using NSP technology and their respective market share in Liaoning province as of June 30, 2011:

Producers	Clinker production capacity (million tonnes)	Percentage of total production capacity (%) in Liaoning province
Tianrui Group Cement Co., Ltd. (天瑞集團水泥有限公司)	6.2	15.2
China Shanshui Cement Group Ltd. (中國山水水泥集團有限公司)	5.8	14.2
Shenyang Coal Trade Group Corporation Ltd. (瀋陽煤業集團有限責任公司)	3.9	9.5
Liaoning Daying Cement (遼寧大鷹水泥).....	3.6	8.8
Jilin Yatai Cement Co., Ltd. (亞泰水泥有限公司).....	3.1	7.6

Source: Liaoning Building Materials Industry Association (遼寧省建築材料工業協會)

The table below sets forth the top ten cement producers in terms of production volume and their respective market share in Liaoning province in 2010:

Producers	Cement production volume (million tonnes)	Percentage of total production volume (%) in Liaoning province
Liaoning Shanshui (遼寧山水).....	8.0	16.7
Tianrui Group Cement Co., Ltd. (天瑞集團水泥有限公司)	5.1	10.7
Liaoning Zhongbei (遼寧中北)	2.8	5.9
Liaoning Jidong (遼寧冀東)	2.2	4.7
Fuxin Daying (阜新大鷹)	2.2	4.6
Dalian Cement Group (大連大水集團).....	2.0	4.2
Dalian Xiaoyetian (大連小野田).....	2.0	4.2
Jinzhou Bohai Cement (錦州渤海水泥).....	1.9	4.0
Yatai Tiexin (亞泰鐵新)	1.3	2.8
TCC Liaoning (遼寧台泥)	0.2	0.5

Source: Liaoning Building Materials Industry Association (遼寧省建築材料工業協會)

INDUSTRY OVERVIEW

Municipality of Tianjin

During the period from 2006 to 2010, Tianjin's GDP grew at a CAGR of 19.5%, which was higher than the overall growth rate of 16.5% in China. Over the same period, the municipal government of Tianjin made significant efforts to improve its infrastructure and develop Tianjin Binhai New Area, resulting in growth of its FAI at a CAGR of 37.5%, which was higher than the overall growth rate of 26.1% for China.

The table below sets forth the GDP, FAI, cement production volume and their respective growth rates in the municipality of Tianjin for the periods indicated:

	Year ended December 31,					CAGR
	2006	2007	2008	2009	2010	2006-2010
GDP: RMB (in billions)						
Tianjin.....	446	525	672	752	911	19.5%
GDP growth rate (%)						
Tianjin.....	14.7	15.5	16.5	16.5	17.4	
China.....	12.7	14.2	9.6	9.1	10.3	
FAI: RMB (in billions)						
Tianjin.....	182	235	339	474	651	37.5%
FAI growth rate (%)						
Tianjin.....	21.8	29.3	44.1	39.8	37.4	
China.....	23.9	24.8	25.9	30.0	23.8	
Cement production						
(in million tonnes)						
Tianjin.....	6.1	6.1	5.3	6.9	8.1	7.5%
Cement production growth rate (%)						
Tianjin.....	17.0	0.7	-12.5	29.0	17.3	
China.....	15.7	10.1	4.6	15.5	13.6	

Sources: National Bureau of Statistics of China and Digital Cement

The *List for the Elimination of Enterprises with Obsolete Production Capacities in 2010* (2010年水泥淘汰落后产能企业名单) published by the MIIT on August 6, 2010 mandated an aggregate obsolete production capacity of 0.6 million tonnes of three cement enterprises in Tianjin be eliminated.

INDUSTRY OVERVIEW

Anhui Province

During the period from 2006 to 2010, Anhui province's GDP grew at a CAGR of 19.0%, higher than the overall growth rate of 16.5% in China. Over the same period, the provincial government of Anhui made significant efforts to improve its infrastructure, accelerate its urbanization and industrialization and its overall economic growth, resulting in growth of its FAI at a CAGR of 35.3%, which was higher than the overall growth rate of 26.1% for China.

The table below sets forth the GDP, FAI, cement production volume and their respective growth rates in Anhui province for the periods indicated:

	Year ended December 31,					CAGR
	2006	2007	2008	2009	2010	2006-2010
GDP: RMB (in billions)						
Anhui	611	736	885	1,006	1,226	19.0%
GDP growth rate (%)						
Anhui	12.5	14.2	12.7	12.9	14.5	
China.....	12.7	14.2	9.6	9.1	10.3	
FAI: RMB (in billions)						
Anhui	353	509	675	899	1,185	35.3%
FAI growth rate (%)						
Anhui	39.9	44.0	32.6	33.3	31.8	
China.....	23.9	24.8	25.9	30.0	23.8	
Cement production						
(in million tonnes)						
Anhui	44.1	51.9	59.2	70.6	78.7	15.6%
Cement production growth rate (%)						
Anhui	36.9	17.8	13.9	19.3	11.6	
China.....	15.7	10.1	4.6	15.5	13.6	

Sources: National Bureau of Statistics of China and Digital Cement

The *List for the Elimination of Enterprises with Obsolete Production Capacities in 2010* (2010年水泥淘汰落后产能企业名单) published by the MIIT on August 6, 2010 mandated an aggregate obsolete production capacity of 4.5 million tonnes of 28 cement enterprises in Anhui province be eliminated.

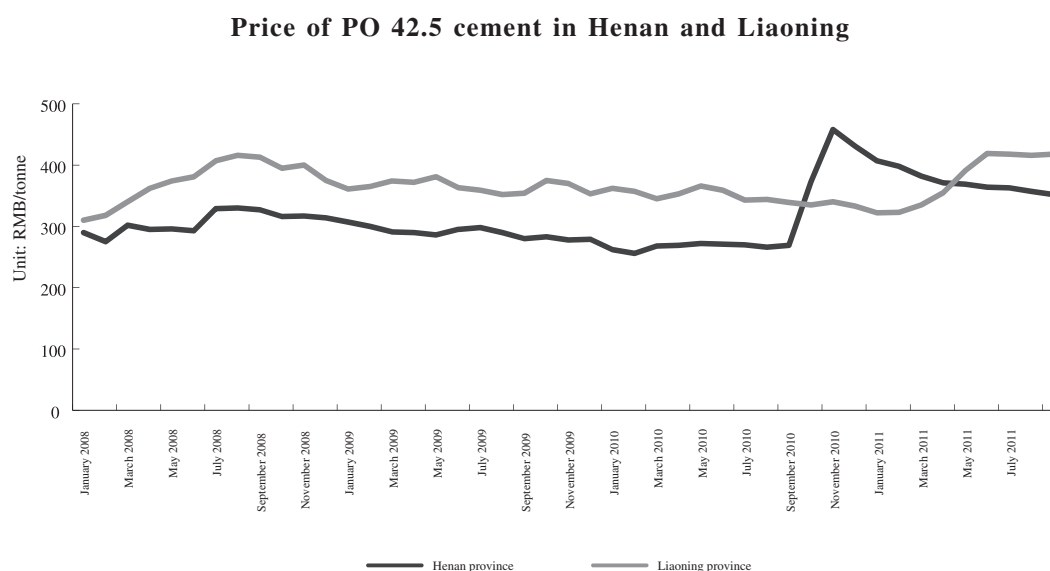
INDUSTRY OVERVIEW

PRICE MOVEMENT OF CEMENT IN HENAN, LIAONING AND ANHUI PROVINCES AND TIANJIN

Henan and Liaoning Provinces

The average cement prices in Henan and Liaoning provinces were on the rise in the first half of 2008 but experienced gradual decline beginning the second half of 2008 as a result of the global economic crisis. The comprehensive RMB4 trillion stimulus package was introduced by the PRC government in order to increase infrastructure investment and stimulate economic growth thus underpinning the demand for cement. Together with the national policies to curb the oversupply of cement and phase out non-NSP production facilities, cement prices in some regions in the PRC started to rise in the fourth quarter of 2010. According to China Cement Net (中國水泥網), the average ex-factory price (including taxes and a portion of transportation fees) of PO 42.5 cement in Henan province increased from approximately RMB275 per tonne in February 2008 to approximately RMB330 per tonne in August 2008, but since then dropped gradually to as low as approximately RMB256 per tonne in February 2010. The average cement price rebounded since the fourth quarter of 2010 and surged to approximately RMB363 per tonne in July 2011. Meanwhile, the average ex-factory price of PO 42.5 cement in Liaoning province increased to as high as approximately RMB416 per tonne in August 2008 and started to decline since then to approximately RMB322 per tonne in January 2011.

The chart below sets forth the average ex-factory prices (including taxes and a portion of transportation fees) of PO 42.5 cement in Henan and Liaoning provinces for the period between January 2008 and September 2011:



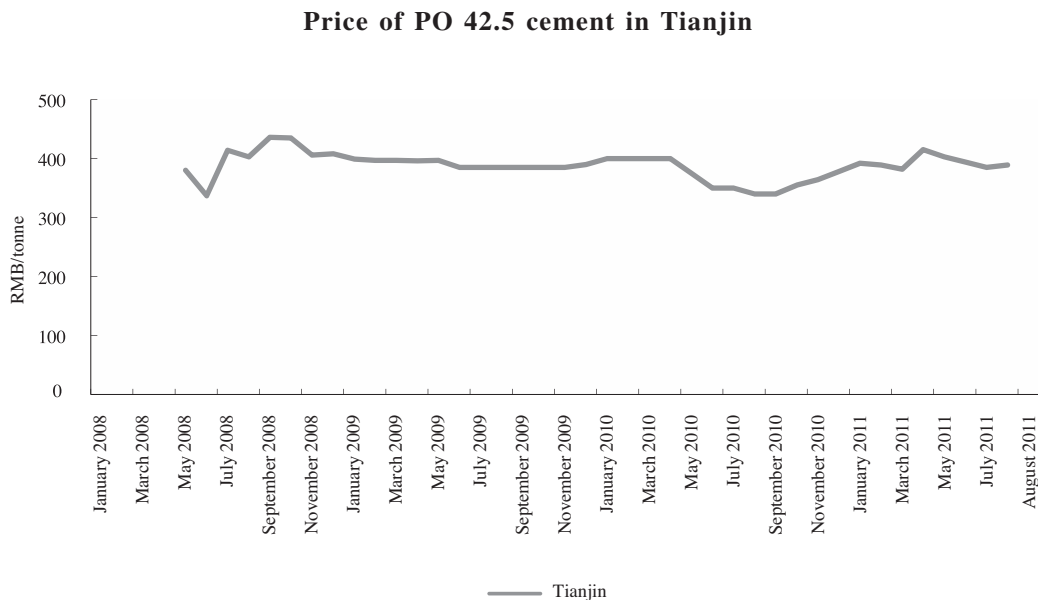
Source: China Cement Net (中國水泥網)

INDUSTRY OVERVIEW

Tianjin

The fluctuation of average cement prices in Tianjin was comparatively significant in 2008. The price of PO 42.5 cement surged from approximately RMB280 per tonne in mid-2008 to approximately RMB436 per tonne in September 2008. Due to the global economic crisis, the price of cement gradually dropped to approximately RMB400 per tonne in the fourth quarter of 2008 and further decreased to around RMB380 per tonne during the course of 2009 and remained stable until August 2010 when the price dropped to approximately RMB340 per tonne. The price eventually picked up to approximately RMB385 per tonne in June 2011.

The chart below sets forth the average prices (including taxes and a portion of transportation fees) of PO 42.5 cement in Tianjin for the period between May 2008 and August 2011:



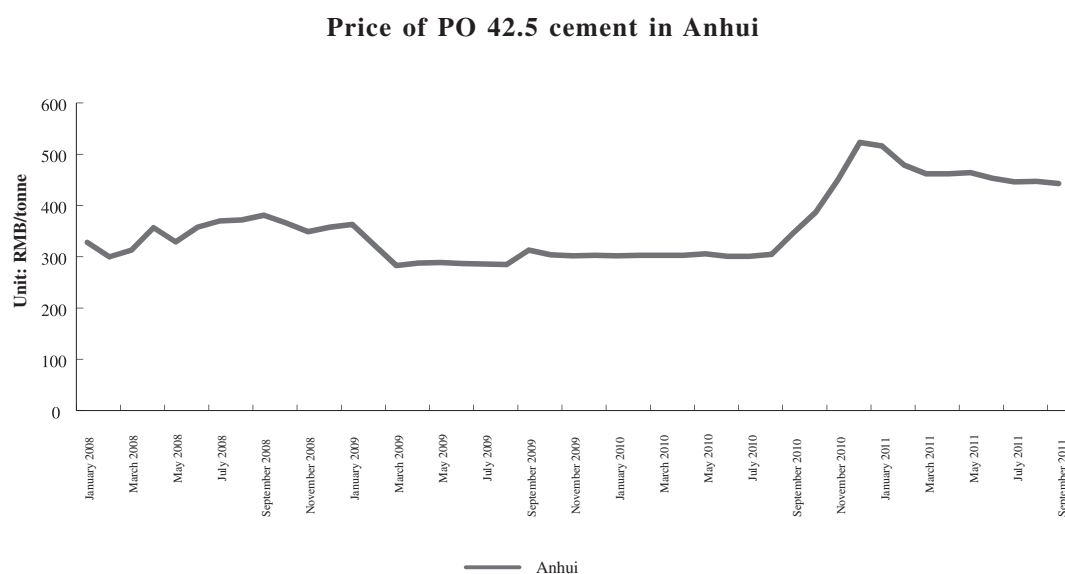
Source: China Cement Net

Anhui Province

The average price for PO 42.5 cement in Anhui province gradually increased in the first three quarters of 2008 to as high as RMB360 per tonne but then declined below RMB350 per tonne during the fourth quarter of 2008. The cement price experienced a significant fall to approximately RMB285 per tonne in the first half of 2009 and rebounded in the fourth quarter of 2010 to approximately RMB 520 per tonne. In June 2011, the average price of PO 42.5 cement dropped to approximately RMB446 per tonne.

INDUSTRY OVERVIEW

The chart below sets forth the average price (including taxes and a portion of transportation fees) of PO 42.5 cement in Anhui province for the period between January 2008 and September 2011:



Source: China Cement Net

MAJOR COST FACTORS IN CEMENT PRODUCTION IN THE PRC

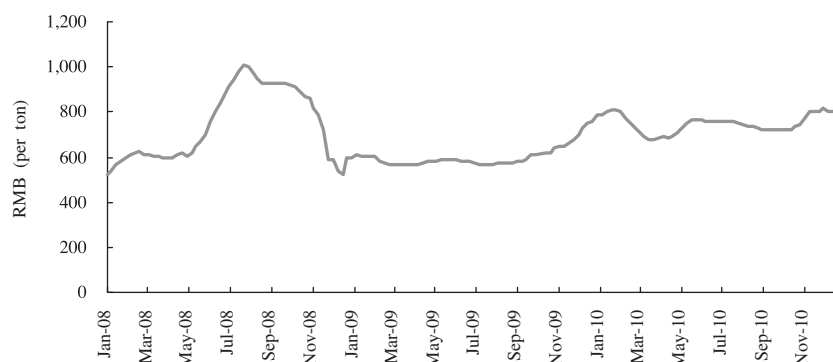
Coal and electricity are the most important sources of energy for cement production and the consumption of coal and electricity in China has been increasing continuously in recent years. According to the National Bureau of Statistics of China, coal and electricity consumption in China grew at a CAGR of approximately 7.4% and 10.0%, respectively, for the period between 2006 and 2010. As an industry that consumes a significant amount of energy, the price movements of coal and electricity supply are crucial to the operations of cement producers.

Coal

According to China Coal Resource, coal prices for coal with a heating value of 5,500 cal/kg in Qinhuangdao Port in the PRC experienced a substantial increase from January to July 2008, but the uptrend started to reverse in the second half of 2008. Coal prices stabilized throughout the whole year of 2009 and started to rebound from the beginning of 2010. The coal price for coal with a heating value of 5,500 cal/kg in Qinhuangdao Port in the PRC increased from approximately RMB525 per tonne in January 2008 to as high as approximately RMB1,010 per tonne in July 2008, but retreated to around RMB520 per tonne by the end of 2008, staying around this level throughout 2009. Prices started to rebound from the beginning of 2010 and reached approximately RMB790 per tonne by the end of 2010.

INDUSTRY OVERVIEW

The chart below sets forth the coal prices for coal with a heating value of 5,500 cal/kg in Qinhuangdao Port in the PRC for the period between 2008 and 2010:



Source: China Coal Resource

Electricity

The central and provincial governments in China regulate electricity prices for industrial enterprises. According to the NDRC, the price per KWh of electricity for industrial use in Henan province was raised to the range of RMB0.490 to RMB0.528 in June 2008 and was further raised to the range of RMB0.527 to RMB0.565 in November 2009. Also, the price per KWh of electricity for industrial use in Liaoning province was raised to the range of RMB0.465 to RMB0.501 in June 2008, and raised further to the range of RMB0.493 to RMB0.529 in November 2009. The price per KWh of electricity for industrial use in Tianjin municipality increased to the range of RMB0.547 to RMB0.577 in June 2008, and further increased to the range of RMB0.573 to RMB0.608 in November 2009. The progressive increases in electricity prices were mainly due to the increase in production costs of electricity as a result of rising coal prices in China since 2008.

REGULATIONS

PRC GOVERNMENTAL REGULATIONS AND POLICIES RELATED TO THE CEMENT INDUSTRY

Cement Production License

Pursuant to the *PRC Regulation 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 and came into effect on September 1, 2005, and the *Measures for the Implementation of the PRC Regulation 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) promulgated by the General Administration of Quality Supervision, Inspection and Quarantine and came into effect on November 1, 2005 and amended on April 21, 2010, the General Administration of Quality Supervision, Inspection and Quarantine is responsible for the centralized administration of production license for national industrial products, whereas the competent authorities of the county level or above for industrial production license are responsible for the administration of production license for industrial products within their own jurisdictions and the imposition of penalties on acts that violate the production license pursuant to the relevant requirements.

Pursuant to the Production License Regulations, enterprises producing industrial products that may affect production safety and public safety and fall within the *Catalogue of Implementation of Production License Management for Industrial Products* (實行生產許可證制度管理的產品目錄) (the “Categories of Industrial Products”) are subject to the requirements of production license. The “Categories of Industrial Products” that are included in the Production License Regulations are determined jointly by the General Administration of Quality Supervision, Inspection and Quarantine and other relevant authorities of the State Council after soliciting opinions from consumers’ association and other relevant industry association and are subject to approval by the State Council. Any enterprise that has not obtained the production license shall not produce the products within these categories, and any unit or individual shall not sell or use in operating activities such products that are within these categories for which the production licenses were not obtained. Pursuant to the prevailing “Categories of Industrial Products”, cement is one of the industrial products for which a production license is required to be obtained.

Pursuant to the *Administration Regulation of Bulk Cement* (散裝水泥管理辦法) jointly promulgated by the Ministry of Commerce, Ministry of Finance, Ministry of Construction, Ministry of Railways, Ministry of Transportation, General Administration of Quality Supervision, Inspection and Quarantine, and State Administration of Environmental Protection on April 8, 2004, the administrative authority at the county level or above is responsible for the administration and supervision of bulk cement production. Cement production enterprises may produce bulk cement after obtaining relevant production permits. Entities and individuals engaged in the production, operation and utilization of bulk cement shall adopt measures to ensure that the facilities and sites for production, loading and unloading, delivery, storage and utilization are in compliance with safety and environmental protection requirements.

REGULATIONS

Pursuant to the *Administrative Measures of Bulk Cement Special Funds Collection and Use* (散裝水泥專項資金徵收和使用管理辦法) issued by the Ministry of Finance and the State Economic and Trade Commission on April 18, 2004, cement production enterprises selling bagged cement, including paper bag, plastic compound bag, compound bag will need to pay special funds on the basis of maximum RMB 1 per tonne and enterprises using bagged cement will need to pay special funds on the basis of maximum RMB 3 per tonne. The Ministry of Finance and the State Economic and Trade Commission are responsible for the centralized formulation of the policies in respect of the bulk cement special funds collection, use and management and local financial departments and bulk cement administrative departments are responsible for its organization and implementation.

Cement Production Using NSP Technology

Pursuant to the *Policies on the Development of the Cement Industry* (水泥工業產業發展政策) promulgated by the NDRC and came into effect on October 17, 2006, the PRC central government encourages local governments and enterprises to eliminate technology with low production capacity and promote the development of cement production using NSP technology. The government supports the construction of cement production plants with a daily production capacity of 4,000 tonnes using the New Dry Process in areas with sufficient resources, the construction of large-scale clinker production plants and the construction of large-scale cement grinding stations at locations near the relevant markets.

Pursuant to the *Guiding Catalogue of Industrial Structure Adjustment (2011)* (產業結構調整指導目錄) (2011) promulgated by the NDRC and became effective on March 27, 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 tonnes or more and energy-saving renovation of grinding system belong to the “encouraged” category of industries.

Restriction and Elimination of Low Production Capacity

Pursuant to the *Policies on the Development of the Cement Industry* (水泥工業產業發展政策) became effective by the end of 2008, every producer shall stop using production technology and equipment using less-advanced technologies, including dry hollow kilns and wet kilns, further reduce the production capacity with vertical kilns, and where possible, eliminate all vertical kilns.

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) jointly promulgated by the NDRC, the MIIT, the Ministry of Supervision, the Ministry of Finance, the Ministry of Land and Resources, the Ministry of Environmental Protection, PBOC, 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 September 26, 2009, the government further emphasizes the following industrial policies: strictly control the newly added cement capacities and execute the principle of eliminating obsolete capacities equivalently and suspend the construction of projects that had not yet commenced the construction before September 30, 2009 and conduct one-off conscientious liquidation, as well as projects which are not in compliance with above principles are forbidden to commence the construction.

REGULATIONS

Pursuant 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 February 6, 2010, cement, iron and steel and electricity are key industries for the elimination of obsolete capacities in the short term. Obsolete cement production capacities including mechanized shaft kiln cement production lines with a kiln diameter below 3.0 meters, 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, etc.) with a kiln diameter below 2.5 meters, cement mills with a diameter below 3.0 meters (excluding those for producing special cement), cement earth kilns (egg-shape), ordinary shaft kilns, etc. shall be eliminated before December 31, 2012.

Pursuant to the *Entrance Conditions for Cement Industry* (水泥行業准入條件) (the “Entrance Conditions”), issued by the MIIT on November 16, 2010 and became effective on January 1, 2011, for provinces where the cement projects using the New Dry Process whose production capacity per project exceeds 900 kilograms, the newly constructed or expanded cement projects shall not be approved in principle. The principle of eliminating obsolete capacities equivalently or in decrement shall be strictly executed for the newly constructed cement projects. The newly constructed cement projects shall adopt the technology of New Dry Process. The Entrance Conditions also set out other requirements for the construction, reconstruction or enlargement of the cement projects.

Pursuant to the *Guiding Catalogue of Industrial Structure Adjustment (2011)* (產業結構調整指導目錄) (2011), the cement and clinker projects with a daily production capacity of less than 2,000 tonnes and the construction of cement grinding stations with annual production capacity of less than 0.6 million tonnes belong to the “restricted” category of industries.

Residual Heat Power Generation

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 residual heat recovery technology.

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

Pursuant to the *Guiding Catalogue of Industrial Structure Adjustment (2011)* (產業結構調整指導目錄) (2011), pure low temperature residual heat power generation using the existing New Dry Process cement furnace with a daily production capacity of 2,000 tonnes or more belongs to the “encouraged” category of industries.

REGULATIONS

PRC LAWS AND REGULATIONS ON MINERAL RESOURCES

Mining Rights

Mineral resource exploration and mining activities in China are highly regulated by the PRC government. In accordance with the *Mineral Resources Law of the PRC* (中華人民共和國礦產資源法) promulgated on March 19, 1986 and amended on August 29, 1996 by the Standing Committee of the National People's Congress and the *Implementation Rules of the Mineral Resources Law of the PRC* (中華人民共和國礦產資源法實施細則) promulgated on March 26, 1994 by the State Council, mineral resources in the PRC are owned by the State and a licensing system is adopted for the exploration and development of mineral resources. An entity engaging in the exploration and exploitation of mineral resources must meet certain qualifications and obtain the rights for exploration and mining from the relevant authorities by way of application, registration and payment of use fees.

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 party that mines mineral resources must pay resource taxes and resource compensation in accordance with relevant regulations of the State.

The Ministry of Land and Resources is responsible for supervision and administration of the exploration and development of mineral resources throughout China. The department of land and resources at the provincial level is in charge of supervising and administering the exploration and exploitation of mineral resources in its 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 authorize relevant departments to be responsible for the registration of the exploration of special types of mineral resources.

An applicant seeking to establish a new mining enterprise must meet certain qualification requirements as set forth in relevant laws and regulations and is subject to government approval. An applicant must provide detailed descriptions regarding the limits of the mining area, mining design or mining plan, production technique, safety and environmental protection measures as well as other items and supporting documents.

Transfer of Mining Rights

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 February 12, 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 November 1, 2000, exploration right 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 event of merger or separation, joint venture 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

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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 a joint exploration or exploitation arrangement, and other means as permitted by the regulations. Geologic and mineral administrative authorities under the State Council and at the provincial level are the approving authorities with respect to transfer of mining rights.

Measures for the Administration of the Usage Fee and Purchase Price of Mineral Exploration and Mining Rights

Pursuant to the *Measures for the Administration of the Usage Fee and Purchase Price of Mineral Exploration and Mining Rights* (探礦權採礦權使用費和價款管理辦法) promulgated by the Ministry of Finance and the Ministry of Land and Resources on June 7, 1999, any party which conducts exploration and mining activities of mineral resources in the PRC is required to pay a usage fee and when the exploration rights or mining rights are funded by the State and transferred to the licensees by the State, the licensees are required to pay the purchase price for such exploration or mining rights. The usage fee for an exploration right is calculated on the basis of the exploration year and the size of the area and is payable annually. The annual rate is RMB100 per square kilometer for the first to third exploration year, with an increment of RMB100 per square kilometer per year from the fourth exploration year onwards up to a maximum of RMB500 per square kilometer. The usage fee for the mining rights, which is RMB1,000 per square kilometer per year, is payable annually based on the size of the mining area. The purchase price for mineral exploration and mining rights is determined by reference to the valuation price confirmed by the Ministry of Land and Resources, and is paid as a lump-sum, or in installments within two years in the case of an exploration right and within six years in the case of a mining right. The usage fee and purchase price of mineral exploration and mining rights are paid by the owners of mineral exploration and mining rights during the registration of the mineral exploration and mining rights or their annual inspection pursuant to criteria determined by registration and administration authorities to “special account of usage fee and purchase price of mineral exploration and mining rights” opened by financial authorities at the same level.

Provisions on the Administration of Collection of the Mineral Resources Compensation Fee

Pursuant to the *Provisions on the Administration of Collection of the Mineral Resources Compensation Fee* (礦產資源補償費徵收管理規定) promulgated on February 27, 1994 and amended on July 3, 1997 by the State Council, the mineral resources compensation fee is calculated and collected by the departments of land and resources together with the departments of finance according to the above regulation.

In specific circumstances, certain parties may be partly or fully exempted from paying mineral resources compensation fees upon joint approval by the department of land and resources and the department of finance at provincial level. Approval from the provincial people’s government is required if the mineral resources compensation fee is reduced by more than 50% of the amount payable. Any approval for the reduction of the mineral resources compensation fee must be reported to both the Ministry of Land and Resources and the Ministry of Finance.

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Taxation Relating to the Mining Industry

Pursuant to the *Interim Provisions of Resource Tax of the PRC* (中華人民共和國資源稅暫行條例) promulgated by the Ministry of Finance on December 30, 1993 and its implementation rules, enterprises and individuals producing mineral products shall pay resource tax. According to the *Notification on the Adjustment of Applicable Resource Tax Rate of Limestone, Marble and Granite* (關於調整石灰石、大理石和花崗石資源稅適用稅額的通知) promulgated by the Ministry of Finance and State Administration of Taxation on June 4, 2003 and as approved by the local tax authorities, our limestone mining is subject to resource tax at the rate of RMB2.0 per tonne.

Mining Safety

Pursuant to the *Mining Safety Law of the PRC* (中華人民共和國礦山安全法), promulgated by the Standing Committee of the National People's Congress and became effective on May 1, 1993, and the *Regulation for the Implementation of the Mining Safety Law of the PRC* (中華人民共和國礦山安全法實施條例), promulgated and became effective on October 30, 1996, mining enterprises shall install facilities to ensure safe production, establish and enhance safety management systems, and take effective measures to improve the work conditions of staff and workers and to strengthen the safety administration of mines. The mining enterprises administrations of the people's governments at the county level and above shall be responsible for the administration of safety measures in mines. The design of mine construction engineering work shall comply with the safety rules for mines and technological standards for the mining industry, and shall be subject to approval by the mining enterprises administration prescribed by the State. Before commencement of operation or use, mine construction engineering work shall go through safety facilities pre-approval inspection in accordance with the provisions of the relevant laws and regulations, and shall not be put into operation or use until the inspection has passed. Any breach of the above provisions may result in fines, revocation of exploitation license or operation license or other penalties.

Pursuant to the *Regulations on Safety Production Licenses* (安全生產許可證條例), promulgated by the State Council and became effective on January 13, 2004, the State adopts a safety license system in respect of mining enterprises, and a mining enterprise which fails to obtain a safety license shall not engage in their production activities. In order to obtain a safety production license, mining enterprises shall satisfy certain safety production requirements. The safety production license issuance and administration authorities issue safety production licenses to enterprises that meet the production safety requirements pursuant to the relevant provisions. Safety production licenses are required to be renewed every three years through application to the safety production license issuance and administration authorities no later than three months before the expiration date.

PRC LAWS ON REGULATIONS ON ENVIRONMENTAL PROTECTION

General Regulations

The PRC government has adopted extensive environmental laws and regulations. There are national and local standards applicable to land rehabilitation, reforestation, emission control, discharge to surface and subsurface water and the generation, handling, storage, transportation, treatment and disposal of waste materials. Pursuant to the *PRC Environmental Protection Law*

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(中華人民共和國環境保護法) promulgated by the Standing Committee of the National People's Congress and became effective on December 26, 1989, the State Environmental Protection Administration is empowered to formulate national environmental quality and discharge standards and monitor China's environmental system at the national level. The environmental protection bureau at the county level and above is responsible for environmental protection within its jurisdiction. Local environmental protection bureaus may set local standards that are stricter than the national standards, in which case enterprises are required to comply with the stricter of the two sets of standards.

According to the *Opinion on the Enforcement of the Environmental Protection Laws and Prevention of Credit Risk* (關於落實環保政策法規防範信貸風險的意見) promulgated by the State Environmental Protection Administration on July 12, 2007, the following irregularities will be addressed as stipulated by the laws: commencement of construction without approval or without appropriate approval, failure to complete the environmental protection facilities at the same time as the production facility and commencement of operations prior to the environmental examination and approval. The above breaches will be reported to the local people's bank, banking regulatory department and financial institutes which shall, based on the applicable regulations on environmental protection and information disclosed by the environmental protection authority, strictly review and supervise the application of loans, loan grants and their use. For applicants who have not passed the environmental assessment examination or environmental examination and approval, there will not be additional credit granted. Environmental departments at all levels shall sanction enterprises if they have conducted any of the following: excessive discharge of pollutants, excessive total discharge level, discharge of pollutants without obtaining the necessary permits, discharges in breach of the levels allowed by the permit, or failure to restore the damaged environment within a prescribed period. These breaches will be reported to the local people's bank, banking regulatory department and financial institutes. The financial institutes at all levels, when reviewing enterprises' application of loans, shall act on the information provided by the environmental protection departments and strengthen the management of loans granted to enterprises which are in violation of the environmental laws.

Environmental Impact Appraisal

Pursuant to the *Environmental Impact Appraisal Law of the PRC* (中華人民共和國環境影響評價法) promulgated on October 28, 2002 and became effective on September 1, 2003, the *Administration Rules on Environmental Protection of Construction Project* (建設項目環境保護管理條例) promulgated on November 29, 1998, and the *Administration Measures for Examination and Approval of Environmental Protection Facilities of Construction Projects* (建設項目竣工環境保護驗收管理辦法) promulgated on December 27, 2001, enterprises are required to engage qualified and certified institutes to provide environmental impact evaluations on construction projects and to prepare environmental impact assessments. Construction of any new production facilities or major expansion or renovation of an existing production facility of cement production may only be launched after such an assessment is submitted to and approved by the environmental protection administrative authority.

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Construction of cement production projects is prohibited where environmental impact assessment documents have not been examined and approved by relevant authorities as prescribed. Where the cement production projects fail to be evaluated, or construction is launched where environmental impact assessment documents fail to be approved, the enterprises will be ordered to cease construction and go through formalities within the prescribed time with the environmental protection administrative authorities. Enterprises that fail to go through the formalities within the prescribed time may be fined, and their management as well as other personnel with direct responsibilities are subject to administrative penalties. According to the *Classified Directory for Environmental Protection Administration of Construction Projects* (建設項目環境保護分類管理名錄) issued under No. 14 Decree of State Administration of Environmental Protection, cement production falls into the first category, stipulating that environmental impact assessment reports of the construction projects are required to comprehensively evaluate the pollution and environmental impact generated by the projects.

Pollutant Discharge

The *PRC Environmental Protection Law* (中華人民共和國環境保護法) requires any entity operating a facility that produces pollutants or other hazardous materials to adopt environmental protection measures in its operations and to establish an environmental protection responsibility system. Effective measures to control and properly dispose of waste gases, waste water, waste residue, dust or other waste materials must be adopted. Any entity operating a facility that discharges pollutants must submit a pollutant discharge declaration statement to the competent authority pursuant to the applicable regulations. The local environmental protection bureau will determine the amount of discharge allowable under the law and will issue a pollutant discharge license for that amount of discharge subject to the payment of discharge fees. If an entity discharge more than what is permitted by the pollutant discharge license, it shall pay a fee for excessive discharge according to state provisions and shall assume responsibility for eliminating and controlling the pollution. If an enterprise has caused severe environmental pollution and has failed to eliminate or control the pollution within a required period of time, a fine may be imposed, or the enterprise may be ordered to suspend or shut down its operations.

Land Rehabilitation and Reforestation

Under the *PRC Land Administration Law* (中華人民共和國土地管理法) promulgated on June 25, 1986 and amended on December 29, 1988, August 29, 1998 and August 28, 2004, and the *Land Rehabilitation Regulations* (土地複墾規定) issued by the State Council in 1988 which became effective on January 1, 1989, if mining activities result in damage to arable land, grassland or forest, the mining operator must take measures to return the land to a usable status within a prescribed time frame. The rehabilitated land must meet the rehabilitation standards as required by law, and may only be used upon examination and approval by the land authority and the relevant industry administration authority. Any entity or individual that fails to fulfill its rehabilitation obligations may be required to adopt correction measures within a prescribed time frame or pay rehabilitation fees and/or fines to the local bureau of land resources.

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PRC LAWS ON REGULATIONS ON TAX

The PRC taxes that are levied on our subsidiary in the PRC mainly include enterprise income tax (“EIT”), value added tax (“VAT”) and resources tax. Under PRC law, our PRC subsidiary is also required to withhold taxes on dividends payable to us.

PRC EIT Tax

Prior to January 1, 2008, the foreign-invested enterprises shall pay EIT pursuant to the *Foreign-Invested Enterprise and Foreign Enterprise Income Tax Law of the PRC* (中華人民共和國外商投資企業和外國企業所得稅法) promulgated by the National People’s Congress Standing Committee in 1991 (“Prior EIT Laws”) and related implementation regulations. Pursuant to the Prior EIT Law, except for the preferential tax rates, a foreign-invested enterprise was subject to EIT at a statutory rate of 33%. In addition, certain foreign-invested enterprises were exempted from EIT for two years starting from the first profit-making year and followed by a 50% reduction of the EIT in the next three consecutive years.

On March 16, 2007, the National People’s Congress passed the PRC EIT Law, with effect from January 1, 2008. The PRC EIT Law adopted a uniform tax rate of 25% for all enterprises (including foreign-invested enterprises) and revoked the current tax exemption, reduction and preferential treatments applicable to foreign-invested enterprises. However, according to the *Notice of the State Council on the Implementation of the Enterprise Income Tax Transitional Preferential Policy* (國務院關於實施企業所得稅過渡優惠政策的通知) issued on December 26, 2007 and effective on January 1, 2008, there is a transition period for enterprises, whether foreign-invested or domestic, that received preferential tax treatments granted by relevant tax authorities prior to the effectiveness of the PRC EIT Law. Enterprises that were subject to an enterprise income tax rate lower than 25% before the effectiveness of the PRC EIT Law may continue to enjoy the lower rate and gradually transit to the new tax rate within five years after the effective date of the PRC EIT Law. Enterprises that were granted preferential EIT treatments before the effectiveness of the PRC EIT Law may continue to enjoy the preferential EIT treatments until their expiration.

Under the PRC EIT Law, enterprises are classified as either “resident enterprises” or “non-resident enterprises”. Pursuant to the PRC EIT Law and its implementation rules, besides enterprises established within the PRC, enterprises established outside China whose “de facto management bodies” are located in China are considered “resident enterprises” and subject to the uniform 25% EIT rate for their global income. According to the implementation rules of the PRC EIT Law, “de facto management body” refers to a managing body that exercises, in substance, overall management and control over the manufacture and business, personnel, accounting and assets of an enterprise. In our circumstance, substantially our management is currently based in China and is expected to remain in China in the future. It is not clear whether we would be deemed as “resident enterprises” or not. In addition, although the PRC EIT Law provides that dividend income between “qualified resident enterprises” is exempted income, and the implementation rules refer to “qualified resident enterprises” as enterprises with “direct equity interest,” it is not clear whether dividends we receive from our subsidiary are eligible for such exemption if we are deemed to be a PRC “resident enterprise”. If we are considered a PRC “resident enterprise” and thus required to withhold income tax

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for any dividends we pay to our non-PRC resident enterprise investors, the amount of dividends we can pay to our Shareholders could be materially reduced. In addition, any gain realized on the transfer of ordinary shares by our non-PRC resident investors is also subject to 10% PRC income tax if such gain is regarded as income derived from sources within the PRC.

Furthermore, the PRC EIT Law provides that a non-resident enterprise refers to an entity established under foreign law whose “de facto management bodies” are not within China but which have an establishment or place of business in the PRC, or which do not have an establishment or place of business in the PRC but have income sourced within the PRC. The implementation rules of the PRC EIT Law provide that after January 1, 2008, an income tax rate of 10% will normally be applicable to dividends declared to non-PRC resident investors which do not have an establishment or place of business in the PRC, or which have such establishment or place of business but the relevant income is not effectively connected with the establishment or place of business, to the extent such dividends are derived from sources within the PRC. The income tax on the dividends may be reduced pursuant to a tax treaty between China and the jurisdictions in which our non-PRC Shareholders reside.

Regulations on Tax Collection for Share Transfer by Non-PRC Resident Enterprises

Pursuant to the *Notice on Strengthening Administration of Enterprise Income Tax for Share Transfers by Non-PRC Resident Enterprises* (國家稅務總局關於加強非居民企業股權轉讓所得企業所得稅管理的通知) or SAT Circular 698, issued by the State Administration of Taxation on December 10, 2009 with retroactive effect from January 1, 2008, except for the purchase and sale of equity through a public securities market, where a foreign investor transfers its indirect equity interest in a PRC resident enterprise by disposing of its equity interests in an overseas holding company, or an indirect transfer, and such overseas holding company is located in a tax jurisdiction that: (i) has an effective tax rate less than 12.5% or (ii) does not tax foreign income of its residents, the foreign investor shall report to the competent tax authority of the PRC resident enterprise this indirect transfer. If the tax authority, upon examining the nature of the indirect transfer, deems that the indirect transfer has no reasonable commercial purpose other than to avoid PRC tax, the tax authority may disregard the existence of the overseas holding company that is used for tax planning purposes and re-characterize the indirect transfer.

PRC VAT tax

Pursuant to the *Interim Regulation on the Value Added Tax of the PRC* (中華人民共和國增值稅暫行條例) promulgated by the State Council on December 13, 1993 and amended on November 10, 2008 (“VAT Regulation”), and its implementation rules, any entity or individual engaged in the sale of goods, the provision of specified services or the importation of goods in China is generally required to pay VAT on the added value derived during the process of manufacture, sale or service provided. Unless stated otherwise, for VAT payers who are selling or importing goods, and providing processing, repairs and replacement services in the PRC, the tax rate shall be 17%.

Pursuant to the *Notice on Value Added Tax Policy Regarding Comprehensive Utilization of Resources and Other Products* (關於資源利用及其他產品增值稅政策的通知) and the *Supplementary 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補充的通知) promulgated by the Ministry of

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Finance and the State Administration of Taxation on December 9, 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 our PRC legal adviser is of the opinion that it 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 excluding 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* (國家鼓勵的資源綜合利用認定管理辦法) promulgated by the NDRC, the Ministry of Finance and the State Administration of Taxation. Otherwise, the tax payers are not allowed to apply for preferential value-added tax policies. Enterprises applying for certificates of comprehensive utilization of resources shall meet the following conditions: (1) production process, technology or products conform to the national industrial policies and relevant standards; (2) gains and losses of products that apply comprehensive utilization of resources can be calculated independently; (3) sources of raw materials (fuel) used are stable and reliable, with quantities and qualities in line with the relevant requirements, and the complementary conditions, such as water and electricity, are ascertained; and (4) environmental protection requirements are satisfied, without secondary pollution. Our PRC legal adviser has confirmed that our Group has obtained all the respective certificates of comprehensive utilization of resources, approvals from relevant tax bureaus and other governmental authorities; and that our Group has fully complied with the relevant laws and regulations and there are no unfulfilled conditions.

REGULATION OF FOREIGN CURRENCY EXCHANGE AND DIVIDEND DISTRIBUTION

Foreign Currency Exchange

Pursuant to the *Foreign Currency Administration Rules of the PRC* (中華人民共和國外匯管理條例) promulgated by State Council on January 29, 1996 and amended on August 1, 2008 and various regulations issued by SAFE and other PRC regulatory agencies, Renminbi is freely convertible only to the extent of current account items, including the distribution of dividends, interest payments, trade and service-related foreign exchange transactions. Capital account items, such as direct equity investment, loans and repatriation of investment, require the prior approval from or registration with the SAFE or its local branch for conversion of Renminbi into a foreign currency, and remittance of the foreign currency outside the PRC.

Dividend Distribution

The principal regulations governing distribution of dividends of foreign holding companies include the *Company Law of the PRC* (中華人民共和國公司法) promulgated by the National People's

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Congress Standing Committee in 1993 and amended in 1999, 2004 and 2005, the *Foreign Investment Enterprise Law of the PRC* (中華人民共和國外資企業法) promulgated by the National People's Congress Standing Committee in 1986 and amended in 2000, and the *Administrative Rules under the Foreign Investment Enterprise Law* (外資企業法實施細則) promulgated by the State Council in 1990 and amended in 2001.

Under these laws and regulations, foreign investment enterprises in China may pay dividends only out of their accumulated profits, if any, determined in accordance with PRC accounting standards and regulations. In addition, wholly-foreign-owned enterprises in China, like our PRC subsidiary, are required to allocate at least 10% of their respective accumulated profits after tax each year, if any, to fund certain reserve funds unless these accumulated reserves have reached 50% of the registered capital of the enterprises. These reserves are not distributable as cash dividends.

Circular 75

On October 21, 2005, the SAFE issued the *Notice on Relevant Issues Relating to the Administration of Foreign Exchange of Financing and Return Investment Activities by Domestic Residents Conducted via Offshore Special Purpose Vehicles* (國家外匯管理局關於境內居民通過境外特殊目的公司融資及返程投資外匯管理有關問題的通知) (“Circular 75”), which became effective as of November 1, 2005. According to Circular 75, (a) a PRC citizen (“PRC Citizen”) must register with the local SAFE branch before he or she establishes or controls a special purpose vehicle (“SPV”) for the purpose of conducting overseas equity financing; (b) when a PRC Citizen contributes assets or equity interests to an overseas SPV, or engages in overseas financing after contributing assets or equity interests in a domestic enterprise to an overseas SPV, such PRC Citizen must register his or her interest in the overseas SPV or any change to his or her interest in the overseas SPV with the local SAFE branch; and (c) when the overseas SPV undergoes a material change in capital outside the PRC, such as a change in share capital or merger and acquisition, the PRC Citizen must, within 30 days after the occurrence of such event, register such change with the local SAFE branch. Moreover, Circular 75 applies retroactively.

Under the relevant rules, failure to comply with the registration procedures set forth in Circular 75 may result in restrictions being imposed on the foreign exchange activities of the relevant onshore company, including the increase of its registered capital, the payment of dividends and other distributions to its offshore parent or affiliate and the capital inflow from the offshore entity, and may also subject relevant PRC residents to penalties under PRC foreign exchange administration regulations.

M&A Regulations and Overseas Listings

On August 8, 2006, six PRC regulatory agencies, including the MOFCOM, the State Assets Supervision and Administration Commission, the State Administration of Taxation, the SAIC, the CSRC and the SAFE, jointly issued the *Regulations on Mergers and Acquisitions of Domestic Enterprises by Foreign Investors* (關於外國投資者併購境內企業的規定) (“M&A Rule”), which became effective on September 8, 2006 and was amended on June 22, 2009. This M&A Rule, among

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other things, includes provisions that purport to require that a SPV formed for purposes of overseas listing of equity interests in PRC companies and controlled directly or indirectly by PRC domestic companies or individuals obtain the approval of the CSRC prior to the listing and trading of such SPV's securities on an overseas stock exchange.

OTHER RELEVANT LAWS AND REGULATIONS

Bid and Tender Law

Under the *Bid and Tender Law of the People's Republic of China* (中華人民共和國招標投標法) promulgated by the Standing Committee of the National People's Congress dated August 30, 1999 and implemented on January 1, 2000, tender is compulsory with respect to following projects such as large-scale infrastructure facilities and public utilities relating to social public interests and public security, or projects which are, completely or partly, invested by the state-owned funds or funded through state financing. Tender and bid activities for a project subject to tender according to law shall not be restricted by areas or departments. No unit or person may illegally restrict or exclude legal persons or other organizations from other areas or systems to take part in bidding or interfere in tender and bid activities in any form.

Tenders include public tenders and invitational tenders. A public tender means that a tenderer, in the form of tender announcement, invites unspecified legal persons or other unspecified organizations to submit their bids; an invitational tender means that a tenderer, in the form of invitation for submission of bid, invite specified legal persons or other specified organization to submit their bids. A tenderer who adopts the public tender method shall issue a tender announcement. The tender announcements of projects subject to tender according to law must be issued in newspaper, periodicals, information network or other media designated by the state. A tenderer who adopts the invitational tender method shall issue invitations for submission of bids to three more specified legal persons or other specified organizations capable of undertaking the project subject to tender and having a good reputation and creditworthiness. A tender announcement shall clearly contain such particulars as the name and address of the tenderer, nature of the project subject to tender, quantity, place and time of implementation and methods to acquire the tender documents.

Production Safety

The *Production Safety Law of the PRC* (中華人民共和國安全生產法) promulgated on June 29, 2002 and became effective since November 1, 2002, is the principal law governing the supervision and administration of production safety and labor protection. The law requires that all mining enterprises and production or operation entities with more than 300 workers shall establish an administrative department for production safety or be staffed with full-time personnel for the administration of production safety, and that entities with workers less than 300 shall be staffed with full-time or part-time personnel for the administration of production safety or entrust engineering technicians who have been equipped with the relevant professional technical qualifications as provided by the state to provide services in regard to the administration of work safety. Safety facilities of new construction, re-construction or expansion projects shall be designed, constructed, and put into production and used simultaneously with main construction area of the projects. Safety condition demonstrations and safety evaluations should be made for the construction of mining projects. Safety facilities of mining

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projects should be tested and approved in accordance with relevant laws and regulations prior to the commencement of production or use of the mining projects, and the projects may only be put into production or used after the safety facilities have passed the tests. Mining entities should establish emergency rescue organizations.

Regulations on Patents

Under the revised *Patent Law of the PRC* (中華人民共和國專利法) promulgated on December 27, 2008 and effective on October 1, 2009, there are three types of patents, including invention patents, design patents and utility model patents. Invention patents are valid for 20 years, while design patents and utility model patents are valid for 10 years, in each case commencing on their respective application dates. Persons or entities who use patents without the consent of the patent owners, make counterfeits of patented products, or engage in activities that infringe upon patent rights are held liable to the patent owner for compensation and may be subject to fines and even criminal punishment.

The patent prosecution system in China is different in many ways from that in other countries. The patent system in China uses the “first to file” principle, which means when more than one person files a patent application for the same invention, the patent will be granted to the person who files the application first. In addition, China requires absolute novelty for the sake of an invention to be patentable. Therefore, in general, a patent will be denied if it is publicly known in or outside of China. Furthermore, patents issued in China are not enforceable in Hong Kong, Taiwan or Macau, each of which has an independent patent system.

Although patent rights are national rights, the Patent Cooperation Treaty (“PCT”) to which China is a signatory, allows applicants in one country to seek patent protection for an invention that may simultaneously exist in a number of other member countries by filing a single international patent application. The fact that a patent application is pending is no guarantee that a patent will be granted, and even if granted, the scope of a patent may not be as broad as the subject of the initial application.

Regulations on Trademarks

Both the *Trademark Law of the PRC* (中華人民共和國商標法) promulgated by the National People’s Congress Standing Committee in 1982 and amended in 2001, and the *Regulation on Implementation of Trademark Law of the PRC* (中華人民共和國商標法實施條例) promulgated by the State Council in 2002 give protection to the holders of registered trademarks. In the PRC, registered trademarks include commodity trademarks, service trademarks, collective marks and certificate marks.

The Trademark Office under the State Administration for Industry and Commerce (國家工商行政管理總局商標局) handles trademark registrations and grants a term of 10 years to registered trademarks, renewable every 10 years where a registered trademark needs to be used after the expiration of its validity term, a registration renewal application shall be filed within six months prior to the expiration of the term.

Under the Trademark Law, any of the following acts may be regarded as an infringement upon the right to exclusive use of a registered trademark, including (i) using a trademark which is identical with or similar to the registered trademark on the same or similar commodities without authorization;

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(ii) selling the commodities that infringe upon the right to exclusive use of a registered trademark; (iii) forging, manufacturing the marks of a registered trademark of others without authorization, or selling the marks of a registered trademark forged or manufactured without authorization; and (iv) causing other damage to the right to exclusive use of a registered trademark of another person.

Violation of the Trademark Law of the PRC may result in the imposition of fines, confiscation and destruction of the infringing commodities.

Trademark license agreements must be filed with the Trademark Office under the State Administration for Industry and Commerce or its regional counterparts. The licensor shall supervise the quality of the commodities on which the trademark is used, and the licensee shall guarantee the quality of such commodities.

Regulations on Domain Names

The *Measures for the Administration of Domain Names for the Chinese Internet* (中國互聯網絡域名管理辦法) (“Domain Name Measures”) were promulgated by the MIIT on November 5, 2004 and became effective on December 20, 2004. The Domain Name Measures regulate registrations of domain names with the Internet country code “.cn” and domain names in Chinese.

The *Measures on Domain Name Dispute Resolution* (中國互聯網信息中心域名爭議解決辦法 (2006年修訂)) (“Domain Name Dispute Resolution Measures”) (2006 Edition) were promulgated by the Chinese Internet Network Infrastructure Center on February 14, 2006 and became effective on March 17, 2006. The Domain Name Dispute Resolution Measures require domain name disputes to be submitted to institutions authorized by the Chinese Internet Network Information Center for resolution.

Labor Protection

The *Employment Contract Law of the PRC* (中華人民共和國勞動合同法) was promulgated on June 29, 2007 and became effective on January 1, 2008 and the *Implementing Regulations of the PRC Employment Contracts Law* (中華人民共和國勞動合同法實施條例) promulgated and became effective on September 3, 2008. This law and its implementation govern the establishment of employment relationships between employers and employees, and the conclusion, performance, termination of, and amendment to, employment contracts. To establish an employment relationship, a written employment contract shall be signed. In the event that no written employment contract was signed at the time of establishment of an employment relationship, a written employment contract shall be signed within one month after the date on which the employer first engages the employee.

Under applicable PRC laws, rules and regulations, including the *PRC Social Insurance Law* (中華人民共和國社會保險法), promulgated by the Standing Committee of the National People’s Congress on October 28, 2010 which became effective on July 1, 2011, the *Interim Regulations on the Collection and Payment of Social Security Funds* (社會保險費徵繳暫行條例) promulgated by the State Council and became effective on January 22, 1999, the *Interim Measures concerning the Maternity Insurance* (企業職工生育保險試行辦法) promulgated by the Ministry of Labor on December 14, 1994 which became effective on January 1, 1995, the *Regulations on Occupational*

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Injury Insurance (工傷保險條例) promulgated by the State Council on April 27, 2003 which became effective on January 1, 2004 and amended on December 20, 2010, and the *Regulations on the Administration of Housing Accumulation Funds* (住房公積金管理條例) promulgated by the State Council and became effective on April 3, 1999 which was amended on March 24, 2002, 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, maternity leave insurance, and to housing provident funds. These payments are made to local administrative authorities and any employer who fails to contribute may be fined and ordered to make good the deficit within a stipulated time limit.

HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

OVERVIEW

Our Company was incorporated in the Cayman Islands as an exempted company with limited liability on February 7, 2011 in anticipation of the Global Offering. We are principally engaged in the manufacturing and sale of clinker and cement in the PRC. We operate our clinker and cement operation through a number of our PRC subsidiaries located in various cities in the PRC.

OUR BUSINESS DEVELOPMENT

Our Group traces its roots to 2000 when Tianrui Cement, which is our main operating subsidiary and the holding company of all of our PRC operations, was established in the PRC. The following is a summary of our Group's key business development milestones:

- 2000 • We established Tianrui Cement and commenced cement business operations in Henan province
- 2004 • We established Dalian Cement and entered the cement market in Liaoning province
- 2007 • Titan Cement invested in Tianrui Cement
• IFC invested in Tianrui Cement
- 2008 • JPMorgan PCA invested in Tianrui Cement
- 2009 • We established Xiaoxian Cement and entered the cement market in Anhui province
• We established Tianjin Cement and entered the cement market in Tianjin City
- 2010 • Wan Qi invested in Tianrui Cement
- 2011 • The Reorganization took place

OUR CORPORATE HISTORY

Our Major Subsidiaries

Tianrui Cement

Tianrui Cement was established in Ruzhou City, Henan province on September 28, 2000 by Tianrui Foundry and Li Fashen (Chairman Li's brother), with a registered capital of RMB5 million and an approved business scope for producing and selling cement and woven bags. At the time of its establishment, Tianrui Foundry and Li Fashen held 90% and 10% of the equity interests, respectively, in Tianrui Cement.

On April 19, 2001, the registered capital of Tianrui Cement was increased to RMB19 million. In connection with this capital increase, Tianrui Foundry contributed RMB11.3 million and Mrs. Li contributed RMB2.7 million and became new equity holders of Tianrui Cement. Upon completion of this capital increase, Tianrui Foundry, Li Fashen and Mrs. Li held 83.2%, 2.6% and 14.2% of the equity interests, respectively, in Tianrui Cement.

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On September 14, 2001, the registered capital of Tianrui Cement was increased to RMB30.5 million. In connection with this capital increase, Li Fashen contributed RMB4 million, Li Haijun (Mrs. Li's brother) contributed RMB4 million and Lian Liuhua (Mrs. Li's mother) contributed RMB3.5 million. Upon completion of this increase, Tianrui Foundry, Li Fashen, Mrs. Li, Li Haijun and Lian Liuhua held 51.8%, 14.7%, 8.9%, 13.1% and 11.5% of the equity interests, respectively, in Tianrui Cement.

On April 23, 2002, the registered capital of Tianrui Cement was increased to RMB105.5 million. In connection with this capital increase, (1) Wang Xianbiao (Independent Third Party), Wang Huishan (Independent Third Party), Yan Gangyao (Independent Third Party) and Li Jingqin (Chairman Li's sister) contributed RMB6 million and became new equity holders of Tianrui Cement; (2) Tianrui Foundry contributed RMB30 million; (3) Li Fashen contributed RMB4.8 million; and (4) each of the then equity holders of Tianrui Cement made a contribution in proportion to their then pro rata equity interest percentage by capitalizing the undistributed profits of 2001. Upon completion of this increase, Tianrui Foundry, Li Fashen, Mrs. Li, Li Haijun, Lian Liuhua, Wang Xianbiao, Wang Huishan, Yan Gangyao and Li Jingqin held 51.36%, 11.08%, 3.91%, 5.81%, 5.08%, 5.69%, 5.69%, 5.69%, and 5.69% of the equity interests, respectively, in Tianrui Cement.

On December 31, 2004, Tianrui Foundry transferred its 51.36% equity interest in Tianrui Cement to Tianrui Group at a consideration of RMB54.19 million, which was determined with reference to the then registered capital of Tianrui Cement. Upon completion of this equity transfer, Tianrui Foundry ceased to hold any equity interest in Tianrui Cement.

On January 15, 2005, each of Li Fashen, Li Haijun, Lian Liuhua, Wang Xianbiao, Wang Huishan, Yan Gangyao and Li Jingqin transferred their respective equity interests in Tianrui Cement to Mrs. Li at an aggregate consideration of RMB47.19 million, which was determined with reference to the then registered capital of Tianrui Cement. Upon completion of these equity transfers, Tianrui Group and Mrs. Li held 51.36% and 48.64% of the equity interests, respectively, in Tianrui Cement.

On May 16, 2006, (i) Mrs. Li transferred her 39.16% equity interest in Tianrui Cement to Tianrui Group at a consideration of RMB41.31 million, which was determined with reference to the then registered capital of Tianrui Cement and (ii) the registered capital of Tianrui Cement was increased to RMB115.3 million. In connection with this increase, Tianrui Group contributed RMB9.8 million. Upon completion of this equity transfer and capital increase, Tianrui Group and Mrs. Li held 91.33% and 8.67% of the equity interests, respectively, in Tianrui Cement.

On December 7, 2006, Mrs. Li transferred her 8.67% equity interest in Tianrui Cement to Tianrui Group at a consideration of RMB10 million, which was determined with reference to the then registered capital of Tianrui Cement and the registered capital of Tianrui Cement was further increased to RMB355.2 million. In connection with this capital increase, Tianrui Group contributed RMB239.9 million. Upon completion of this equity transfer and capital increase, Tianrui Cement became a wholly-owned subsidiary of Tianrui Group.

On December 27, 2006, the registered capital of Tianrui Cement was further increased to RMB450.8 million. In connection with this capital increase, Tianrui Group contributed RMB95.6 million.

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On March 15, 2007, the registered capital of Tianrui Cement was increased to US\$93,794,872. In connection with this capital increase, Titan Cement contributed US\$36 million by cash. Upon completion of this capital increase, Tianrui Cement was transformed into a sino-foreign equity joint venture in which Tianrui Group held a 63.9% interest and Titan Cement held the remaining 36.1%. Tianrui Cement's business scope was expanded to include, among others things, the manufacturing and sale of cement, clinker, flyash powder, slag powder, concrete and other cement products. For further details of Titan Cement's investment, please refer to the paragraph headed "Our Investors" in this section.

On April 5, 2007, Tianrui Group pledged its 6% equity interest in Tianrui Cement to Titan Cement. Such pledge was fully released on March 22, 2011.

On June 15, 2007, the registered capital and total investment amount of Tianrui Cement were increased to US\$139,812,271 and US\$198,733,880.8 respectively. In connection with this increase, Tianrui Group contributed US\$20.50 million by cash, and Titan Cement contributed US\$60 million by cash. Upon completion of this capital increase, Tianrui Group and Titan Cement held 56% and 44% equity interests, respectively, in Tianrui Cement. For details of Titan Cement's further investment, please refer to paragraph headed "Our Investors" in this section.

On July 26, 2007, the registered capital and total investment amount of Tianrui Cement were further increased to US\$148,285,742 and US\$219,738,808 respectively. In connection with this increase, Titan Cement contributed US\$19 million by cash and IFC contributed US\$11 million by cash and became a new equity holder of Tianrui Cement. Upon completion of this capital increase, Tianrui Group, Titan Cement and IFC held 52.8%, 43.2% and 4% equity interests, respectively, in Tianrui Cement. For further details of IFC's investment, please refer to the paragraph headed "Our Investors" in this section.

On August 1, 2007, Tianrui Group pledged its 17% equity interest in Tianrui Cement to Titan Cement. Such pledge was fully released on March 22, 2011.

On May 13, 2008, the registered capital and total investment amount of Tianrui Cement were further increased to US\$184,052,471 and US\$319,638,808 respectively. In connection with this increase, JPMorgan PCA contributed US\$18,459,037 by cash and became a new equity holder of Tianrui Cement. Upon completion of this capital increase, Tianrui Group, Titan Cement, IFC and JPMorgan PCA held 47.5%, 38.87%, 3.6% and 10.03% equity interests, respectively, in Tianrui Cement. For further details of JPMorgan PCA's investment, please refer to the paragraph headed "Our Investors" in this section.

On December 28, 2010, Titan Cement transferred its 18.87% equity interest in Tianrui Cement to Wan Qi at a consideration of the US dollar equivalent of RMB620 million, which was determined on an arm's length basis and with reference to the net asset value of Tianrui Cement in 2009. Upon completion of this equity transfer on December 30, 2010, Tianrui Group, Titan Cement, IFC, JPMorgan PCA and Wan Qi held 47.5%, 20%, 3.6%, 10.03% and 18.87% equity interests, respectively, in Tianrui Cement. For further details of Wan Qi's investment, please refer to the paragraph headed "Our Investors" in this section.

HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

Ruzhou Cement

Ruzhou Cement was established on December 3, 2002 as a limited liability company in Ruzhou City, Henan province, with a registered capital of RMB70 million. At the time of its establishment, Tianrui Cement, Antai Cement, Ruzhou Tongyong Scrap Metal Recycling Co. Ltd (汝州市通用廢舊金屬回收有限公司) (“Ruzhou Tongyong”) (an associate of Chairman Li), Mrs. Li, Li Fashen and Jia Jingqi held 71%, 7%, 6%, 5%, 5% and 6% equity interests, respectively, in Ruzhou Cement.

On August 1, 2005, each of Tianrui Cement, Antai Cement, Ruzhou Tongyong, Mrs. Li, Li Fashen, Jia Jingqi transferred their respective equity interest in Ruzhou Cement to Tianrui Group at an aggregate consideration of RMB70 million, which was determined with reference to the then registered capital of Ruzhou Cement. On the same date, the registered capital of Ruzhou Cement was increased to RMB170 million. In connection with this capital increase, Tianrui Cement contributed RMB100 million. Upon completion of the aforesaid equity transfers and capital increase, Tianrui Cement and Tianrui Group held 58.82% and 41.18% equity interests, respectively, in Ruzhou Cement.

On June 5, 2006, Tianrui Group made a cash contribution of RMB10 million to Ruzhou Cement’s registered capital, increasing it to RMB180 million. Upon completion of this capital increase, Tianrui Cement and Tianrui Group held 55.56% and 44.44% equity interests, respectively, in Ruzhou Cement.

On November 18, 2006, Tianrui Group transferred its equity interest in Ruzhou Cement to Tianrui Cement at a consideration of RMB80 million, which was determined with reference to the then registered capital of Ruzhou Cement. Upon completion of such equity transfer, Ruzhou Cement became a wholly-owned subsidiary of Tianrui Cement.

Ruzhou Cement is principally engaged in the production and sale of cement and clinker.

Zhoukou Cement

Zhoukou Cement was established on September 10, 2003 as a limited liability company in Zhoukou City, Henan province, with a registered capital of RMB20 million. At the time of its establishment, Tianrui Cement and Zhoukou Power (Independent Third Party) held 80% and 20% equity interests, respectively, in Zhoukou Cement.

On June 23, 2004, the registered capital of Zhoukou Cement was increased to RMB30 million. In connection with this capital increase, Tianrui Cement contributed RMB10 million. Upon completion of this capital increase, Tianrui Cement and Zhoukou Power held 86.67% and 13.3% equity interests, respectively, in Zhoukou Cement.

On March 10, 2006, Tianrui Cement transferred RMB16 million registered capital of Zhoukou Cement to Tianrui Group at a consideration of RMB16 million, which was determined with reference to the then registered capital of Zhoukou Cement. On the same date, Zhoukou Power transferred RMB1 million registered capital of Zhoukou Cement to Tianrui Group at a consideration of RMB1 million (the “Zhoukou Cement 2006 Transfer”). On March 10, 2006, Tianrui Group further contributed

HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

RMB51 million to Zhoukou Cement and Zhoukou Cement's registered capital, increasing it to RMB81 million. Upon completion of the Zhoukou Cement 2006 Transfer and the capital increase, Tianrui Group, Tianrui Cement and Zhoukou Power held 83.95%, 12.35% and 3.7% equity interests, respectively, in Zhoukou Cement.

On November 16, 2006, Tianrui Group transferred its equity interest in Zhoukou Cement to Tianrui Cement at a consideration of RMB68 million, which was determined with reference to the then registered capital of Zhoukou Cement. Upon completion of such equity transfer, Tianrui Cement and Zhoukou Power held 96.3% and 3.7% equity interests, respectively, in Zhoukou Cement.

On June 13, 2010, Zhoukou Power transferred its equity interest in Zhoukou Cement to Tianrui Cement at a consideration of RMB3 million, which was determined with reference to the then registered capital of Zhoukou Cement (the "Zhoukou Cement 2010 Transfer"). Upon completion of the Zhoukou Cement 2010 Transfer, Zhoukou Cement became a wholly-owned subsidiary of Tianrui Cement.

The Zhoukou Cement 2006 Transfer and the Zhoukou Cement 2010 Transfer did not fully comply with all the PRC legal and administrative procedures, as set out in the *Interim Administration Measures for the Transfer of State-owned Property Rights of Enterprises* (企業國有產權轉讓管理暫行辦法), that are required for transfer of PRC state-owned assets. Each of the aforesaid instances of non-compliance was due to inadvertent omission of both parties to such transfer requirements. As advised by our PRC legal adviser, the outstanding approvals, permits and certificates required for each of the aforesaid transfers include (i) an asset assessment report; (ii) an approval from the provincial level (or above) State-owned Assets Supervision and Administration Commission (applied to a state-owned equity transfer in a manner of agreement); and (iii) a confirmation letter from the relevant competent tendering company or equity exchange (applied to a state-owned equity transfer in a manner of bidding, auction and quotation). Our PRC legal adviser has further advised us that the Zhoukou Cement 2006 Transfer and the Zhoukou Cement 2010 Transfer may be regarded as invalid as a result of the aforesaid non-compliance and Tianrui Cement may be required to return the relevant equity interests in Zhoukou Cement to Zhoukou Power. Our PRC legal adviser has advised us that according to applicable PRC laws and regulations, there is no remedial procedure under the applicable PRC laws and regulations that could be taken by Tianrui Cement to rectify the aforesaid non-compliance, and therefore, as of the Latest Practicable Date, we have not taken any remedial action to rectify such non-compliance. Our PRC legal adviser has further advised us that according to applicable PRC laws and regulations, there is no risk of closing down Zhoukou Cement as requested by the PRC government authorities due to the aforesaid non-compliance. For details of the potential risks associated with the aforesaid non-compliance, please see "Risk Factors — Risks Relating to Our Business — We may be subject to risks associated with contingent or hidden liabilities, non-compliance or other irregularities relating to or involving companies we may acquire".

Our controlling interest in and control of Zhoukou Cement will not be adversely affected even if the Zhoukou Cement 2006 Transfer and/or the Zhoukou Cement 2010 Transfer are/is regarded as invalid by relevant authorities. Therefore, our Directors consider that the aforesaid possible invalidation(s) will not have any material adverse impact on the operation of our Group. As advised by our PRC legal adviser, if the Zhoukou Cement 2006 Transfer is regarded as invalid by relevant authorities, Tianrui Cement may be required to return to Zhoukou Power the equity interests

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transferred in the Zhoukou Cement 2006 Transfer together with the net profit of Zhoukou Cement in proportion to the relevant equity interest since the Zhoukou Cement 2006 Transfer, while the consideration of such transfer together with interest will be returned to Tianrui Cement. In the event that this were to happen, financially, the net profit of the Group for the year of 2008, 2009 and 2010 would be reduced by approximately RMB329,000, RMB121,000 and RMB288,000, respectively and the net assets of the Group for the year of 2008, 2009 and 2010 would be reduced by approximately RMB343,000, RMB673,000 and RMB794,000, respectively. Likewise, if the Zhoukou Cement 2010 Transfer is regarded as invalid by relevant authorities, Tianrui Cement may be required to return to Zhoukou Power the equity interests transferred in the Zhoukou Cement 2010 Transfer together with the net profit of Zhoukou Cement in proportion to the relevant equity interest since the Zhoukou Cement 2010 Transfer, while the consideration of such transfer together with interest would be returned to Tianrui Cement. Therefore, the net assets of the Group for the year of 2010 would be reduced by approximately RMB2.0 million, while the net profit of the Group for the year 2010, however, would be increased by approximately RMB38,000.

Zhoukou Cement is principally engaged in the production and sale of cement and related products.

The net assets of Zhoukou Cement as of December 31, 2008, 2009 and 2010 were approximately RMB121.0 million, RMB152.0 million and RMB166.1 million, respectively. The revenue of Zhoukou Cement was approximately RMB445.4 million, RMB394.8 million and RMB423.3 million in 2008, 2009 and 2010, respectively, contributing approximately 13.3%, 9.0% and 7.0% to the revenue of the Group in 2008, 2009 and 2010. The net profit of Zhoukou Cement for the year of 2008, 2009 and 2010 was approximately RMB31.0 million, RMB14.1 million and RMB27.6 million, respectively, contributing approximately 13.4%, 8.7% and 7.0% to the net profit of the Group in 2008, 2009 and 2010, respectively.

Weihui Cement

Weihui Cement was established on June 30, 2003 by Tianrui Cement as a limited liability company in Weihui City, Henan province, with a registered capital of RMB20 million. At the time of its establishment, Tianrui Cement and Jing Xianyu held 90% and 10% equity interests, respectively, in Weihui Cement.

On April 30, 2004, the registered capital of Weihui Cement was increased to RMB108 million. In connection with this capital increase, Tianrui Cement contributed RMB88 million. Upon completion of this capital increase, Tianrui Cement and Jing Xianyu held 98.15% and 1.85% equity interests, respectively, in Weihui Cement.

On June 2, 2004, the registered capital of Weihui Cement was increased to RMB158 million. In connection with this capital increase, Tianrui Foundry contributed RMB50 million. Upon completion of this capital increase, Tianrui Cement, Tianrui Foundry and Jing Xianyu held 67.09%, 31.65% and 1.26% equity interests, respectively, in Weihui Cement.

On July 19, 2004, Jing Xianyu transferred his 1.26% equity interest in Weihui Cement to Tianrui Cement at a consideration of RMB2 million, which was determined with reference to the then

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registered capital of Weihui Cement. On the same day, Tianrui Foundry transferred its 31.65% equity interest in Weihui Cement to Henan Development Company (Independent Third Party) at a consideration of RMB50 million, which was also determined with reference to the then registered capital of Weihui Cement. In addition, the registered capital of Weihui Cement was increased to RMB240 million. In connection with such capital increase, Henan Development Company and Xinxiang Investment Company (an Independent Third Party) contributed RMB58 million and RMB24 million, respectively. Upon completion of such capital increase and equity transfers, Tianrui Cement, Henan Development Company and Xinxiang Investment Company held 45%, 45% and 10% equity interests, respectively, in Weihui Cement.

On July 1, 2007, Henan Development Company transferred its 45% equity interest in Weihui Cement to Tianrui Cement (the “Weihui Cement 45% Transfer”). The total consideration for the Weihui Cement 45% Transfer and the Zhengzhou Tianrui 13.09% Transfer (as defined below) is RMB151.65 million and was determined through a public tender process. Upon completion of the Weihui Cement 45% Transfer, Tianrui Cement and Xinxiang Investment Company held 90% and 10% equity interests, respectively, in Weihui Cement.

On August 18, 2007, Xinxiang Investment Company transferred its 10% equity interest in Weihui Cement to Tianrui Cement at a consideration of RMB31.91 million, which was determined through a public tender process. Upon completion of this equity transfer, Weihui Cement was wholly-owned by Tianrui Cement.

Weihui Cement is principally engaged in the production and sale of cement, cement-related products and packing bags, mining and the sale of limestone.

Shangqiu Cement

Shangqiu Cement was established on June 9, 2004 by Tianrui Cement as a limited liability company in Shangqiu City, Henan province, with a registered capital of RMB25 million. At the time of its establishment, Tianrui Cement and Shi Xinhe held 90% and 10% equity interests, respectively, in Shangqiu Cement.

On May 9, 2006, Shi Xinhe transferred his 10% equity interest in Shangqiu Cement to Tianrui Cement at a consideration of RMB2.5 million, which was determined with reference to the then registered capital of Shangqiu Cement. On the same date, the registered capital of Shangqiu Cement was increased to RMB63 million, in connection with which Tianrui Group contributed RMB38 million. Upon completion of this equity transfer and capital increase, Tianrui Group and Tianrui Cement held 60.32% and 39.68% equity interests, respectively, in Shangqiu Cement.

On December 1, 2006, Tianrui Group transferred its 60.32% equity interest in Shangqiu Cement to Tianrui Cement at a consideration of RMB38 million, which was determined with reference to the then registered capital of Shangqiu Cement. Upon completion of this equity transfer, Shangqiu Cement was wholly-owned by Tianrui Cement.

Shangqiu Cement is principally engaged in the production, processing and sale of cement, clinker and concrete.

HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

Zhengzhou Tianrui

Zhengzhou Tianrui was established on June 17, 2004 by Tianrui Cement as a limited liability company in Zhengzhou City, Henan province, with a registered capital of RMB39 million. At the time of its establishment, Tianrui Cement and Shi Xinhe (Chairman Li's brother in law) held 90% and 10% equity interests, respectively, in Zhengzhou Tianrui.

On August 19, 2004, Tianrui Cement transferred RMB1.6 million registered capital of Zhengzhou Tianrui to Xinxiang Investment Company at a consideration of RMB1.6 million. On August 19, 2004, Tianrui Cement transferred RMB19.1 million registered capital of Zhengzhou Tianrui to Weihui Cement at a consideration of RMB19.1 million. On August 19, 2004, Tianrui Cement transferred RMB7.2 million registered capital of Zhengzhou Tianrui to Henan Development Company at a consideration of RMB7.2 million. On August 19, 2004, Shi Xinhe transferred RMB3.9 million registered capital of Zhengzhou Tianrui to Weihui Cement at a consideration of RMB3.9 million. The considerations for all these equity transfers that took place on August 19, 2004 were determined with reference to the then registered capital of Weihui Cement. Upon completion of these equity transfers and capital increase, Weihui Cement, Henan Development Company, Tianrui Cement and Xinxiang Investment Company held 70.91%, 13.09%, 13.09% and 2.91% equity interests, respectively, in Zhengzhou Tianrui. On the same date, Weihui Cement made a capital contribution of RMB16 million, increasing the registered capital of Zhengzhou Tianrui to RMB55 million.

On July 1, 2007, Henan Development Company transferred its 13.09% equity interest in Zhengzhou Tianrui to Tianrui Cement (the "Zhengzhou Tianrui 13.09% Transfer"). The total consideration for the Zhengzhou Tianrui 13.09% Transfer and the Weihui Cement 45% Transfer is RMB151.65 million and was determined through a public tender process. On August 18, 2007, Xinxiang Investment Company transferred its 2.91% equity interest in Zhengzhou Tianrui to Tianrui Cement at a consideration of RMB1.6 million, which was determined with reference to the then registered capital of Zhengzhou Tianrui (the "Zhengzhou Tianrui 2.91% Transfer"). The Zhengzhou Tianrui 2.91% Transfer did not fully comply with all the PRC legal and administrative procedures as set out in the *Interim Administration Measures for the Transfer of State-owned Property Rights of Enterprises* (企業國有產權轉讓管理暫行辦法) that are required for transfer of PRC state-owned assets. The aforesaid non-compliance was due to inadvertent omission of both parties to such transfer. As advised by our PRC legal adviser, the outstanding approvals, permits and certificates required for the aforesaid transfer include (i) an asset assessment report; (ii) an approval from the provincial level or above State-owned Assets Supervision and Administration Commission (applied to a state-owned equity transfer in a manner of agreement); and (iii) a confirmation letter from relevant competent tendering company or equity exchange (applied to a state-owned equity transfer in a manner of bidding, auction and quotation). Our PRC legal adviser has advised us that the Zhengzhou Tianrui 2.91% Transfer may be regarded as invalid as a result of the aforesaid non-compliance and Tianrui Cement may be required to return the relevant equity interests in Zhengzhou Tianrui to the seller. Our PRC legal adviser has advised us that according to applicable PRC laws and regulations, there is no remedial procedure under the applicable PRC laws and regulations that could be taken by Tianrui Cement to rectify the aforesaid non-compliance, and therefore, as of the Latest Practicable Date, we have not taken any remedial action to rectify such non-compliance. Our PRC legal adviser has further advised us that according to applicable PRC laws and regulations, there is no risk of closing down Zhengzhou Tianrui as requested by the PRC government authorities due to the aforesaid

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non-compliance. For details of the potential risks associated with the aforesaid non-compliance, please see “Risk Factors — Risks Relating to Our Business — We may be subject to risks associated with contingent or hidden liabilities, non-compliance or other irregularities relating to or involving companies we may acquire”.

Our controlling interest in and control of Zhengzhou Tianrui will not be adversely affected even if the Zhengzhou Tianrui 2.91% Transfer is regarded as invalid by relevant authorities. Therefore, our Directors consider that the aforesaid possible invalidation will not have any material adverse impact on the operation of our Group. As advised by our PRC legal adviser, if the Zhengzhou Tianrui 2.91% Transfer is regarded as invalid by relevant authorities, Tianrui Cement may be required to return to Xinxiang Investment Company the 2.91% equity interest in Zhengzhou Tianrui together with the net profit of Zhengzhou Tianrui in proportion to such equity interest since the Zhengzhou Tianrui 2.91% Transfer, while the consideration of such transfer together with interest will be returned to Tianrui Cement. In the event that this was to happen, financially, according to our estimate and for illustration purposes only, the net profit of the Group for the year 2008, 2009 and 2010 would be reduced by approximately RMB87,000, RMB265,000 and RMB945,000, respectively. The net assets of the Group for the year of 2008 and 2009 would increase by RMB225,000 and RMB139,000, respectively, while the net assets of the Group for the year of 2010 would be reduced by RMB126,000.

Upon completion of these equity transfers, Weihui Cement and Tianrui Cement held 70.91% and 29.09% equity interests, respectively, in Zhengzhou Tianrui.

On October 8, 2009, Weihui Cement transferred its 70.91% equity interest in Zhengzhou Tianrui which has been pledged to CCB Pingdingshan on August 27, 2007, to Tianrui Cement at a consideration of RMB39 million (the “Zhengzhou Tianrui 70.91% Transfer”). The consideration of the Zhengzhou Tianrui 70.91% Transfer was determined with reference to the then registered capital of Zhengzhou Tianrui. Upon completion of the Zhengzhou Tianrui 70.91% Transfer, Zhengzhou Tianrui became a wholly-owned subsidiary of Tianrui Cement. Due to our inadvertent omission, Weihui Cement failed to obtain consent from CCB Pingdingshan in relation to the Zhengzhou Tianrui 70.91% Transfer. As a result, our PRC legal adviser has advised us that such transfer may be regarded as invalid by relevant PRC courts. Pursuant to a share pledge agreement among Tianrui Cement, IFC and CCB Pingdingshan dated October 27, 2011, Tianrui Cement has agreed to pledge 70.91% equity interest in Zhengzhou Tianrui to CCB Pingdingshan and IFC.

Given Weihui Cement (being the transferor of Zhengzhou Tianrui 70.91% Transfer) is a subsidiary of our Company, our controlling interest in and control of Zhengzhou Tianrui will not be adversely affected even if the Zhengzhou Tianrui 70.91% Transfer is regarded as invalid by relevant authorities. Therefore, our Directors consider that the aforesaid possible invalidation would not have any material adverse impact on the operation and financial condition of our Group.

Zhengzhou Tianrui is principally engaged in the production and sale of cement, concrete, construction materials and cement packaging products. The net assets of Zhengzhou Tianrui as of December 31, 2008, 2009 and 2010 was approximately RMB51.6 million, RMB57.5 million and RMB69.5 million, respectively. The revenue of Zhengzhou Tianrui was approximately RMB375.1 million, RMB367.1 million and RMB421.1 million in 2008, 2009 and 2010, respectively, contributing approximately 11.2%, 8.3% and 6.9% to the revenue of the Group in 2008, 2009 and 2010,

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respectively. The net profit of Zhengzhou Tianrui for the year of 2008, 2009 and 2010 was approximately RMB5.9 million, RMB12.0 million and RMB35.4 million, respectively, contributing approximately 2.6%, 7.4% and 9.0% to the net profit of the Group in 2008, 2009 and 2010, respectively.

Yuzhou Cement

Yuzhou Cement was established on August 4, 2004 as a limited liability company in Yuzhou City, Henan province, with a registered capital of RMB150 million. At the time of its establishment, Zhejiang Kangrui (Independent Third Party) and Yuzhou Zhongfeng (Independent Third Party) held 70% and 30% equity interests, respectively, in Yuzhou Cement.

On June 26, 2006, Zhejiang Kangrui transferred its 32% equity interest in Yuzhou Cement to Hangzhou Jinjiang (Independent Third Party) at a consideration of RMB48 million, which was determined with reference to the then registered capital of Yuzhou Cement. On the same date, Zhejiang Kangrui transferred its 10% equity interest in Yuzhou Cement to Yuzhou Zhongfeng at a consideration of RMB15 million, which was also determined with reference to the then registered capital of Yuzhou Cement. Upon completion of these equity transfers, Zhejiang Kangrui, Hangzhou Jinjiang and Yuzhou Zhongfeng held 28%, 32% and 40% equity interests, respectively, in Yuzhou Cement.

On June 25, 2007, Yuzhou Zhongfeng transferred its 40% equity interest in Yuzhou Cement to Hangzhou Jinjiang at a consideration of RMB60 million, which was determined with reference to the then registered capital of Yuzhou Cement (the “Yuzhou Cement 40% Transfer”). The Yuzhou Cement 40% Transfer did not fully comply with all the PRC legal and administrative procedures, as set out in the Interim Administration Measures for the Transfer of State-owned Property Rights of Enterprises (企業國有產權轉讓管理暫行辦法), that are required for transfer of PRC state-owned assets. Our PRC legal adviser has advised us that the Yuzhou Cement 40% Transfer may be regarded as invalid as a result of the aforesaid non-compliance.

On July 1, 2007, Hangzhou Jinjiang transferred its 72% equity interest in Yuzhou Cement to Tianrui Cement at a consideration of RMB108 million (the “Subsequent Transfer”), and Zhejiang Kangrui transferred its 28% equity interest in Yuzhou Cement to Tianrui Cement at a consideration of RMB42 million. The consideration for these two equity transfers was paid on July 1, 2007 and were determined with reference to the then registered capital of Yuzhou Cement. Upon completion of these equity transfers, Yuzhou Cement became a wholly-owned subsidiary of Tianrui Cement. As advised by the Directors, at the time of the Subsequent Transfer, Tianrui Cement was not aware of the non-compliance in connection with the Yuzhou Cement 40% Transfer. Our PRC legal adviser has advised us that based on relevant PRC laws and regulations and due to the following reasons: (i) Tianrui Cement was a bona fide purchaser for value, as it was not aware of the non-compliance in connection with the Yuzhou Cement 40% Transfer at the time of the Subsequent Transfer; (ii) the filing with relevant administration for industry and commerce for each of the Yuzhou Cement 40% Transfer and the Subsequent Transfer has been duly completed; and (iii) the consideration of the Subsequent Transfer has been fully paid by Tianrui Cement to Hangzhou Jinjiang, Tianrui Cement would not be required to return the 40% equity interest in Yuzhou Cement to the seller.

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Our PRC legal adviser has advised us that there is no remedial procedure under the applicable PRC laws and regulations that could be taken by Tianrui Cement to rectify the non-compliance in connection with the Yuzhou Cement 40% Transfer, therefore, as of the Latest Practicable Date, we have not taken any remedial action to rectify such non-compliance. Our PRC legal adviser has further advised us that according to applicable PRC laws and regulations, there is no risk of closing down Yuzhou Cement as requested by the PRC government authorities due to the aforesaid non-compliance. For details of the potential risks associated with the aforesaid non-compliance, please see “Risk Factors — Risks Relating to Our Business — We may be unable to identify suitable acquisition targets, and any acquisition or strategic investments we undertake could be difficult to integrate or to complete such acquisitions or manage or may not otherwise be successful”.

The Directors are of the view that there will not be any material adverse impact on the operation and financial condition of our Group because Tianrui Cement would not be required to return the 40% equity interest in Yuzhou Cement to the seller.

On July 12, 2009, Tianrui Cement contributed RMB100 million to Yuzhou Cement, and the registered capital of Yuzhou Cement was increased to RMB250 million. Yuzhou Cement remains a wholly-owned subsidiary of Tianrui Cement.

Yuzhou Cement is principally engaged in the production and sale of cement. The net assets of Yuzhou Cement as of December 31, 2008, 2009 and 2010 were approximately RMB165.8 million, RMB315.9 million and RMB329.2 million, respectively. The revenue of Yuzhou Cement was approximately RMB411.1 million, RMB426.8 million and RMB476.2 million in 2008, 2009 and 2010, respectively, contributing approximately 12.2%, 9.7% and 7.8% to the revenue of the Group in 2008, 2009 and 2010, respectively. The net profit of Yuzhou Cement for the year of 2008, 2009 and 2010 was approximately RMB50.1 million, RMB13.3 million and RMB39.1 million, respectively, contributing approximately 21.7%, 8.2% and 9.9% to the net profit of the Group in 2008, 2009 and 2010, respectively.

Yuzhou Mining

Yuzhou Mining was established on April 23, 2007 by Yuzhou Cement as a limited liability company in Yuzhou City, Henan province, with a registered capital of RMB1 million. Yuzhou Mining has an approved business scope of mining limestone, construction stone and selling construction materials.

Dalian Cement

Dalian Cement was established on December 8, 2004 as a limited liability company in Dalian City, Liaoning province, with a registered capital of RMB30 million. At the time of its establishment, Tianrui Cement and Mrs. Li held 61% and 39% equity interests, respectively, in Dalian Cement.

On March 27, 2006, the registered capital of Dalian Cement was increased to RMB89 million. In connection with this increase, Tianrui Group contributed RMB59 million as a new equity holder. Upon completion of this capital increase, Tianrui Group, Tianrui Cement and Mrs. Li held 66.29%, 20.56% and 13.15% equity interests, respectively, in Dalian Cement.

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On April 7, 2006, November 9, 2006 and November 29, 2006, Tianrui Group contributed RMB20 million, RMB61 million and RMB49.5 million of registered capital, respectively, to Dalian Cement. Upon completion of these capital contributions, Tianrui Group, Tianrui Cement and Mrs. Li held 86.33%, 8.34% and 5.33% equity interests, respectively, in Dalian Cement.

On December 8, 2006, Tianrui Group transferred its 86.33% equity interest in Dalian Cement to Tianrui Cement at a consideration of RMB189.5 million. On the same date, Mrs. Li transferred her 5.33% equity interest in Dalian Cement to Tianrui Cement at a consideration of RMB11.7 million. The consideration for these two equity transfers was paid on December 8, 2006 and determined with reference to the then registered capital of Dalian Cement. Upon completion of these equity transfers, Dalian Cement became a wholly-owned subsidiary by Tianrui Cement.

On April 9, 2007, the registered capital of Dalian Cement was increased to RMB319.50 million. In connection with this capital increase, Tianrui Cement contributed RMB100 million.

On April 11, 2008, the registered capital of Dalian Cement was further increased to RMB350 million. In connection with this capital increase, Tianrui Cement contributed RMB30.5 million.

Dalian Cement is principally engaged in the production, sale and export of cement, clinker, concrete and other cement products and limestone mining.

Yingkou Cement

Yingkou Cement was established on July 4, 2006 as a limited liability company in Yingkou City, Henan province, with a registered capital of RMB22.88 million. At the time of its establishment, Liu Bing, Wang Yuhua and Liu Xiujun held 30%, 50% and 20% equity interests, respectively, in Yingkou Cement.

On April 10, 2007, the registered capital of Yingkou Cement was increased to RMB39.5 million. In connection with this capital increase, each of the then equity holders of Yingkou Cement made a contribution in proportion to their respective equity holdings. The respective equity holdings of Liu Bing, Wang Yuhua and Liu Xiujun in Yingkou Cement remained unchanged upon completion of the aforesaid capital increase.

On May 10, 2007, Liu Bing, Wang Yuhua and Liu Xiujun transferred their collective 100% equity interest in Yingkou Cement to Tianrui Cement at a total consideration of RMB39.5 million, which was determined with reference to the then registered capital of Yingkou Cement. Upon completion of these equity transfers, Yingkou Cement became a wholly-owned subsidiary of Tianrui Cement.

On August 26, 2009, the registered capital of Yingkou Cement was increased to RMB111.3 million. In connection with this capital increase, Tianrui Cement contributed RMB71.8 million.

Yingkou Cement is principally engaged in the production and sale of cement, slag powder and cement products and import of goods.

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Antai Cement

Antai Cement was established on September 16, 1998 as a limited liability company in Lushan County, Henan province, with a registered capital of RMB2.2 million. At the time of its establishment, Ruzhou City Steel (汝州市鑄鋼廠) (an associate of Chairman Li), Ruzhou City Baiyunshan Cement (汝州市白雲山水泥廠) (an associate of Chairman Li) and Ruzhou City Tongyong Foundry Company (汝州市通用鑄造總公司) (an associate of Chairman Li) held 68%, 23% and 9% equity interests, respectively, in Antai Cement.

On June 5, 2000, Ruzhou City Steel transferred its 68% equity interest in Antai Cement to Tianrui Foundry at a consideration of RMB1.5 million, which was determined with reference to the then registered capital of Antai Cement. On the same day, the registered capital of Antai Cement was increased to approximately RMB10.5 million. In connection with this capital increase, Tianrui Foundry, Ruzhou City Steel and Ruzhou City Tongyong Foundry Company each contributed approximately RMB7.15 million, RMB2.42 million and RMB0.95 million, respectively. Upon completion of this equity transfer and capital increase, Tianrui Foundry, Ruzhou City Baiyunshan Cement and Ruzhou City Tongyong Foundry Company held 68%, 23% and 9% equity interests, respectively, in Antai Cement.

On December 22, 2004, Tianrui Foundry transferred its 68% equity interest in Antai Cement to Tianrui Group at a consideration of approximately RMB7.15 million, which was determined with reference to the then registered capital of Antai Cement. Upon completion of this equity transfer, Tianrui Group, Ruzhou City Baiyunshan Cement and Ruzhou City Tongyong Foundry Company held 68%, 23% and 9% equity interests, respectively, in Antai Cement.

On May 10, 2006, Ruzhou City Tongyong Foundry Company transferred RMB150,000 and RMB796,000 registered capital of Antai Cement to Tianrui Cement and Tianrui Group at the consideration of RMB150,000 and RMB796,000 respectively. On May 10, 2006, Ruzhou City Baiyunshan Cement transferred its 23% equity interest in Antai Cement to Tianrui Group at a consideration of approximately RMB2.416 million. The respective considerations of these equity transfers were determined with reference to the then registered capital of Antai Cement. On May 10, 2006, Tianrui Cement made a contribution of RMB10.85 million to Antai Cement, and the registered capital of Antai Cement was further increased to RMB21.357 million. Upon completion of these equity transfers and capital increase, Tianrui Cement and Tianrui Group held 51.5% and 48.5% equity interests, respectively, in Antai Cement.

On November 8, 2006, Tianrui Group transferred its 48.5% equity interest in Antai Cement to Tianrui Cement at a consideration of approximately RMB10.36 million, which was determined with reference to the then registered capital of Antai Cement. Upon completion of this equity transfer, Antai Cement became a wholly-owned subsidiary by Tianrui Cement.

Antai Cement is principally engaged in the production of cement.

Nanzhao Cement

Nanzhao Cement was established on January 23, 2007 by Tianrui Cement as a limited liability company in Nanzhao County, Henan province, with a registered capital of RMB40 million.

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On May 12, 2009, the registered capital of Nanzhao Cement was increased to RMB200 million. In connection with this capital increase, Tianrui Cement contributed RMB160 million.

Nanzhao Cement is principally engaged in the production and sale of cement and other related products.

Xuchang Cement

Xuchang Cement was established on August 16, 2007 by Tianrui Cement as a limited liability company in Xuchang City, Henan province, with a registered capital of RMB40 million.

On July 20, 2009, the registered capital of Xuchang Cement was increased to RMB80 million. In connection with this capital increase, Tianrui Cement contributed RMB40 million.

Xuchang Cement is principally engaged in the production and sale of cement, concrete and cement products.

Guangshan Cement

Guangshan Cement was established on December 14, 2007 by Tianrui Cement as a limited liability company in Guangshan County, Henan province, with a registered capital of RMB150 million.

On May 20, 2008, the registered capital of Guangshan Cement was increased to RMB250 million. In connection with this capital increase, Tianrui Cement contributed RMB100 million.

On August 14, 2009, the registered capital of Guangshan Cement was increased to RMB280 million. In connection with this capital increase, Tianrui Cement contributed RMB30 million.

Guangshan Cement is principally engaged in the production and sale of cement, clinker, concrete and other cement products.

Zhengzhou Cement (Xinyang)

Zhengzhou Cement (Xinyang) was established on April 23, 2008 by Tianrui Cement as a limited liability company in Xinyang County, Henan province, with a registered capital of RMB50 million.

On May 13, 2008, the registered capital of Zhengzhou Cement (Xinyang) was increased to RMB300 million. In connection with this capital increase, Tianrui Cement contributed RMB250 million.

On January 15, 2009, the registered capital of Zhengzhou Cement (Xinyang) was further increased to RMB520 million. In connection with this capital increase, Tianrui Cement contributed RMB220 million.

Zhengzhou Cement (Xinyang) is principally engaged in the production and sale of cement and other related products.

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Xiaoxian Cement

Xiaoxian Cement was established on October 6, 2008 by Tianrui Cement as a limited liability company in Xiaoxian County, Anhui Province, with a registered capital of RMB20 million.

On May 13, 2009, the registered capital of Xiaoxian Cement was increased to RMB241.958 million. In connection with this capital increase, Tianrui Cement contributed RMB221.958 million by cash.

Xiaoxian Cement is principally engaged in the production, processing and sale of cement, clinker and concrete.

Ningling Cement

Ningling Cement was established on July 9, 2009 by Tianrui Cement as a limited liability company in Ningling County, Henan province, with a registered capital of RMB20 million.

Ningling Cement is principally engaged in the production, processing and sale of cement and concrete.

Liaoyang Cement

Liaoyang Cement was established on April 25, 2007 by Tianrui Cement as a limited liability company in Liaoyang City, Liaoning province, with a registered capital of RMB10 million.

On August 1, 2008, the registered capital of Liaoyang Cement was increased to RMB208 million. In connection with this increase, Tianrui Cement contributed RMB198 million.

On March 25, 2009, the registered capital of Liaoyang Cement was further increased to RMB231.68 million. In connection with this increase, Tianrui Cement contributed RMB23.68 million.

Liaoyang Cement is principally engaged in the production of cement, clinker and cement products.

Tianjin Cement

Tianjin Cement was established on November 5, 2009 as a limited liability company in Tianjin City, with a registered capital of RMB100 million. At the time of its establishment, Tianrui Cement, Wang Aimin and Li Jiang each held 40%, 30% and 30% equity interests, respectively, in Tianjin Cement. Tianrui Cement jointly established Tianjin Cement with Wang Aimin and Li Jiang because of the strong business relationships of Wang Aimin and Li Jiang in the region which would facilitate project construction and marketing development of Tianjin Cement.

On July 30, 2010, Wang Aimin and Li Jiang each transferred a 10% equity interest in Tianjin Cement to Tianrui Cement at a consideration of RMB10 million each. The consideration for these

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equity transfers was determined with reference to the then registered capital of Tianjin Cement. Upon completion of these equity transfers, Tianrui Cement, Wang Aimin and Li Jiang held 60%, 20% and 20% equity interests, respectively, in Tianjin Cement. Other than their equity interest in Tianjin Cement, each of Wang Aimin and Li Jiang has no other relationship with the Group.

Tianjin Cement has an approved business scope of production and sale of cement, concrete and other cement products.

Our Investors

Private Placements in 2007

On January 13, 2007, Titan Cement entered into a subscription agreement (the “KKR Subscription Agreement”) with Tianrui Group, Tianrui Group’s then shareholders and Tianrui Cement, pursuant to which, (i) Tianrui Group agreed to procure Tianrui Cement to increase its registered capital from US\$57,794,872 to US\$93,794,872; and (ii) Titan Cement agreed to subscribe for such increased registered capital by cash. Upon completion of such capital increase and subscription, Tianrui Cement became a sino-foreign equity joint venture. Tianrui Group and Titan Cement held 63.9% and 36.1% equity interests, respectively. Our PRC legal adviser has advised us that the acquisition of 36.1% of Tianrui Cement by Titan Cement was in compliance with the *Regulations on Mergers and Acquisitions of Domestic Enterprises by Foreign Investors* (關於外國投資者併購境內企業的規定).

Pursuant to a supplemental agreement to the KKR Subscription Agreement dated May 31, 2007, (i) Titan Cement agreed to make a further cash contribution of US\$60 million to Tianrui Cement, out of which US\$25,517,399 was used to subscribe for the increased registered capital of Tianrui Cement, and the remaining US\$34,482,601 was contributed to the capital reserve account of Tianrui Cement; and (ii) Tianrui Group agreed to make a further cash contribution of RMB equivalent of US\$20.50 million to Tianrui Cement’s registered capital. Upon completion of these further subscriptions, Titan Cement’s equity interest in Tianrui Cement was increased to 44% and the remaining 56% was continued to be owned by Tianrui Group.

On June 27, 2007, Tianrui Group, Tianrui Group’s shareholders, Tianrui Cement, Titan Cement and IFC entered into a subscription agreement, pursuant to which, (i) Titan Cement agreed to make an additional cash contribution to the registered capital of Tianrui Cement of US\$2,542,041 and make a contribution of US\$16,457,959 to the capital reserve account of Tianrui Cement; and (ii) IFC agreed to make a cash contribution to the registered capital of Tianrui Cement of US\$5,931,430 and to make a contribution of US\$5,068,570 to the capital reserve account of Tianrui Cement. Upon completion of this capital increase and subscriptions, Tianrui Group, Titan Cement and IFC held 52.8%, 43.2% and 4% equity interests, respectively, in Tianrui Cement.

Each of Titan Cement and IFC settled their respective investment amounts by July 10, 2007.

Private Placements in 2008

On April 7, 2008, Tianrui Group, Tianrui Group’s then shareholders, Tianrui Cement, Titan Cement, IFC and JPMorgan PCA entered into a subscription agreement, pursuant to which, (i) Titan

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Cement agreed to make an additional cash contribution to the registered capital of Tianrui Cement of the RMB equivalent of US\$9,138,461; (ii) IFC agreed to make an additional cash contribution to the registered capital of Tianrui Cement of US\$692,308; and (iii) JPMorgan PCA agreed to make a cash contribution to the registered capital of Tianrui Cement of US\$18,459,037 together with a contribution to the capital reserve account of Tianrui Cement in the amount of US\$54,233,271. Upon completion of this capital increase and subscriptions, Tianrui Group, Titan Cement, IFC and JPMorgan PCA held 47.5%, 38.87%, 3.6% and 10.03% equity interests, respectively, in Tianrui Cement.

Each of Titan Cement and JPMorgan PCA fully settled their respective investment amounts to Tianrui Cement by May 7, 2008.

Equity Transfer in 2010

On December 2, 2010, Titan Cement entered into an equity transfer agreement with Wan Qi, pursuant to which Titan Cement agreed to transfer a 18.87% equity interest in Tianrui Cement to Wan Qi at a consideration of the US dollar equivalent of RMB620 million, which was determined on an arm's length basis and with reference to the net asset value of Tianrui Cement in 2009. Upon full payment by Wan Qi on December 13, 2010 and completion of this equity transfer on December 30, 2010, Tianrui Group, Titan Cement, IFC, JPMorgan PCA and Wan Qi held 47.5%, 20%, 3.6%, 10.03% and 18.87% equity interests, respectively, in Tianrui Cement.

Internal Restructuring of Titan Cement

For the purpose of its tax restructuring, on April 8, 2011, Titan Cement transferred 200,000 Shares to its sole shareholder, Titan Investments (Luxembourg). On the same date, Titan Investments (Luxembourg) transferred the aforesaid 200,000 Shares to its sole shareholder, Titan Investments (Cayman). Upon completion of these transfers, all of the Shares previously held by Titan Cement were directly held by Titan Investments (Cayman), and there is no change in the ultimate beneficial interests of these Shares.

Equity Transfer in 2011

On May 5, 2011, IFC entered into a share purchase agreement with Wan Qi, pursuant to which IFC agreed to transfer 36,000 Shares (representing 3.6% of the then issued share capital of our Company) to Wan Qi at a consideration of approximately US\$18 million, which was determined on an arm's length basis and with reference to the net asset value of Tianrui Cement in 2009. Upon full payment by Wan Qi on May 12, 2011 and completion of this share transfer on May 13, 2011, Yu Kuo, Titan Investments (Cayman), JPMorgan PCA and Wan Qi held 47.5%, 20%, 10.03% and 22.47% equity interests, respectively, in our Company.

Special Rights of the Investors

Pursuant to the equity joint venture contract entered into among Tianrui Group, Titan Cement, IFC, JPMorgan PCA and Wan Qi, each of Titan Cement, IFC, JPMorgan PCA and Wan Qi was granted certain special rights in relation to Tianrui Cement, including without limitation, pre-emptive rights, rights of first offer, tag-along rights, drag-along rights, nomination rights, information rights,

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withdrawal right (to Titan Cement only) and reserved matters protection rights. All of these special rights were customary to financial investors and were terminated when Titan Cement, IFC, JPMorgan PCA and Wan Qi ceased to hold any equity interest in Tianrui Cement and Tianrui Cement became an indirect wholly-owned subsidiary of our Company pursuant to the Reorganization.

On April 2, 2011, our Company, the Controlling Shareholders, Titan Cement, JPMorgan PCA, Wan Qi and IFC entered into a shareholders agreement (the “Shareholders Agreement”) in relation to our Company, pursuant to which each of Titan Cement, JPMorgan PCA, Wan Qi and IFC was granted a number of customary shareholder rights. On December 12, 2011, our Company and the existing Shareholders, namely, the Controlling Shareholders, Titan Investments (Cayman), JPMorgan PCA and Wan Qi entered into the Supplemental Shareholders Agreement, pursuant to which (1) the existing Shareholders agreed to amend certain terms in the Shareholders Agreement; and (2) Yu Kuo agreed that, during the first year after the Listing Date, it shall not, and shall ensure that all Senior Managers (as defined in the Shareholders Agreement) who hold Shares will not, Transfer (as defined below) any Shares if, following such Transfer, the total number of Shares Transferred (as defined in the Shareholders Agreement) by Yu Kuo and the Senior Managers following the date of the Supplemental Shareholders Agreement would exceed the lesser of (A) the total number of Shares Transferred by Titan Investments (Cayman) after the Listing Date; and (B) 30% of the total number of Shares held by Yu Kuo and the Senior Managers as of the Listing Date. Below is a summary of certain of special rights granted to the Investors* under the Shareholders Agreement (as supplemented by the Supplemental Shareholders Agreement):

- Right of First Offer: If Yu Kuo proposes to transfer any Shares to any person (the “Transfer”), the Investors shall have a right of first offer to purchase such Shares.
- Tag-along Right: If the Investors do not exercise their Right of First Offer as mentioned above, each of them shall have the right, but not the obligation, to require the transferee of the Transfer to purchase from them for the same consideration per Share and upon the same terms and conditions as to be paid and given to Yu Kuo, up to a maximum of the total number of Shares held by such Investor.
- Drag-along Right: At any time following the occurrence of a Triggering Event, Titan Investments (Cayman) shall have the right, exercisable by a written notice to Yu Kuo, to require Yu Kuo to sell all of its Shares to a third party from whom Titan Cement accepts an offer to purchase its Shares. A “Triggering Event” shall be deemed to occur if the net profit for any financial year from 2008 to 2012, inclusive, is less than 10% higher than the net profit for the immediately prior financial year, as determined by an independent auditor, which shall be one of the big four accounting firms.

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Preemptive Right:

The Company shall not, and Yu Kuo and the Controlling Shareholders shall ensure that the Company shall not, issue any securities (including any equity securities or any debt or other securities of any kind) of any type or class to any person (the “Proposed Recipient”) unless the Company has offered each shareholder (including Yu Kuo and the Investors) the right to purchase such shareholder’s pro rata Share of such issuance for a per unit consideration, payable solely in cash, equal to the per unit consideration to be paid by the Proposed Recipient and otherwise on the same terms and conditions as are offered to the Proposed Recipient.

The foregoing restriction shall not apply to (a) any issuance of Shares upon the conversion, exercise or exchange of the equity securities issued after the date hereof in accordance with the terms hereof, (b) any issuance of Shares in a Qualified IPO approved by the Board and (c) any issuance of securities contemplated by any other agreement entered into by any Investor, on the one hand, and Yu Kuo and/or the Controlling Shareholders, on the other hand.

“Qualified IPO” means an initial public offering (“IPO”) on an internationally-recognized stock exchange, (i) immediately following the completion of which the Company has a pre-money market capitalization of not less than the equivalent of US\$618.2 million (calculated as the total number of Shares outstanding prior to the IPO multiplied by the final price per share in the IPO) and not less than the minimum percentage of the Shares then in issue required by the relevant stock exchange are publicly traded and (ii) following which (A) the Shares are traded in a freely convertible currency or, in the case of an IPO in the PRC, the proceeds of any sale of shares by the Investors can be immediately converted into a freely convertible currency and remitted out of the PRC and (B) the Shares held by the Investors can gain full liquidity after the expiration of any lock-up period; provided that, notwithstanding the above, where the lock-up period with respect to the Shares held by the Investors is or may be for an indefinite term, such initial public offering and listing shall not be deemed to be a Qualified IPO.

The Global Offering is a Qualified IPO.

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Appointment of Directors: Prior to the Listing, each of Titan Investments (Cayman), JPMorgan PCA and Wan Qi has the right, but not the obligation, to require Yu Kuo to procure the appointment of its nominee as a Director.

Information Rights: Prior to the Listing, each of the Investors is entitled to receive from the Company periodic financial information. Each of the Investors also has the right to request for information about the operations, business affairs and financial condition of the Group.

Put Right: Upon the occurrence of a Put Event, Yu Kuo, the Controlling Shareholders and the Company have agreed that Titan Investments (Cayman) shall have the sole right to have all or a portion (such portion to be determined by Titan Investments (Cayman)) of its Shares (a) subject to the applicable Law, repurchased by the Company, and/or (b) purchased by Yu Kuo and/or any of the Controlling Shareholders.

“Put Event” means a Rejected IPO Event, a Failed IPO Event and/or a Material Breach Event.

“Rejected IPO Event” means any one or more of the following events:

- (i) an IPO resolution is placed on the agenda for a meeting of the Board, and (A) any Director votes in favor of such resolution at such board meeting, and any of Directors nominated by Yu Kuo does not vote in favor of the IPO resolution, resulting in the IPO resolution not being adopted at such board meeting, or (B) at any subsequent board meeting the Directors resolve to revoke or rescind the IPO resolution;
- (ii) following approval of the Board of the IPO resolution, the management of the Company stops working on the IPO or fails to use its best efforts in taking the steps required to implement the IPO plan, resulting in delay in the implementation of the IPO plan; or
- (iii) following an IPO, full liquidity of the Investors’ Shares cannot be delivered as determined by the following: (A) the Shares are not traded in a freely convertible currency or, in the case of an IPO in the PRC, the proceeds of any sale of shares by any Investor cannot be immediately converted into a freely convertible currency and remitted out of the PRC or (B) the Shares held by any Investor cannot gain full liquidity after the expiration of any lock-up period; provided that the event described in this clause (iii) shall only be deemed to constitute a Rejected IPO Event if such IPO has been proposed by a Director nominated by Yu Kuo.

HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

“Failed IPO Event” means a circumstance in which a Qualified IPO has not occurred on or prior to March 31, 2012.

“Material Breach Event” shall be deemed to occur if the Company, Yu Kuo or any of the Controlling Shareholders materially breaches or defaults under the Shareholders Agreement or any other agreement (as applicable) entered into with any Investor in relation to the Company, which breach or default is not capable of remedy or, if capable of remedy, is not remedied within 30 days after delivery of notice by the relevant Investor to the Company, Tianrui Group, Yu Kuo or the Controlling Shareholders, as the case may be.

* For the purpose of this paragraph, unless otherwise defined, the Investors shall mean the then Shareholders and with respect to the Shareholders Agreement, include Wan Qi, Titan Cement, IFC and JPMorgan PCA whilst with respect to the Supplemental Shareholders Agreement, include Wan Qi, Titan Investments (Cayman) and JPMorgan PCA but exclude IFC.

All of the special rights granted to IFC were terminated when IFC ceased to hold any Shares on May 13, 2011. All of the special rights granted to each of Titan Investments (Cayman), JPMorgan PCA and Wan Qi will be terminated immediately upon the Listing.

Information about the Investors

Titan Investments (Cayman)

KKR Asian Fund L.P. owns and controls the majority of the issued and outstanding shares of Titan Investments (Cayman). KKR Asian Fund L.P. is managed by Kohlberg Kravis Roberts & Co. L.P., which is registered as an investment adviser with the United States Securities and Exchange Commission. Kohlberg Kravis Roberts & Co. L.P. is an affiliate of KKR & Co. L.P., whose common units are listed on the New York Stock Exchange (NYSE: KKR). As Titan Investments (Cayman) will be a connected person (being a substantial Shareholder) of the Company under the Listing Rules, the Shares held by Titan Investments (Cayman) will not be counted towards the public float after the Listing. Other than its shareholding in our Company, Titan Investments (Cayman) is an Independent Third Party.

JPMorgan PCA

JPMorgan PCA, a private company limited by shares incorporated in Mauritius, is a wholly-owned subsidiary of JPMorgan Private Capital Asia Fund I, L.P. (an exempted limited partnership registered in the Cayman Islands) and an indirect wholly-owned subsidiary of JPMorgan Chase & Co. As JPMorgan PCA will not be a connected person of the Company under the Listing Rules, the Shares held by JPMorgan PCA will be counted towards the public float after the Listing. Other than its shareholding in our Company, JPMorgan PCA is an Independent Third Party.

Wan Qi

Wan Qi, a limited liability company incorporated in the BVI, is a wholly-owned subsidiary of Mr. Tang. As Wan Qi will be a connected person (being a substantial Shareholder) of the Company under

HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

the Listing Rules, the Shares held by Wan Qi will not be counted towards the public float after the Listing. Wan Qi is an investment holding company of Mr. Tang. For details of Mr. Tang, please refer to the section headed “Directors, Senior Management and Staff”. Other than its shareholding in our Company and being controlled by Mr. Tang (a non-executive Director), Wan Qi has no other relationship with the Group.

The following table sets forth the initial investment cost per Share of each of the Investors immediately prior to the Global Offering:

	Investment amount ⁽¹⁾		Number of Shares held upon Listing	Investment cost per Share ⁽²⁾	Discount from mid-point of the Offer Price Range
	(US\$)	(HK\$ equivalent)			
Titan Investments					
(Cayman)	63,022,998	491,308,386	400,000,000	1.23	59.1%
JPMorgan PCA	72,692,308	566,687,425	200,600,000	2.82	6.3%
Wan Qi	111,144,972	866,452,858	449,400,000	1.93	35.9%

Notes:

- (1) The investment amount in HK\$ is for illustration purpose only and converted from US\$ at US\$1 to HK\$7.7957.
- (2) The investment cost per Share for each of the Investors is not at any guaranteed discount to the Offer Price.

Our Outstanding Facility

The IFC Loan and the JPM Facility remain outstanding as of the Latest Practicable Date, but we intend to use the net proceeds from the Global Offering, our cash and bank balances, cash generated from our operations and unutilized bank facilities to repay the IFC Loan and the JPM Facility. Certain principal terms of the IFC Loan and the JPM Facility are set out below.

IFC Loan

Tianrui Cement entered into a US\$50 million loan agreement with IFC on June 28, 2007 (the “IFC Loan Agreement”). Set out below is a summary of certain principal terms of the IFC Loan:

Lender	IFC
Borrower	Tianrui Cement
Principal amount	US\$50 million
Interest rate	The floating interest rate on the IFC Loan are determined by reference to LIBOR
Final maturity date	July 5, 2015

HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

- Major financial covenants
- (a) The debt service coverage ratio should not be less than 1.1 during the Track Record Period;
 - (b) the capital expenditure should not be more than 120% of the amount permitted by the loan creditors for 2007 and 2008, respectively;
 - (c) interest coverage ratio should not be less than 3.5 for 2007 and 2008; and
 - (d) a leverage ratio should not be more than 4.9 for 2007, 4.9 for the first half of 2008, 4.6 for the second half of 2008, 4.3 for the first half of 2009 and 3.5 for the second half of 2009, while any loan amounts or borrowing commitments under the loan agreements are still outstanding.
- Major non-financial covenants
- (i) Reporting Requirements

The borrower is required to provide IFC with certain financial information including audited accounts and cash flow forecasts within a required time frame.
 - (ii) Security and Further Assurance

From time to time, the borrower shall execute, acknowledge and deliver or cause to be executed, acknowledged and delivered such further instruments as may reasonably be requested by IFC for perfecting or maintaining in full force and effect the any security in relation to the IFC Loan (the “IFC Security”) created or to be created by or under any security documents in relation to the IFC Loan (the “IFC Security Documents”) or for reregistering the IFC Security or otherwise and, if necessary, create and perfect additional security, to enable the borrower to comply with its obligations under the financing documents in relation to the IFC Loan and shall ensure that if any new assets are acquired by the borrower or any of the restricted subsidiaries as permitted under the IFC Loan Agreement, relevant arrangements shall be made so that such new assets shall be mortgaged to IFC as part of the IFC Security to the extent provided in the IFC Security Documents.

HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

(iii) Negative Covenant

Unless IFC otherwise agrees, the borrower shall, and the borrower shall procure each of the material subsidiaries as defined in the IFC Loan Agreement (the “Material Subsidiaries (IFC)”) to, comply with several negative covenants. Major negative covenants include:

- (1) the borrower and the Materials Subsidiaries (IFC) shall not have any financial debt other than those permitted under the IFC Loan Agreement;
- (2) the borrower shall not create or permit any Material Subsidiaries (IFC) to create any security upon any of its assets, except for those permitted under the IFC Loan Agreement;
- (3) except for any security or loans permitted under the IFC Loan Agreement, the borrower shall not, and shall ensure that the Material Subsidiaries (IFC) will not make any loan or provide any form of credit or financial accommodation to, or be a creditor of any financial debt owing by any person; or give or issue any security or indemnity to or for the benefit of any person or assume any liability (whether actual or contingent) by other means , or permit any Material Subsidiary (IFC) to give, issue or assume any such security, indemnity or other liability; and
- (4) the borrower shall not, and shall ensure that its Material Subsidiaries (IFC) will not, enter into a single transaction or a series of transactions to sell, lease, transfer or otherwise dispose of any asset, except for those permitted under the IFC Loan Agreement.

IFC Security

The IFC Loan is secured by charges of certain land use rights, building, machinery, equipment and mining rights of Tianrui Cement and certain of its PRC subsidiaries and charge of the equity interest held by Tianrui Cement in certain of its PRC subsidiaries. See “Pledged Assets” in the “Financial Information” section.

HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

JPM Facility

Tianrui Cement and nine of its subsidiaries in the PRC entered into a facility agreement on August 22, 2007 (the “JPM Facility Agreement”) and a supplemental agreement to the JPM Facility Agreement on April 16, 2011 with a syndicate of financial institutions led by JPM on a joint and several basis. Set out below is a summary of certain principal terms of the JPM Facility:

Lenders	A syndicate of financial institutions led by JPM
Borrowers	Tianrui Cement and nine of its subsidiaries in the PRC, i.e., Ruzhou Cement, Antai Cement, Zhoukou Cement, Shangqiu Cement, Yingkou Cement, Liaoyang Cement, Nanzhao Cement, Weihui Cement and Zhengzhou Tianrui
Principal amount	A credit facility of up to RMB1,993 million
Interest rate	The interest rates on amounts drawn under the JPM Facility are determined with reference to the benchmark interest rate promulgated by PBOC at the time when the JPM Facility was entered into.
Final maturity date	The date falling 60 months from the date of first drawdown
Major financial covenants	<ul style="list-style-type: none">(a) From 2009 the debt service coverage ratio should not be less than 1.1;(b) the capital expenditure should not be more than 120% of the amount permitted by the loan creditors for 2007 and 2008;(c) interest coverage ratio should not be less than 3.5 for 2007 and 2008; and(d) a leverage ratio should not be more than 4.9 for 2007, 4.9 for the first half of 2008, 4.6 for the second half of 2008, 4.3 for the first half of 2009 and 3.5 for the second half of 2009, while any loan amounts or borrowing commitments under the loan agreements are still outstanding.
Major non-financial covenants	<ul style="list-style-type: none">(i) Reporting Requirements <p>The borrowers are required to provide with the facility agent certain financial information including audited accounts and cash flow forecasts within a required time frame.</p>

HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

(ii) Security and Further Assurance

From time to time, the borrowers shall execute, acknowledge and deliver or cause to be executed, acknowledged and delivered such further instruments as may reasonably be requested by the facility agent for perfecting or maintaining in full force and effect the any security in relation to the JPM Facility (the “JPM Security”) created or to be created by or under any security documents in relation to the JPM Facility (the “JPM Security Documents”) or for reregistering the JPM Security or otherwise and, if necessary, create and perfect additional security, to enable the borrowers to comply with their obligations under the financing documents in relation to the JPM Facility and shall ensure that if any new assets are acquired by the borrowers or any of the material subsidiaries as defined in the JPM Facility Agreement (the “Material Subsidiaries (JPM)”) as permitted under the JPM Facility Agreement, relevant arrangements shall be made so that such new assets shall be mortgaged to JPM as part of the JPM Security to the extent provided in the JPM Security Documents.

(iii) Negative Security

Unless the lenders otherwise agree, the borrowers shall not, and the borrowers shall procure each of the Material Subsidiaries (JPM) shall not have any financial debt other than those permitted under the JPM Facility Agreement.

(iv) Loan and Security

The borrowers shall not, and shall ensure that the Material Subsidiaries (JPM) will not make any loan or provide any form of credit or financial accommodation to, or be a creditor of any financial debt owing by any person; or give or issue any security or indemnity to or for the benefit of any person or assume any liability (whether actual or contingent) by other means, or permit any Material Subsidiary (JPM) to give, issue or assume any such security, indemnity or other liability.

HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

(v) Disposal of Assets

The borrowers shall not, and shall ensure that its Material Subsidiaries (JPM) will not, enter into a single transaction or a series of transactions to sell, lease, transfer or otherwise dispose of any asset, except for those permitted under the JPM Facility Agreement.

JPM Security

The JPM Facility is secured by a mortgage of certain land use rights, buildings, mining rights, machinery, equipment and accounts receivable of the borrowers and another subsidiary of Tianrui Cement, and charge of certain equity interests held by the borrowers. See “Pledged Assets” in the “Financial Information” section.

OUR REORGANIZATION

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

- (a) On April 7, 2010, Holy Eagle was incorporated in the BVI by Chairman Li as his wholly-owned investment holding company. At the time of its incorporation, Holy Eagle was wholly-owned by Chairman Li;
- (b) On April 7, 2010, Yu Qi was incorporated in the BVI by Li Xuanyu as his wholly-owned investment holding company. At the time of its incorporation, Yu Qi was wholly-owned by Li Xuanyu;
- (c) On April 7, 2010, Yu Kuo was incorporated in the BVI with limited liability. At the time of its incorporation, Holy Eagle and Yu Qi each held 51.25% and 48.75% interests in the issued share capital of Yu Kuo;
- (d) On April 7, 2010, Zhong Yuan Cement was incorporated in the BVI with limited liability. On the same date, Yu Kuo subscribed for one share of Zhong Yuan Cement at par value. Upon completion of the share subscription, Zhong Yuan Cement became a wholly-owned subsidiary of Yu Kuo;
- (e) On April 16, 2010, Tianrui (HK) was incorporated in Hong Kong with limited liability and Tianrui HK allotted and issued one share to the initial subscriber, which then transferred the same to Zhong Yuan Cement at par value on the same date. Upon completion of this transfer, Tianrui (HK) became a wholly-owned subsidiary of Zhong Yuan Cement;
- (f) On February 7, 2011, our Company was incorporated in the Cayman Islands with an authorized share capital of HK\$380,000 divided into 38,000,000 shares of HK\$0.01 each. On February 7, 2011, 1 Share was allotted and issued to Yu Kuo at par value and our Company became a wholly-owned subsidiary of Yu Kuo;

HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

- (g) On February 21, 2011, Yu Kuo entered into an equity transfer agreement with our Company, pursuant to which (i) our Company acquired the entire issued share capital of Zhong Yuan Cement from Yu Kuo and (ii) our Company allotted and issued 473 Shares to Yu Kuo as consideration for the aforesaid acquisition. Upon completion of this acquisition, Zhong Yuan Cement became a wholly-owned subsidiary of our Company;
- (h) On April 2, 2011, Tianrui Group entered into an equity transfer agreement with Tianrui (HK), pursuant to which Tianrui Group transferred a 47.5% equity interest in Tianrui Cement to Tianrui (HK) at a consideration of US\$87,433,333. Such equity transfer was approved by the Henan Provincial Commercial Bureau (河南省商務廳) on April 7, 2011 and completed on April 8, 2011;
- (i) On April 2, 2011, IFC entered into an equity transfer agreement with Tianrui (HK), pursuant to which IFC transferred its 3.6% equity interest in Tianrui Cement to Tianrui (HK) at a consideration of 36,000 Shares to be allotted and issued by our Company to IFC;
- (j) On April 2, 2011, Titan Cement entered into an equity transfer agreement with Tianrui (HK), pursuant to which Titan Cement transferred its 20% equity interest in Tianrui Cement to Tianrui (HK) at a consideration of 200,000 Shares to be allotted and issued by our Company to Titan Cement;
- (k) On April 2, 2011, JPMorgan PCA entered into an equity transfer agreement with Tianrui (HK), pursuant to which JPMorgan PCA transferred its 10.03% equity interest in Tianrui Cement to Tianrui (HK) at a consideration of 100,300 Shares to be allotted and issued by our Company to JPMorgan PCA;
- (l) On April 2, 2011, Wan Qi entered into an equity transfer agreement with Tianrui (HK), pursuant to which Wan Qi transferred its 18.87% equity interest in Tianrui Cement to Tianrui (HK) at a consideration of 188,700 Shares to be allotted and issued by our Company to Wan Qi;
- (m) On April 2, 2011, our Company, the Controlling Shareholders, Titan Cement, IFC, JPMorgan PCA and Wan Qi entered into a share subscription agreement, pursuant to which our Company agreed to allot and issued (i) 474,526 Shares as nil paid to Yu Kuo; (ii) 200,000 Shares credited as fully paid to Titan Cement; (iii) 36,000 Shares credited as fully paid to IFC; (iv) 100,300 Shares credited as fully paid to JPMorgan PCA; and (v) 188,700 Shares credited as fully paid to Wan Qi. Upon completion of such allotments, issues and subscriptions, Yu Kuo, Titan Cement, IFC, JPMorgan PCA and Wan Qi each held 47.5%, 20%, 3.6%, 10.03% and 18.87% equity interests, respectively, in our Company; and
- (n) On May 31, 2011, Yu Kuo applied the Bridging Loan in the net amount of US\$87.43 million to pay up 474,526 Shares (the “Yu Kuo Subscription”).

To facilitate Tianrui (HK) in completing the acquisition of a 47.5% equity interest in Tianrui Cement as mentioned above in connection with the Reorganization, Yu Kuo obtained the Bridging

HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

Loan in the net amount of US\$87.43 million from BOCI Leveraged and Structured Finance Limited (“BOCI LSF”). Such net amount was then provided to our Company for the Yu Kuo Subscription, then was lent to Tianrui (HK) as a shareholder’s loan, which was then applied towards the payment of the purchase consideration for the acquisition of the 47.5% equity interest in Tianrui Cement.

The security provided to BOCI LSF in connection with the Bridging Loan comprised (i) a charge over the account opened and maintained by Yu Kuo with Bank of China International Limited; (ii) a share charge over Holy Eagle’s and Yu Qi’s shares in Yu Kuo; (iii) a share charge over Yu Kuo’s shares in the Company; and (iv) an all assets fixed and floating debenture over the assets of Yu Kuo.

The Bridging Loan was repaid in full on June 3, 2011, and all the secured obligations in respect of the Bridging Loan were released on June 13, 2011.

PRC LEGAL COMPLIANCE

On August 8, 2006, six PRC governmental and regulatory agencies, including MOFCOM and the CSRC, promulgated the *Regulations on Mergers and Acquisitions of Domestic Enterprises by Foreign Investors* (關於外國投資者併購境內企業的規定) (the “M&A Rules”), which became effective on September 8, 2006. Article 11 of the M&A Rules regulates “affiliated mergers”. Where a domestic company or enterprise, or a domestic natural person, through an overseas company established or controlled by it/him, acquires a domestic company which is related to or connected with it/him, approval from MOFCOM is required. The M&A Rules also stipulate that an offshore SPV formed for listing purpose and controlled, directly or indirectly, by PRC companies or individuals, such as our Company, shall obtain approval from the CSRC prior to the listing and trading of its securities on an overseas stock exchange.

Pursuant to the *Manual of Guidance on Administration for Foreign Investment Access* (外商投資准入管理指引手冊) promulgated by MOFCOM in December 2008, notwithstanding the fact that (i) the domestic shareholder is connected with the foreign investor or not; or (ii) the foreign investor is the existing shareholder or the new investor, the M&A Rules shall not apply to the transfer of an equity interest in an incorporated foreign invested enterprise (外商投資企業) from the domestic shareholder to the foreign investor. On the basis that Tianrui Cement has been a foreign invested enterprise since 2007, the legal nature of the transfer to Tianrui (HK) of 47.5% equity interest in Tianrui Cement formally held by Tianrui Group was a transfer of equity in a foreign invested enterprise rather than a domestic enterprise (內資企業) as defined in the M&A Rules. Therefore, the acquisition of 47.5% equity interest in Tianrui Cement did not fall under the M&A Rules and instead falls under the *Provisions for the Alteration of Investors’ Equities in Foreign Invested Enterprises* (外商投資企業投資者股權變更的若干規定).

Based on the above, our PRC legal adviser has advised that (i) we have obtained from competent PRC authorities all approvals and permits, if required, under the PRC laws and regulations in connection with each stage of the Reorganization and the Listing; and (ii) we are not required to obtain the approvals from CSRC and/or MOFCOM in respect of the Reorganization and the Listing.

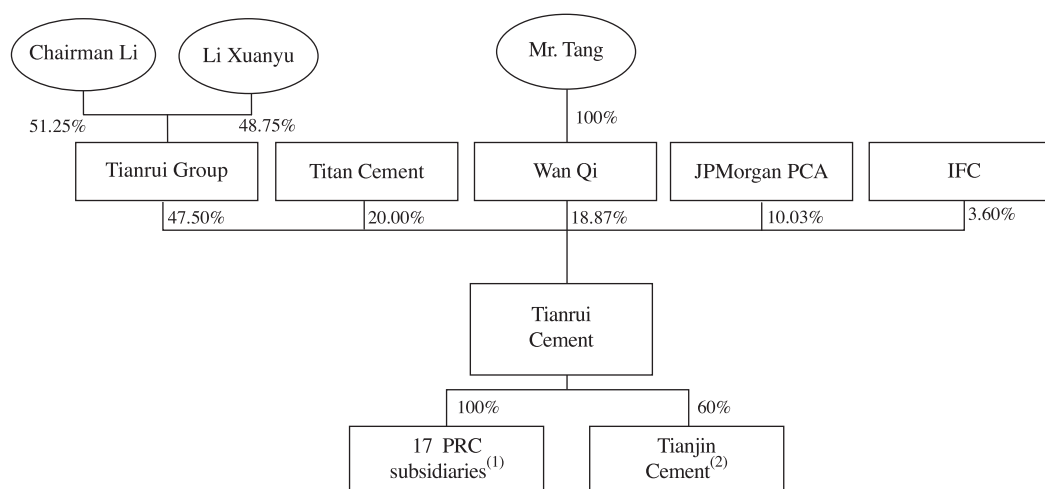
HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

According to the *Circular Concerning Relevant Issues on the Foreign Exchange Administration of Raising Funds through Overseas Special Purpose Vehicle and Investing Back in China by Domestic Residents* (國家外匯管理局關於境內居民通過境外特殊目的公司融資及返程投資外匯管理有關問題的通知) (“Circular 75”) promulgated by SAFE on October 21, 2005, any domestic residents engaging in equity financing (including convertible bond financing) abroad with enterprise assets or interests within the PRC via overseas special purpose companies shall register with the local branch of foreign exchange administration for foreign exchange registration of overseas investments.

As advised by our PRC legal adviser, Circular 75 applies to the Reorganization and the Global Offering as Chairman Li and Li Xuanyu are domestic residents. In accordance with Circular 75, Chairman Li and Li Xuanyu completed relevant formalities for the registration and filing of an overseas investment by a PRC resident with the Henan Provincial Office of SAFE in respect of their offshore investments and round-trip investments up to March 2011. Chairman Li and Li Xuanyu are still required to make overseas investment foreign exchange amendment procedure after the relevant offshore reorganizations. Our PRC legal adviser has advised that there is no legal obstacle for Chairman Li and Li Xuanyu to make such amendment procedure.

OUR CORPORATE STRUCTURE

Prior to the Reorganization, the shareholding and corporate structure of our Group was as follows:

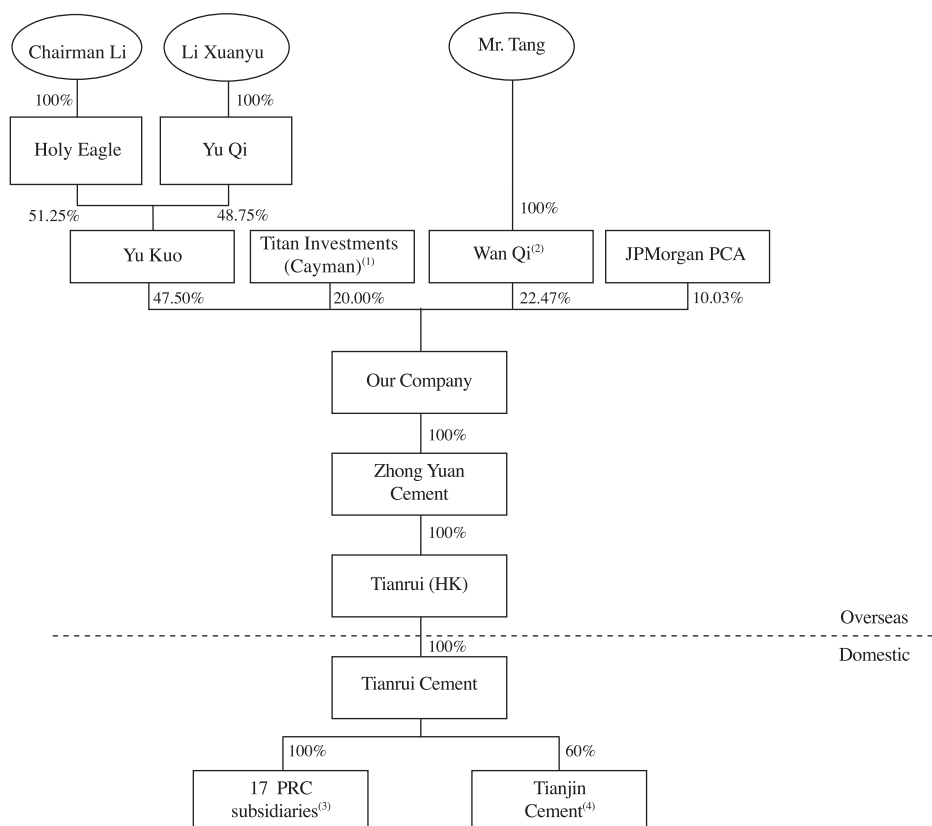


Notes:

- (1) The 17 wholly-owned PRC subsidiaries of our Group are Ruzhou Cement, Zhoukou Cement, Weihui Cement, Shangqiu Cement, Zhengzhou Cement (Xingyang), Dalian Cement, Yingkou Cement, Nanzhao Cement, Liaoyang Cement, Yuzhou Cement, Xuchang Cement, Guangshan Cement, Zhengzhou Tianrui, Xiaoxian Cement, Ningling Cement, Antai Cement and Yuzhou Mining.
- (2) Wang Aimin held a 20% equity interest, and Li Jiang held a 20% equity interest.

HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

Set forth below is our corporate structure immediately prior to the completion of the Global Offering:

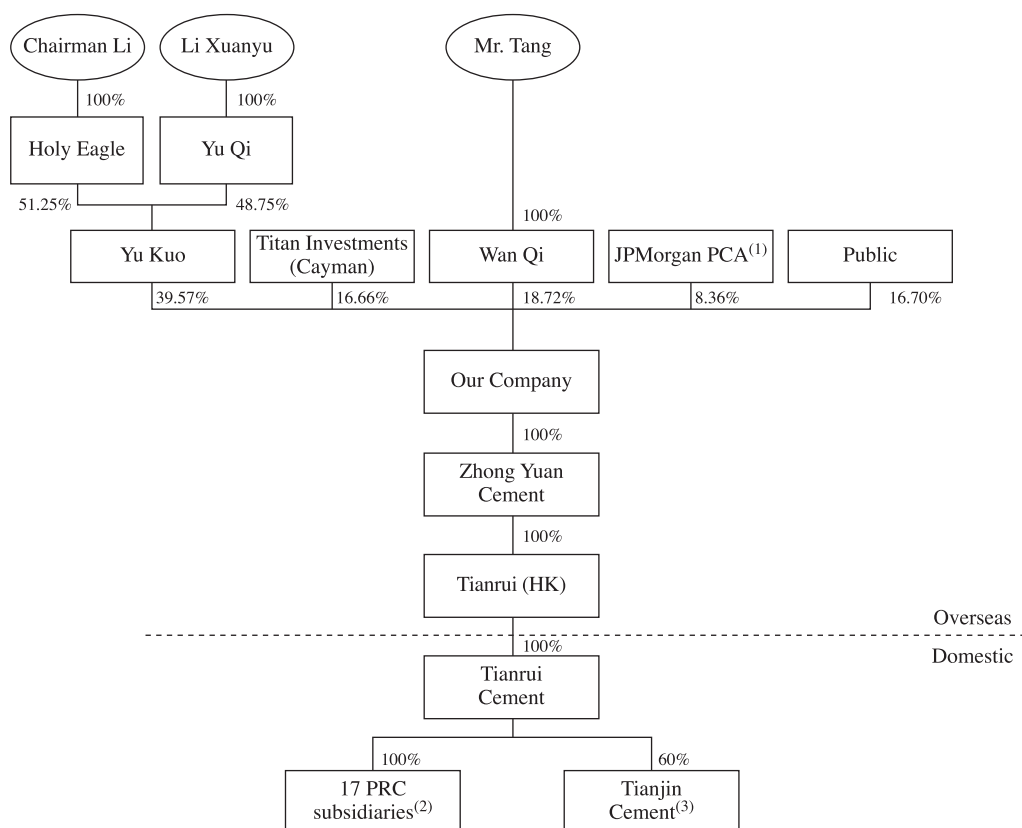


Notes:

- (1) Titan Cement transferred all of its Shares to Titan Investments (Cayman). For details, please refer to the paragraph headed “Our Investors” under this section.
- (2) Wan Qi acquired 36,000 Shares from IFC on May 13, 2011. For details, please refer to the paragraph headed “Our Investors” under this section.
- (3) The 17 wholly-owned PRC subsidiaries of our Group are Ruzhou Cement, Zhoukou Cement, Weihui Cement, Shangqiu Cement, Zhengzhou Cement (Xingyang), Dalian Cement, Yingkou Cement, Nanzhao Cement, Liaoyang Cement, Yuzhou Cement, Xuchang Cement, Guangshan Cement, Zhengzhou Tianrui, Xiaoxian Cement, Ningling Cement, Antai Cement and Yuzhou Mining.
- (4) Wang Aimin held a 20% equity interest and Li Ji’ang held a 20% equity interest.

HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

Immediately following the completion of the Global Offering (assuming that the Over-allotment Option is not exercised and not taking into account of any Shares that may be allotted and issued pursuant to the options that may be granted under the Share Option Scheme), the approximate shareholding and corporate structure of our Group will be as follows:



Notes:

- (1) The Shares held by JPMorgan PCA will be considered as being held by the public.
- (2) The 17 wholly-owned PRC subsidiaries of our Group are Ruzhou Cement, Zhoukou Cement, Weihui Cement, Shangqiu Cement, Zhengzhou Cement (Xingyang), Dalian Cement, Yingkou Cement, Nanzhao Cement, Liaoyang Cement, Yuzhou Cement, Xuchang Cement, Guangshan Cement, Zhengzhou Tianrui, Xiaoxian Cement, Ningling Cement, Antai Cement and Yuzhou Mining.
- (3) Wang Aimin held 20% of the equity interest and Li Ji'ang held 20% of the equity interest.

BUSINESS

OVERVIEW

We are a leading clinker and cement producer in Henan and Liaoning provinces in terms of production volume for the year ended December 31, 2010. We ranked 10th among all the cement producers in China in terms of production volume⁽¹⁾ for the year ended December 31, 2010, according to the China Cement Association, and we ranked 11th among all the clinker producers in China in terms of production capacity⁽²⁾ as of December 31, 2010, according to China Cement Net (中國水泥網). Our operations range from the excavation of limestone, to the production, sale and distribution of clinker and cement. The PRC government has promulgated policies aiming at consolidating China's cement industry and has recognized us as one of the 12 national cement producers entitled to government support in the form of priority with respect to project approvals, land use right grants and credit approvals when undertaking mergers, acquisitions and project investments in the cement industry. We are also the only non-state-owned enterprise designated by the MIIT as one of the five leading cement companies that the PRC government supports for undertaking cement industry-specific mergers and consolidation in the central China region. Under the PRC government's current cement industry policies, small-scale cement producers with obsolete production technologies that are not environmentally friendly shall be phased out, which we believe will eventually lead to an optimal balance between the supply and demand of cement in China. The State Council recently issued guidelines on developing the central economic zone that primarily covers Henan province, one of our primary markets, with the aim to, among other things, promote its urbanization and further develop its infrastructure. As a leading cement producer in Henan and Liaoning provinces, we believe that we can benefit from these PRC government policy initiatives by further expanding our production capacity and products coverage in order to strengthen our market position.

According to data from the respective Building Materials Industry Associations (建築材料工業協會) of Henan and Liaoning provinces, we were the largest clinker producer in each of Henan and Liaoning provinces in terms of clinker production capacity⁽²⁾ as of June 30, 2011, and we were the largest cement producer in Henan province and the second largest cement producer in Liaoning province in terms of production volume⁽¹⁾ for the year ended December 31, 2010. As of June 30, 2011, we had a total of 15 clinker production lines and 35 cement grinding lines, with an annual clinker and cement production capacity of 22.2 million tonnes and 35.2 million tonnes, respectively. In 2009, we also constructed and put in operation a clinker production line that has a daily production capacity of 12,000 tonnes, which is one of the largest clinker production lines in the world. In 2008, 2009, 2010 and for the six months ended June 30, 2011, we sold 12.2 million, 16.7 million, 22.1 million and 11.8 million tonnes of cement, and 2.5 million, 4.8 million, 6.1 million and 3.1 million tonnes of clinker, respectively. We are currently constructing the Yuzhou Phase II Project and the Tianjin Project. We may further increase our production capacity through acquisitions of selected target companies or assets and through innovation and development of our production technology.

Notes:

- (1) Production volume represents the actual volume of clinker/cement produced at relevant production facilities in a relevant period.
- (2) Production capacity represents the volume of clinker/cement that can be produced based on the specifications of relevant production facilities as of a relevant date and clinker production capacity refers to clinker produced using NSP technology only.

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Limestone is the principal raw material used in producing cement. For the years ended December 31, 2008, 2009 and 2010 and the six months ended June 30, 2011, costs for excavating and externally sourcing limestone constituted approximately 8.7%, 9.4%, 8.5% and 7.9% of our total cost of sales, respectively. We currently source a majority of our limestone from our own limestone quarries, which have sufficient limestone reserves to support our operations. As all of our clinker production facilities are located near our limestone quarries, we believe our production facilities enjoy a stable supply of limestone with low transportation costs.

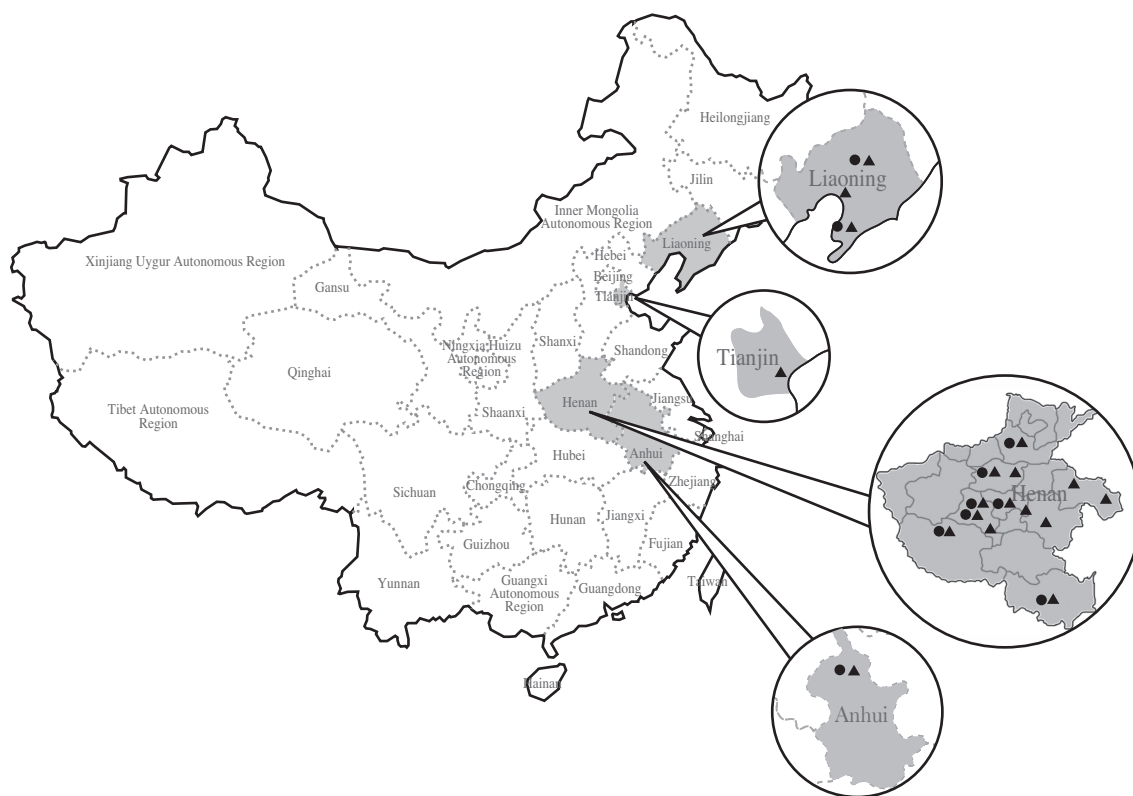
We produce a wide variety of cement products using NSP technology, one of the most advanced technologies for cement production in China. All our equipment and facilities that are related to non-NSP technologies had been disposed of and been fully written off before the Track Record Period, and during the Track Record Period all our newly constructed or acquired production lines utilized NSP technology. As such, we currently have no equipment or facilities that utilize non-NSP technologies and therefore are required to be written off. NSP production lines generally emit lower levels of pollutants and are more energy-efficient than facilities employing non-NSP technologies. Although NSP technology is not unique to us, each of our clinker production lines has been equipped with this technology, compared to the average application rate of approximately 80% of NSP technology among cement producers in China as of December 31, 2010, according to the Digital Cement and the MIIT. Our principal products also include clinker, a key intermediary component of cement. We employ residual heat recovery technology in the clinker production process. We are one of the cement producers in Henan and Liaoning provinces that equip most of our production lines with residual heat recovery technology, which allows us to achieve significant cost savings on electricity and to minimize pollution.

As of the Latest Practicable Date, we have obtained the ISO-9001 quality control system certification, the OHSAS 18000 certification and ISO 14001 certification with respect to certain of our production facilities. We are also one of the three Chinese cement companies and the only non-state-owned Chinese cement producer that has been accepted as a member of CSI, a global initiative sponsored by 23 major cement producers with combined operations in over 100 countries and that promotes sustainable development in the cement industry.

Our cement is sold under the brand name “天瑞TIANRUI”, which has been recognized as a “Chinese Famous Trademark” by the State Administration for Industry and Commerce. We believe that our brand has become a mark of quality within the construction industry in China. Leveraging our brand name and high product quality, we have successfully won tenders and become a qualified primary cement provider for a number of high-profile large-scale infrastructure projects in China, including, among other things, the South-North Water Transfer Project (南水北調工程), Ha’erbin-Dalian Express Railway (哈大高鐵) and Shijiazhuang-Wuhan Express Railway (石武高鐵).

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The map below indicates the locations of our production facilities as of the Latest Practicable Date:



■ Indicates where we have production facilities. The production facility in Tianjin is under construction and not in operation as of the Latest Practicable Date.

▲ Indicates where we have cement grinding lines.

● Indicates where we have clinker production lines.

We sell our cement products to end-users both through direct sales by our in-house sales network in our target markets and through distributors. We have 18 regional sales offices that are spread across Henan, Liaoning and Anhui provinces.

We sold 12.2 million, 16.7 million, 22.1 million and 11.8 million tonnes of cement and 2.5 million, 4.8 million, 6.1 million and 3.1 million tonnes of clinker for the years ended December 31, 2008, 2009 and 2010 and the six months ended June 30, 2011, respectively. Our revenue increased from RMB3,360.3 million in 2008 to RMB4,415.2 million in 2009 and to RMB6,129.4 million in 2010, representing a CAGR of 35.1% from 2008 to 2010. For the years ended December 31, 2008, 2009 and 2010, our net profit was RMB232.2 million, RMB163.3 million and RMB397.8 million, respectively. Our revenue and net profit for the six months ended June 30, 2011 was RMB4,072.8 million and RMB654.9 million, representing an increase of 62.1% and 65.5 times from the six months ended June 30, 2010, respectively. The significant increase of our net profit from the six months ended June 30, 2010 to the six months ended June 30, 2011 was primarily due to an increase in our net profit margin from 0.4% to 16.1% for the same periods resulting from a significant increase in the average selling price of our cement products by 38.8%, an increase in the average selling price of our clinker products by 61.1% and an increase in sales volume of our cement products by 20.5% for the same periods.

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Our business and results of operations could be affected by various factors, including the fluctuation in the selling price of our clinker and cement products and in the purchase price of coal. For the years ended December 31, 2008, 2009 and 2010 and the six months ended June 30, 2011, the average selling price of our clinker was approximately RMB206.4 per tonne, RMB172.3 per tonne, RMB186.2 per tonne and RMB267.0 per tonne, respectively, and the average selling price of our cement was approximately RMB231.5 per tonne, RMB214.9 per tonne, RMB225.6 per tonne and RMB275.2 per tonne, respectively. The decreases in our average clinker and cement selling prices in 2009 were primarily due to the global financial crisis, and their increases in 2010 and the six months ended June 30, 2011 were primarily due to the PRC government's strict enforcement of policies to phase out production capacities with obsolete technology, which resulted in a reduction in overall supply of clinker and cement during the same periods. The average selling price for our clinker products was RMB278.1 per tonne, RMB279.1 per tonne and RMB284.1 per tonne, and the average selling price for our cement products was RMB273.3 per tonne, RMB278.5 per tonne and RMB284.3 per tonne, for July, August and September 2011, respectively. The sales volume of our clinker products was 0.5 million tonnes, 0.5 million tonnes and 0.8 million tonnes, and the sales volume for our cement products was 2.3 million tonnes, 2.3 million tonnes and 1.7 million tonnes, for July, August and September 2011, respectively. Our sales volume for cement products decreased in September 2011 primarily due to the fact that Henan province experienced an abnormally rainy September, which decreased construction activities and consequently decreased the demand for our cement products during the same period. For the years ended December 31, 2008, 2009 and 2010 and the six months ended June 30, 2011, our average purchase price of coal was approximately RMB585.7 per tonne, RMB546.7 per tonne, RMB692.6 per tonne and RMB749.5 per tonne, respectively. Our average coal purchase price decreased in 2009 primarily because the overall demand for coal decreased as a result of the global financial crisis. Our average coal purchase price increased in 2010 and the six months ended June 30, 2011 primarily because the overall demand for coal increased as the global economy recovered from the financial crisis.

The PRC cement industry is heavily influenced by, among other things, overall economic development, PRC government policies in general, the real estate industry in particular and the scale of infrastructure investment. We have benefitted from China's fast growing economy, large infrastructure development projects, including those under the PRC government's RMB4 trillion stimulus package, and PRC government policies to phase out obsolete cement production capacity. We also expect to benefit from the PRC government's plan to develop 36 million affordable housing units for low income urban residents by 2016. The PRC government recently has taken various measures to control the overheating of the real estate sector and has shown signs of being more prudent in investing in and developing infrastructure, such as express railway projects. These measures and changes may decrease or slow down the investment in the real estate sector and infrastructure projects, which in turn may decrease the demand for cement and may negatively impact China's cement industry. Due to the factors set forth above, which are beyond our control, the demand for, and the average selling prices of, our cement products have historically been volatile and may continue to be volatile in the future. However, as of the Latest Practicable Date, we do not expect that the average selling prices of our clinker and cement products will fluctuate significantly in our markets for the remainder of 2011.

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COMPETITIVE STRENGTHS

We consider our principal competitive strengths to be the following:

Strong market position as the largest clinker producer in Henan and Liaoning provinces and the largest cement producer in Henan province and the second largest cement producer in Liaoning province

We are a leading clinker and cement producer in Henan and Liaoning provinces in terms of production volume for the year ended December 31, 2010. Our leading market position is mainly attributable to the following:

- *Our large production scale.* According to data from the respective Building Materials Industry Associations (建築材料工業協會) of Henan and Liaoning provinces, we were the largest clinker producer in each of Henan province and Liaoning province in terms of clinker production capacity using NSP technology as of June 30, 2011, and we were the largest cement producer in Henan province and the second largest in Liaoning province in terms of production volume for the year ended December 31, 2010. According to data from China Cement Net (中國水泥網), we ranked 11th among all clinker producers in China in terms of clinker production capacity as of December 31, 2010, and according to the China Cement Association, we ranked 10th among all the cement producers in China in terms of cement production volume for the year ended December 31, 2010. Our sales volume of cement in 2010 was 22.1 million tonnes, and our market share in Henan and Liaoning provinces was approximately 14.7% and 10.7%, respectively. As of June 30, 2011, our annual clinker and cement production capacity had reached approximately 22.2 million tonnes and 35.2 million tonnes, respectively. We also have one of the largest clinker production lines in the world with a daily production capacity of 12,000 tonnes.
- *Significant support from the PRC government.* According to the *Notice of Publishing the List of Large Enterprises (Group) for Cement Industry Structure Regulation Emphatically Supported by the State* (關於公佈國家重點支持水泥工業結構調整大型企業(集團)名單的通知) jointly issued by the NDRC, the Ministry of Land and Resources and the PBOC in December 2006, we are recognized by the PRC government as one of the 12 national key cement enterprises that are entitled to receive priority and other support from the government with respect to project approval, land use rights and financing. We are also the only non-state-owned enterprise designated by the MIIT as one of the five leading cement companies that the PRC government supports for undertaking cement industry-specific mergers and consolidation in central China.
- *Well-established brand name.* Our brand name “天瑞TIANRUI”, under which we sell our cement, has been recognized as a “Chinese Famous Trademark” by the SAIC. We believe that it has become a mark of quality within the construction industry in China. Due to their consistent high quality, our cement products sold under the “天瑞TIANRUI” brand name

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have also won a number of awards and recognitions, such as the award “Premium Branded Products of Henan Province” granted by the Henan Bureau of Quality and Technical Supervision Bureau (河南省質量技術監督局) and Henan Top Brand Strategy Promotion Committee (河南省名牌戰略推進委員會). Leveraging our brand name and high product quality, we have successfully won tenders and become one of the designated primary cement providers for a number of high-profile large-scale infrastructure projects in China, including, among other things, the South-North Water Transfer Project (南水北調工程), Ha’erbin-Dalian Express Railway (哈大高鐵) and Shijiazhuang-Wuhan Express Railway (石武高鐵).

- We have entered into long-term strategic alliances with some of our key customers, such as the Henan Second Water Conservancy Engineering Bureau (河南第二水利工程局) and Henan Highway Engineering Materials Co., Ltd (河南公路工程物資有限公司). Our strategic relationship with our key customers allows us to expand our market share and promote our brand name.

Significant growth opportunities in the construction industry in Henan and Liaoning provinces

Currently, our primary markets are Henan and Liaoning provinces. From 2006 to 2010, the GDP of Henan and Liaoning provinces increased at a CAGR of 16.7% and 18.4%, respectively, above the 16.5% national average. In addition, the FAI growth rate in Henan and Liaoning provinces was 29.5% and 29.6%, respectively, during the same period. Rapid GDP and FAI growth in Henan and Liaoning provinces has resulted in a significant increase in the demand for building and construction materials, including cement, in recent years.

Henan and Liaoning are part of the central China economic zone and the Bohai economic zone, respectively, both of which are among the most active economic growth areas in China. In 2010, cement consumption in Henan and Liaoning provinces accounted for approximately 6.15% and 2.56%, respectively, of the total cement consumption in China. The PRC government has implemented policies to “energize the development of the central China region” (促進中部地區崛起) and to “rejuvenate northeast China’s traditional industrial base” (振興東北老工業基地). The State Council of the PRC recently issued guidelines on developing the central China economic zone that primarily covers Henan province with the aim to, among other things, promote its urbanization and further develop its infrastructure. We expect that the economy and infrastructure investments in Henan province, the largest economy among all the provinces in the central China, and Liaoning province, one of the key provinces in the northeast China region, will continue to experience strong growth. We expect that this will in turn, result in sustained demand for key construction materials such as cement.

We believe that for the foregoing reasons we are well-positioned to capture opportunities in the growing cement market in central China and northeast China.

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Strategic geographic locations of our production facilities

We believe that our strategic production facility layout allows us to broaden our market coverage and minimize logistics and transportation costs. Specifically:

- We carefully selected the locations of our production facilities. As of the Latest Practicable Date, we operated 18 production facilities in Henan, Liaoning and Anhui provinces. We believe our cement grinding facilities are strategically located in proximity to our end markets, which lowers our transportation costs. We believe this comparative advantage puts us in a better position in these markets as opposed to our competitors located farther away from them and in turn has been key in our ability to establish a dominant market position in those key markets, such as Zhengzhou, Xuchang and Pingdingshan in Henan province and Dalian, Shenyang, Liaoyang and Yingkou in Liaoning province. In Henan province, we manage our facilities as a consolidated production network through which we are able to efficiently allocate internal supplies, raw materials and clinker among these facilities. In Liaoning province, our production facilities are primarily located in major cities, such as Dalian, Liaoyang and Yingkou, placing us in a prime position to capture significant business opportunities from these markets in the province.
- Cement production requires an uninterrupted supply of limestone. Limestone excavation costs and costs of externally sourced limestone together constituted approximately 8.7%, 9.4%, 8.5% and 7.9% of our total cost of sales for the years ended December 31, 2008, 2009 and 2010 and the six months ended June 30, 2011, respectively. As of the Latest Practicable Date, we owned 33 limestone quarries with total estimated limestone reserves of 816 million tonnes as estimated by our Directors after referring to reserve reports from Independent Third Parties. We also own two low-alkali limestone quarries in Henan province that produce high quality low-alkali limestone that can be used in high quality cement products required for large infrastructure projects. Our clinker production facilities are located close to our limestone quarries. We currently source a majority of our limestone requirements from limestone quarries owned by us, which provide our production facilities with a stable supply of limestone at low transportation costs. Some of our plants have also installed belt conveyors to deliver limestone directly to our production facilities, thus decreasing transportation costs.
- We strategically built some of our cement grinding stations close to electric power stations, so as to obtain a stable and sufficient supply of the by-products from those electric power stations, such as flyash, slag and phosphogypsum, for the manufacture of cement in a cost-effective manner.

Strong research and development capabilities and advanced and environmentally friendly technologies

We believe that the use of energy-efficient technology is a key factor for the sustainable development of the cement production industry in China. We have invested in the research and development of advanced and environmentally friendly technologies to upgrade our production

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facilities. We established the first cement production research and development center in Henan province, which had 270 research staff as of December 31, 2010, through which we have developed and obtained three patents and applied for four other patents. We have also focused on applying advanced technology to our production. Specifically:

- we are the first cement producer in Henan province to install an NSP cement production line with a clinker production capacity of more than 2,500 tonnes per day. That NSP production line began operating in January 2003. The PRC government supports advanced NSP technology and has implemented a number of measures to phase out non-NSP cement production capacity, which is considered less efficient and not as environmentally friendly. According to the Digital Cement and the MIIT, approximately 80% of the cement production lines in China were equipped with NSP technologies as of December 31, 2010. In comparison, we have equipped all of our clinker production lines with advanced NSP technology, which enables us to reduce energy costs by consuming less coal. We believe that the trend towards the continued reduction of non-NSP cement production in China will create opportunities for us to attract additional customers and increase our market share.
- we use industrial by-products and waste materials as raw material in our production such as flyash from electric power factories, slag from steel factories, sulfuric acid slag and limestone tailings from sulfuric acid factories. Furthermore, most of our production lines are close to factories or facilities producing such industrial by-products and waste materials as raw materials in our production, which enables us to use these by-products more cost-effectively than our competitors whose production lines are farther away from their factories or facilities. Not only are these by-products and waste materials readily available at low costs, but by recycling them in our production, we are also entitled to VAT refunds and government grants under various PRC government policies.
- our main production facilities are designed to produce less waste to reduce pollution and to minimize the environmental impact without compromising our competitiveness or product characteristics, such as cement quality or usability. We have made significant investments and efforts in building environmentally friendly clinker and cement production facilities. For example, we have installed equipment meeting emission standards of no more than 50 milligrams of pollutants per cubic meter. We believe that we have the necessary resources and experience to continue to meet increasingly stringent environmental protection standards in the future.
- we have also adopted environmentally-responsible approaches in our operations. For example, the heat generated from the clinker production process is recycled through residual heat recovery systems for use in the cement production process, and the waste water generated during the cement production is minimized through a water treatment system.

In 2009, we joined the CSI as part of the first group of three Chinese cement companies among which we are the only non-state-owned Chinese cement producer. We believe that achieving sustainable development and low-carbon emission are major trends in the cement industry in China, and we consider our CSI membership a recognition of our efforts on and our commitment to, sustainable low-carbon cement production.

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Significant cost advantages and benefits achieved through sound production, marketing and management models

By leveraging our efficient production system, effective operations management, economies of production scale, effective sales and marketing strategies and integrated management system, we have achieved significant cost advantages and benefits. Specifically:

- *Efficient production system.* We are one of the cement producers in Henan and Liaoning provinces that have equipped most of our production lines with residual heat recovery systems to recycle the heat generated from the clinker production process. Our residual heat recovery systems have allowed us to achieve significant cost savings on electricity and to minimize pollution. We estimate that the unit cost of electricity generated from our heat recovery systems was approximately 82% less than the unit cost of electricity we purchased externally for the year ended December 31, 2010.
- *Effective operations management.* We have achieved high efficiency in our production of cement by maintaining a high utilization rate of our well-designed facilities. For example, we maintained normal operations of our cement production lines for 110 consecutive days in 2010.
- *Economies of production scale.* Our Directors believe that our large-scale production output, together with advanced technologies and production processes, enable us to achieve economies of scale and manage our operations more cost-effectively.
- *Effective sales and marketing strategies.* During the Track Record Period, we sold our cement products to end-users primarily through direct sales. Direct sales allow us to eliminate intermediary costs, exercise effective control over our sales and marketing process and quickly respond to customer needs, thereby providing data in an efficient and accurate manner that is key in our ability to formulate an appropriate production plan, optimize our inventory levels and maximize our manufacturing efficiency.
- *Greater market coverage.* We produce different types of cement products which cater to a wide range of customers in the market. High-grade cement products refer to products with compressive strength greater than or equal to 42.5 MPa. They are generally used in major construction projects with special requirements, such as bridges, roads, high-rise buildings and high performance concrete, and projects where a high initial level of strength is required. Low-grade cement products are used in general industrial construction such as the production of surface, underground and underwater concrete as well as reinforced concrete, pre-stressed concrete structures and commercial concrete products. We also supply special high-grade cement which generally has a 28-day compressive strength of 52.5 MPa, and is primarily used in circumstances that require long-term strength and improved corrosion resistance, such as fast-setting underwater projects.

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Experienced management team with a proven track record

Our management team, which is built around our founder, Chairman Li, and our Executive Director Mr. Heping Li, consists of highly experienced professionals with diverse skill sets, extensive work experience and significant expertise in the cement industry in China. The majority of our management team has been with us since the commencement of our operations and has a proven track record of generating rapid growth for us.

Our founder, Chairman Li, has over 10 years of industry experience and has successfully led us on our growth from a small-scale cement producer to a leading large-scale cement producer in Henan and Liaoning provinces. Our Executive Director, Mr. Heping Li, has over 20 years of experience in corporate management and has held a number of key positions at large-scale enterprises and provincial government agencies in Henan province, including general manager of CITIC Heavy Machinery Company and executive deputy director of the Henan Economic System and Reform Commission prior to joining us in 2009.

We believe that our senior management team's experience in the areas of product quality, production, management, sales and marketing have contributed significantly to our success and will be instrumental to the success of our business in the future.

OUR STRATEGIES

We intend to further strengthen our leading market position in Henan and Liaoning provinces and continue to grow our revenue and net profit. To achieve this goal, we plan to pursue the following strategies:

Strengthen our leading market position and expand into new markets through organic growth and selective acquisitions

We intend to strengthen our leading market position in Henan and Liaoning provinces through organic growth and selective acquisitions. We intend to expand into the Tianjin market. We believe that we will be able to leverage our current resources, including our existing quarries and production facilities, to gain competitive advantages in the Tianjin market. For example, we are in the process of developing a cement grinding facility with an annual capacity of 4.0 million tonnes in Tianjin, to which we will supply clinker produced by our clinker facilities in Liaoning province at low shipping costs.

We intend to focus on improving our production efficiency and expand our production capacity. In addition, we will continue to focus on recruiting a high quality professional workforce, providing training and development programs for our employees to enhance their professional skills, and creating a collegial culture that promotes our employees' personal and professional development. We will also continue to improve our management and employee incentive programs, to align employees' compensation with their performance. As one of the five leading cement companies endorsed by the MIIT to undertake cement industry-specific mergers and consolidation in central China, we plan to capitalize on the PRC government's support by actively pursuing acquisition opportunities in our primary markets (i.e. Henan and Liaoning provinces) and other markets that we believe will present

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us with significant growth potential. We intend to evaluate acquisition opportunities that may provide us with access to additional markets, production capacity and limestone reserves. In particular, we will focus on large-scale NSP clinker and cement production lines that are newly put into operation, with sufficient limestone reserves and necessary permits, certificates and licenses.

Further improve our production efficiency and reduce production costs

We plan to continue to improve our production efficiency and reduce production costs through the following efforts:

- we will continue our efforts to reduce our raw material and coal costs through bulk purchases and by leveraging of our economies of scale to increase our bargaining power with suppliers.
- as clinker is a semi-finished cement product with a profit margin lower than cement, we intend to continue our efforts to balance our production capacity of clinker and cement so as to minimize the volume of surplus clinker that cannot be used for our cement production and must be sold externally.
- we intend to continue to develop energy efficient technologies, cooling technologies, resource comprehensive utilization technologies, residual heat recovery technologies and waste utilization technologies to further improve the quality of our products and lower our costs.
- we plan to install more residual heat recovery systems at our production facilities located in Nanzhao (with a capacity of 9 MW).

Develop new cement products and raw materials to enhance our overall competitiveness

We aim to develop new cement products to enhance our overall competitiveness. We intend to:

- leverage our strong research and development capabilities and our cooperative relationships with leading research institutions, such as Tianjin Cement Industrial Design Institute (天津水泥工業設計院) and Luoyang Institute of Science and Technology (洛陽理工學院), to develop special cement products to meet consumers' needs.
- introduce additional advanced technologies that use waste (such as non-industrial waste) as raw materials or fuel for our production, which will not only lower our production costs, but also allow us to potentially benefit from tax rebates and government grants under various PRC government policies with respect to comprehensive utilization of resources.

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Enhance our brand awareness and marketing efforts

We endeavor to further strengthen our brand name “天瑞TIANRUI” and our reputation by continuing to supply high quality cement products and participating in major infrastructure projects, as well as through conducting a wide range of targeted advertising activities, including television commercials and other media advertisements.

In addition, we plan to strengthen our long-term relationships with major customers by continuing to provide customized services, including frequent visits to customers to collect their feedback, promptly responding to customers’ inquiries and providing attentive post-sales support.

PRODUCTS

Our principal products are cement and clinker. Our cement products are sold under the brand name “天瑞TIANRUI” and are typically sold at higher prices compared to similar products sold in the same geographic region.

The following table sets forth the breakdown of our revenue by cement and clinker products and their percentages of our total revenue for the periods indicated:

	Year ended December 31,									Six months ended June 30,					
	2008			2009			2010			2010			2011		
	Sales volume	Revenue	% Revenue	Sales volume	Revenue	% Revenue	Sales volume	Revenue	% Revenue	Sales volume	Revenue	% Revenue	Sales volume	Revenue	% Revenue
(Tonne '000)	(RMB in million)	(%)	(Tonne '000)	(RMB in million)	(%)	(Tonne '000)	(RMB in million)	(%)	(Tonne '000)	(RMB in million)	(%)	(Tonne '000)	(RMB in million)	(%)	
	(Unaudited)														
Low-grade cement ⁽¹⁾	9,816.9	2,204.6	65.6	11,846.0	2,360.4	53.5	13,083.2	2,717.7	44.3	6,467.3	1,186.9	47.2	5,554.0	1,485.4	36.5
High-grade cement ⁽²⁾	2,431.5	630.7	18.8	4,875.9	1,232.9	27.9	9,040.2	2,274.4	37.1	3,339.4	756.1	30.1	6,234.0	1,758.2	43.2
Clinker.....	2,543.8	525.0	15.6	4,769.3	821.9	18.6	6,106.5	1,137.3	18.6	3,437.3	569.5	22.7	3,106.0	829.2	20.4
Total	14,792.2	3,360.3	100.0	21,491.2	4,415.2	100.0	28,229.9	6,129.4	100.0	13,244.0	2,512.5	100.0	14,894.0	4,072.8	100.0

Notes:

- (1) Low-grade cement products are used in general industrial construction such as production of surface, underground and underwater concrete as well as reinforced concrete, pre-stressed concrete structures and commercial concrete products.
- (2) High-grade cement products refer to products with compressive strength greater than or equal to 42.5 MPa. They are generally used in major construction projects with special requirements, such as bridges, roads, high-rise buildings and high performance concrete, and projects where a high initial level of strength is required.

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The following table sets forth the gross profit margins for our cement products and clinker in central China and northeast China, respectively, for the periods indicated:

	Year ended December 31,			Six months ended June 30,
	2008	2009	2010	2011
Gross profit margin in central China				
Low-grade cement ⁽¹⁾	20.7%	15.5%	19.5%	35.6%
High-grade cement ⁽²⁾	16.3%	16.4%	21.3%	26.4%
Clinker.....	15.2%	3.7%	2.3%	28.0%
Gross profit margin in northeast China				
Low-grade cement ⁽¹⁾	25.0%	24.7%	18.2%	28.8%
High-grade cement ⁽²⁾	26.2%	30.9%	19.5%	25.9%
Clinker.....	10.4%	8.1%	7.5%	27.6%

Notes:

- (1) Low-grade cement products are used in general industrial construction such as production of surface, underground and underwater concrete as well as reinforced concrete, pre-stressed concrete structures and commercial concrete products.
- (2) High-grade cement products refer to products with compressive strength greater than or equal to 42.5 MPa. They are generally used in major construction projects with special requirements, such as bridges, roads, high-rise buildings and high performance concrete, and projects where a high initial level of strength is required.

During the Track Record Period, the fluctuation in our gross profit margins for each category of our products in our target regions was primarily due to (i) the significant fluctuation of the selling prices of our clinker and cement products and (ii) the fluctuation of the coal purchase prices in our target regions. Our gross profit margins for cement products in central China decreased in 2009 as compared to 2008 primarily due to the decrease in the average selling prices for our cement products amid the global financial crisis, and increased in 2010 and the six months ended June 30, 2011 primarily due to the increase in the average selling prices for our cement products as local governments strictly enforced the policy to phase out production capacity using obsolete technology, which effectively decreased the supply of clinker and cement products in central China. Our gross profit margins for cement products in northeast China remained stable, with respect to low-grade cement, and increased, with respect to high-grade cement, in 2009 primarily due to a decrease in our operating costs, particularly costs for coal, in northeast China, which was partially offset by the decrease in the average selling prices for our cement products in northeast China amid the global financial crisis. Our gross profit margins for cement products in northeast China decreased in 2010 primarily due to the continued decrease in the average selling prices for our cement products resulting from the continued effect of the global financial crisis, which was partially offset by local governments enforcing a policy, beginning in late 2010, to phase out production capacity using obsolete technology. Our gross profit margins for cement products in northeast China increased in the six months ended June 30, 2011 primarily due to local governments' continued strict enforcement of the policy to phase out production capacity using obsolete technology. During the Track Record Period

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and up to the Latest Practicable Date, we did not own any non-NSP production facilities. See the section headed “Financial Information — Significant Factors Affecting Our Results of Operations — Pricing and product mix” and the section headed “Financial Information — Significant Factors Affecting Our Results of Operations — Costs of coal and electricity” of this prospectus.

Our gross profit margin for clinker products dropped in 2009 as compared to 2008 primarily due to the drop in average selling price for our clinker products in both central China and northeast China while our gross profit margin in 2010 remained relatively stable as compared to 2009. Our gross profit margin for clinker products increased significantly in the six months ended June 30, 2011 primarily due to a significant increase in the average clinker selling price as the cement market started to recover strongly from late 2010 which resulted in a shortage of clinker supply and resulting in, some cement producers being willing to pay higher clinker prices to address such supply shortage.

Our revenue was RMB3,360.3 million, RMB4,415.2 million and RMB6,129.4 million in 2008, 2009 and 2010, respectively, representing a CAGR of 35.1% from 2008 to 2010. We recorded revenue of RMB4,072.8 million for the six months ended June 30, 2011, representing an increase of approximately 62.1% over the same period in 2010.

The following sets forth further information on each of our products:

Clinker

Clinker is a semi-finished product that can be used to produce different types of cement products when mixed with different additives in the grinding process. Currently, the majority of our clinker is used internally to produce our cement products. For the years ended December 31, 2008, 2009 and 2010 and the six months ended June 30, 2011, approximately 67.7%, 66.2%, 70.4% and 70.5%, respectively, of the clinker produced by us was used to produce our cement products. From time to time and depending on our needs, we may sell clinker in the open market to third-party customers. Our clinker customers are mainly cement producers without sufficient clinker production facilities or none at all. The gross profit margin for our clinker products was approximately 13.7%, 5.2%, 4.8% and 27.8% in 2008, 2009, 2010 and the six months ended June 30, 2011, respectively. The prices of our clinker vary from region to region depending on local market conditions. Pricing of our clinker is determined primarily based on our production volume, market prices and our cost. For the years ended December 31, 2008, 2009 and 2010 and the six months ended June 30, 2011, the average selling price per tonne of our clinker was RMB206.4, RMB172.3, RMB186.2 and RMB267.0, respectively.

BUSINESS

Cement

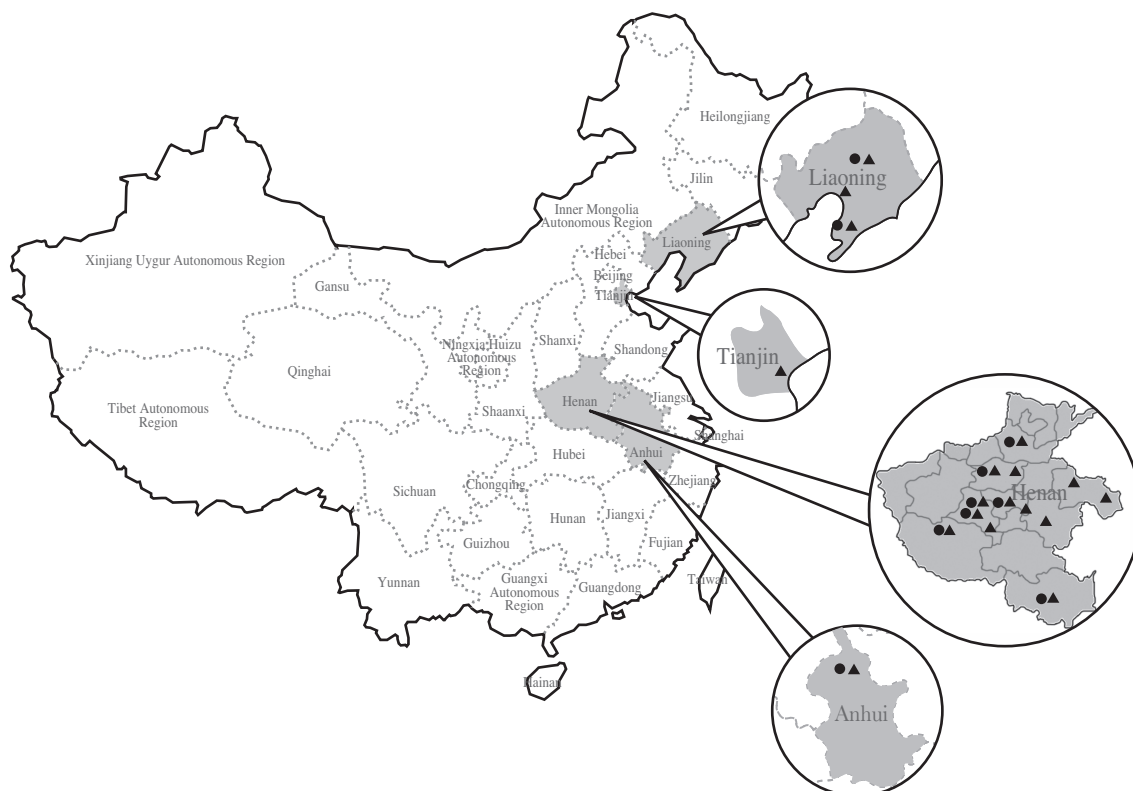
Cement is produced by blending gypsum, blast furnace slag or other additives with clinker. We currently produce and sell a variety of cement products, which are mainly used for real estate construction and infrastructure projects such as highways, railways, tunnels, large-scale bridges and high-rise buildings. We produce different types of cement by mixing different proportions of gypsum, flyash, slag, and other additives with clinker. The following table sets forth details of our main cement products:

Type	Category	National standards	Characteristics	Applications
PO 42.5	Ordinary Portland Cement	Loss≤5.0%; SO ₃ ≤3.5%; Cl - ≤0.06%; MgO≤5.0%; 3-day compressive strength≥17MPa; 28-day compressive strength≥42.5MPa; 3-day fractural load≥3.5MPa; 28-day fractural load≥6.5MPa; initial coagulation time ≥45 min; final coagulation time ≤600 min.	High strength at the initial phase; high hydration heat; high freeze-resistance; low heat-resistance; low corrosion-resistance; low dry shrinkage.	Major construction projects with special requirements such as bridges, roads, high-rise buildings and high performance concrete.
PO 52.5	Ordinary Portland Cement	Loss≤5.0%; SO ₃ ≤3.5%; MgO≤5.0%; 3-day compressive strength≥23MPa; 28-day compressive strength≥52.5MPa; 3-day fractural load≥4.0MPa; 28-day fractural load≥7.0MPa.	High strength at the initial phase; high hydration heat; high freeze-resistance; low heat-resistance; low corrosion-resistance; low dry shrinkage.	Major construction projects with special requirements such as bridges, roads, high-rise buildings and high performance concrete.
PC 32.5	Composite Portland Cement	SO ₃ ≤3.5%; 3-day compressive strength≥10MPa; 28-day compressive strength≥32.5MPa; 3-day fractural load≥2.5MPa; 28-day fractural load≥5.5MPa; initial coagulation time ≥45 min; final coagulation time ≤600 min.	Low strength at the initial phase; high heat-resistance; low acid-corrosion-resistance; using coal ash powder and coal gangue as composite raw materials and being recognized as green building materials and enjoying preferential tax treatment; stable strength at the initial stage and late stage; low hydration heat.	General industrial construction. Also suitable for construction and production involving the use of steam-cured concrete.

BUSINESS

PRODUCTION FACILITIES

Our existing production facilities are located in the following locations:



■ Indicates where we have production facilities. The production facility in Tianjin is under construction and not in operation as of the Latest Practicable Date.

▲ Indicates where we have cement grinding lines.

● Indicates where we have clinker production lines.

As of the Latest Practicable Date, we operated a total of 18 production facilities in 17 cities, with a total of 15 clinker production lines and 35 cement grinding lines. Our PRC legal adviser has advised that as of the Latest Practicable Date we had obtained necessary permits and approvals from the relevant local DRCs for each of our production lines. We carefully selected the locations of our production facilities to minimize transportation costs. All of our clinker production lines are located near our limestone quarries, and all of our cement grinding lines are near urban areas. One of our biggest cement grinding stations is strategically located in Tianjin. Our production facilities in Henan province are centrally managed as part of a network through which we efficiently allocate internal supplies, raw materials and clinker among the facilities. Our production facilities in Liaoning province are primarily located in major cities, such as Dalian, Liaoyang and Yingkou, which places us in a position to capture business opportunities from those markets.

BUSINESS

The table below sets forth the details of our clinker and cement production lines for the periods indicated:

Clinker

Company	Clinker production line	Location	Commencement of operations	Designed annual production capacity ⁽¹⁾⁽³⁾	Year ended December 31,			Six months ended June 30,				
					2008		2009		2010		2011	
					Production volume ⁽¹⁾⁽⁴⁾	Indicative utilization rate ⁽²⁾⁽⁴⁾	Production volume ⁽¹⁾⁽⁴⁾	Indicative utilization rate ⁽²⁾⁽⁴⁾	Production volume ⁽¹⁾⁽⁴⁾	Indicative utilization rate ⁽²⁾⁽⁴⁾	Production volume ⁽¹⁾⁽⁴⁾	Indicative utilization rate ⁽²⁾⁽⁴⁾⁽⁷⁾
Ruzhou Cement	Ruzhou Line 1	Ruzhou (汝州), Henan	January 2003	730.0	2,878.3	126.2%	2,716.1	119.1% ⁽⁵⁾	2,246.0	98.5%	912.1	80.0%
	Ruzhou Line 2	Ruzhou (汝州), Henan	July 2005	1,550.0								
Tianrui Cement	Yutai Cement	Ruzhou (汝州), Henan	June 2006	1,240.0	932.5	75.2%	906.8	73.1%	862.3	69.5%	333.6	53.8%
Dalian Cement	Dalian Line 1	Dalian (大连), Liaoning	November 2006	1,240.0	2,666.4	122.9% ⁽⁵⁾	3,632.5	146.5% ⁽⁵⁾	4,610.8	139.4% ⁽⁵⁾	2,698.7	145.1% ⁽⁵⁾
	Dalian Line 2	Dalian (大连), Liaoning	April 2008	1,240.0								
	Dalian Line 3	Dalian (大连), Liaoning	May 2010	1,240.0								
Weihui Cement	Weihui Line 1	Weihui (卫辉), Henan	July 2005	1,550.0	2,486.1	96.2%	3,711.6	119.7% ⁽⁵⁾	3,038.2	98.0%	1,550.8	100.1%
	Weihui Line 2	Weihui (卫辉), Henan	May 2008	1,550.0								
Yuzhou Cement	Yuzhou Cement	Yuzhou (禹州), Henan	August 2007	1,550.0	1,731.0	111.7% ⁽⁵⁾	1,816.1	117.2% ⁽⁵⁾	1,890.1	121.9% ⁽⁵⁾	822.5	106.1% ⁽⁵⁾
Guangshan Cement	Guangshan Cement	Xinyang (信阳), Henan	November 2008	1,395.0	71.0	30.5%	1,474.2	105.7% ⁽⁵⁾	1,609.2	115.4% ⁽⁵⁾	786.5	112.8% ⁽⁵⁾
Zhengzhou Cement	Tianrui Zhengzhou	Xinyang (信阳), Henan	July 2009	3,600.0			812.7	45.2%	3,137.6	87.2%	1,587.4	88.2%
Liaoyang Cement	Liaoyang Line 1	Liaoyang (辽阳), Liaoning	July 2009	1,240.0			633.5	102.2% ⁽⁵⁾	1,701.0	137.2% ⁽⁵⁾	926.3	112.1% ⁽⁵⁾
	Liaoyang Line 2	Liaoyang (辽阳), Liaoning	May 2011	1,240.0								
Nanzhao Cement	Nanzhao Company	Nanyang (南阳), Henan	April 2010	1,395.0					958.5	91.6%	755.2	108.3% ⁽⁵⁾
Xiaoxian Cement	Xiaoxian Company	Xiaoxian (萧县), Anhui	November 2010	1,485.0					140.6	56.8% ⁽⁵⁾	709.3	95.5%
Total				22,245.0	10,765.3	107.1%	15,703.5	108.6% ⁽⁵⁾	20,194.3	106.3% ⁽⁵⁾	11,082.4	103.5%

BUSINESS

Cement

Company	Cement production line	Location	Commencement of operations	Designed annual production capacity ⁽¹⁾⁽³⁾	Year ended December 31,				Six months ended June 30,			
					2008		2009		2010		2011	
					Production volume ⁽¹⁾⁽⁴⁾	Indicative utilization rate ⁽²⁾⁽⁴⁾	Production volume ⁽¹⁾⁽⁴⁾	Indicative utilization rate ⁽²⁾⁽⁴⁾	Production volume ⁽¹⁾⁽⁴⁾	Indicative utilization rate ⁽²⁾⁽⁴⁾	Production volume ⁽¹⁾⁽⁴⁾	Indicative utilization rate ⁽²⁾⁽⁴⁾⁽⁷⁾
Ruzhou Cement	Ruzhou Line 1,2	Ruzhou (汝州), Henan	January 2003	1,200.0	152.2%	1,759.5	132.5%	2,016.7	73.9%	825.2	60.5%	
	Ruzhou Line 3,4,5	Ruzhou (汝州), Henan	December 2009	1,530.0								
Tianrui Cement	Yutai Line 1,2	Ruzhou (汝州), Henan	December 2006	1,800.0	69.6%	1,200.2	66.7%	1,270.0	70.6%	509.6	56.6%	
Zhoukou Cement	Zhoukou Line 1,2	Zhoukou (周口), Henan	December 2005	1,800.0	101.7%	1,832.7	76.4%	1,803.9	60.1%	656.0	43.7%	
	Zhoukou Line 3	Zhoukou (周口), Henan	July 2009	1,200.0								
Shangqiu Cement	Shangqiu Cement	Shangqiu (商丘), Henan	December 2005	2,000.0	80.8%	1,586.4	79.3%	1,206.4	60.3%	417.7	41.8%	
Antai Cement	Lushan Line 1,2	Lushan (魯山縣), Henan	November 2007	— ⁽¹⁾	396.1	290.8	72.7%	100.2	25.1% ⁽⁶⁾	11.3	5.7% ⁽⁶⁾	
Dalian Cement	Dalian Cement	Dalian (大連), Liaoning	December 2006	2,400.0	67.9%	1,808.2	75.3%	2,024.2	84.3%	1,196.8	99.7%	
Tianrui Cement	Tianrui Zhengzhou	Xinyang (滎陽), Henan	November 2009	4,000.0		333.9	50.1%	2,633.2	65.8%	1,434.1	71.7%	
Yuzhou Cement	Yuzhou Cement	Yuzhou (禹州), Henan	December 2007	1,000.0	71.8%	874.0	87.4%	900.0	90.0%	444.5	88.9%	
Yingkou Cement	Yingkou Line 1	Yingkou (營口), Liaoning	February 2008	1,200.0	61.3%	1,613.6	73.3%	2,033.1	84.7%	907.0	75.6%	
	Yingkou Line 2	Yingkou (營口), Liaoning	March 2009	1,200.0								
Nanzhao Cement	Nanzhao Line 1	Nanyang (南陽), Henan	May 2008	1,200.0	45.1%	697.7	58.1%	987.4	52.0%	793.1	66.1%	
	Nanzhao Line 2	Nanyang (南陽), Henan	June 2010	1,200.0								
Liaoyang Cement	Liaoyang Cement	Liaoyang (遼陽), Liaoning	February 2010	2,400.0								
Zhengzhou Cement	Zhengzhou Cement	Zhengzhou (鄭州), Henan	August 2005	2,000.0	86.3%	1,720.4	86.0%	1,803.6	90.2%	693.4	69.3%	
Weihui Cement	Weihui Line 1	Weihui (衛輝), Henan	July 2008	1,200.0	32.2%	1,200.4	100.0%	1,530.8	80.6%	1,139.9	95.0%	
	Weihui Line 2	Weihui (衛輝), Henan	June 2010	1,200.0								
Guangshan Cement	Guangshan Line 1	Xinyang (信陽), Henan	December 2008	1,200.0		1,019.6	85.0%	1,389.4	86.8%	785.5	65.5%	
	Guangshan Line 2	Xinyang (信陽), Henan	September 2010	1,200.0								
Xuchang Cement	Xuchang Line 1	Xuchang (許昌), Henan	August 2008	1,200.0	46.4%	1,020.6	85.1%	789.9	56.4%	607.6	50.6%	
	Xuchang Line 2	Xuchang (許昌), Henan	November 2010	1,200.0								
Ningling Cement	Ningling Cement	Shangqiu (商丘), Henan	December 2009	900.0				436.1	48.5%	151.1	33.6%	
Xiaoxian Cement	Xiaoxian Cement	Xiaoxian (蕭縣), Anhui	December 2010	1,000.0				52.1	62.5%	494.4	98.9%	
Total				35,230.0	79.3%	16,958.0	80.5%	22,030.7	69.5%	11,782.4	66.1%	

Notes:

- (1) In thousand tonnes as of June 30, 2011, excluding Antai Cement, which discontinued production in the first half of 2011.
- (2) The indicative utilization rate is calculated by dividing actual production volume with designed annual production capacity or designed annual production capacity on a pro rata basis in accordance with the actual number of months in a year during which the production facility was in operation.
- (3) The designed annual production capacity is based on approval letters from the PRC government.
- (4) Where a production company has two or more production lines, the production volume is the aggregate of the production volume of all such production lines and the indicative utilization rate is based on the aggregate production capacity and volume of all such production lines.
- (5) The clinker production lines, operating at above their designed production capacity is primarily due to the fact that, when the market demand was high and the production safety was ensured, we operated relevant production facilities at a level higher than their designed capacity, which was achieved by undertaking certain engineering and operational improvements and upgrading and by operating our facilities longer than the operating hours based on which relevant production capacity is designed.
- (6) The relatively low utilization rates of our cement production line for Antai Cement in 2010 and for the six months ended June 30, 2011 were primarily due to the fact that the production line of Antai Cement is comparatively obsolete, and we decided in 2010 to gradually close down the operation at Antai Cement.
- (7) Absent unusual changes, such as the construction of new infrastructure projects, our indicative utilization rate in the first half of a year is generally lower than the indicative utilization rate for a full year due to cold weather (with respect to our facilities in Liaoning province) and the Chinese New Year holiday which falls in January or February each year.

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All of our production lines employ advanced NSP technology, which is more energy-efficient and environmentally friendly than non-NSP technologies. Our NSP technology is supported by PRC government policies to reduce industry waste and pollution. In both the *Notice Regarding Replacement of Obsolete Cement Production Capability* (關於做好淘汰落後水泥生產能力有關工作的通知) issued on February 18, 2007, and the *Policies on the Development of the Cement Industry* (水泥工業產業發展政策) issued on October 17, 2006, the NDRC mandated that all production facilities using less-advanced technologies, including dry hollow kilns and wet kilns, should be replaced by more energy-efficient and environmentally friendly technologies by the end of 2008. The NDRC's policies also require that all local governments should phase out cement enterprises with annual production capacities of less than 0.2 million tonnes or which fail to comply with relevant environmental protection requirements or cement product quality standards. We believe all of our production lines are in compliance with relevant environmental protection requirements and product quality standards.

PLANNED CAPACITY EXPANSION

In order to meet the market demand for cement products in Henan and Liaoning provinces, we intend to further expand our production capacity through acquisitions of enterprises in Henan and Liaoning provinces and Tianjin and by upgrading our production technology and processes. As of the Latest Practicable Date, we have obtained approvals from the relevant local DRCs regarding our proposed Yuzhou Phase II Project and Tianjin Project. Upon the completion of these projects, our clinker production capacity is expected to increase by 1.4 million tonnes per annum and our cement production capacity is expected to increase by 5.0 million tonnes per annum, respectively. Our PRC legal adviser is of the opinion that the DRCs in Henan province and Tianjin are the competent authorities to approve the construction of the production lines in Yuzhou and Tianjin. All the requisite approvals had been obtained for the production facilities in Yuzhou and Tianjin as of the Latest Practicable Date. See “— Property”.

The production facilities in Yuzhou and Tianjin are still under construction as of the Latest Practicable Date. Our PRC legal adviser is of the opinion that there are no material legal impediments to complete the construction of the production facilities in Yuzhou and Tianjin if both Yuzhou Cement and Tianjin Cement construct the respective production facilities within the authorized scopes according to the relevant approvals, licenses and PRC laws and regulations.

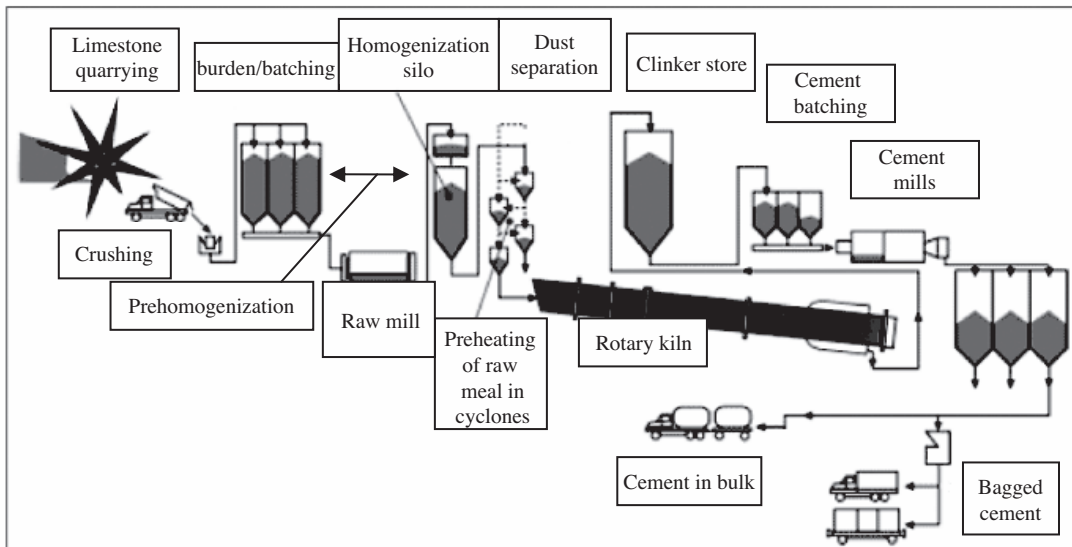
We will fund the capital expenditure required for our growth plans through cash generated from our operations, available bank facilities or other appropriate equity or debt financings.

PRODUCTION PROCESS

During the Track Record Period, we improved our production process technology through our research and development efforts, which enabled us to improve the efficiency of our production facilities.

BUSINESS

The diagram below illustrates our clinker and cement production process:



Clinker

The key steps of clinker production include: (i) crushing of raw materials; and (ii) sintering of clinker.

- ***Crushing of Raw Materials***

After extracting limestone from our quarries and procuring other raw materials, such as siliceous materials, flyash, pyrite cinder and slag, from suppliers, we transport these raw materials to our crushing installations where these and other raw materials are mixed in different proportions.

- ***Calcining and Blending of Raw Materials***

The mixed crushed raw materials are then grounded and mixed without water to form a raw meal. The raw meal is then fed into the kiln system for calcination. After a series of complex physical and chemical reactions, the cement raw meals are turned into clinker.

Cement

Clinker is further fed into the cement grinding mill and grounded to a level of fineness required for cement production. Different proportions of the various aggregates are added to the mixtures to produce different types of cement products. The cement is then stored in silos and delivered to customers or distributors.

BUSINESS

RAW MATERIALS

The primary raw materials used in our clinker and cement production are limestone, sandstone, gypsum, clay, flyash, pyrite cinder and slag. For the years ended December 31, 2008, 2009 and 2010 and the six months ended June 30, 2011, the costs of raw materials accounted for approximately 39.7%, 37.2%, 31.6% and 30.1%, respectively, of our total cost of sales.

Limestone

The principal raw material used in the production of clinker and cement is limestone. A majority of the limestone we currently use for cement production is sourced from the 33 open pit quarries we are licensed to excavate, which have an aggregate limestone reserve of over 800 million tonnes based on limestone reserve reports issued by certain mining exploration entities. According to certain project approval documents issued by the PRC government, our reserves of quarries are sufficient to supply limestone to our respective production facilities for approximately 30 or more years counting from the commencement date of such production facilities.

Our PRC legal adviser has advised that we have obtained the necessary licenses, approvals and certificates for all of our limestone quarries, and when relevant mining rights expire there shall be no material legal impediment for us to renew such mining rights provided that we satisfy certain conditions and procedural requirements, including: (i) continuing to fully and timely pay mining rights usage fees, mine resource compensation and resource taxes; (ii) commencing the renewal registration 30 days before the expiration of relevant licenses; (iii) the mine reservation is able to support continued exploitation; and (iv) the exploitation activities conforming to the prevailing laws and regulations in the PRC. The relevant governmental authorities have the authority to unilaterally terminate our mining licenses if we fail to comply with the relevant requirements of the mining licenses.

Details with respect to our limestone quarries and the related mining rights obtained by us are set forth below:

Name of quarry	Location	Area size (km ²)	Mining right owner	Maximum annual production volume per mining license (in thousand tonnes)	Term	Estimated limestone reserves (in thousand tonnes) ⁽¹⁾	License cost of mining rights (RMB million)	Reserve report issuer ⁽⁶⁾
Yuzhou First Quarry (禹州一分礦)	Yuzhou, Henan province	0.1771	Tianrui Cement	500	December 30, 2010 to June 30, 2017	14,822.9	4.2	Luoyang Zhenghao Technology Consultant Co., Ltd. (洛陽市征昊技術諮詢有限公司)
Yuzhou Second Quarry (禹州二分礦)	Yuzhou, Henan province	0.1716	Tianrui Cement	500	December 30, 2010 to June 30, 2017	14,583.7	4.2	Luoyang Zhenghao Technology Consultant Co., Ltd. (洛陽市征昊技術諮詢有限公司)

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Name of quarry	Location	Area size (km ²)	Mining right owner	Maximum annual production volume per mining license (in thousand tonnes)	Term	Estimated limestone reserves (in thousand tonnes) ⁽¹⁾	License cost of mining rights (RMB million)	Reserve report issuer ⁽⁶⁾
Yuzhou Third Quarry (禹州三分礦)	Yuzhou, Henan province	0.0759	Tianrui Cement	500	December 30, 2010 to June 30, 2017	14,326.0	4.0	Luoyang Zhenghao Technology Consultant Co., Ltd. (洛陽市征昊技術諮詢有限公司)
Yuzhou Fourth Quarry (禹州四分礦)	Yuzhou, Henan province	0.0572	Tianrui Cement	500	December 30, 2010 to June 30, 2017	14,330.0	4.0	Luoyang Zhenghao Technology Consultant Co., Ltd. (洛陽市征昊技術諮詢有限公司)
Yuzhou Fifth Quarry (禹州五分礦)	Yuzhou, Henan province	0.0774	Tianrui Cement	500	December 30, 2010 to June 30, 2017	14,595.0	4.2	Luoyang Zhenghao Technology Consultant Co., Ltd. (洛陽市征昊技術諮詢有限公司)
Zhifang (紙房)	Ruzhou, Henan province	5.2327	Tianrui Cement	2,195	September 2005 to September 2019	32,847.7	7.8	The Second Geological Team of Henan Non-ferrous Metals Geological and Mineral Resources Bureau (河南有色金屬地質礦產局第二地質大隊)
Xiaoshangou (小山溝)	Ruzhou, Henan province	0.0997	Tianrui Cement	300	June 16, 2011 to June 16, 2012	748.0	0.2	Henan Geological Prospecting Institute of Zhonghua Geological and Mineral Resources Bureau (中化地質礦山總局河南地質勘查院)
Dongmazhuang (東馬莊)	Ruzhou, Henan province	0.0168	Tianrui Cement	300	December 20, 2010 to December 20, 2011 ⁽²⁾	749.0	0.2	Henan Geological Prospecting Institute of Zhonghua Geological and Mineral Resources Bureau (中化地質礦山總局河南地質勘查院)

BUSINESS

Name of quarry	Location	Area size (km ²)	Mining right owner	Maximum annual production volume per mining license (in thousand tonnes)	Term	Estimated limestone reserves (in thousand tonnes) ⁽¹⁾	License cost of mining rights (RMB million)	Reserve report issuer ⁽⁶⁾
Guanmiao Village Qingsong (關廟村青松)	Ruzhou, Henan province	0.0897	Tianrui Cement	300	December 20, 2010 to December 20, 2011 ⁽²⁾	737.0	0.2	Henan Geological Prospecting Institute of Zhonghua Geological and Mineral Resources Bureau (中化地質礦山總局河南地質勘查院)
Guanmiao Village Jianshan (關廟村尖山) ⁽³⁾	Ruzhou, Henan province	0.0136	Tianrui Cement	200	December 20, 2010 to July 20, 2011 ⁽³⁾	666.9	0.2	Henan Geological Prospecting Institute of Zhonghua Geological and Mineral Resources Bureau (中化地質礦山總局河南地質勘查院)
Yunshanzhai (雲山寨)	Guangshan, Henan province	2.4434	Tianrui Cement	760	April 2009 to December 2024	45,623.5	12.0	Henan Team of China Building Materials and Geological Prospecting Center (中國建材地質勘查中心河南總隊)
Niutoushan (牛頭山)	Xiaoxian, Anhui province	0.1928	Xiaoxian Cement	400	to July 23, 2013	30,722.5	27.4	Xuzhou Wanyuan Geological and Mineral Research Co., Ltd. (徐州萬源地質礦產研究有限公司)
Luzhuang (蘆莊)	Xingyang, Henan province	1.8124	Zhengzhou Cement (Xingyang)	4,200	October 2009 to March 2015	31,753.4	20.1	Henan Team of China Building Materials and Geological Prospecting Center (中國建材地質勘查中心河南總隊)
Wufu (五福)	Ruzhou, Henan province	1.0043	Ruzhou Cement	600	June 16, 2011 to June 16, 2012	19,847.2	2.5	The Second Geological Team of Henan Non-ferrous Metals Geological Prospecting Bureau (河南有色地質勘查局第二隊)

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Name of quarry	Location	Area size (km ²)	Mining right owner	Maximum annual production volume per mining license (in thousand tonnes)	Term	Estimated limestone reserves (in thousand tonnes) ⁽¹⁾	License cost of mining rights (RMB million)	Reserve report issuer ⁽⁶⁾
Longma (龍馬)	Ruzhou, Henan province	0.0332	Ruzhou Cement	200	June 16, 2011 to June 16, 2012	1,473.7	0.1	Pingdingshan Geological and Mineral Resources Research Bureau (平頂山市地質 礦產研究所)
Shenlong (神龍)	Ruzhou, Henan province	0.1801	Ruzhou Cement	140	June 16, 2011 to June 16, 2012	14,058.7	1.8	The Second Geological Team of Henan Non-ferrous Metals Geological Prospecting Bureau (河南有色地質勘查局 第二隊)
The First Quarry (第一採石場) ⁽⁴⁾⁽⁵⁾	Weihui, Henan province	0.1205	Weihui Cement	300	January 25, 2007 to January 24, 2017	140,000.0	40.2	Henan Geological Prospecting Team of National Building Materials Bureau (國家建材局地質公司 河南地質勘探大隊)
The Second Quarry (第二採石場) ⁽⁴⁾⁽⁵⁾	Weihui, Henan province	0.1066	Weihui Cement	300	February 25, 2007 to February 24, 2017			Henan Geological Prospecting Team of National Building Materials Bureau (國家建材局地質公司 河南地質勘探大隊)
The Third Quarry (第三採石場) ⁽⁴⁾⁽⁵⁾	Weihui, Henan province	0.1136	Weihui Cement	300	March 25, 2007 to March 24, 2017			Henan Geological Prospecting Team of National Building Materials Bureau (國家建材局地質公司 河南地質勘探大隊)
The Fourth Quarry (第四採石場) ⁽⁴⁾⁽⁵⁾	Weihui, Henan province	0.1748	Weihui Cement	300	April 25, 2007 to April 24, 2017			Henan Geological Prospecting Team of National Building Materials Bureau (國家建材局地質公司 河南地質勘探大隊)
The Fifth Quarry (第五採石場) ⁽⁴⁾⁽⁵⁾	Weihui, Henan province	0.1303	Weihui Cement	300	May 25, 2007 to May 24, 2017			Henan Geological Prospecting Team of National Building Materials Bureau (國家建材局地質公司 河南地質勘探大隊)

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Name of quarry	Location	Area size (km ²)	Mining right owner	Maximum annual production volume per mining license (in thousand tonnes)	Term	Estimated limestone reserves (in thousand tonnes) ⁽¹⁾	License cost of mining rights (RMB million)	Reserve report issuer ⁽⁶⁾
The Sixth Quarry (第六採石場) ⁽⁴⁾⁽⁵⁾	Weihui, Henan province	0.1379	Weihui Cement	300	June 25, 2007 to June 24, 2017			Henan Geological Prospecting Team of National Building Materials Bureau (國家建材局地質公司 河南地質勘探大隊)
The Seventh Quarry (第七採石場) ⁽⁴⁾⁽⁵⁾	Weihui, Henan province	0.1147	Weihui Cement	300	July 25, 2007 to July 24, 2017			Henan Geological Prospecting Team of National Building Materials Bureau (國家建材局地質公司 河南地質勘探大隊)
The Eighth Quarry (第八採石場) ⁽⁴⁾⁽⁵⁾	Weihui, Henan province	0.1304	Weihui Cement	300	August 25, 2007 to August 24, 2017			Henan Geological Prospecting Team of National Building Materials Bureau (國家建材局地質公司 河南地質勘探大隊)
The Ninth Quarry (第九採石場) ⁽⁴⁾⁽⁵⁾	Weihui, Henan province	0.1353	Weihui Cement	300	September 25, 2007 to September 24, 2017			Henan Geological Prospecting Team of National Building Materials Bureau (國家建材局地質公司 河南地質勘探大隊)
The Tenth Quarry (第十採石場) ⁽⁴⁾⁽⁵⁾	Weihui, Henan province	0.1078	Weihui Cement	300	October 25, 2007 to October 24, 2017			Henan Geological Prospecting Team of National Building Materials Bureau (國家建材局地質公司 河南地質勘探大隊)
Liaoyang (遼陽)	Liaoyang, Liaoning province	0.1028	Liaoyang Tianrui	400	March 24, 2009 to June 1, 2013	3,035.0	1.7	Liaoning Province Team of China Building Materials and Geological Prospecting Center (中國建築材料工業地 質勘查中心遼寧總隊)
The Fifth Quarry (五礦)	Yuzhou, Henan province	0.1050	Yuzhou Cement	500	December 24, 2010 to July 24, 2018	11,104.0	3.2	Luoyang Zhenghao Technology Consultant Co., Ltd. (洛陽市征昊技術諮詢 有限公司)

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Name of quarry	Location	Area size (km ²)	Mining right owner	Maximum annual production volume per mining license (in thousand tonnes)	Term	Estimated limestone reserves (in thousand tonnes) ⁽¹⁾	License cost of mining rights (RMB million)	Reserve report issuer ⁽⁶⁾
The Sixth Quarry (六礦)	Yuzhou, Henan province	0.0497	Yuzhou Cement	500	December 24, 2010 to July 24, 2018	13,516.5	3.8	Luoyang Zhenghao Technology Consultant Co., Ltd. (洛陽市征昊技術諮詢 有限公司)
The Seventh Quarry (七礦)	Yuzhou, Henan province	0.0433	Yuzhou Cement	300	December 24, 2010 to July 24, 2018	4,775.5	1.5	Luoyang Zhenghao Technology Consultant Co., Ltd. (洛陽市征昊技術諮詢 有限公司)
The Eighth Quarry (八礦)	Yuzhou, Henan province	0.2387	Yuzhou Cement	500	December 24, 2010 to July 24, 2018	12,436.2	3.5	Luoyang Zhenghao Technology Consultant Co., Ltd. (洛陽市征昊技術諮詢 有限公司)
Yushushan (榆樹山)	Dalian, Liaoning province	1.7866	Dalian Cement	2,360	June 15, 2011 to June 15, 2013	168,613.3	70.0	Liaoning the Sixth Geological Team (遼寧省第六地質大隊)
Qingshan (青山)	Nanzhao, Henan province	0.6852	Nanzhao Cement	1,850	April 2009 to April 2039	210,469.2	40.2	Henan the Fourth Geological Prospecting Team 河南省地調四隊
Total						<u>815,835.0</u>	<u>257.2</u>	

Notes:

- (1) The limestone reserves were estimated by certain independent mining exploration entities and were included in relevant reserve reports prepared by such entities. The estimated limestone reserves were also included in certain project feasibility study reports issued by Independent Third Parties. Such estimated limestone reserves were as of the time when such reports were prepared and indicate in-place/recoverable material.
- (2) We are in the process of renewing the respective mining rights licenses for Dongmazhuang quarry and Guanmiao County Qingsong quarry. Based on the confirmation letter issued by the relevant authority, our PRC legal adviser is of the opinion that there would be no legal impediment for us to renew each license provided the prescribed conditions are satisfied.
- (3) We are in the process of renewing the mining rights license for Guanmiao Village Jianshan quarry. Based on the confirmation letter issued by the relevant authority, our PRC legal adviser is of the opinion that there would be no legal impediment for us to renew such license provided the prescribed conditions are satisfied.
- (4) The estimated limestone reserves of all the ten quarries of Weihui Cement are calculated together and shown under the First Quarry.
- (5) License cost of mining rights of the ten quarries of Weihui Cement is calculated together and shown under the First Quarry.
- (6) Reserve report issuers are mining exploration entities with the required mining exploration qualification and are Independent Third Parties. Such reserve reports were reviewed and approved by competent governmental authorities.

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The majority of limestone excavated from our limestone quarries is used for our cement production, with the remainder sold to third-parties.

Other raw materials

Other raw materials that we use primarily include sandstone, sulfuric acid slag, gypsum, and flyash. We procure other raw materials from suppliers at prevailing market prices. We seek to diversify the supply sources of such other raw materials and have not in the past experienced any material disruption of our production due to insufficient supply of raw materials.

SUPPLIERS

Our purchase department is responsible for the centralized procurement of gypsum from our suppliers. Other raw materials are locally procured by our subsidiaries. Our purchase department determines the price and selects our suppliers through bidding procedures. We are typically required to make full payments for our raw materials within 10 to 90 days after delivery. Our payments are made by direct bank transfers, telegraphic transfers, checks, bank drafts and bank acceptance bills. The quality of the raw materials is inspected by our quality control departments to ensure that the raw materials comply with our quality standards.

We select our suppliers of raw materials mainly through bidding procedures based primarily on quality, pricing, delivery time, distance to our facilities, after-sales services and reliability.

For the years ended December 31, 2008, 2009 and 2010 and the six months ended June 30, 2011, purchases from our five largest suppliers of raw materials accounted for approximately 25.6%, 22.6%, 23.0% and 21.7% of our total procurement cost, respectively. During the same periods, purchases from our largest supplier of raw materials accounted for approximately 14.2%, 14.2%, 12.5% and 10.9% of our procurement cost, respectively. We have maintained business relationships with some of our top five raw materials suppliers for up to ten years.

As of the Latest Practicable Date, none of our Directors, their respective associates or any of the Shareholders (which to the knowledge of our Directors owns more than 5% of the issued share capital of our Company) had any interest in any of the top five suppliers of our Group.

ENERGY SUPPLY

Coal

We primarily use coal as fuel in our clinker and cement production process. We maintain long-term relationships with our major coal suppliers to secure adequate and stable coal supplies. We obtain our supply of coal mainly from Shanxi and Henan provinces (for our production lines in Henan province) and Qinhuangdao, Hebei province (for our production lines in Liaoning province). Most of production facilities have at least three coal suppliers with whom we have supply contracts with terms

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of one year. The purchase price is determined with reference to the prevailing market price when we place a purchase order. We are typically required to pay in full within 10 to 90 days after the delivery of the coal. Coal is primarily delivered to our production facilities by means of road transportation.

For the years ended December 31, 2008, 2009 and 2010 and the six months ended June 30, 2011, we incurred costs of approximately RMB919.6 million, RMB1,331.0 million, RMB2,145.1 million and RMB1,263.6 million for the purchase of coal, respectively, representing 34.3%, 36.0%, 42.2% and 44.0% of our cost of sales for the respective periods. We did not experience any coal shortages in our operations during the Track Record Period.

Electricity

We require a steady supply of electricity for our cement and clinker production. All of our integrated clinker and cement production plants have power transmission lines that connected to the power grid network.

The production of our cement has occasionally been interrupted by local electricity shortages. The cement production process involves the continuous operation of heavy power-driven machinery and numerous sensors and computers in our central control systems, and a shortage in the supply of electricity may cause such machines, sensors and computers to shut down. Therefore, a stable power supply is especially crucial to our production.

To alleviate the issues caused by power shortages, we have increased the utilization of residual heat recovery systems and decreased our reliance on external electricity sources, reduced our use of electricity through technology innovation, and negotiated with local governments for priority in receiving power supply. Some of our subsidiaries are also located within industrial and development zones in China that provide preferential electricity rates. We have adopted residual heat recovery technology for most of our clinker production facilities. Residual heat recovery systems collect residual heat from the clinker production process to generate power that can be re-utilized for clinker production. Our average cost for electricity produced through the residual heat recovery systems was RMB0.09 per KWh in 2010, significantly lower than our average electricity purchase price of RMB0.52 per KWh during the same period. During the years ended December 31, 2008, 2009 and 2010 and the six months ended June 30, 2011, we generated 91.2 GWh, 355.8 GWh, 534.5 GWh and 294.2 GWh of electricity through our residual heat recovery systems, respectively.

For the years ended December 31, 2008, 2009 and 2010 and the six months ended June 30, 2011, our total electricity costs were RMB487.9 million, RMB658.3 million, RMB862.2 million and RMB455.4 million, respectively, and accounted for approximately 18.2%, 17.8%, 17.0% and 15.9%, of our cost of sales for the respective periods.

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SALES AND MARKETING

Sales

All of our products are sold in China. In 2008, 2009, 2010 and for the six months ended June 30, 2011, our primary markets for our cement products were Henan and Liaoning provinces. We also sell our products in Tianjin and Anhui provinces, mainly for the construction of highways, railways, tunnels, large bridges and high-rise buildings.

The following table sets out our revenue by the specific geographical location in which we operated during the Track Record Period:

	Year ended December 31,			Six months ended June 30,
	2008	2009	2010	2011
	(RMB'000)	(RMB'000)	(RMB'000)	(RMB'000)
Central China ⁽¹⁾	2,621,803	3,274,251	4,403,309	3,190,958
Northeast China ⁽²⁾	738,536	1,140,973	1,726,129	881,832
Total	<u>3,360,339</u>	<u>4,415,224</u>	<u>6,129,438</u>	<u>4,072,790</u>

Notes:

- (1) Including Henan and Anhui provinces.
(2) Including Liaoning province and Tianjin.

We sell our cement products to end-users both through direct sales via our sales network and through distributors. We have 18 regional sales offices that handle sales from our production facilities in Henan province, Liaoning province and Anhui province. We centralize the management of our sales activities by centrally setting sales targets and guidelines for sales activities in each regional sales office and by centrally monitoring their performances against the set targets and guidelines. As of June 30, 2011, we had 300 direct sales personnel who are responsible for marketing and selling our products in their assigned areas and providing post-sales support to our customers. Our direct sales personnel are required to meet annual sales targets, and we provide sales commissions to those who meet or exceed their respective targets. In order to maintain accurate sales statistics, we closely monitor the sales performance of our sales personnel through a network-based data management system that

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generates and maintains detailed records of each sales transaction upon receipt of payment from our customers. The following table sets forth our regional sales offices and the areas covered by such regional sales offices.

Regional sales office	Areas covered by the regional office
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Tianjin

1. Tianjin office	Tianjin
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Henan Province

2. Ningling office	Ningling, Juxian, Minquan
3. Ruzhou office	Ruzhou, Pingdingshan, Luohe
4. Pingdingshan office.....	Lushan, Ye County
5. Weihui office	Weihui, Xinxiang, Hebi
6. Shangqiu office.....	Shangqiu, Tuocheng, Luyi, Dancheng
7. Nanzhao office.....	Nanyang, Nanzhao, Fangchen, Sheqi
8. Yuzhou office	Yuzhou, Xiangxian
9. Xuchang office	Xuchang, Linying
10. Luoyang office.....	Luoyang, Ruyang, Gaoxian
11. Zhengzhou office	Zhengzhou, Kaifeng, Weishi, Xinzheng
12. Zhoukou office	Zhoukou, Xiangcheng, Shenqiu
13. Guangshan office	Guangshan, Huangzhou, Xinyang
14. Tianrui Zhengzhou office	Zhengzhou, Xingyang, Gongyi, Xinmi

Liaoning Province

15. Dalian office	Dalian, Wafangdian, Zhuanghe, Anshan
16. Liaoyang office.....	Liaoyang, Shenyang, Dandong, Fushun
17. Yingkou office	Yingkou, Haicheng, Boyuquan

Anhui Province

18. Xiaoxian office	Xiaoxian, Xuzhou
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For the years ended December 31, 2008, 2009 and 2010 and the six months ended June 30, 2011, our revenue from direct sales was RMB2,688.1 million, RMB3,748.1 million, RMB5,516.5 million and RMB3,746.9 million, respectively, representing 80.0%, 84.9%, 90.0% and 92.0%, respectively, of our total sales for the same periods.

Marketing

Our marketing department is responsible for collecting market information and coordinating marketing activities. Our marketing activities primarily include promotional media events, purchasing outdoor billboards, distributing promotional brochures and placing advertisements placed on vehicles. We also place a strong emphasis on maintaining close relationships with our customers. We provide efficient and attentive after-sales services, including a 24-hour hotline consultation service. We also send technicians to provide on-site training to our customers regarding the use and application of our products.

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Customers

We have a broad customer base in our markets. Our cement products are sold to large customers, such as large-scale constructors and large property developers, and retail purchasers, including individuals and cement dealers in relation to residential building constructions in rural areas. Some of our sales are secured through our participation in “open tenders” and “tenders by invitation”. For example, we were selected through “open tenders” as one of the primary cement providers for a number of high-profile and large-scale projects in China, including the South-North Water Transfer Project (南水北調工程), Ha’erbin-Dalian Express Railway (哈大高鐵) and Shijiazhuang-Wuhan Express Railway (石武高鐵), among others.

The following table sets forth the breakdown of our sales of cement by type of customers and their percentages of our cement revenue during the Track Record Period:

Type of customers	Year ended December 31,						Six months ended June 30,	
	2008		2009		2010		2011	
	(RMB million)	(%)	(RMB million)	(%)	(RMB million)	(%)	(RMB million)	(%)
Large-scale constructors ⁽¹⁾	346.4	12.2	602.8	16.8	1,480.7	29.7	1,066.9	32.9
Constructors for large property projects ⁽²⁾	283.3	10.0	630.6	17.5	797.0	16.0	946.1	29.2
Retail purchasers ⁽³⁾	2,205.6	77.8	2,360.0	65.7	2,714.4	54.3	1,230.6	37.9
Total	<u>2,835.3</u>	<u>100.0</u>	<u>3,593.4</u>	<u>100.0</u>	<u>4,992.1</u>	<u>100.0</u>	<u>3,243.6</u>	<u>100.0</u>

Notes:

- (1) Large-scale constructors mainly include contractors for construction of large-scale infrastructure projects.
- (2) Constructors for large property projects mainly include contractors for construction of properties in urban areas.
- (3) Retail purchasers mainly include individuals and cement dealers in relation to residential building constructions in rural areas.

For the years ended December 31, 2008, 2009 and 2010 and the six months ended June 30, 2011, sales to our five largest customers in respect of our continuing operations accounted for approximately 8.8%, 16.9%, 10.0% and 9.1% of the total revenue, respectively, and sales to our largest customer accounted for approximately 5.5%, 7.7%, 4.1% and 2.8% of our total revenue, respectively.

As of the Latest Practicable Date, none of our Directors, their respective associates or any Shareholder that owns more than 5% of the issued share capital of our Company had any interest in any of our top five customers.

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Distributors

We typically sell cement products produced by our newly established production facilities to distributors. Once these products gain brand recognition among end-users, we commence direct sales to our end-user customers. We have worked with many of our distributors for several years. As of June 30, 2011, we had built relationships with 50 distributors for approximately five years, seven distributors for approximately two years, and three distributors for approximately one year.

For the years ended December 31, 2008, 2009 and 2010 and the six months ended June 30, 2011, our revenue derived from our distributors was RMB672.2 million, RMB667.1 million, RMB612.9 million and RMB325.9 million, respectively, representing 20.0%, 15.1%, 10.0% and 8.0%, respectively, of our total sales for the same periods.

Pricing policy

The prices of our products vary from region to region based on local market conditions. The prices of our products typically are not set forth in relevant sales contracts and are generally determined at or around the time of delivery primarily based on factors such as prevailing market prices, our production capacity, our cost and expected profit margin. These factors are assessed by our sales managers on a regular basis. A minimum price is set for each type of product. Each individual production plant can raise the price for certain products. However, any discounted sales price is subject to the approval of our sales managers.

Except for extraordinary circumstances, such as the earthquake in 2008 in Sichuan province, the PRC government does not exercise control over cement prices and our products were not subject to any government price controls in our markets during the Track Record Period.

Payment terms

During the Track Record Period, we generally did not offer credit sales to our customers, except that we did, depending on the credit of relevant customers and profile of relevant projects, occasionally grant credit terms ranging from 30 to 180 days to customers involved in large infrastructure projects.

COMPETITION

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

Raw materials and finished products in the cement industry possess a low value-to-weight ratio and transportation distances for raw materials and finished products influence logistics costs considerably. We believe that China's cement industry is geographically fragmented, with a maximum

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economically-feasible product transportation radius of approximately 200 to 300 kilometers. As a result, selling prices, operating costs and profit margins of cement products may vary significantly among different regions. We view only those companies with a presence in or near Henan and Liaoning provinces, our two principal markets, as our primary competitors. Our major competitors include China United Cement Corporation (中國聯合水泥集團有限公司) in Henan province and China Shanshui Cement Group Ltd. (中國山水水泥集團有限公司) in Liaoning province.

The competition in Henan and Liaoning provinces was intense during the Track Record Period as there were over 300 small-scale cement producers that supply cement at a competitive price in these two provinces. See “Industry Overview — Price Movement of Cement in Henan, Liaoning and Anhui Provinces and Tianjin” for the average cement price movements in Henan and Liaoning provinces. We compete with such small-scale regional cement producers in the low-grade cement product markets in Henan and Liaoning provinces. We compete to a large extent based on price, product quality, product variety, technology, location of production facilities, access to resources, sales and marketing network and brand reputation.

Our market shares in both Henan and Liaoning provinces had increased steadily during the Track Record Period. However, as certain large cement competitors, may expand into or grow their existing operation in Henan and Liaoning provinces, which may have longer operating histories, better brand recognition, better pricing or greater financial, technical or marketing resources than us, we may face increasing competition in these two markets.

RESEARCH AND DEVELOPMENT

Our research and development efforts are focused on increasing our operational efficiency and lowering production costs. Most of our research and development expenses have been made on technology innovations and know-how optimization including, among other things, (i) refurbishing a medium-temperature and medium-pressure turbo-generator used in a pure low-temperature residual heat-powered cement kiln (改造中溫中壓汽輪機組應用於水泥窖純低溫餘熱發電技術); (ii) research of the technology of converting electrostatic dust collectors in cement kilns into electrostatic-bag composite dust collectors (水泥窖尾電收塵改造為電袋復合收塵技術研究); and (iii) renovation technology of frequency change and speed control in high-voltage motors (高壓電機變頻調速技術改造). In 2007, we jointly conducted research with Tianjin Cement Industrial Design Institute on the technology of applying electrostatic-bag composite dust collectors at the end of kilns of 5000t/d cement production lines, which helped us to achieve energy savings and emissions reduction in cement production. For the years ended December 31, 2008, 2009 and 2010 and the six months ended June 30, 2011, we incurred research and development costs (including the related staff costs and costs for improvement of production equipment and facilities) of RMB30.0 million, RMB31.0 million, RMB23.0 million and RMB17.3 million, respectively.

We have also successfully developed a New Dry Process cement production technology with a capacity of 12,000 tonnes per day. The technology, based on system engineering theory, integrates and optimizes each production unit system so that the investment costs of the whole production line can be significantly lowered. The equipment design and manufacturing for the New Dry Process cement production line can be carried out in China.

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We have a research and development center at our headquarters in Henan province, which is the first cement technology center in Henan province. The center employed 273 research and development personnel as of December 31, 2010, the majority of whom have bachelor's degrees.

As of the Latest Practicable Date, we have entered into cooperative relationships with Tianjin Cement Industrial Design Institute (天津水泥工業設計院) and Luoyang Institute of Science and Technology (洛陽理工學院), each a leading research institution in construction materials or cement-related technology.

The following table sets forth the major terms of our cooperation agreements with these scientific and educational institutions:

<u>Name of institution</u>	<u>Terms of cooperation</u>	<u>Scope of research and development</u>	<u>Ownership of technology</u>	<u>Confidentiality agreement</u>
Tianjin Cement Industrial Design Institute	October 27, 2002 to October 26, 2022	Provide project design and technical services with respect to cement production lines, cement grinding stations, transit stations and concrete batching plants either newly built, expanded or reconstructed	Joint ownership of technology	Neither party shall disclose intellectual property under the agreement to any third-party without consent of the other party.
Luoyang Institute of Science and Technology	May 2010 to April 2015	Provide technical development, support and consulting services	N/A	N/A

INTELLECTUAL PROPERTY

We rely on a combination of patents, trademarks, domain name registrations and contractual restrictions to establish and protect our intellectual property rights. We sell all of our products under our brand name “天瑞TIANRUI”, which has been registered with the Trademark Office of the SAIC (中華人民共和國工商行政管理總局商標局). We believe this brand name is an important asset of our business. We have been granted three patents by the State Intellectual Property Office of China and have four patent applications pending in China. All of our patents and patent applications relate to process technologies used in our production.

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Any unauthorized use of our brand names, trademarks or other intellectual property rights could adversely affect our business, reputation and market position. Each of our research and development personnel has entered into a standard employment contract with us that is subject to annual renewal, which includes confidentiality undertakings and an acknowledgement and agreement that all inventions, designs, trade secrets, works of authorship, developments and other processes developed or generated by them on our behalf are our property, and assigns to us any ownership rights that they may claim in those works.

QUALITY CONTROL

We established stringent quality control standards for our production process, ranging from purchase of raw materials to delivery of finished products. PO52.5, PO42.5 and PC32.5 series products under our brand name “天瑞TIANRUI” were accredited with ISO-9001 quality control system certification in 2003. Our products have become a top choice for highways, railways, tunnels, large bridges and high-rise buildings in Henan province and have gained recognition as “Premium Branded Products of Henan Province” by the Henan Bureau of Quality and Technical Supervision (河南省質量技術監督局) and Henan Top Brand Strategy Promotion Committee (河南省名牌戰略推進委員會).

Our finished products are inspected and tested in accordance with a variety of national standards prior to delivery, including GB/T17671-1999 on compressive strength and GB/T176-1996 on cement chemical analysis method.

Each of our subsidiaries carries out quality controls in accordance with a quality control manual prepared pursuant to the PRC Administrative Measures on Laboratory Evaluation of Cement Enterprise. We established testing laboratories equipped with various advanced testing equipment at most of our production facilities. All of our laboratories have passed the relevant China Cement Association tests and have obtained the relevant local cement association certificates. During the Track Record Period, we were not involved in any litigations or any settlements with any third-parties with respect to quality of our products.

PRODUCTION MANAGEMENT AND INVENTORY CONTROL

We plan our production and manage the inventory level of our finished products on a monthly basis based on projected sales volumes, and we make periodic adjustments to the production schedule and volumes based on actual orders received. We have a network-based data management system that facilitates the collection, monitoring and analysis of a variety of production and inventory data in each of our production facilities. We maintain varying inventory levels of raw materials and coal based on the needs of our production.

We did not experience significant overstock or shortage of raw materials, coal or finished products during the Track Record Period.

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LOGISTICS

A majority of our raw materials and coal are delivered directly to us by our suppliers. We outsource the delivery of some of our clinker and limestone to third-party logistics companies. Our customers are generally responsible for taking delivery of our finished products at our production facilities and the associated transportation costs. For certain large infrastructure construction projects, we arrange and pay for the shipment of our products from our production facilities to construction sites for our customers. The delivery of our raw materials, coal and clinker for our subsidiaries in Henan is primarily conducted through road transportation and for our subsidiaries in northeast China is mainly through sea and rail transportation. We typically enter into transportation agreements with pricing terms negotiated based on prevailing market prices.

REPAIR AND MAINTENANCE

We have implemented a comprehensive system for the repair and maintenance of our production facilities, operating on a daily, weekly and monthly basis, for purposes of optimizing production efficiencies and maintaining the safety of our industrial plants. Pursuant to our established procedures, day-to-day repair and maintenance of our equipment is scheduled by our production departments and carried out by our mechanical and electrical repair teams to maximize production efficiency and avoid unexpected interruption of our operations. The duration of our scheduled annual maintenance is usually two weeks. There were no major disruptions caused by equipment failure during the Track Record Period.

SAFETY PROCEDURES

The *Production Safety Law of the PRC* (中華人民共和國安全生產法), which was promulgated on June 29, 2002 and became effective on November 1, 2002, is the principal law that seeks to strengthen the supervision and administration of production safety and labor protection. We have obtained OHSAS 18000 certification for our health and safety management systems. We have implemented a number of safety measures and established a safety supervision department in each production plant that is responsible for formulation and implementation of such safety measures. Our safety supervision department conducts inspections of our production facilities on a daily basis to ensure that all of our operations are in compliance with existing laws and regulations.

Our PRC legal adviser has advised us that we have obtained or are in the process of renewing the necessary production safety permits in compliance with existing PRC laws and regulations.

INSURANCE

We maintain insurance to cover certain potential damages to our properties and equipment, our employees and third parties. Our insurance coverage of our facilities and equipment includes coverage of certain risks relating to industrial accidents and certain types of natural disasters. We do not maintain any product liability insurance policies. To control our product liability risk, we place

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significant emphasis on quality control. We believe that our current insurance coverage is customary and in line with the market practice of the cement industry in China. Since the commencement of our operations and until the Latest Practicable Date, we had not experienced any serious or material industrial accidents at our production facilities.

EMPLOYEES

As of June 30, 2011, we employed a total of 6,030 full-time employees. A breakdown of our employees by function is set forth below:

	Number as of June 30, 2011
Management	986
Technical	387
Production	3,404
Quality control	475
Sales and marketing	300
Back office	478
Total	<u>6,030</u>

Remuneration and benefits provided to our employees include basic wages, allowances, bonuses and other staff benefits. For the years ended December 31, 2008, 2009 and 2010 and the six months ended June 30, 2011, our total staff costs excluding directors' emoluments were approximately RMB100.5 million, RMB114.0 million, RMB147.6 million and RMB103.4 million, respectively.

As required by applicable PRC laws and regulations, we participate in various employee benefit plans, such as pension funds, medical insurance, work-related injury insurance, unemployment insurance, maternity insurance and housing provident funds for our employees. We are required under PRC laws to make contributions to those employee benefit plans based on specified percentages of the salaries, bonuses and certain allowances of our employees, up to a maximum amount specified by the local government from time to time. Our PRC legal adviser has advised us that, based on the confirmation letters issued by relevant authorities, we have fully complied with relevant statutory social insurance and other related obligations applicable to us under the PRC laws. See the section headed "Directors, Senior Management and Staff".

GOVERNMENT INCENTIVE

Pursuant to the *Notice Regarding Value-Added Tax Policy on Comprehensive Utilization of Certain Resources and Other Products* (關於部分資源綜合利用及其他產品增值稅政策問題的通知) promulgated by the Ministry of Finance and the State Administration of Taxation, we enjoy VAT refunds for cement products that use a certain percentage of waste materials as raw materials, such as slag and flyash. During the years ended December 31, 2008, 2009 and 2010 and the six months ended June 30, 2011, our VAT refunds amounted to RMB61.3 million, RMB83.6 million, RMB114.5 million and RMB77.0 million, respectively.

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PROPERTY

As of the Latest Practicable Date, we owned land use rights to 38 parcels of land with an aggregate site area of approximately 4.7 million square meters and 711 buildings with an aggregate gross floor area of approximately 0.6 million square meters. As of the Latest Practicable Date, we had occupancy of 14 parcels of quarry land with an aggregate area of approximately 10.6 million square meters. BMI Appraisals Limited, an independent valuer, has valued our owned attributable property interests as of October 31, 2011 at RMB4,218.2 million. Details of the valuation are set out in Appendix IV to this prospectus. On certain occasions we commenced the construction and development of certain of our facilities without obtaining all required certificates and permits due to the inadvertent oversight of our management, and as a result certain certificates or permits for certain of our properties had not yet been obtained as of the Latest Practicable Date.

Land Use Rights

As of the Latest Practicable Date, we had obtained land use right certificates to 36 parcels of land with an aggregate site area of approximately 4.4 million square meters, representing approximately 93.4% of our owned land in terms of site area. The aggregate carrying value of these 36 parcels of land was RMB513.5 million as of June 30, 2011. As of the Latest Practicable Date, we had not yet obtained the land use right certificates for two parcels of land with an aggregate site area of approximately 0.3 million square meters, representing approximately 6.6% of our owned land in terms of site area.

The status of the two parcels of land without land use right certificates is set forth as follows:

- (i) we are in the process of applying for the land use right certificates in respect of a parcel of land in Xingyang with a site area of approximately 249,110.3 square meters and expect to obtain them in the first quarter of 2012. The carrying value of this parcel of land was RMB53.9 million as of June 30, 2011. Pursuant to the confirmation letter issued by the Land Resource Bureau of Xingyang City, our PRC legal adviser is of the opinion that use of this parcel of land, which is for construction purposes, is in compliance with the overall land utilization planning and applicable PRC laws and regulations. Zhengzhou Cement is currently applying for the land use right certificate and this application will not affect its production and operation. Our PRC legal adviser is of the opinion that the maximum penalty that may be imposed on us as a result of not obtaining the land use right certificates is to return the relevant parcel of land to the government. As confirmed by our Directors, the parcel of land in Zhengzhou is used for ancillary purposes, including sales offices, offices, staff quarters and storage rooms. Our Directors believe that there would be no material adverse impact on our operations arising from the absence of title certificates for this parcel of land. If we are required to return that parcel of land to the government, we intend to lease land from various land owners nearby to serve the same functions, which we believe can be secured without undue difficulties; and

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- (ii) in respect of the remaining one parcel of land with a total site area of approximately 62,193.3 square meters, we have not determined a specific timetable for obtaining the relevant land use right certificates. The carrying value of this one parcel of land was RMB3.1 million as of June 30, 2011. We took over this land when acquiring the local state-run power plant of Lushan County in 1999. Our PRC legal adviser is of the opinion that the maximum penalty that may be imposed on us as a result of not obtaining the land use right certificates is to return the relevant parcels of land to the government. As confirmed by our Directors, the power plant for self-supply of Lushan Cement has been closed down since May 2010. Based on the above confirmation, our PRC legal adviser is of the opinion that, even if the allocated land were confiscated by competent authorities without any compensation, there will not be any material adverse effect on our operation or production.

Quarry Land Use Rights

As of the Latest Practicable Date, we had obtained two-year temporary land use right approval letters for all 14 parcels of quarry land with an aggregate site area of approximately 10.6 million square meters. We used these parcels of land for mining limestone, storing limestone extracted from our quarries and for constructing roads to transport such limestone to our production facilities. Pursuant to these approval letters, we are entitled to the land use rights for these 14 parcels of quarry land within two years. The renewal of these letters is subject to the approval of certain government authorities.

We have obtained two-year temporary land use right approval letters relating to the following quarries:

No.	Name of quarry	Location	Term	Type of land	Carrying value as of December 31, ⁽¹⁾		
					2008	2009	2010
					(RMB)	(RMB)	(RMB)
1	Zhifang (紙房)	Pingdingshan, Henan province	September 26, 2010 to September 26, 2012	Temporary use of state-owned land	—	—	—
2	Guanmiao Village Qingsong (關廟村青松)	Ruzhou, Henan province	August 6, 2010 to August 5, 2012	Temporary use of state-owned land	—	—	—
3	Dongmazhuang (東馬莊)	Ruzhou, Henan province	August 6, 2010 to August 5, 2012	Temporary use of state-owned land	—	—	—
4	Xiaoshangou (小山溝)	Ruzhou, Henan province	August 6, 2010 to August 5, 2012	Temporary use of state-owned land	—	—	—
5	Longma (龍馬)	Ruzhou City, Henan province	December 27, 2010 to December 27, 2012	Temporary use of state-owned land	—	—	—
6	Wufu (五福)	Ruzhou, Henan province	September 21, 2010 to September, 21 2012	Temporary use of state-owned land	—	—	—
7	Shenlong (神龍)	Ruzhou, Henan province	March 17, 2010 to March 17, 2012	Temporary use of state-owned land	—	—	—

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No.	Name of quarry	Location	Term	Type of land	Carrying value as of December 31, ⁽¹⁾		
					2008	2009	2010
					(RMB)	(RMB)	(RMB)
8	Yunshanzhai (雲山寨)	Xinyang, Henan province	December 9, 2010 to December 8, 2012	Temporary use of state-owned land	—	—	—
9	Qingshan (青山)	Nanyang, Henan province	March 19, 2010 to March 19, 2012	Temporary use of state-owned land	—	—	—
10	Niutoushan (牛頭山)	Suzhou, Anhui province	February 2011 to February 2013	Temporary use of state-owned land	—	—	—
11	Luzhuang (蘆莊)	Xingyang, Henan province	March 22, 2011 to March 21, 2013	Temporary use of state-owned land	—	—	—
12	Weihui Cement Mine 衛輝水泥礦山	Weihui, Henan province	August 22, 2010 to August 22, 2012	Temporary use of state-owned land	—	—	—
13	Dalian Cement Mine 大連水泥礦山	Dalian, Liaoning province	March 25, 2011 to March 24, 2013	Temporary use of state-owned land	12,248,622.5	11,477,745.8	11,477,745.8
14	Liaoyang (遼陽)	Liaoyang, Liaoning province	April 15, 2010 to April 15, 2012	Temporary use of state-owned land	—	—	—

Note:

- (1) We did not record carrying value for our quarries, except Dalian Cement Mine. The carrying value of quarry of Dalian Cement Mine was recorded due to the fact that we paid certain amount of fee to the local government for use of relevant land as such land is located in an economic development zone where the supply of land is limited. We did not pay any fee of similar nature for the land of our other quarries.

As advised by our PRC legal adviser, pursuant to the *Law of Land Administration* (土地管理法), in case of a temporary use of state-owned land, an approval shall be granted by the land administration at the county level or above. According to our PRC legal adviser, the principal differences between the temporary land use approval letter obtained by us and the land use certificate include: (i) the approval letter allows the temporary use of land for a period usually not more than two years, while the duration of land use right certificate ranges from 40 to 70 years depending on the use of the land; (ii) users of temporary land are not allowed to construct permanent buildings on the land while the owners of a land use right certificate may construct permanent buildings corresponding to the prescribed use of the land within the authorized duration thereof; and (iii) the users of temporary land are not permitted to transfer, rent, set a mortgage, nor to deal with the temporary land in a way unless otherwise allowed by PRC laws and regulations, while the owner of a land use right certificate is able to possess, use, transfer, rent, set a mortgage on the land or to deal with the land in a way unless otherwise allowed by the land use right certificate and PRC laws and regulations.

As all the approval letters for the two-year temporary land use right that we have obtained were issued by land administration authorities on the county level or above, our PRC legal adviser is of the opinion that these authorities are the competent authorities to issue such approval letters. As the approval letters were issued by competent authorities, our PRC legal adviser has further confirmed

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that that these approval letters will not be revoked or regarded as inappropriate by the Ministry of Land and Resources of the PRC. We have not determined a specific timetable for application of the land use right certificates for the 14 parcels of quarry land, as the purpose of these parcels of land is for excavation of limestone and our practice of only applying for temporary land use rights is also in line with industry practice. As long as the limestone quarries are exhausted, the temporary land use right will be transferred back to the land owner. As such we believe that the absence of the land use right certificates does not have a material adverse impact on our current operation.

Pursuant to the *Land Administration Law* (土地管理法), the term of temporary land use rights shall not exceed two years generally. After the expiry of temporary land use rights approval letters, we may apply for the renewal of these letters for another term not exceeding two years. As there are no specific provisions under the Land Administration Law or other relevant laws and regulations regarding the renewal of temporary land use rights approval letters, there is legal uncertainty as to our ability to renew such temporary land use rights and our PRC legal adviser is not able to opine whether there is any legal impediment to renew and obtain temporary land use rights approval letters. See “Risk Factors — We may not be able to renew our quarry land use rights upon their expiry”.

Building Ownership

As of the Latest Practicable Date, we had obtained building ownership certificates for 609 buildings with an aggregate gross floor area of approximately 614,481.3 square meters. The aggregate carrying value of these buildings were RMB725.4 million as of June 30, 2011. As of the Latest Practicable Date, we had not obtained valid building ownership certificates for 102 buildings and units with an aggregate gross floor area of approximately 32,472.8 square meters, accounting for approximately 5.0% of our buildings in terms of gross floor area. The status of these 102 buildings and units is set forth as follows:

- (i) we have obtained approval letters from competent authorities for 63 buildings with a total gross floor area of approximately 22,345.5 square meters, according to which we do not need to apply for building ownership certificates for the use of these buildings. The carrying value of these buildings was approximately RMB20.0 million as of June 30, 2011.
- (ii) we have obtained building ownership certificates for 33 buildings with a total gross floor area of approximately 9,459.9 square meters. However, these buildings are located on lands without proper land use right certificates. These buildings are used by us as electricity power plants and cement power plants. As such, our Directors believe that they can be relocated if necessary without causing any material adverse impact on our business, results of operations or financial condition. The carrying value of these buildings was approximately RMB1.0 million as of June 30, 2011.
- (iii) we have not determined a specific timetable for obtaining the relevant building ownership certificates for the remaining six buildings with a total gross floor area of approximately 667.4 square meters. The carrying value of these buildings was RMB0.5 million as of June 30, 2011. Our PRC legal adviser is of the opinion that there is no material legal impediment for us to obtain the building ownership certificates for these buildings on the condition that the construction planning permit, construction permit and final acceptance for the

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construction are obtained. Construction of these buildings has been completed. As these buildings are used as temporary ancillary facilities, our Directors believe that the absence of building ownership certificates for these six buildings does not have any material adverse impact on our operations and financial position. The maximum penalty that may be imposed on us as a result of not obtaining these building ownership certificates will not exceed RMB30,000 plus 10% of the construction cost of the buildings, with the estimated amount of RMB115,917.3.

Leased Property

We lease one parcel of land with an aggregate site area of 5,200 square meters and four buildings with an aggregate gross floor area of 4,602.8 square meters. We have not obtained from the lessors complete title documents in respect of the leased land and one of the buildings with an aggregate gross floor area of 95 square meters. Our PRC legal adviser has advised that, if the lessors do not have title to this leased land and building, our right to use this land and building as a lessee may be subject to claims from third parties. As the leased land is used as a parking lot and the leased building is used as offices, our Directors believe that they can be relocated if necessary without causing any material adverse impact on our business, results of operations or financial condition.

Constructions in Process

As of the Latest Practicable Date, we have three constructions of buildings and structures in process and we have obtained the required planning permits and construction permits for these constructions in process. Our PRC legal adviser is of the opinion that there is no material legal impediment for us to obtain the relevant building ownership certificates on the condition that the final acceptance for the three constructions is obtained.

Ancillary Facilities

We have certain ancillary facilities relating to the production of cement and clinker such as equipment bases, storage yards, circulating water pools, conveyer belts, enclosing walls and certain other facilities. Our PRC legal adviser is of the opinion that, because these ancillary facilities are not buildings according to relevant laws and regulations, we are not required to apply for building ownership certificates for these properties. As of June 30, 2011, the aggregate carrying value of these ancillary facilities was RMB2,935.4 million, of which RMB830.5 million was not included in our property valuation report in Appendix IV to this prospectus. For further details, see the section headed “Financial Information — Property Interests”.

ENVIRONMENTAL COMPLIANCE AND POLLUTION CONTROLS

The cement industry is categorized as a pollution-producing industry under PRC laws. Our production processes generate noise, waste water, gaseous wastes and other industrial wastes. Our production facilities are subject to various environmental laws and regulations promulgated by national and local governments with respect to noise and air pollution and the disposal of waste and hazardous materials. 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

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and register with the national or the relevant local environmental protection authorities. The State Environmental Protection Administration sets national discharge standards for various emissions, 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 set fees for discharging a certain level of pollutants, and if such level is exceeded, additional fees will be assessed and local governments are also authorized to issue orders requesting for the cessation or reduction of relevant discharge of pollutants. Each of our production plants, prior to its construction, is required to be evaluated by competent authorities for its environmental impact and, when constructed, is required to be tested and approved by local environmental agencies, and is subject to continuous government monitoring thereafter. See the section headed “Regulations — PRC Laws on Regulations on Environmental Protection” of this prospectus. Save as otherwise disclosed under “ — Litigation and Compliance” of this section and based on the relevant confirmation letters issued by the relevant environmental authorities on April 30, 2011, our PRC legal adviser is of the opinion that our operation is in compliance with relevant environmental laws and regulations and we are not subject to any environment related administrative penalty.

We have equipped all of our clinker and cement production lines with advanced NSP technology, and most of our production lines with residual heat recovery systems. We are also able to use flyash, phosphorus, gypsum and other industrial wastes in our cement production process to minimize the impact on the environment.

We generate dust in our cement production process. We have installed electrostatic precipitators and bag filters for the collection and removal of dust. Electrostatic precipitators apply high voltage static electricity to separate gas and dust. During the cement production process, dusty air will pass through the electrostatic precipitator, where dust is removed. Bag filters are more widely used among cement producers. During the cement production process, dusty air passes through the bag filters and turns into purified gas, which is then discharged.

We have also installed mufflers, acoustic claddings and soundproof doors to control the noise generated from our production. Our cost of compliance with applicable environment protection laws and regulations was approximately RMB448.3 million, RMB264.8 million, RMB331.7 million and RMB140.5 million for the years ended December 31, 2008, 2009 and 2010 and the six months ended June 30, 2011, respectively.

All of our subsidiaries have met the ISO 14001 environmental management standards. As a member of CSI, we will also implement various actions required by CSI, such as applying CSI guidelines regarding fuel and raw material use, as part of our contribution to sustainable development.

LITIGATION AND COMPLIANCE

As of the Latest Practicable Date, none of the Company or any of its subsidiaries received notice of any litigation or arbitration proceedings pending or threatened against us or any of our subsidiaries that could have a material adverse effect on our financial condition or results of operation. From time to time we may be involved in various legal or administrative proceedings arising in the ordinary course of our business.

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Our PRC legal adviser advised us that we had certain legal and regulatory non-compliance related to our business operations as of the Latest Practicable Date. Such non-compliance occurred as we commenced operating certain facilities without obtaining certain required certificates and permits due to the inadvertent oversight of our Directors and senior management and that we were not aware of relevant requirements. For details, see “— Property” for non-compliance relating to our real property and “History, Reorganization and Corporate Structure — Our Corporate History” for non-compliance relating to our major subsidiaries.

Company name	Non-compliance	Legal consequences	Remedial measures
Tianrui Cement, Zhengzhou Cement and Ruzhou Cement	These companies have not obtained sewage disposal permits but expect to obtain them in the first quarter of 2012.	The authority in charge of environmental protection under the PRC government above the county level has the right to order these companies to cease sewage disposal, submit a belated application for sewage disposal permit within a specified period of time, and impose a fine of between RMB20,000 and RMB200,000 according to the volume of sewage disposal; in case of a failure to submit a belated application for sewage disposal permit within a specified period of time, the PRC government above the county level may order a suspension or closure of business. However, these companies have submitted their application and have obtained the proof letter ⁽¹⁾ issued by the relevant environmental protection department. Our PRC legal adviser is of the opinion that it is highly unlikely that these companies will have any penalties imposed on them by the department in charge of environmental protection.	These companies are applying for the permits for sewage disposal. Based on the proof letters ⁽¹⁾ issued by the relevant environmental protection departments, our PRC legal adviser is of the opinion that the applications for the relevant sewage disposal permits have been accepted and there is no legal impediment for these companies to obtain the relevant sewage disposal permits.

Notes:

- (1) The proof letters issued by the relevant environmental protection department regarding the sewage disposal permits are letters confirming that the relevant environmental protection departments have accepted applications by Tianrui Cement, Zhengzhou Cement and Ruzhou Cement for the relevant sewage disposal permits. These proof letters further provide that (i) the applications for sewage disposal permits have been accepted by relevant environmental protection departments; (ii) there is no legal impediment for us to obtain the relevant sewage disposal permits; and (iii) the belated applications will not have an adverse impact on our operation and production.

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Company name	Non-compliance	Legal consequences	Remedial measures
Zhoukou Cement	Zhoukou Cement has not obtained all the requisite approvals, permits and certificates ⁽²⁾ for the transfer of its RMB1.0 million registered capital from Zhoukou Power to Tianrui Group in 2006.	<p>As advised by our PRC legal adviser, the transfer of the RMB1 million registered capital of Zhoukou Cement in 2006 (the “Zhoukou Cement 2006 Transfer”) may be regarded as invalid as a result of the aforesaid non-compliance, and Tianrui Cement may be required to return the relevant registered capital of Zhoukou Cement to Zhoukou Power. Nevertheless, our PRC legal adviser advised us that according to applicable PRC laws and regulations, there is no risk of closing down Zhoukou Cement as requested by the PRC government authorities due to the aforesaid non-compliance.</p> <p>Further, our controlling interest in and control of Zhoukou Cement will not be adversely affected even if the Zhoukou Cement 2006 Transfer is regarded as invalid by relevant authorities. Therefore, our Directors consider that the aforesaid possible invalidation will not have any material adverse impact on our operation and financial condition.</p>	As advised by our PRC legal adviser, there is no remedial procedure under applicable PRC laws and regulations that could be taken by Tianrui Cement to rectify the aforesaid non-compliance.

(2) The outstanding approvals, permits and certificates for the transfer of the RMB1.0 million registered capital of Zhoukou Cement comprise (i) an asset assessment report; (ii) an approval from the State-owned Assets Supervision and Administration Commission at the provincial level or above for an application for a state-owned equity transfer in a manner of agreement; and (iii) a confirmation letter from a relevant competent tendering company or equity exchange with respect to an application for a state-owned equity transfer in a manner of bidding, auction and quotation, which is required for a transfer of PRC state-owned assets pursuant to the *Interim Administration Measures for the Transfer of State-owned Property Rights of Enterprises* (企業國有產權轉讓管理暫行辦法). For details of the aforesaid non-compliance, see the section headed “History, Reorganization and Corporate Structure — Our Corporate History” in this prospectus.

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Company name	Non-compliance	Legal consequences	Remedial measures
Zhoukou Cement	Zhoukou Cement has not obtained all the requisite approvals, permits and certificates ⁽³⁾ for the transfer of its 3.7% equity interest from Zhoukou Power to Tianrui Cement in 2010.	As advised by our PRC legal adviser, the transfer of the 3.7% equity interest in Zhoukou Cement in 2010 (the “Zhoukou Cement 2010 Transfer”) may be regarded as invalid as a result of the aforesaid non-compliance, and Tianrui Cement may be required to return the relevant equity interest in Zhoukou Cement to Zhoukou Power. Nevertheless, our PRC legal adviser advised us that according to applicable PRC laws and regulations, there is no risk of closing down Zhoukou Cement by the PRC government authorities due to the aforesaid non-compliance.	As advised by our PRC legal adviser, there is no remedial procedure under applicable PRC laws and regulations that could be taken by Tianrui Cement to rectify the aforesaid non-compliance.
		Further, our controlling interest in and control of Zhoukou Cement will not be adversely affected even if the Zhoukou Cement 2010 Transfer is regarded as invalid by relevant authorities. As such, our Directors consider that the aforesaid possible invalidation will not have any material adverse impact on the operation, net profit and net asset of our Group.	

(3) The outstanding approvals, permits and certificates for the transfer of the 3.7% equity interest in Zhoukou Cement comprise (i) an asset assessment report; (ii) an approval from the State-owned Assets Supervision and Administration Commission at the provincial level or above for an application for a state-owned equity transfer in a manner of agreement; and (iii) a confirmation letter from a relevant competent tendering company or equity exchange with respect to an application for a state-owned equity transfer in a manner of bidding, auction and quotation, which is required for a transfer of PRC state-owned assets pursuant to the *Interim Administration Measures for the Transfer of State-owned Property Rights of Enterprises* (企業國有產權轉讓管理暫行辦法). For details of the aforesaid non-compliance, see the section headed “History, Reorganization and Corporate Structure — Our Corporate History” in this prospectus.

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Company name	Non-compliance	Legal consequences	Remedial measures
Zhengzhou Tianrui	Zhengzhou Tianrui has not obtained all the requisite approvals, permits and certificates ⁽⁴⁾ for the transfer of its 2.91% equity interest from Xinxiang Investment Company to Tianrui Cement.	<p>As advised by our PRC legal adviser, the transfer of the 2.91% equity interest in Zhengzhou Tianrui (the “Zhengzhou Tianrui 2.91% Transfer”) may be regarded as invalid as a result of the aforesaid non-compliance, and Tianrui Cement may be required to return the relevant equity interest in Zhengzhou Tianrui to Xinxiang Investment Company. Nevertheless, our PRC legal adviser advised us that according to applicable PRC laws and regulations, there is no risk of closing down Zhengzhou Tianrui by the PRC government authorities due to the aforesaid non-compliance.</p> <p>Further, our controlling interest in and control of Zhengzhou Tianrui will not be adversely affected even if the Zhengzhou Tianrui 2.91% Transfer is regarded as invalid by relevant authorities. As such, our Directors consider that the aforesaid possible invalidation will not have any material adverse impact on the operation, net profit and net asset of our Group.</p>	As advised by our PRC legal adviser, there is no remedial procedure under applicable PRC laws and regulations that could be taken by Tianrui Cement to rectify the aforesaid non-compliance.

(4) The outstanding approvals, permits and certificates for the transfer of the 2.91% equity interest in Zhengzhou Tianrui comprise (i) an asset assessment report; (ii) an approval from the State-owned Assets Supervision and Administration Commission at the provincial level or above for an application for a state-owned equity transfer in a manner of agreement; and (iii) a confirmation letter from a relevant competent tendering company or equity exchange with respect to an application for a state-owned equity transfer in a manner of bidding, auction and quotation, which is required for a transfer of PRC state-owned assets pursuant to the *Interim Administration Measures for the Transfer of State-owned Property Rights of Enterprises* (企業國有產權轉讓管理暫行辦法). For details of the aforesaid non-compliance, see the section headed “History, Reorganization and Corporate Structure — Our Corporate History” in this prospectus.

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INTERNAL CONTROL MEASURES

We have adopted a project development management manual and an operational management manual, each of which has been reviewed by our external legal counsel and each of which specifically sets forth the permits and licenses that are required for our project development and operational activities. In the case of developments in the law regarding the required permits and licenses, these manuals will be updated accordingly. Our project development department and department of operations are required to strictly follow these manuals, and any failure to do so will be taken into account in reviewing the performance of these departments and relevant staff. In addition, our internal audit department is responsible for performing audits on, among other things, how these manuals are followed in our project development and operational activities on an annual basis. Our legal and compliance department (“L&C department”) is responsible for our overall compliance work, including compliance with these manuals and whether we have obtained all required permits and licenses. Our L&C department will generally review such overall compliance work on a quarterly basis. Our internal audit and L&C departments are required to report any identified permit and license-related issues to our senior management, who are in turn responsible for taking appropriate remedial actions and allocating resources to address any issues identified. We believe that with these measures in place we will be able to duly obtain all the permits and licenses that are required in our project development and operational activities.

We have also adopted the following internal control measures to ensure the full compliance with the applicable laws and regulations in connection with any future share transfers of our Group: (i) our L&C department, which is accountable to and shall directly, from time to time, report to our deputy general manager in charge of the legal affairs (the “Deputy GM (Legal)”), is responsible for the legal and regulatory compliance in relation to our future share transfers; (ii) we shall seek legal advice in anticipation of any share transfer and engage competent external legal adviser(s) to advise us on legal and compliance matters throughout the whole process of the share transfer; (iii) prior to signing of any formal share transfer agreements, the L&C department together with our external legal adviser(s) shall study the legal issues in connection with such transfer, and where necessary, consult with relevant governmental authorities to make sure that our management will be fully aware of all the laws and regulations applicable to such transfer (and in particular, the requisite procedures to be followed); and (iv) upon completion of the share transfer, we shall obtain from our external legal adviser(s) a legal opinion confirming all the applicable laws and regulations have been duly complied with whilst the L&C department shall submit a written report signed by its head as well as the Deputy GM (Legal) to our general manager confirming all the applicable laws and regulations have been duly complied with.

RELATIONSHIP WITH THE LI FAMILY

I. Information on the Li Family

Immediately after completion of the Capitalization Issue and the Global Offering, the Li Family will together control and be able to exercise voting rights of more than 30% of the Shares eligible to vote in the general meeting of our Company (assuming the Over-allotment Option is not exercised). As of the Latest Practicable Date, the Li Family, through Tianrui Group and its subsidiaries (the “Controlling Shareholder Group”), are interested in different businesses (other than those of our Group) (the “Non-Group Businesses”).

Foundry business

Tianrui Group operates the Li Family’s foundry business through its subsidiary, Tianrui Foundry, which is principally engaged in the design and manufacture of casting. As we are not engaged in the foundry business and do not produce any products that Tianrui Foundry produces, there is no overlap of business between Tianrui Foundry and us.

Aluminum business

Tianrui Group operates the Li Family’s aluminum business through its subsidiary, Sanmenxia Tianyuan Aluminum, which is principally engaged in the manufacture and sale of aluminum re-smelt ingots and aluminum alloy ingots. As we are not engaged in the aluminum business and do not produce any products that Sanmenxia Tianyuan Aluminum produces, there is no overlap of business between Sanmenxia Tianyuan Aluminum and us.

Tourism and Hotel business

Tianrui Group operates the Li Family’s tourism business and hotel business through its subsidiaries, Tianrui Travel and Tianrui Hotel, respectively. Tianrui Travel’s principal business includes the development and operation of tourism resources and tourism projects. Tianrui Hotel is principally engaged in hotel and restaurant operation. As we are not engaged in the tourism and hotel business, there is no overlap of business between Tianrui Travel and Tianrui Hotel and us.

The Group’s primary business focus and strategy is the manufacture and sale of cement and clinker which is different from the Non-Group Businesses. As such, the Non-Group Businesses owned by the Li Family have not been included in our Group. The Li Family have no current intention to inject any of the Non-Group Businesses into our Group.

Ruiping Shilong

Pursuant to the Reorganization, the Controlling Shareholder Group transferred to us substantially all of its cement and clinker operations, except for an indirect equity interest in Ruiping Shilong.

Ruiping Shilong is a limited liability company incorporated in the PRC, of which 40% is owned by Tianrui Cement (our wholly-owned subsidiary) and 60% is owned by Ruiping Power. An

RELATIONSHIP WITH THE LI FAMILY

Independent Third Party and Tianrui Foundry (a member of the Controlling Shareholder Group) hold 60% and 40% equity interests, respectively, in Ruiping Power. Therefore, Tianrui Foundry only has an indirect equity interest of approximately 24% in Ruiping Shilong, i.e. Ruiping Shilong is not a subsidiary of Tianrui Foundry or any member of the Controlling Shareholder Group.

Financial information in relation to Ruiping Shilong's clinker operation during the Track Record Period is set out below:

	As of December 31		
	2008	2009	2010
	RMB'000	RMB'000	RMB'000
Revenue derived from the clinker operation ...	344,075	307,804	49,748
Net loss derived from the clinker operation	(25,419)	(112,691)	(73,670)

Ruiping Shilong is engaged in manufacturing and selling clinker in certain areas of Henan province, so its business competes with our clinker operation in those areas.

As the controlling shareholder of Ruiping Power has a pre-emptive right to purchase the 40% equity interest in Ruiping Power held by Tianrui Foundry, it is not practicable for Tianrui Foundry to transfer such interest to our Group.

Even if the Controlling Shareholder could inject its 40% shareholding in Ruiping Power to the Company, the impact to the Company's consolidated financial results would be distorted by the financial performance of the power generation business, as Ruiping Power's principal business is power generation.

Our Group is financially and operationally independent from Ruiping Shilong. During the Track Record Period, each of Zhoukou Cement, Antai Cement and Nanzhao Cement sourced clinker used in its production from Ruiping Shilong and a number of alternative sources. Antai Cement and Nanzhao Cement will cease to source the clinker from Ruiping Shilong after the Listing. For details of Zhoukou Cement's historical and future purchase of the clinker from Ruiping Shilong, please refer to "Connected Transactions — Continuing Connected Transaction Exempt from the Independent Shareholders' Approval". Only two out of the five directors of Ruiping Shilong are appointed by Tianrui Cement, and they do not participate in the day-to-day management and operation of Ruiping Shilong.

Our Directors are of the view that the competition between Ruiping Shilong and us is not material for the following reasons:

- (i) Sale of clinker is not our core business. Most of the clinker we produce is used to produce our cement and only a small portion is sold to external customers;

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(ii) The scale of Ruiping Shilong's clinker operation is relatively small compared with ours; and

(iii) The Controlling Shareholder Group only indirectly holds a minority effective interest of 24% in Ruiping Shilong and does not control the board of directors of Ruiping Shilong.

Tianrui Foundry currently has no intention to inject its indirect interest in Ruiping Shilong into our Group after the Listing.

Save as disclosed in this section, as of the Latest Practicable Date, and to the best of our knowledge, none of our Directors is engaging in any business that competes, or may compete, directly or indirectly with our Group.

II. Non-competition Undertaking

Each of our Controlling Shareholders has entered into the Deed of Non-competition Undertaking dated December 9, 2011 in favor of our Company, pursuant to which our Controlling Shareholders have jointly and severally, unconditionally and irrevocably undertaken to our Company (for itself and for the benefit of its subsidiaries) that other than the clinker business of Ruiping Shilong, he or it would not, and would procure that his or its affiliates (except any members of our Group) would not, during the restricted period set out below, directly or indirectly, either on his or its own account or in conjunction with or on behalf of any person, firm or company, among other things, carry on, participate or be interested or engaged in, acquire, hold, form partnerships or joint ventures in, or extend any loans to (in each case whether as a shareholder, partner, agent, employee or otherwise) any business which is or may be in competition with the business of any member of our Group from time to time.

Such non-competition undertaking does not apply where our Controlling Shareholders and/or their respective affiliates have interests in the shares of a company whose shares are listed on a recognized stock exchange provided that:

- (i) the total number of the shares held by our Controlling Shareholders and/or their respective affiliates in aggregate does not exceed 5% of the issued shares of that class of the company in question and our Controlling Shareholders and/or their respective affiliates are not entitled to appoint more than half of the directors of that company and at any time there should exist at least another shareholder of that company whose shareholdings in that company account for more than the total number of shares held by our Controlling Shareholders and their respective affiliates in aggregate; and
- (ii) the total number of shares held by our Controlling Shareholders and/or their respective affiliates shall not exceed 5% of the issued share capital of that company.

RELATIONSHIP WITH THE LI FAMILY

Under the Deed of Non-competition Undertaking, our Controlling Shareholders further undertake to our Company that among other things:

- (i) our Controlling Shareholders shall allow, and shall procure that the relevant associates (excluding us) allow, the Directors and auditors of the Company to review, at least on an annual basis, compliance of the deed of non-competition by our Controlling Shareholders;
- (ii) our Controlling Shareholders shall provide all information necessary for the annual review by the independent non-executive Directors and the enforcement of the deed of non-competition;
- (iii) our Company shall disclose decisions on matters reviewed by the independent non-executive Directors relating to the compliance and enforcement of the deed of non-competition either through the annual report, or by way of announcement to the public; and
- (iv) our Controlling Shareholders shall provide our Company with a confirmation annually, for inclusion by our Company in its annual report, as to their compliance with the terms of the deed of non-competition.

The “restricted period” stated in the deed of non-competition refers to the period commencing from the date of the deed of non-competition and shall expire on the earlier of:

- (i) the first anniversary of the date on which our Controlling Shareholders and his or its affiliates cease to have any interest in the issued share capital of our Company;
- (ii) the date on which the Shares cease to be listed on the Hong Kong Stock Exchange; and
- (iii) the date on which our Controlling Shareholders individually or jointly cease to (a) exercise or control 30% or more of the voting rights at shareholders’ meetings of, or (b) be the single largest shareholder of, the Company.

III. Independence from our Controlling Shareholders

Management Independence

Our Board comprises nine Directors, of whom three are executive Directors, two are non-executive Directors and four are independent non-executive Directors.

RELATIONSHIP WITH THE LI FAMILY

As of the Latest Practicable Date, two of our executive Directors and one of our non-executive Directors held certain positions within the Controlling Shareholder Group, details of which are set out below:

Name of Directors	Name of company	Position
Li Liufa (<i>Non-executive Director</i>)	Tianrui Group	Chairman/director
	Tianrui Travel	Non-executive director
	河南天瑞堯山旅遊有限公司 (Henan Tianrui Yaoshan Travel Company Limited) (a subsidiary of Tianrui Travel)	Non-executive director
	汝州天瑞煤焦化有限公司 (Ruzhou Tianrui Coal and Coking Company Limited) (a subsidiary of Tianrui Foundry)	Non-executive director
Li Heping (<i>Executive Director</i>)	Tianrui Group	Vice chairman/ Non-executive director
	Sanmenxia Tianyuan Aluminum	Chairman/Non-executive director
	天瑞集團三門峽鋁業有限公 司 (Tianrui Group Sanmenxia Aluminum Company Limited) (a subsidiary of Tianrui Group)	Non-executive director
Yu Yagang (<i>Executive Director</i>)	Tianrui Hotel	Non-executive director
	Tianrui Travel	Non-executive director
	天瑞集團三門峽鋁業有限公 司 (Tianrui Group Sanmenxia Aluminum Company Limited) (a subsidiary of Tianrui Group)	Non-executive director

RELATIONSHIP WITH THE LI FAMILY

Name of Directors	Name of company	Position
	澗池天瑞鋁業有限公司 (Mianchi Tianrui Aluminum Company Limited) (a subsidiary of Tianrui Group)	Non-executive director
	天瑞集團南召旅遊有限公司 (Tianrui Group Nanzhao Travel Company Limited) (a subsidiary of Tianrui Travel)	Supervisor

Our daily operations are managed by our executive Directors and our senior management team. We are of the view that the positions of Mr. Li Heping and Mr. Yu Yagang in the Controlling Shareholder Group will not affect the management independence of our Company in any material manner because they do not participate in the day-to-day management and operation of the Controlling Shareholder Group and have no power to make important decisions regarding the strategies and policies of the Controlling Shareholder Group. Save for Zhang Zhaokun (being a supervisor of Sanmenxia Tianyuan Aluminum), all members of our senior management team, which comprises Mr. Guo Zhiwei, Mr. Li Fashen, Mr. Zhao Ruimin, Mr. Zhao Huibin, Mr. Zhang Wujiang, Mr. Jing Xianyu, Mr. Yang Yonghe and Mr. Jia Huaping, are independent from the Controlling Shareholder Group, and there is no overlapping directorship with the Controlling Shareholder Group.

Chairman Li is the chairman of our Board and the non-executive Director. After Listing, Chairman Li will be primarily responsible for our Group's overall strategic planning and policies as well as the overall business management. Under the Articles, Chairman Li shall not vote (nor be counted in the quorum) on any resolution of Board approving any contract or arrangement or any other proposal in which he or any of his associates has a material interest. He shall also excuse himself from the relevant Board meeting or part of any meeting of the Board and shall not participate in any discussion in respect of any resolution where any contract or arrangement or other proposal in which he or any of his associates has a material interest is discussed or resolved, unless his participation at such meeting of the Board is specifically required by the remaining Directors or as otherwise provided in the Articles. As there are nine members in our Board, even if Chairman Li is in conflict with respect to any resolution, the remaining Directors, including the three executive Directors who are responsible for the daily operations of our Group, can still attend to and consider the relevant proposal(s) and the operation of our Group will not be affected.

Save for Chairman Li, all of the remaining non-executive Directors are independent from the Controlling Shareholder Group, and there is no overlapping directorship with the Controlling Shareholder Group.

The four independent non-executive Directors have extensive experience in different areas or professions and have been appointed pursuant to the requirements under the Listing Rules to ensure that the decisions of the Board are made only after due consideration of independent and impartial opinions.

Based on the above, our Directors are satisfied that our Board as a whole together with our senior management team is able to manage our Group independently.

RELATIONSHIP WITH THE LI FAMILY

Operational Independence

We have direct access to suppliers and customers, and do not rely on the suppliers and customer base of the Controlling Shareholder Group. We make our business decisions independently and do not share any operational facilities with the Controlling Shareholder Group. We have sufficient capital, equipment and employees to operate our business independently.

Financial Independence

As of the end of each of the periods within the Track Record Period, the amount of bank borrowings of the Group which were secured by the assets of and/or guaranteed by the Controlling Shareholder Group and/or Chairman Li was approximately RMB2,776.7 million, RMB4,800.6 million, RMB5,665.7 million and RMB5,247.2 million, respectively. Our Directors have confirmed that, as of the Latest Practicable Date, all the guarantees and/or security to/from our Group by/to our Controlling Shareholder Group and/or Chairman Li have been released.

As of the Latest Practicable Date, all amounts due from/to related parties (other than those which are of trading nature) had been fully settled. Our Directors have confirmed that the amounts due from/to related parties which are of trading nature will be settled on credit terms no more favorable than those granted to Independent Third Parties.

IV. Corporate Governance Measures

Our Directors believe that there are adequate corporate governance measures in place to manage existing and potential competition and conflicts of interest (if any) between our Group, our Controlling Shareholders and our Directors including:

- (i) Our Articles provide that, unless otherwise provided therein, a Director shall not vote (nor be counted in the quorum) on any resolution of the Board approving any contract or arrangement or any other proposal in which he/she or any of his/her associates has a material interest as stipulated under the Listing Rules.
- (ii) The board composition of our Company is well-balanced with three executive Directors and six non-executive Directors (including four independent non-executive Directors) so that there is a strong element on the Board which can effectively exercise independent judgment and decision making. All the non-executive and independent non-executive Directors have extensive experience in their respective professional/business fields and, with the assistance of the executive Directors, who are responsible for the daily management of our Company, have the ability and necessary expertise to consider and form independent judgment in the event of conflicts of interest between our Group and our Controlling Shareholders.
- (iii) Specific corporate governance measures have been put in place in respect of enforcement of the non-competition undertaking given by our Controlling Shareholders above and the potential competition with our Controlling Shareholders Group.



CONNECTED TRANSACTIONS

Our Company has entered into certain agreements or transactions that will, upon the completion of the Global Offering, constitute continuing connected transactions of our Company under the Listing Rules.

Exempt Continuing Connected Transactions

The following transactions are made on normal commercial terms where each of the percentage ratios (other than the profits ratio) calculated for the purpose of Chapter 14A of the Listing Rules will, as the Directors currently expect, not be more than 0.1% on an annual basis. By virtue of Rule 14A.33(3)(a) of the Listing Rules, these transactions are exempt from the reporting, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules, and they include:

1. Trademark License Agreement

Yu Kuo, our immediate Controlling Shareholder, is the registered owner of the trademarks of “天瑞”, “Tianrui”, “” (color mark) and “” (the “HK Trademarks”) registered under class 7, 19 and 43 in Hong Kong.

Our Company has entered into a trademark license agreement (the “Trademark License Agreement”) with Yu Kuo (a Controlling Shareholder) on November 28, 2011, pursuant to which Yu Kuo has granted us a non-exclusive license to use the HK Trademarks for a term of 10 years commencing on November 28, 2011 for nil consideration. The Trademark License Agreement shall not be subject to any early termination unless agreed by us in writing. Before the expiration of the Trademark License Agreement, we have an option to renew the Trademark License Agreement for a further term of 3 years for the continued use of the HK Trademarks.

The Joint Sponsors are of the view that it is not uncommon for trademark license agreements to be of duration longer than three years as required under Rule 14A.35 of the Listing Rules.

2. Property Lease Agreements

(a) Office tenancy agreement

Tianrui Cement, a subsidiary of our Company, has leased from Tianrui Group (an associate of Chairman Li as defined under the Listing Rules), office premises in Ruzhou City, Henan province with a total area of approximately 1,850 square meters. The parties entered into a lease agreement for a term of one year commencing on January 1, 2011. The annual rent (including management fees, water, electricity, air-conditioning charges and all other relevant fees) is RMB1.8 million and was determined with reference to market rent.

BMI Appraisals Limited, an independent property valuer, has confirmed that the terms of the agreement are fair and reasonable and is in line with prevailing market rates in the vicinity of the relevant property.

CONNECTED TRANSACTIONS

(b) Building tenancy agreement

Ruzhou Cement, a subsidiary of our Company has leased from Tianrui Foundry (an associate of Chairman Li as defined under the Listing Rules), a building in Ruzhou City, Henan province with a total area of approximately 2,534 square meters. The parties entered into a lease agreement on August 20, 2009 for a term of five years commencing on the date of such agreement at the annual rent of approximately RMB0.3 million.

BMI Appraisals Limited, an independent property valuer, has confirmed that the rental under the lease is below the prevailing market rates in the vicinity of the relevant property and the terms of the agreement are fair and reasonable.

Continuing Connected Transaction Exempt from the Independent Shareholders' Approval

1. Purchase of Clinker

On December 6, 2011, Zhoukou Cement (our wholly-owned subsidiary) and Ruiping Shilong entered into a clinker supply framework agreement (the "Clinker Supply Framework Agreement") for the purchase of clinker from Ruiping Shilong with a term commencing on the Listing Date and ending on December 31, 2013. The prices payable by Zhoukou Cement for the clinker will be agreed following arm's length negotiations between relevant parties with reference to the prevailing market price of clinker in Pingdingshan, Henan province.

(a) Historical transaction value

For the years ended December 31, 2008, 2009 and 2010 and nine months ended September 30, 2011, the aggregate amount for purchase of clinker paid by Zhoukou Cement to Ruiping Shilong was approximately RMB1.9 million, RMB5.3 million, RMB21.3 million and RMB15.3 million, respectively. There was a significant increase in Zhoukou Cement's purchase from Ruiping Shilong in 2010 mainly because the operation of Zhoukou Cement's major clinker supplier was suspended as a result of regular equipment maintenance.

(b) Annual caps

The maximum aggregate annual amount payable by Zhoukou Cement to Ruiping Shilong for purchase of clinker for the years ending December 31, 2011, 2012 and 2013 will not exceed the caps set out below:

	Proposed Annual Cap for the year ending December 31,		
	2011	2012	2013
	(RMB million)	(RMB million)	(RMB million)
Total purchase amount	20	20	20

CONNECTED TRANSACTIONS

The proposed annual caps for 2011, 2012 and 2013 are determined with reference to the purchase amount of approximately RMB21.3 million in 2010. To ensure a stable clinker supply for Zhoukou Cement in the next three years, particularly when the operation of Zhoukou Cement's major clinker supplier is unforeseeably suspended for any equipment maintenance and considering Zhoukou Cement's increased demand for clinker since 2009 because of an increased production capacity, our Directors consider it is more appropriate to determine the annual caps for 2011, 2012 and 2013 based on Zhoukou Cement's purchase amount in 2010 rather than 2009. Apart from the historical figures, in arriving at the above caps, our Directors have also considered (i) the market prices of the clinker we purchase from Ruiping Shilong; (ii) the historical purchase volumes of Zhoukou Cement from Ruiping Shilong; and (iii) Zhoukou Cement's future demand for the clinker produced by Ruiping Shilong in the next three years.

(c) Listing Rules Implications

Chairman Li, a non-executive Director and Controlling Shareholder, indirectly controls the exercise of more than 30% of the voting power at general meetings of Ruiping Power, and therefore, Ruiping Shilong (being a subsidiary of Ruiping Power) is an associate of Chairman Li and a connected person of the Company. The Clinker Supply Framework Agreement will constitute a continuing connected transaction of the Company pursuant to Chapter 14A of the Listing Rules.

Each of the percentage ratios (other than the profits ratio) under Chapter 14A of the Listing Rules, where applicable, in respect of the transactions under the Clinker Supply Framework Agreement is, on an annual basis, more than 0.1% but less than 5%. As such, the Clinker Supply Framework Agreement will constitute a non-exempt continuing connected transaction of the Company under the Listing Rules and is subject to the reporting and announcement requirements but exempt from the independent Shareholders' approval requirement under Chapter 14A of the Listing Rules.

2. Application for Waiver

We have requested the Stock Exchange to grant, and the Stock Exchange has agreed to grant us a waiver pursuant to its discretion under Rule 14A.42(3) of the Listing Rules to the continuing connected transaction set out under the paragraph headed "Purchase of Clinker" above from strict compliance with the announcement requirements under the Listing Rules. In addition, we confirm that we will comply with the applicable provisions under Rules 14.35(1), 14A.35(2), 14A.36, 14A.37, 14A.38, 14A.39 and 14.40 of the Listing Rules.

3. Confirmation from Our Directors

Our Directors (including independent non-executive Directors) are of the view that the continuing connected transaction described above has been and shall be entered into on normal commercial terms that are fair and reasonable and in the interest of our Shareholders and in the ordinary and usual course of business of our Company and will be so in the future, and the transaction and proposed annual caps set out above are fair and reasonable and in the interests of our Shareholders as a whole.

CONNECTED TRANSACTIONS

4. Confirmation from the Joint Sponsors

The Joint Sponsors are of the view that (i) the non-exempt continuing connected transaction described above for which the waiver is sought have been entered and shall be entered into on normal commercial terms and in the ordinary and usual course of business of our Company; and (ii) the terms and conditions of the agreement and the proposed annual cap amounts of such continuing connected transaction are fair and reasonable and are in the interest of our Shareholders as a whole.

DIRECTORS, SENIOR MANAGEMENT AND STAFF

DIRECTORS

Our Board currently consists of nine Directors, comprising three executive Directors, two non-executive Directors and four independent non-executive Directors. The Board is responsible for and has general powers over the management and conduct of our business. The table below shows certain information in respect of the members of our Board:

Name	Age	Position
Li Liufa (李留法).....	54	Chairman and non-executive Director
Li Heping (李和平).....	55	Executive Director and Chief Executive Officer
Liu Wenying (劉文英).....	62	Executive Director
Yu Yagang (郁亞杠).....	60	Executive Director and Chief Financial Officer
Tang Ming Chien (唐明千).....	61	Non-executive Director
Wang Yanmou (王燕謀).....	78	Independent non-executive Director
Poon Chiu Kwok (潘昭國).....	49	Independent non-executive Director
Song Quanqi (宋全啟).....	47	Independent non-executive Director
Ma Chun Fung Horace (馬振鋒)..... (formerly known as Ma Ka Keung (馬家強))	41	Independent non-executive Director

Chairman and Non-Executive Director

Li Liufa (李留法), aged 54, is a non-executive Director and the chairman of our Board. He is the founder of our Group and was appointed as a non-executive Director on July 2, 2011. Chairman Li is primarily responsible for our Group's overall strategic planning and the management of our Group's business. Chairman Li has extensive experience in the cement industry. He was a non-executive director of Sanmenxia Tianyuan Aluminum from March 2006 to July 2008. Chairman Li was the representative of Henan province in the Tenth National People's Congress in February 2003 and the Eleventh National People's Congress in March 2008. Chairman Li obtained his executive MBA degree from Peking University (北京大學) in 2006. Chairman Li was named "Model Worker of Henan Province (河南省勞動模範)" in 1999. In January 2005, he was awarded "Henan Province Excellent Entrepreneur (河南省優秀民營企業家)" by the People's Government of Henan Province.

Save as disclosed above, in the three years preceding the Latest Practicable Date, Chairman Li did not hold any directorship in other listed companies.

Executive Directors

Li Heping (李和平), aged 55, is an executive Director and Chief Executive Officer of our Company. Mr. Li joined our Group in 2009 and was appointed as an executive Director and Chief Executive Officer on December 9, 2011. He is primarily responsible for the formulation of development strategies, executing decisions made on investment projects and our Group's overall operation and supervision. Prior to joining our Group, Mr. Li had been the chief accountant of Luoyang Mining Machinery Factory (洛陽礦山機器廠), the deputy head of the Commission for

DIRECTORS, SENIOR MANAGEMENT AND STAFF

Restructuring the Economic System of Henan Province (河南省經濟體制改革委員會), the general manager of Zhongxin Heavy Machinery Company (中信重型機械公司) and director and senior management of Tianrui Group. Mr. Li was appointed as a non-executive director of Sanmenxia Tianyuan Aluminum in March 2006. He is currently the non-executive director and the chairman of the board of Sanmenxia Tianyuan Aluminum. Mr. Li graduated from Henan University of Science & Technology (河南科技大學) (formerly known as Luoyang Institute of Agricultural Machinery (洛陽農機學院) with a bachelor's degree in mechanic engineering in 1982 and Tsinghua University (清華大學) with a master's degree in engineering in 1988. Mr. Li also holds qualifications of "Senior Engineer" and "Senior Accountant".

Save as disclosed above, in the three years preceding the Latest Practicable Date, Mr. Li did not hold any directorship in other listed companies.

Liu Wenying (劉文英), aged 62, is an executive Director. Mr. Liu joined our Group in 2009 and was appointed as an executive Director on December 9, 2011. He is primarily responsible for capital management of our Group. Mr. Liu has extensive experience in corporate financial operations and organization management. Mr. Liu was an executive director of First Tractor Company Limited (Stock Code: 00038), a company listed on the Main Board of the Stock Exchange from September 2000 to July 2009. Mr. Liu graduated from the Party School of the Central Committee of CPC (中共中央黨校) majoring in economics management in 1997 and from Party School of Henan Committee of CPC majoring economics management. Mr. Liu also holds a qualification of "Senior Accountant".

Save as disclosed above, in the three years preceding the Latest Practicable Date, Mr. Liu did not hold any directorship in other listed companies.

Yu Yagang (郁亞杠), aged 60, is an executive Director and Chief Financial Officer of our Company. Mr. Yu joined our Group as chief financial officer of Tianrui Cement in 2009 and was appointed as an executive Director and Chief Financial Officer on December 9, 2011. He is primarily responsible for our Group's financial operation and management. Mr. Yu has over 40 years of experience in accounting. Prior to joining our Group, Mr. Yu served as deputy chief accountant and head of the finance department of Zhongxin Heavy Machinery Company (中信重型機械公司), legal representative of Luoyang Zhongzhong Founding Factory (洛陽中重鑄鍛廠) and director and senior management of Tianrui Group. Mr. Yu graduated from the Party School of the Central Committee of CPC (中共中央黨校) majoring in economics in 1994. Mr. Yu also holds a qualification of "Senior Accountant".

Save as disclosed above, in the three years preceding the Latest Practicable Date, Mr. Yu did not hold any directorship in other listed companies.

Non-Executive Directors

Tang Ming Chien (唐明千), aged 61, is a non-executive Director. Mr. Tang was appointed as a non-executive Director on December 9, 2011. From December 1996 to December 2006, he was an executive director of Winsor Industrial Corporation, Limited whose shares were previously listed on the Stock Exchange. Mr. Tang was a non-executive director of Winsor Properties Holdings Limited

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(Stock Code: 01036), a company listed on the Stock Exchange, from August 2001 to May 2008. Mr. Tang is currently a director of South Enterprises Limited (新南企業有限公司), a private company principally engaged in the business of textile manufacturing. He graduated with a master's degree in fiber science and technology from the University of Leeds in the United Kingdom.

Save as disclosed above, in the three years preceding the Latest Practicable Date, Mr. Tang did not hold any directorship in other listed companies.

Independent Non-Executive Directors

Wang Yanmou (王燕謀), aged 78, is an independent non-executive Director. He was appointed as an independent non-executive Director on December 9, 2011. Mr. Wang has extensive experience in building materials and cement industry. Since November 1981, Mr. Wang has served as head of the Chinese Building Materials Science Research Institute (中國建築材料科學研究院), head of the National Building Materials Industry Bureau (國家建築材料工業局), honorary president of China Building Material Industry Association (中國建築材料工業協會) (currently known as China Building Material Council), chairman of the fifth board of the Chinese Ceramic Society (中國硅酸鹽學會), member of the Eighth Chinese People's Political Consultative Conference (中國人民政治協商會議第八屆全國委員會) and senior consultant of the China Cement Association (中國水泥協會). From May 1997 to May 2003, Mr. Wang served as an independent non-executive director of Anhui Conch Cement Company Limited ("Anhui Conch"), a company listed on both the Stock Exchange (Stock Code: 00914) and the Shanghai Stock Exchange (Stock Code: 600585). Mr. Wang has also been the director of Zhejiang Glass Company Limited ("Zhejiang Glass") (Stock Code: 00739), a company listed on the Stock Exchange, since October 2001. Mr. Wang currently serves as: (1) independent non-executive director of China Shanshui Cement Group Limited (Stock Code: 00691), a company listed on the Stock Exchange; (2) supervisor of Anhui Conch; and (3) independent non-executive director of Zhejiang Glass. He is also a consultant of China International Construction Consulting Company (中國國際工程諮詢公司). Mr. Wang graduated from Nanjing Institute of Technology (南京工學院) (currently known as Southeast University (東南大學)) with a bachelor's degree in chemistry in 1956 and was awarded an Associate Doctoral Degree in Science and Technology by the former Leningrad Architectural Engineering Institute of the former Soviet Union in 1962.

Save as disclosed above, in the three years preceding the Latest Practicable Date, Mr. Wang did not hold any directorship in other listed companies.

Poon Chiu Kwok (潘昭國), aged 49, is an independent non-executive Director. He was appointed as an independent non-executive Director on December 9, 2011. Mr. Poon has over 20 years of experience in regulatory affairs, commerce and investment banking, including serving as an executive director and managing director of several investment banks, acting as sponsor to companies on their listing on the Stock Exchange and providing a variety of financial advisory and merger and acquisition services from 1992 to 2006. Before that, Mr. Poon worked in the Listing Division of the Stock Exchange on compliance and regulatory matters.

DIRECTORS, SENIOR MANAGEMENT AND STAFF

In the three years preceding the Latest Practicable Date, Mr. Poon held directorships in the following publicly listed companies:

Name of the company	Stock Code	Title	Period
CATIC Shenzhen Holdings Limited	Stock Exchange: 00161	Independent non-executive director	May 31, 2003 - June 15, 2009
Tsingtao Brewery Company Limited	Stock Exchange: 00168/ Shanghai Stock Exchange: 600600	Independent non-executive director	June 23, 2005 - June 10, 2011

Mr. Poon currently holds directorships in the following publicly listed companies:

Name of the company	Stock Code	Title
Huabao International Holdings Limited	Stock Exchange: 00336	Executive director and company secretary
Yuanda China Holdings Limited	Stock Exchange: 02789	Independent non-executive director
Sunac China Holdings Limited	Stock Exchange: 01918	Independent non-executive director
Guangzhou Shipyard International Company Limited	Stock Exchange: 00317/ Shanghai Stock Exchange: 600685	Independent non-executive director
Ningbo Port Company Limited	Shanghai Stock Exchange: 601018	Independent non-executive director
Changan Minsheng APLL Logistics Co., Ltd.	Stock Exchange: 08217	Independent non-executive director

Mr. Poon obtained a bachelor's degree in arts, majoring in business studies, and a master's degree in arts, majoring in international accounting, from the City University of Hong Kong in 1994 and 1997, respectively. Mr. Poon also obtained a bachelor's degree in laws from the University of Wolverhampton in the United Kingdom in 2004 and a postgraduate diploma in laws in University of London in the United Kingdom in 2010 through external programmes. Mr. Poon is currently a member and associate instructor of Hong Kong Securities Institute, an associate of Institute of Chartered Secretaries and Administrators, and an associate of Hong Kong Institute of Chartered Secretaries.

Save as disclosed above, in the three years preceding the Latest Practicable Date, Mr. Poon did not hold any directorship in other listed companies.

DIRECTORS, SENIOR MANAGEMENT AND STAFF

Song Quanqi (宋全啟), aged 47, is an independent non-executive Director. He was appointed as an independent non-executive Director on December 9, 2011. Mr. Song has extensive experience in research, investments and business consulting. From 2002 to 2005, Mr. Song served as independent non-executive director of Henan Zhongfu Industry Co., Ltd. (河南中孚實業股份有限公司), a company listed on the Shanghai Stock Exchange. He has also been the director of Henan Taloph Pharmaceutical Stock Co., Ltd. (河南太龍藥業股份有限公司) (formerly known as Henan Joyline & Joysun Pharmaceutical Stock Co., Ltd. (河南竹林衆生制藥股份有限公司)), a company listed on the Shanghai Stock Exchange, since 1999. Currently, he is also a non-executive director of Sanmenxia Tianyuan Aluminum and a director of Linzhou Heavy Machinery Group Co., Ltd. (林州重機集團股份有限公司), a company listed on the Shenzhen Stock Exchange. He is also the general manager of Shanghai Boning Financial Consultation Company Limited (上海博寧財務顧問有限公司). Mr. Song graduated from the People's University of China (中國人民大學) with a doctoral degree in economics in 1993.

Save as disclosed above, in the three years preceding the Latest Practicable Date, Mr. Song did not hold any directorship in other listed companies.

Ma Chun Fung Horace (馬振鋒) (formerly known as Ma Ka Keung (馬家強)), aged 41, is an independent non-executive Director. He was appointed as an independent non-executive Director on December 9, 2011. Mr. Ma is an experienced accountant with extensive experience in risk and internal control. Mr. Ma is a Certified Public Accountant (Practising) registered with the Hong Kong Institute of Certified Public Accountants, a fellow of the Association of Chartered Certified Accountants, a Certified Internal Auditor registered with the Institute of Internal Auditors and holder of Certification of Control Self-Assessment of the Institute of Internal Auditors. Mr. Ma is currently a council member of Hong Kong Institute of Certified Public Accountants. Mr. Ma currently holds and held directorships in the following publicly listed companies in the three years preceding the Latest Practicable Date:

<u>Name of the company</u>	<u>Stock Code</u>	<u>Title</u>
FAVA International Holdings Limited	Stock Exchange: 08108	Executive director (resigned on October 31, 2011)
Ming Fai International Holdings Limited	Stock Exchange: 03828	Independent non-executive director
Universe International Holdings Limited	Stock Exchange: 01046	Independent non-executive director
Dejin Resources Group Company Limited	Stock Exchange: 01163	Independent non-executive director

Mr. Ma also holds various academic degrees, including master of science and bachelor of business administration, each conferred by the Chinese University of Hong Kong. Mr. Ma has also obtained a bachelor's degree in laws conferred by the University of London through its external programmes.

Save as disclosed above, in the three years preceding the Latest Practicable Date, Mr. Ma did not hold any directorship in other listed companies.

DIRECTORS, SENIOR MANAGEMENT AND STAFF

Save as disclosed herein, there are no other matters in respect of each of our Directors that is required to be disclosed pursuant to Rule 13.51(2)(a) to (v) of the Listing Rules and there are no other material matters relating to our Directors that need to be brought to the attention of our Shareholders.

SENIOR MANAGEMENT

Guo Zhiwei (郭志偉), aged 40, is the general manager of our Company. He has 15 years of experience in the cement industry and is primarily responsible for the daily production and operation of our Group. Mr. Guo joined our Group in 2000 and has worked as deputy general manager and general manager of Ruzhou Cement and general manager of Zhengzhou Cement (Xingyang) ever since. From March 2007 till now, he has served as deputy general manager and general manager of Tianrui Cement consecutively. Mr. Guo obtained his master's degree in materials engineering from Zhengzhou University (鄭州大學) in 2006 and his executive MBA degree from Peking University (北京大學) in 2010. He holds qualifications of "Engineer" and "Senior Economist". Mr. Guo was recognized as "Outstanding Leader of Quality Authentication Activity of National Building Material Industry (全國建材工業質量認證活動卓越領導者)" in July 2010 by China Building Material Council (中國建築材料聯合會). He obtained the "Pingdingshan City May 1 Working Award (平頂山市五一勞動獎章)" in April 2004 and was named as "Model Worker of Pingdingshan City (平頂山市勞動模範)" in April 2006. In September 2007, Mr. Guo was awarded "Model Worker in National Building Material Industry (全國建材行業勞動模範榮譽稱號)".

Li Fashen (李法伸) (formerly known as Li Fasen (李發森)), aged 49, is the deputy general manager of our Company. He has extensive experience in the cement industry and is primarily responsible for the Group's business and resource management in Ruzhou region. Mr. Li joined our Group in 2000 and has served as the general manager of Antai Cement and Ruzhou Cement ever since. He was appointed as deputy general manager of Tianrui Cement in 2007. He graduated from Henan University (河南大學), majoring in economics management, in 1991 and obtained his executive MBA degree from Renmin University of China (中國人民大學) in 2003. He holds a qualification of "Economist". Mr. Li is Chairman Li's brother.

Zhao Ruimin (趙睿敏), aged 42, is the deputy general manager and engineering department manager of our Company. He is primarily responsible for project construction in our Group. Mr. Zhao joined our Group in 2000 and was substantially involved in the establishment of production lines of Ruzhou Cement and Zhengzhou Cement (Xingyang). He has served as deputy general manager of Tianrui Cement since February 2008. Mr. Zhao obtained his bachelor's degree in inorganic non-metal materials studies from Nanjing College of Chemical Technology (南京化工學院) in 1992 and his executive MBA degree from Peking University (北京大學) in 2009. He holds a qualification of "Senior Engineer".

Zhao Huibin (趙惠斌), aged 55, is the deputy general manager and development department manager of our Company. He has 30 years of experience in the cement industry and is primarily responsible for the sales and marketing of our Group. Mr. Zhao joined our Group in 2002 and has worked as deputy general manager of Tianrui Cement. He also served as manager of the development department, where he was responsible for the preparation of Tianrui Cement's construction projects.

DIRECTORS, SENIOR MANAGEMENT AND STAFF

Mr. Zhao obtained his master's degree from Macau University of Science and Technology (澳門科技大學) in 2008. Mr. Zhao holds a qualification of "Senior Engineer" and was awarded 2003 Excellent Entrepreneur in National Building Material Industry (2003年度全國建材行業優秀企業家) in September 2003.

Zhang Wujiang (張悟將), aged 54, is the deputy general manager of our Company. He has extensive experience in the cement industry and is primarily responsible for our Group's overall operation and production in Dalian and Tianjin. Mr. Zhang joined our Group in 2000 and has worked as general manager of Dalian Cement, general manager of Yingkou Cement, general manager of Liaoyang Cement and general manager of Tianjin Cement ever since. He also participated substantially in the construction of the production line of Shangqiu Cement. He has been the deputy general manager of Tianrui Cement since February 2008. Mr. Zhang holds a qualification of "Engineer" and was awarded "China Excellent Entrepreneur (中國優秀民營企業家)" and "Liaoning Province Excellent Entrepreneur (遼寧省優秀企業家)" in January 2010.

Jing Xianyu (井獻玉) (formerly known as Jing Xianyu (井現於)), aged 46, is the deputy general manager of our Company. He has extensive experience in the cement industry and is primarily responsible for our Group's overall operation and production in Weihui, Henan province. Mr. Jing joined our Group in 2000 and has worked as general manager of Weihui Cement, general manager of Yuzhou Cement, director of Zhengzhou Cement (Xingyang) and director of Zhengzhou Tianrui ever since. He has been deputy general manager of Tianrui Cement in February 2008. Mr. Jing obtained his executive MBA degree from Peking University (北京大學) in 2008. Mr. Jing was recognized as "Outstanding Leader of Quality Management of National Building Material Industry (全國建材行業質量管理卓越領導者)" in July 2008 and was named "60th Anniversary of the Founding of PRC Henan Province Meritorious Entrepreneur (建國60周年河南省建材工業功勳企業家)" in September 2009.

Zhang Zhaokun (張照坤), aged 41, is the deputy general manager and the human resource manager of our Company. He has extensive experience in human resources management and is primarily responsible for administrative matters and human resource affairs of our Company. Mr. Zhang joined our Group in 2000 and previously worked as deputy general manager of Antai Cement. He has been the deputy general manager of Tianrui Cement in July 2008. Mr. Zhang obtained his bachelor's degree in library science and information science from South-Central University for Nationalities (中南民族學院) in 1993 and his master's degree in business administration from Zhengzhou University (鄭州大學) in 2007. He also obtained the certification standard of Senior Administration Professional Manager Qualification in 2007 and a qualification of "Senior Human Resources Manager" in 2008.

Yang Yonghe (楊永河), aged 49, is the deputy general manager of our Company. He is primarily responsible for the materials supply management of Zhengzhou Cement and supervision of the operation of Yuzhou Cement, Xuchang Cement and Zhengzhou Cement (Xingyang). Mr. Yang joined our Group in 2000. From December 2004, Mr. Yang served as deputy general manager of Ruzhou Cement and head of supply department of Tianrui Cement. He has also served as general manager of Yuzhou Cement and general manager of Xuchang Cement. He was appointed as the deputy general manager of Tianrui Cement in January 2011.

DIRECTORS, SENIOR MANAGEMENT AND STAFF

Jia Huaping (賈華平), aged 53, is the chief engineer of our Company. He is primarily responsible for the production technology development and production management of our Group. Mr. Jia has 29 years of experience in the cement industry. He joined our Group in 2008 and has worked as manager of production department, head of the technical center and deputy chief engineer of Tianrui Cement ever since. He was appointed as chief engineer of Tianrui Cement in February 2009. Mr. Jia graduated from Shandong Building Material Industry Institute (山東建築材料工業學院), majoring in inorganic material science and engineering, in 1982. Since 1987, Mr. Jia has obtained several awards relating to technology improvement. He was awarded “2009 National Excellent Chief Engineer in Cement Industry (2009年全國水泥企業優秀總工程師)” in 2010.

Details of the qualifications and experience of Mr. Yu Yagang, our chief financial officer, are set out in the paragraph headed “Directors — Executive Directors” in this section.

JOINT COMPANY SECRETARIES

Yu Chunliang (喻春良), aged 42, was appointed as one of the joint company secretaries of our Company on December 9, 2011. Mr. Yu joined our Group in 2005 as deputy head of the general office of Tianrui Cement. He was later appointed as deputy head of the human resources department of Tianrui Cement. He was later appointed as head of administrative office and head of board office of Tianrui Cement. Prior to joining our Group, he was the secretary of the disciplinary committee of Pingdingshan Xingfeng Group Cement Co., Ltd. (平頂山星峰集團水泥有限公司). Mr. Yu obtained his bachelor’s degree in arts from Xinyang Normal University (信陽師範學院) in 1992 and graduated from the Party School of CPC of Henan province (中共河南省委黨校) in 2007. He holds a qualification of “National Second Level Corporate Human Resources Manager”.

Chan Him, Alfred (陳謙), aged 47, was appointed as one of the joint company secretaries of our Company on December 9, 2011. Mr. Chan has over 20 years of experience in audit, accounting and company secretary work. Mr. Chan worked at Ernst & Young for nine years from 1987 to 1996 and was a senior audit manager. Mr. Chan also worked as financial controller and company secretary for Amax Holdings Limited (Stock Code: 00959), a company listed on the Main Board of the Stock Exchange, from June 2010 to December 2010, and Beijing Beida Jade Bird Universal Sci-Tech Company Limited (Stock Code: 08095), a company listed on the Growth Enterprise Market of the Stock Exchange, from January 2004 to July 2004. Mr. Chan obtained his professional diploma in accountancy from Hong Kong Polytechnic University in 1987. He is both a fellow member of the Hong Kong Institute of Certified Public Accountants and the Association of Chartered Certified Accountants in the United Kingdom.

COMPENSATION OF DIRECTORS AND SENIOR MANAGEMENT

Our Company reimburses our Directors and members of our senior management for expenses that are necessarily and reasonably incurred for providing services to us or executing their respective functions in relation to our operations. Our Directors have not received any remuneration (including fees, salaries, contributions to pension schemes, housing allowances and other allowances and benefits in kind and performance-related bonuses) from us for the years ended December 31, 2008, 2009 and 2010 and the six months ended June 30, 2011.

DIRECTORS, SENIOR MANAGEMENT AND STAFF

The aggregate amount of salary allowances and other performance-related benefits, bonuses and contributions to retirement plans paid by us to the five highest paid individuals of our Company, excluding our Directors, during the years ended December 31, 2008, 2009 and 2010 and the six months ended June 30, 2011 was approximately RMB2,719,000, RMB2,144,000, RMB2,148,000 and RMB1,355,000, respectively. Further, none of our Directors has waived any remuneration during the same period.

We have not paid any remuneration to our Directors or the five highest paid individuals as an inducement to join or upon joining us or as a compensation for loss of office in respect of the Track Record Period.

OUR GROUP'S RELATIONSHIP WITH EMPLOYEES

We recognize the importance of a good relationship with our employees. The remuneration payable to our employees includes salaries and allowances. We endeavor to provide training to our staff to enhance technical knowledge as well as knowledge of industry quality standards and work safety standards.

Our Group offers our staff competitive remuneration packages. Our Group's remuneration policies are formulated based on the performance of individual employees and are reviewed regularly. Subject to our Group's profitability, our Group may also pay a discretionary bonus to our employees as an incentive for their contribution to our Group. The primary goal of our remuneration policy with respect to our executive Directors is to enable our Group to retain and motivate executive Directors by linking their compensation with performance as measured against corporate objectives achieved. The remuneration packages for our executive Directors principally include basic salaries and discretionary bonuses.

Under the arrangements currently in force, we estimate that the aggregate remuneration payable to, and benefits in kind receivable by, our executive Directors (excluding discretionary bonus) for the year ending December 31, 2011 will be approximately HK\$186,700.

As of the Latest Practicable Date, we have not experienced any significant problems with our employees or disruption to our operations due to labor disputes, nor have we experienced any difficulties in the recruitment and retention of experienced staff. Our Directors believe that we have a good working relationship with our employees.

SHARE OPTION SCHEME

We have conditionally adopted the Share Option Scheme on December 12, 2011. The purpose of the Share Option Scheme is to provide person(s) and parties working for the interests of our Group with an opportunity to obtain an equity interest in our Company, thus linking their interests with the interests of our Group and thereby providing them with an incentive to work better for the interests of our Group. For details of the Share Option Scheme, please refer to the section headed "Appendix VI — Statutory and General Information — D. Other Information — 1. Share Option Scheme" in this prospectus.

DIRECTORS, SENIOR MANAGEMENT AND STAFF

BOARD COMMITTEES

Audit Committee

Our Company established an audit committee pursuant to a resolution of our Directors passed on December 12, 2011 in compliance with Rule 3.21 of the Listing Rules. The primary duties of the audit committee are mainly to make recommendations to the Board on the appointment and removal of our external auditor, review the financial statements and material advice in respect of financial reporting, and oversight of internal control procedures of our Company. At present, the audit committee of our Company consists of three members, namely Mr. Ma Chun Fung Horace, Mr. Poon Chiu Kwok and Mr. Wang Yanmou. Mr. Ma Chun Fung Horace is the chairman of the audit committee.

Remuneration Committee

Our Company established a remuneration committee on December 12, 2011 with written terms of reference. The primary duties of the remuneration committee are 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. The remuneration committee consists of three members, namely Mr. Song Quanqi, Mr. Poon Chiu Kwok and Mr. Liu Wenying. Mr. Song Quanqi is the chairman of the remuneration committee.

Nomination Committee

We established a nomination committee on December 12, 2011. The primary functions of the nomination committee are to make recommendations to the Board on the appointment and removal of Directors. The nomination committee consists of three members, namely Mr. Wang Yanmou, Mr. Song Quanqi and Mr. Li Heping. The chairman of the nomination committee is Mr. Wang Yanmou.

COMPLIANCE ADVISER

We have appointed Guotai Junan Capital Limited as our compliance adviser pursuant to Rule 3A.19 of the Listing Rules. Guotai Junan Capital Limited will ensure that we are properly guided and advised as to compliance with the Listing Rules and all other applicable laws, rules, codes and guidelines in Hong Kong, including the publication of regulatory announcements, circular or financial reports and the entry into notifiable or connected transactions.

Guotai Junan Capital Limited, as our compliance adviser, undertakes to the Stock Exchange that it will comply with the Listing Rules and cooperate in any investigation conducted by the Listing Division and/or the Listing Committee of the Stock Exchange. The term of the appointment will commence on the Listing Date and end on the date on which we comply with Rule 13.46 of the Listing Rules in respect of our financial results for the first full financial year after the Listing Date, and such appointment may be extended by mutual agreement.

SUBSTANTIAL SHAREHOLDERS

SUBSTANTIAL SHAREHOLDERS

So far as our Directors are aware, based on the information available on the Latest Practicable Date, immediately following completion of the Global Offering and the Capitalization Issue (taking no account of any shares which may be taken up under the Global Offering and assuming that the Over-allotment Option, the options which may be granted under the Share Option Scheme are not exercised), the following persons have the following beneficial interests or short positions in our Shares or underlying shares who would be required to be disclosed to us under the provisions of divisions 2 and 3 of part XV of the SFO, or, who is, directly or indirectly, interested in 10% or more of the nominal value of any class of shares carrying the right to vote in all circumstances at general meetings of any other member of our Group:

Name	Capacity/Nature of interest	Number of Shares	Approximate percentage of shareholding interest (%)
Yu Kuo	Beneficial owner/ Long position (note 1)	950,000,000	39.57%
Holy Eagle	Interest of controlled corporation/ Long position (note 1)	950,000,000	39.57%
Yu Qi	Interest of controlled corporation/ Long position (note 1)	950,000,000	39.57%
Chairman Li	Interest of controlled corporation/ Long position (note 1)	950,000,000	39.57%
Li Xuanyu	Interest of controlled corporation/ Long position (note 1)	950,000,000	39.57%
Wan Qi	Beneficial owner/ Long position (note 2)	449,400,000	18.72%
Mr. Tang	Interest of controlled corporation/ Long position (note 2)	449,400,000	18.72%
Titan Investments (Cayman)	Beneficial owner/ Long position (note 3)	400,000,000	16.66%
KKR Asian Fund L.P.	Interest of controlled corporation/ Long position (note 3)	400,000,000	16.66%
KKR Associates Asia L.P.	Interest of controlled corporation/ Long position (note 3)	400,000,000	16.66%
KKR SP Limited	Interest of controlled corporation/ Long position (note 3)	400,000,000	16.66%
KKR Asia Limited	Interest of controlled corporation/ Long position (note 3)	400,000,000	16.66%

SUBSTANTIAL SHAREHOLDERS

Name	Capacity/Nature of interest	Number of Shares	Approximate percentage of shareholding interest (%)
KKR Fund Holdings L.P.	Interest of controlled corporation/ Long position (note 3)	400,000,000	16.66%
KKR Fund Holdings GP Limited	Interest of controlled corporation/ Long position (note 3)	400,000,000	16.66%
KKR Group Holdings L.P.	Interest of controlled corporation/ Long position (note 3)	400,000,000	16.66%
KKR Group Limited	Interest of controlled corporation/ Long position (note 3)	400,000,000	16.66%
KKR & Co. L.P.	Interest of controlled corporation/ Long position (note 3)	400,000,000	16.66%
KKR Management LLC	Interest of controlled corporation/ Long position (note 3)	400,000,000	16.66%
Mr. Henry R. Kravis and Mr. George R. Roberts	Interest of controlled corporation/ Long position (note 3)	400,000,000	16.66%
JPMorgan PCA	Beneficial owner/ Long position (note 4)	200,600,000	8.36%
JPMorgan Private Capital Asia Fund I, L.P.	Interest of controlled corporation/ Long position (note 4)	200,600,000	8.36%
JPMorgan Private Capital Asia General Partner, L.P.	Interest of controlled corporation/ Long position (note 4)	200,600,000	8.36%
JPMorgan Private Capital Asia GP Limited	Interest of controlled corporation/ Long position (note 4)	200,600,000	8.36%
JPMorgan Private Capital Asia Corp	Interest of controlled corporation/ Long position (note 4)	200,600,000	8.36%
JPMorgan Chase & Co.	Interest of controlled corporation/ Long position (note 4)	200,600,000	8.36%

Notes:

- (1) The entire issued share capital of Yu Kuo is legally and beneficially owned by Holy Eagle and Yu Qi. Chairman Li is deemed to be interested in the Shares held by Yu Kuo by virtue of Yu Kuo being controlled by Chairman Li through Holy Eagle (the wholly-owned company of Chairman Li). Mr. Li Xuanyu is deemed to be interested in the Shares held by Yu Kuo by virtue of Yu Kuo being controlled by Mr. Li Xuanyu through Yu Qi (the wholly-owned company of Li Xuanyu).
- (2) The entire issued share capital of Wan Qi is legally and beneficially owned by Mr. Tang. Mr. Tang is deemed to be interested in the Shares held by Wan Qi by virtue of Wan Qi being controlled by Mr. Tang.

SUBSTANTIAL SHAREHOLDERS

- (3) Each of KKR Asian Fund L.P. (as the controlling shareholder of Titan Investments (Cayman)), KKR Associates Asia L.P. (as the general partner of KKR Asian Fund L.P.), KKR SP Limited (as the voting partner of KKR Associates Asia L.P.), KKR Asia Limited (as the general partner of KKR Associates Asia L.P.), KKR Fund Holdings L.P. (as the sole shareholder of KKR Asia Limited), KKR Fund Holdings GP Limited (as a general partner of KKR Fund Holdings L.P.), KKR Group Holdings L.P. (as a general partner of KKR Fund Holdings L.P. and the sole shareholder of KKR Fund Holdings GP Limited), KKR Group Limited (as the general partner of KKR Group Holdings L.P.), KKR & Co. L.P. (as the sole shareholder of KKR Group Limited), KKR Management LLC (as the general partner of KKR & Co. L.P.), and Mr. Henry R. Kravis and Mr. George R. Roberts (as designated members of KKR Management LLC) shall be deemed to be interested in 400,000,000 Shares as of the Listing Date. Mr. Henry R. Kravis and Mr. George R. Roberts disclaim beneficial ownership of the Shares held by Titan Investments (Cayman).
- (4) Each of JPMorgan Private Capital Asia Fund I, L.P. (as the controlling shareholder of JPMorgan PCA), JPMorgan Private Capital Asia General Partner, L.P. (as the general partner of JPMorgan Private Capital Asia Fund I, L.P.), JPMorgan Private Capital Asia GP Limited (as the general partner of JPMorgan Private Capital Asia General Partner, L.P.), JPMorgan Private Capital Asia Corp (as the sole shareholder of JPMorgan Private Capital Asia GP Limited) and JPMorgan Chase & Co. (as the holding company of JPMorgan Private Capital Asia Corp.) shall be deemed to be interested in 200,600,000 Shares as of the Listing Date held by JPMorgan PCA pursuant to Section(s) 316(2) and/or 316(3) under Part XV of the SFO.

Except as set out above, based on the information available on the Latest Practicable Date, taking no account of any Shares which may be taken up under the Global Offering, the Directors are not aware of any person (not being a Director or chief executives of our Company) who will, immediately following the completion of the Global Offering and the Capitalization Issue (taking no account of any shares which may be taken up under the Global Offering and assuming that the Over-allotment Option, the options which may be granted under the Share Option Scheme are not exercised), be interested, directly or indirectly, in an interest or short position in our Shares or underlying shares of our Company which would fall to be disclosed to our Company under the provisions of divisions 2 and 3 of part XV of the SFO.

SHARE CAPITAL

SHARE CAPITAL

The following is a description of our authorized and issued share capital of our Company as of the date of this prospectus and immediately after completion of the Global Offering:

As of the date of this prospectus	HK\$
Authorized share capital:	
10,000,000,000 Shares	100,000,000
Issued share capital as of the date of this prospectus:	
1,000,000 Shares	10,000
Immediately after completion of the Global Offering	
Authorized share capital:	
10,000,000,000	100,000,000
Shares to be issued pursuant to the Capitalization Issue:	
1,999,000,000 Shares	19,990,000
Shares to be issued pursuant to the Global Offering:	
400,900,000 Shares	4,009,000
Total issued share capital on completion of the Global Offering and Capitalization Issue:	
2,400,900,000 Shares	24,009,000

According to Rule 8.08 of the Listing Rules, at the time of the Listing and at all times thereafter, our Company must maintain the “minimum prescribed percentage” of 25% of our issued share capital in the hands of the public.

ASSUMPTIONS

The tables above assume the Global Offering becomes unconditional and is completed in accordance with the relevant terms and conditions. It takes no account of (a) any Shares issued upon exercise of options which may be granted under our Share Option Scheme; (b) any Shares which may be issued under the general mandate given to our Directors for the issue and allotment of Shares; or (c) any Shares which may be repurchased by us pursuant to the general mandate given to our Directors for the repurchase of Shares; or (d) any of the Shares which may be issued upon the exercise of the Over-allotment Option.

SHARE CAPITAL

RANKING

The Shares are ordinary shares in the share capital of our Company and rank equally with all Shares currently in issue or to be issued and, in particular, will rank in full for all dividends or other distributions declared, made or paid on the Shares in respect of a record date which falls after the date of this prospectus.

GENERAL MANDATE TO ISSUE SHARES

Subject to the conditions stated in the paragraph headed “Structure of the Global Offering — Conditions of the Hong Kong Public Offer” in this prospectus, our Directors have been granted a general unconditional mandate to allot, issue and deal with Shares with an aggregate nominal value of not more than the sum of: (i) 20% of the aggregate nominal value of the share capital of our Company in issue immediately following the completion of the Global Offering (but before any exercise of the Over-allotment Option and the options which may be granted under the Share Option Scheme); and (ii) the aggregate nominal value of the share capital of our Company repurchased by us (if any).

This general mandate to issue Shares will remain in effect until the earliest of:

- (i) the conclusion of our Company’s next annual general meeting;
- (ii) the expiration of the period within which our Company’s next annual general meeting is required by any applicable law or our Articles of Association to be held; or
- (iii) it is revoked, varied or renewed by an ordinary resolution of our Shareholders in general meeting.

For further details of this general mandate, please refer to the paragraph headed “Appendix VI — A. Further information about our Group — 4. Written resolutions of our Shareholders passed on December 12, 2011” in this prospectus.

GENERAL MANDATE TO REPURCHASE SHARES

Subject to the conditions stated in the paragraph headed “Structure of the Global Offering — Conditions of the Hong Kong Public Offer” in this prospectus, our Directors have been granted a general unconditional mandate to exercise all our powers to repurchase Shares with a total nominal value of not more than 10% of the aggregate nominal value of our share capital in issue immediately following the completion of the Global Offering and the Capitalization Issue (excluding any Shares issued on any exercise of the Over-allotment Option and on any exercise of the options which may be granted under the Share Option Scheme).

This general mandate only relates to repurchases made on the Hong Kong Stock Exchange, or on any other stock exchange on which the Shares are listed (and which is recognized by the SFC and the

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Stock Exchange for this purpose), and made in accordance with all applicable laws and the requirements of the Listing Rules. A summary of the relevant Listing Rules is set out in the paragraph headed “A. Further information about our Group — 5. Repurchase of our Shares” in Appendix VI to this prospectus.

This general mandate to repurchase Shares will remain in effect until the earliest of:

- (i) the conclusion of our Company’s next annual general meeting;
- (ii) the expiration of the period within which our Company’s next annual general meeting is required by any applicable law or our Articles of Association to be held; or
- (iii) it is revoked, varied or renewed by an ordinary resolution of our Shareholders in general meeting.

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You should read the following discussion and analysis in conjunction with our audited consolidated financial information for the years ended December 31, 2008, 2009 and 2010 and the six months ended June 30, 2011, including the accompanying notes, set forth in the Accountants' Report included as Appendix I to this prospectus, and our selected historical financial information and operating data and the notes thereto included elsewhere in this prospectus. Our audited consolidated financial information has been prepared in accordance with IFRS and on the basis set out in Note 1B in section B of the Accountants' Report.

The following discussion and analysis contains certain forward-looking statements that reflect our current views with respect to future events and financial performance. These statements are based on assumptions and analyses made by us in light of our experience and perception of historical trends, current conditions and expected future developments, as well as other factors we believe are appropriate under the circumstances. However, whether actual outcomes and developments will meet our expectations and predictions depends on a number of risks and uncertainties over which we do not have control and the actual outcomes and developments may materially differ from our expectations and predictions. See "Risk Factors" and "Forward-looking Statements" in this prospectus.

OVERVIEW

We are a leading clinker and cement producer in Henan and Liaoning provinces in terms of production volume for the year ended December 31, 2010. We ranked 10th among all the cement producers in China in terms of production volume⁽¹⁾ for the year ended December 31, 2010, according to China Cement Association, and we ranked 11th among all the clinker producers in China in terms of production capacity⁽²⁾ as of December 31, 2010, according to China Cement Net (中國水泥網). Production capacity represents the amount of clinker or cement that can be produced based on the specifications of relevant production facilities and production volume represents the actual amount of clinker or cement produced at relevant production facilities. Our operations range from the excavation of limestone to the production, sale and distribution of clinker and cement. Our cement is sold under our brand “天瑞TIANRUI,” which has been recognized as a “Chinese Famous Trademark” by the State Administration for Industry and Commerce, and we believe it has become a mark of quality within the construction industry in China.

According to data from the respective Building Materials Industry Associations (建築材料工業協會) of Henan and Liaoning provinces, we are the largest clinker producer in each of Henan and Liaoning provinces in terms of clinker production capacity⁽²⁾ as of June 30, 2011, and we are the largest and second largest cement producer in Henan and Liaoning provinces in terms of production volume⁽¹⁾ for the year ended December 31, 2010, respectively. As of June 30, 2011, we had 15 clinker

Notes:

- (1) Production volume represents the actual volume of clinker/cement produced at relevant production facilities in a relevant period.
- (2) Production capacity represents the volume of clinker/cement that can be produced based on the specifications of relevant production facilities as of a relevant date and clinker production capacity refers to clinker produced using NSP technology only.

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production lines and 35 cement grinding lines, with an annual clinker and cement production capacity of 22.2 million tonnes and 35.2 million tonnes, respectively. For the years ended December 31, 2008, 2009, 2010 and the six months ended June 30, 2011, we sold approximately 12.2 million, 16.7 million, 22.1 million and 11.8 million tonnes of cement and 2.5 million, 4.8 million, 6.1 million and 3.1 million tonnes of clinker, respectively. The average selling price per tonne of our cement was approximately RMB231.5, RMB214.9, RMB225.6 and RMB275.2, respectively, and the average selling price per tonne of our clinker was approximately RMB206.4, RMB172.3, RMB186.2 and RMB267.0, respectively, for the same periods. The average selling price for our clinker products was RMB278.1 per tonne, RMB279.1 per tonne and RMB284.1 per tonne, and the average selling price, for our cement products was RMB273.3 per tonne, RMB278.5 per tonne and RMB284.3 per tonne for July, August and September 2011, respectively. The sales volume of our clinker products was 0.5 million tonnes, 0.5 million tonnes and 0.8 million tonnes, and the sales volume for our cement products was 2.3 million tonnes, 2.3 million tonnes and 1.7 million tonnes, for July, August and September 2011, respectively. Our sales volume for cement products decreased in September 2011 primarily due to the fact that Henan province experienced an abnormally rainy September, which decreased construction activities and consequently decreased the demand for our cement products during the same period.

We have achieved significant growth in revenue and profit during the Track Record Period. Our revenue increased from approximately RMB3,360.3 million in 2008 to approximately RMB4,415.2 million in 2009 and to approximately RMB6,129.4 million in 2010, representing a CAGR of 35.1% from 2008 to 2010. Our profit was approximately RMB232.2 million, RMB163.3 million and RMB397.8 million, respectively, representing a CAGR of 30.9% from 2008 to 2010. For the six months ended June 30, 2011, our revenue and profit was RMB4,072.8 million and RMB654.9 million, respectively.

BASIS OF PRESENTATION

Our Company was incorporated in the Cayman Islands as an exempted company with limited liability on February 7, 2011. Upon completion of the Reorganization on April 8, 2011, our Company became the holding company of our subsidiaries, which, together with our Company, constitute our Group (which is regarded as a continuing entity). The consolidated statements of comprehensive income and the consolidated statements of cash flow of our Group for the Track Record Period include results and cash flows of the companies comprising our Group as if our Company had always been the holding company of our Group resulting from the Reorganization throughout the Track Record Period, or since the respective dates of incorporation or establishment (whichever is shorter) using the principles of merger accounting. The consolidated statements of financial position of our Group as of December 31, 2008, 2009 and 2010 and June 30, 2011 have been prepared to present the assets and liabilities of the companies comprising our Group resulting from the Reorganization as if the current group structure resulting from the Reorganization had been in existence at those dates (those subsidiaries or businesses acquired or disposed of during the Track Record Period are included in the consolidated statements of comprehensive income from the effective date of acquisition or up to the effective date of disposal, as appropriate) by using the principles of merger accounting as if our Company had always been the holding company of our Group at those dates.

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SIGNIFICANT FACTORS AFFECTING OUR RESULTS OF OPERATIONS

Economic growth in the PRC and in particular growth of the construction industry in our target markets

All of our products are sold in the PRC, in particular, Henan province and Liaoning province. All of our revenue is generated from our sales of cement and clinker products. Demand for our cement products is largely dependent on the pace of economic growth in the PRC and, in particular, the general level of activity and the growth rate in the construction industry in Henan province and Liaoning province. General national economic conditions in the PRC, especially in the regions in which we operate, have a significant impact on all aspects of our operations. Infrastructure spending, urban development, mortgage and interest rate levels, PRC government policies, inflation, unemployment rate, demographic trends and GDP growth are among the factors which have a significant impact on the performance and growth of the construction industry in the regions in which we operate and, consequently, the demand for our cement products. For the years ended December 31, 2008, 2009 and 2010, the PRC's FAI reached approximately RMB17,282.8 billion, RMB22,459.9 billion and RMB27,814.0 billion, respectively, and the PRC's FAI for the years ended December 31, 2009 grew at a rate of 30.0% compared to the year ended December 31, 2008, and the FAI for the year ended December 31, 2010 grew at a rate of 23.8% compared to the year ended December 31, 2009. This FAI growth has led to a significant increase in infrastructure, real estate construction and rural construction activities in the PRC, which in turn has led to an increase in cement consumption. Our target markets comprise Henan province and Liaoning province. For the year ended December 31, 2009, the FAI of Henan and Liaoning grew at a rate of 30.6% and 22.7%, respectively, compared to the year ended December 31, 2008. For the year ended December 31, 2010, the FAI of Henan and Liaoning grew at a rate of 21.0% and 30.5%, respectively compared to the year ended December 31, 2009. We believe the economic growth in the PRC and, in particular, FAI growth in our target markets, will continue to have a significant impact on our results of operations and financial condition.

PRC government policies

The PRC government may from time to time adopt new industry policies to adjust the level of investment in infrastructure projects and real estate development using both economic incentives and disincentives and administrative means. In recent years, the PRC government's regulation of the cement industry, its overhaul and invigoration plans specific to the cement industry, and its industry policies on resource development and the property market have had and may continue to have a material impact on the investment in, and the growth of, the PRC's cement industry and other industries related to our businesses, bringing us new opportunities and challenges. See the sections headed "Industry Overview" and "Risk Factors" in this prospectus for details regarding certain recent major policies on the PRC's cement industry. The State Council of the PRC recently issued guidelines on developing the central China economic zone that primarily covers Henan province, one of our primary markets, with the aim to, among other things, promote urbanization and further develop infrastructure in the region. We believe we will benefit from those guidelines. These and any other future PRC government policy changes would affect the demand for our products to a large extent and therefore affect our financial condition and results of operations.

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Production capacity

Our results of operations depend on our ability to fulfill customer orders, which partly depends on our production capacity. During the Track Record Period, we expanded our annual cement production capacity from 18.6 million tonnes as of December 31, 2008 to 35.2 million tonnes as of June 30, 2011 and our annual clinker production capacity from 12.0 million tonnes as of December 31, 2008 to 22.2 million tonnes as of June 30, 2011. In connection with our expansion, we have incurred expenditures of approximately RMB2,028.0 million, RMB2,621.1 million, RMB1,746.2 million and RMB399.1 million on acquiring additional mining rights, property, plant and equipment in 2008, 2009, 2010 and for the six months ended June 30, 2011, respectively. Partly due to the increase in our production capacity, our revenue grew by 31.4% in 2009 and 38.8% in 2010 as compared to their respective preceding years. We believe that demand for our products will continue to increase, and we therefore intend to increase our annual production capacity in both cement and clinker to accommodate the increasing market demand. We plan to add more cement grinding lines and clinker production lines while at the same time increase the operational efficiency and utilization rate of our existing production lines. As a result, we anticipate that we will incur further capital expenditures, which we intend to finance using cash generated from our operations and bank borrowings.

Pricing and product mix

The following table sets out the breakdown of the average selling prices (excluding taxes and transportation fees) per tonne of our products by areas of sales for the periods indicated:

	Year ended December 31,			Six months ended June 30,	
	2008	2009	2010	2010	2011
	(RMB)	(RMB)	(RMB)	(RMB)	(RMB)
Central China					
Low-grade cement ⁽¹⁾	223.6	197.5	208.7	180.7	274.8
High-grade cement ⁽²⁾	245.7	240.0	251.9	212.3	283.8
Clinker.....	208.5	171.8	185.0	164.7	281.4
Northeast China					
Low-grade cement ⁽¹⁾	233.0	215.4	202.8	203.9	238.3
High-grade cement ⁽²⁾	271.6	268.2	250.9	254.5	277.3
Clinker.....	201.7	173.3	187.7	167.1	254.8
Overall					
High and low-grade cement.....	231.5	214.9	225.6	198.2	275.2
Clinker.....	206.4	172.3	186.2	165.7	267.0

Notes:

- (1) Low-grade cement products are used in general industrial construction such as the production of surface, underground and underwater concrete as well as reinforced concrete, pre-stressed concrete structures and commercial concrete products.

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- (2) High-grade cement products refer to cement with compressive strength greater than or equal to 42.5 MPa. They are generally used in major construction projects with special requirements, such as bridges, roads, high-rise buildings and high performance concrete, and projects in which a high initial level of strength is required.

The average selling prices of our clinker and cement are primarily dependent on the overall local supply and demand of cement and clinker products in our target regions. During the Track Record Period, the selling prices of our clinker and cement products fluctuated significantly in our target regions, which affected our business, results of operations and profitability. Because China's cement industry is geographically fragmented, the prices of cement and clinker differ in different regions of China. The average selling price of our cement in central China was approximately RMB226.2 per tonne, RMB206.0 per tonne, RMB223.9 per tonne and RMB279.4 per tonne in 2008, 2009, 2010 and the six months ended June 30, 2011, respectively. The average selling price of our clinker in central China was approximately RMB208.5 per tonne, RMB171.8 per tonne, RMB185.0 per tonne and RMB281.4 per tonne in 2008, 2009, 2010 and the six months ended June 30, 2011, respectively. The average selling prices of our cement and clinker in central China decreased from 2008 to 2009 as the global financial crisis slowed down general economic activities and depressed overall market demand throughout the world, including China, thus in turn driving down the average selling prices of our cement and clinker. From 2009 to the first half of 2011, the average selling prices of our cement and clinker in central China increased due to various PRC government authorities' strict implementation of environmental protection measures to phase out cement and clinker production lines with obsolete technologies, which in turn reduced the supply of cement and clinker and drove up the average selling prices.

The average selling price of our cement in northeast China was approximately RMB254.9 per tonne, RMB249.9 per tonne, RMB231.3 per tonne and RMB261.6 per tonne, while the average selling price of our clinker in the same region was RMB201.7 per tonne, RMB173.3 per tonne, RMB187.7 per tonne and RMB254.8 per tonne, in 2008, 2009, 2010 and the six months ended June 30, 2011, respectively. Due to the same macroeconomic factors experienced by our central China operations, the average selling prices of our cement and clinker in northeast China also decreased from 2008 to 2009. From 2009 to the first half of 2011, the average selling prices of our clinker and cement products in northeast China increased due to the same environmental protection measures as discussed above.

We sell different grades of cement with various physical characteristics at different selling prices. The average selling price of our high-grade cement is higher than that of our low-grade cement. As high-grade cement has higher strength, it is primarily used in major construction projects with special requirements. Low-grade cement is primarily used in general industrial constructions. As a result of an increase in the investment in large-scale public infrastructure projects in our target markets and the PRC government's RMB4 trillion stimulus package, our revenue derived from sales of high-grade cement increased significantly during the Track Record Period. We sold 2.4 million tonnes, 4.9 million tonnes, 9.0 million tonnes and 6.2 million tonnes of high-grade cement in 2008, 2009, 2010 and the six months ended June 30, 2011, respectively, which represented 19.9%, 29.2%, 40.9% and 52.9% of our total cement sales volume and 18.8%, 27.9%, 37.1% and 43.2% of our total revenue for the relevant periods.

For the years ended December 31, 2008, 2009, 2010 and the six months ended June 30, 2011, the sales of cement as a percentage of revenue were 84.4%, 81.4%, 81.4% and 79.6%, respectively, and

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the sales of clinker as a percentage of revenue were 15.6%, 18.6%, 18.6% and 20.4%, respectively. The increase in the proportion of clinker sales as a percentage of our total revenue during the Track Record Period was due to the fact that the increase in our clinker production capacity had outpaced the increase in our cement production capacity and the fact that in the first half of 2011 the average selling price of our clinker products increased more significantly than that of our cement products.

Competition

Our sales and results of operations are also affected by competition in the markets in which we operate. The PRC cement industry is highly fragmented and competitive. According to the China Cement Association, there were approximately 12 and eight large cement producers in central China and northeast China, respectively, in 2010. In recent years, the number of competitors has decreased due to intensifying industry consolidation and restructuring efforts of the PRC government. For example, the “Policies on the Development of the Cement Industry” restricts the use of low-efficiency production equipment and the “Guidelines on Catalog of Structural Adjustment (2005)” restricts the use of vertical kilns, consequently encouraging industry participants to use more advanced NSP technology. We believe that these PRC government policies have led to the closure of a number of cement producers. We intend to leverage our leading market position and capitalize on the consolidation trend to expand our customer base and increase our market share. However, we expect the competition to intensify principally due to the entry of new foreign companies and the cross-province expansion by major competitors in China. Our ability to maintain or increase our profitability will depend on our ability to successfully compete with our competitors.

Costs of coal and electricity

Our results of operations are significantly affected by the costs of coal and electricity. The cost of coal is one of the principal components of our cost of sales and constituted 34.3%, 36.0%, 42.2% and 44.0% of our cost of sales for the years ended December 31, 2008, 2009 and 2010 and the six months ended June 30, 2011, respectively. We endeavor to improve our production efficiency and reduce our coal costs. However, due to market conditions, we may find it necessary to purchase certain types of coal that do not achieve maximum levels of coal consumption efficiency. Our average purchase price for coal was approximately RMB585.7 per tonne, RMB546.7 per tonne, RMB692.6 per tonne and RMB749.5 per tonne in 2008, 2009 and 2010 and the six months ended June 30, 2011, respectively. During the Track Record Period, our business and results of operations were affected by the significant fluctuation of coal price. We generally enter into one-year contracts with our coal suppliers that set forth a minimum purchase quantity for the respective year. A purchase price is usually determined based on the prevailing market price when we place a particular purchase order.

Our operations also require a significant amount of electricity. Our electricity costs as a percentage of cost of sales were approximately 18.2%, 17.8%, 17.0% and 15.9% for the years ended December 31, 2008, 2009 and 2010 and the six months ended June 30, 2011, respectively. For the years ended December 31, 2008, 2009 and 2010 and the six months ended June 30, 2011, our average electricity purchase price per KWh was approximately RMB0.47 per KWh, RMB0.49 per KWh, RMB0.52 per KWh and RMB0.54 per KWh, respectively. We have installed residual heat recovery systems in most of our production lines which generated 91.2 GWh, 355.8 GWh, 534.5 GWh and 294.2 GWh of electricity in 2008, 2009 and 2010 and the six months ended June 30, 2011, respectively, and

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consequently reduced our external electricity consumption. In addition, provincial governments in the PRC regulate electricity prices for industrial use, and prices are fixed within a set range. This reduces volatility in our electricity costs. For details of the price range in various provinces, see the section headed “Industry Overview — Major Cost Factors in Cement Production in the PRC” of this prospectus.

Any significant increase in the prices of coal and/or electricity could have a significant impact on our cost of sales, which could in turn have a material adverse effect on our business, financial condition and results of operations if we are unable to pass on a portion or all of such increased costs to our customers. During the Track Record Period, we were generally able to pass on the increased costs of coal and electricity to our customers when the market conditions were favorable. However, we experienced difficulties in passing on these increased costs to our customers when the market conditions were unfavorable or the competition intensified.

Cost and availability of raw materials

We currently source most of our limestone, a principal raw material for our cement and clinker products, from our own quarries. We also source from third-parties a portion of limestone, sandstone, gypsum flyash, sulfuric acid residue and slag requirements for our operations. Our results of operations are also affected by the costs and availability of these raw materials. Costs of raw materials as a percentage of cost of sales was 39.7%, 37.2%, 31.6% and 30.1% in 2008, 2009 and 2010 and the six months ended June 30, 2011, respectively. The average cost of limestone was RMB17.1 per tonne, RMB16.9 per tonne, RMB15.2 per tonne and RMB15.6 per tonne, respectively, for the years ended December 31, 2008, 2009 and 2010 and the six months ended June 30, 2011. If the costs of these raw materials increase, or if we are unable to retain access to sufficient amount of limestone, our cost of sales may increase, and results of our operations may be negatively affected.

Income tax expenses

Our net profit is affected by certain tax exemptions, government incentives and VAT refunds granted to us which, if discontinued, would adversely affect our profitability and financial condition. The effective tax rates of our Group were 28.0%, 33.4%, 24.5% and 24.5% in 2008, 2009 and 2010 and the six months ended June 30, 2011, respectively. Our income tax expenses were approximately RMB90.4 million, RMB81.8 million, RMB128.9 and RMB212.7 million, in 2008, 2009 and 2010 and the six months ended June 30, 2011, respectively. Our effective tax rate increased from 28.0% in 2008 to 33.4% in 2009, primarily because we made a provision of RMB101.8 million in 2009 in connection with our investment in Ruiping Shilong, which resulted in a decrease in our profit before tax. See “— Principal Income Statement Components — Share of loss of associate”. Our effective tax rate was 24.5% in 2010 and the six months ended June 30, 2011, primarily because one of our subsidiaries enjoyed a preferential tax rate of 12.5% from 2009 to 2011. The PRC EIT Law has consolidated two previous tax regimes that were separately applied to foreign and domestic enterprises in China. Under the PRC EIT Law, some of our subsidiaries in China were subject to the uniform enterprise income tax rate of 25% applicable to both foreign and domestic enterprises from January 1, 2008. Please see note 9 in section B of the Accountants’ Report set forth in Appendix I to this prospectus for further details.

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CRITICAL ACCOUNTING POLICIES AND ESTIMATES

Our financial information has been prepared on a historical cost basis, as explained in accounting policies set forth in note 3 in section B of the Accountants' Report set forth in Appendix I to this prospectus, in conformity with the IFRS issued by the International Accounting Standards Board, and has been consistently applied throughout the Track Record Period. In addition, the financial information includes applicable disclosure required by the Listing Rules and by the Hong Kong Companies Ordinance. In the application of our accounting policies, our management is required to make judgments, estimates and assumptions about the carrying amount 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 we considered to be relevant. Actual results may differ from such estimates and underlying assumptions, both of which are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period, or in the period such revision occurs and any future periods if such revision affects both current and future periods.

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods sold in the normal course of business, net of discounts and sales related taxes. Revenue from the sale of goods is recognized when goods are delivered and legal title is passed. Interest income from a financial asset is recognized when it is probable that the economic benefits will flow to the Group and the amount of income can be measured reliably. Interest income 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 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 the production or supply of goods or services, or for administrative purposes 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 items of property, plant and equipment other than construction in progress over their estimated useful lives and after taking into account their estimated residual value, 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 recognized impairment loss. Construction in progress is classified under 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.

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An item of property, plant and equipment is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising from derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in the profit or loss in the year in which the item is derecognized.

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 such assets until such time as such assets are substantially prepared 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 capitalization.

All other borrowing costs are recognized in profit or loss in the period in which they are incurred.

Goodwill

Goodwill arising on an acquisition of a business is carried at cost as established at the acquisition date less any accumulated impairment losses, if any and is presented separately in the consolidated statements of financial position.

For the purposes of impairment testing, goodwill arising from an acquisition is allocated to the relevant cash-generating units that are expected to benefit from the synergy of the acquisition. A cash-generating unit to which goodwill has been allocated is tested for impairment annually, and whenever there is an indication that the unit may be impaired. When the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated to reduce the carrying amount of any goodwill allocated to the unit first, 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 recognized directly in the profit or loss. An impairment loss for goodwill is not reversed in subsequent periods.

Impairment of tangible and intangible assets other than goodwill

At the end of the reporting period, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. In addition, intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment annually, and whenever there is an indication that they may be impaired. 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 recognized immediately as an expense.

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Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset in prior years. A reversal of an impairment loss is recognized immediately as income.

Inventories

Inventories are stated at the lower of cost and net realizable value. Costs are calculated using the weighted average method basis. Net realizable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale.

PRINCIPAL INCOME STATEMENT COMPONENTS

Revenue

All of our revenue is generated from the sales of our cement and clinker products. Our revenue from operations in any given period is affected by our sales volume, selling prices and product mix. During the Track Record Period, our production capacity and cement sales volume experienced a significant increase. Our cement sales volume was approximately 12.2 million tonnes, 16.7 million tonnes, 22.1 million tonnes and 11.8 million tonnes for the years ended December 31, 2008, 2009 and 2010 and the six months ended June 30, 2011, respectively. Our clinker sales volume was approximately 2.5 million tonnes, 4.8 million tonnes, 6.1 million tonnes and 3.1 million tonnes for the years ended December 31, 2008, 2009 and 2010 and the six months ended June 30, 2011, respectively. The increase in our cement sales was mainly driven by the increase in construction activities, particularly infrastructure projects and real estate development projects, which were primarily affected by the general economic development in our target market regions and the PRC government's policies concerning real estate, infrastructure developments and the cement industry, including the PRC government's RMB4 trillion stimulus package implemented in 2008. In addition, our cement products have been selected and used in certain high profile, large infrastructure projects that require cement products of high quality. Such projects include the South-North Water Transfer Project (南水北調工程), Ha'erbin-Dalian Express Railway (哈大高鐵) and Shijiazhuang-Wuhan Express Railway (石武高鐵). Below is a summary of our sales volume and revenue attributable to each of these projects:

- the South-North Water Transfer Project is a key national construction project that commenced construction in 2009 and is expected to be completed by 2016. In 2009 and 2010, our cement sales volume related to this project was 919 tonnes and 102,375 tonnes, respectively, and our revenue attributable to this project was approximately RMB0.17 million and RMB27.1 million for the same periods, respectively. The peak period of construction of this project is expected to be from the second half of 2011 to the end of 2013. We do not expect any termination of the existing supply contracts we have secured for this project.
- the Ha'erbin-Dalian Express Railway is another key national construction project. Our cement sales volume related to this project was 679,870 tonnes, 984,497 tonnes and

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380,827 tonnes for the years ended December 31, 2008, 2009 and 2010, respectively, and our revenue attributable to this project was RMB193.0 million, RMB281.6 million and RMB106.3 million for the same periods, respectively. This project is expected to be substantially completed in 2011.

- the Shijiazhuang-Wuhan Express Railway is a key construction project. Our cement sales volume related to this project was 13,997 tonnes, 967,989 tonnes and 522,087 tonnes for the years ended December 31, 2008, 2009 and 2010, respectively, and our revenue attributable to this project was RMB3.8 million, RMB255.7 million and RMB123.7 million for the same periods, respectively. The construction work for this project is expected to be completed in 2011. We do not expect any termination of the existing supply contracts we have secured for this project.

In order to capitalize on the rapidly increasing demand for cement in the PRC, particularly in our target markets, we have significantly expanded our production capacity. For example, we constructed and commenced operating our new Xingyang cement and clinker production lines in central China and Liaoyang clinker production line in northeast China in 2009. During the Track Record Period, we expanded our annual cement production capacity from 18.6 million tonnes as of December 31, 2008 to 35.2 million tonnes as of June 30, 2011 and our annual clinker production capacity from 12.0 million tonnes as of December 31, 2008 to 22.2 million tonnes as of June 30, 2011.

During the Track Record Period, the average selling prices of our cement and clinker products fluctuated primarily due to changes in the general market conditions as well as the supply and demand for our products. The average selling price per tonne of our cement products was approximately RMB231.5, RMB214.9, RMB225.6 and RMB275.2 for the years ended December 31, 2008, 2009 and 2010 and the six months ended June 30, 2011, respectively. The average selling price per tonne of our clinker products was approximately RMB206.4, RMB172.3, RMB186.2 and RMB267.0 for the years ended December 31, 2008, 2009 and 2010 and the six months ended June 30, 2011, respectively. Our management will continue to evaluate the market demand for our products and may from time to time adjust our product prices and production volume to meet market demand.

Our revenue is also affected by our product mix. The table below sets forth a breakdown of our sales volume and revenue by products and the revenue from different products as a percentage of our total revenue for the periods indicated:

	Year ended December 31,									Six months ended June 30,					
	2008			2009			2010			2010			2011		
	Sales volume	Revenue	% Revenue	Sales volume	Revenue	% Revenue	Sales volume	Revenue	% Revenue	Sales volume	Revenue	% Revenue	Sales volume	Revenue	% Revenue
(Tonne '000)	(RMB in million)	(%)	(Tonne '000)	(RMB in million)	(%)	(Tonne '000)	(RMB in million)	(%)	(Tonne '000)	(RMB in million)	(%)	(Tonne '000)	(RMB in million)	(%)	
Low-grade Cement ⁽¹⁾	9,816.9	2,204.6	65.6	11,846.0	2,360.4	53.5	13,083.2	2,717.7	44.3	6,467.3	1,186.9	47.2	5,554.0	1,485.4	36.5
High-grade Cement ⁽²⁾	2,431.5	630.7	18.8	4,875.9	1,232.9	27.9	9,040.2	2,274.4	37.1	3,339.4	756.1	30.1	6,234.0	1,758.2	43.2
Clinker.....	2,543.8	525.0	15.6	4,769.3	821.9	18.6	6,106.5	1,137.3	18.6	3,437.3	569.5	22.7	3,106.0	829.2	20.4
Total	14,792.2	3,360.3	100.0	21,491.2	4,415.2	100.0	28,229.9	6,129.4	100.0	13,244.0	2,512.5	100.0	14,894.0	4,072.8	100.0

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Notes:

- (1) Low-grade cement products are used in general industrial construction such as the production of surface, underground and underwater concrete as well as reinforced concrete, pre-stressed concrete structures and commercial concrete products.
- (2) High-grade cement products refer to cement with compressive strength greater than or equal to 42.5 MPa. They are generally used in major construction projects with special requirements, such as bridges, roads, high-rise buildings and high performance concrete, and projects in which a high initial level of strength is required.

Our revenue from sales of low-grade cement increased from approximately RMB2,204.6 million in 2008 to approximately RMB2,360.4 million in 2009 and further increased to approximately RMB2,717.7 million in 2010. For the six months ended June 30, 2010 and 2011, our revenue from sales of low-grade cement was RMB1,186.9 million and RMB1,485.4 million, respectively. The increase in our revenue of low-grade cement was primarily due to the general economic growth and the resulting increase in the demand for low-grade cement in the regions in which we operate.

Our revenue from sales of high-grade cement increased from approximately RMB630.7 million in 2008 to approximately RMB1,232.9 million in 2009 and further increased to approximately RMB2,274.4 million in 2010. For the six months ended June 30, 2010 and 2011, our revenue from sales of high-grade cement was RMB756.1 million and RMB1,758.2 million, respectively. The increase in our revenue of high-grade cement was primarily due to increased demand from public infrastructure projects during the Track Record Period as a result of economic development in our target regions and the PRC government's RMB4 trillion stimulus package.

The table below sets forth a breakdown of our revenue by the specific geographical location in which we operated for the periods indicated:

	Year ended December 31,			Six months ended June 30,	
	2008	2009	2010	2010	2011
	(RMB'000)	(RMB'000)	(RMB'000)	(RMB'000)	(RMB'000)
				(Unaudited)	
Central China.....	2,621,803	3,274,251	4,403,309	1,829,726	3,190,958
Northeast China	738,536	1,140,973	1,726,129	682,809	881,832
Total	<u>3,360,339</u>	<u>4,415,224</u>	<u>6,129,438</u>	<u>2,512,535</u>	<u>4,072,790</u>

Our revenue derived from sales of our cement and clinker products in central China increased by 24.9% from approximately RMB2,621.8 million in 2008 to approximately RMB3,274.3 million in 2009 and further increased by 34.5% to approximately RMB4,403.3 million in 2010. Our revenue derived from sales of our cement and clinker products in northeast China increased by 54.5% from approximately RMB738.5 million in 2008 to approximately RMB1,141.0 million in 2009 and further increased by 51.3% to approximately RMB1,726.1 million in 2010. Our revenue derived from sales of our cement and clinker products in central China increased by 74.4% from RMB1,829.7 million for

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the six months ended June 30, 2010 to RMB3,191.0 million for the six months ended June 30, 2011. Our revenue derived from sales of our cement and clinker products in northeast China increased by 29.1% from RMB682.8 million for the six months ended June 30, 2010 to RMB881.8 million for the six months ended June 30, 2011.

Cost of sales

Our cost of sales was approximately RMB2,684.0 million, RMB3,695.4 million, RMB5,080.3 million and RMB2,870.5 million for the years ended December 31, 2008, 2009 and 2010 and the six months ended June 30, 2011, respectively. Our cost of sales consists of raw materials, coal, electricity, depreciation, labor costs, and other costs. Cost of sales as a percentage of our total revenue was approximately 79.9%, 83.7%, 82.9% and 70.5% for the years ended December 31, 2008, 2009 and 2010 and the six months ended June 30, 2011, respectively.

We took various measures to reduce our material costs, including equipping all of our clinker and cement production lines with advanced NSP technology, and equipping most of our production lines with residual heat recovery systems that recycle heat generated in the clinker production process. We used flyash and other industrial wastes in our cement production process to reduce our raw materials cost and to minimize the impact of our operations on the environment. We also used desulfurized gypsum to replace natural gypsum in our production of cement.

The table below sets forth breakdowns of our cost of sales in absolute amounts and as a percentage of cost of sales for the periods indicated:

	Year ended December 31,						Six months ended June 30,			
	2008		2009		2010		2010		2011	
	RMB'000	% of total	RMB'000	% of total	RMB'000	% of total	RMB'000	% of total	RMB'000	% of total
	(Unaudited)									
Raw materials	1,065,291	39.7	1,375,468	37.2	1,605,351	31.6	649,197	28.5	863,420	30.1
Coal.....	919,587	34.3	1,330,973	36.0	2,145,121	42.2	1,010,903	44.4	1,263,625	44.0
Electricity.....	487,868	18.2	658,284	17.8	862,220	17.0	410,604	18.1	455,361	15.9
Depreciation	165,149	6.1	264,559	7.2	381,708	7.5	165,545	7.3	229,515	8.0
Labor costs	35,470	1.3	45,558	1.3	64,786	1.3	28,814	1.3	41,063	1.4
Others.....	10,592	0.4	20,580	0.5	21,072	0.4	10,046	0.4	17,516	0.6
Total	<u>2,683,957</u>	<u>100.0</u>	<u>3,695,422</u>	<u>100.0</u>	<u>5,080,258</u>	<u>100.0</u>	<u>2,275,110</u>	<u>100.0</u>	<u>2,870,500</u>	<u>100.0</u>

Costs of raw materials

Our costs of raw materials primarily comprise excavation costs of limestone, purchase costs of sandstone, gypsum, flyash, sulfuric acid residue and slag, and to a lesser extent ingredients used in the production of cement, such as clinker. Our costs of raw materials represented approximately 39.7%, 37.2%, 31.6% and 30.1% of our total cost of sales for the years ended December 31, 2008, 2009 and 2010 and the six months ended June 30, 2011, respectively.

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We contract Independent Third Party contractors to excavate limestone from our limestone quarries (except for the quarry located in Weihui, Henan province, which we excavated ourselves). We pay contractors a fixed excavation fee for each tonne of limestone excavated, and fixed fees are adjusted at the beginning of each year based on changes in excavation costs and consumable materials used in the relevant limestone quarries. Our agreements with contractors are for a term of one year, each of our contractors is required to excavate a certain minimum volume of limestone per year. All limestone excavated by our contractors can only be supplied to us, and our contractors are not allowed to supply this limestone to any other party.

Costs of coal and electricity

Cost of coal is a principal component of our cost of sales. Our cost of coal was approximately RMB919.6 million, RMB1,331.0 million, RMB2,145.1 million and RMB1,263.6 million for the years ended December 31, 2008, 2009 and 2010 and the six months ended June 30, 2011, respectively, representing approximately 34.3%, 36.0%, 42.2% and 44.0% of our total cost of sales. For the years ended December 31, 2008, 2009 and 2010 and the six months ended June 30, 2011, our average purchase price of coal per tonne was approximately RMB585.7, RMB546.7, RMB692.6 and RMB749.5, respectively. In order to secure adequate coal supplies at competitive prices, we have established long-term relationships with various coal suppliers.

Cost of electricity is also a principal component of our cost of sales. The price of electricity increased during the Track Record Period, and our average electricity purchase price per KWh was approximately RMB0.47, RMB0.49, RMB0.52 and RMB0.54, respectively, for the years ended December 31, 2008, 2009 and 2010 and the six months ended June 30, 2011. Our cost of electricity was approximately RMB487.9 million, RMB658.3 million, RMB862.2 million and RMB455.4 million for the years ended December 31, 2008, 2009 and 2010 and the six months ended June 30, 2011, respectively, representing approximately 18.2%, 17.8%, 17.0% and 15.9% of our total cost of sales during those periods.

We began using our residual heat recovery system to generate electricity in 2008. For the years ended December 31, 2008, 2009 and 2010 and the six months ended June 30, 2011, we generated approximately 91.2 GWh, 355.8 GWh, 534.5 GWh and 294.2 GWh of electricity from our residual heat recovery system, respectively. As a result, we achieved cost savings of approximately RMB33.0 million, RMB142.9 million, RMB228.7 million and RMB132.4 million for the years ended December 31, 2008, 2009 and 2010 and the six months ended June 30, 2011, respectively. The cost savings were calculated by multiplying the amount of the electricity generated from our residual heat recovery system by the difference between the average electricity purchase price per KWh during the same periods and the average cost of generating the electricity using our residual heat recovery system.

Provincial governments in the PRC regulate electricity prices for industrial use and the price per KWh is fixed within a set range. This reduces volatility in electricity costs. For details of the range of price per KWh in various provinces, see the section headed “Industry Overview — Major Cost Factors in Cement Production in the PRC” of this prospectus.

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We expect that raw materials, coal and electricity will continue to account for a majority of our cost of sales.

Gross profit and gross profit margin

Our gross profit, which is equal to our revenue less cost of sales, was approximately RMB676.4 million, RMB719.8 million, RMB1,049.2 million and RMB1,202.3 million for the years ended December 31, 2008, 2009 and 2010 and the six months ended June 30, 2011, respectively. Our gross profit margin, which is equal to gross profit divided by revenue, was approximately 20.1%, 16.3%, 17.1% and 29.5% for the years ended December 31, 2008, 2009 and 2010 and the six months ended June 30, 2011, respectively. The increase in our gross profit from 2008 to 2010 was primarily due to increases in the demand for our products, expansion of our production capacity and the corresponding increases in our sales volume. Our gross profit increased from RMB237.4 million for the six months ended June 30, 2010 to RMB1,202.3 million for the six months ended June 30, 2011, primarily due to a significant increase in our cement average selling price by 38.8% from RMB198.2 per tonne to RMB275.2 per tonne, and an increase in our clinker average selling price by 61.1% from RMB165.7 per tonne to RMB267.0 per tonne, and to a lesser extent, an increase in our cement sales volume from 9.8 million tonnes to 11.8 million tonnes, or 20.5%, for the same periods. For the years ended December 31, 2008, 2009 and 2010 and the six months ended June 30, 2011, our gross profit margin for cement products was 21.3%, 18.8%, 19.9% and 30.0%, respectively, and our gross profit margin for clinker products was 13.7%, 5.2%, 4.8% and 27.8%, respectively. The decrease in our gross profit margin for cement and clinker products from 2008 to 2009 was primarily due to (i) the decrease in our average selling prices of cement and clinker products amid the global financial crisis and (ii) the increase in coal purchase prices. The increase in our gross profit margin for cement products from 2009 to the first half of 2011 was primarily due to the recovery of cement selling prices as a result of PRC government authorities' strict implementation of the policy to phase out cement production capacity with obsolete production technology and the overall market recovery, which was partially offset by the increase in our average purchase price for coal during the same period. Our profit margin for clinker products further decreased from 2009 to 2010 as a result of the increase in coal purchase prices. However, the increase in our profit margin for clinker products from 2010 to the first half of 2011 was mainly attributable to an increase in our average selling price for clinker products from RMB186.2 per tonne for 2010 to RMB267.0 per tonne for the first half of 2011 due to PRC government authorities' strict implementation of the policy to phase out cement and clinker production capacity with obsolete production technology, which in turn reduced the supply of cement and clinker and drove up their selling prices.

Other income

Our other income was approximately RMB97.0 million, RMB134.8 million, RMB188.5 million and RMB139.3 million for the years ended December 31, 2008, 2009 and 2010 and the six months ended June 30, 2011, respectively. Other income primarily consists of value-added tax ("VAT") refunds, incentive subsidies, foreign exchange gains and others, including interest on bank deposits, rental income, release of deferred income and sales of scrap.

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The table below sets forth a breakdown of our other income for the periods indicated:

	Year ended December 31,			Six months ended June 30,	
	2008	2009	2010	2010	2011
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				(Unaudited)	
Value Added Tax (“VAT”) refund...	61,265	83,580	114,463	54,248	77,042
Incentive subsidies	9,856	41,034	33,777	5,593	10,746
Foreign exchange gain (net).....	17,288	60	8,843	1,791	5,569
Others ⁽¹⁾	<u>8,593</u>	<u>10,138</u>	<u>31,371</u>	<u>7,426</u>	<u>45,967</u>
Total.....	<u>97,002</u>	<u>134,812</u>	<u>188,454</u>	<u>69,058</u>	<u>139,324</u>

Note:

- (1) Others include income from interest on bank deposits, rental income, release of deferred income, sales of scrap, gains on disposal of property, plant and equipment and other sources of income.

VAT refunds are granted for low-grade cement products we produce with industrial waste materials constituting not less than 30% of raw materials. We expect that these VAT refunds will be recurring in nature as we expect to continue to use adequate waste materials in our production of low-grade cement. In 2008, 2009, 2010 and the six months ended June 30, 2011, these VAT refunds amounted to approximately RMB61.3 million, RMB83.6 million, RMB114.5 million and RMB77.0 million, respectively. We do not expect these VAT refund policies to be cancelled in the near future, as the Ministry of Finance and the State Bureau of Taxation have issued various circulars since the implementation of the VAT refund policy in 1995 to reiterate the policy of encouraging the use of waste materials.

See “Regulations — PRC VAT Tax” for details of relevant regulations regarding the requirements for granting such VAT refunds.

The incentive subsidies we received in 2008, 2009 and 2010 and the six months ended June 30, 2011 were mainly in the form of governmental grants from local governments to promote and develop local business. In addition, we received subsidies in 2009 for phasing out obsolete production technology. Our PRC legal adviser has advised us that there are no national laws or regulations governing the grant of incentive subsidies to our business, and instead, grants of incentive subsidies are generally made pursuant to policies and vary from one location to another. Other than incentive subsidies in the aggregate amount of RMB1,739,500 received by Yingkou Cement, Zhengzhou Cement (Xingyang), Tianrui Cement, Zhoukou Cement, Dalian Cement and Zhengzhou Tianrui in 2009 and 2010 in relation to which evidences of receipts are obtained but we are not able to provide approvals issued by relevant financial authorities, according to the approvals from relevant governmental authorities regarding the grant of incentive subsidies, receipts and our Company’s confirmation, our PRC legal adviser is of the opinion that our Group has complied with all approvals we received in all material respects.

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Our foreign exchange gain for the years ended December 31, 2008, 2009 and 2010 and the six months ended June 30, 2011 resulted from a loan of US\$50.0 million we obtained from IFC. The gain was recognized as Renminbi appreciated against US Dollars during the same period. According to Hong Kong Accounting Standard 21, monetary items denominated in foreign currencies should be retranslated at the exchange rates prevailing on the dates of the consolidated statements of financial position. Exchange differences arising on settlement of monetary items, and on the translation of monetary items, are recognized as a profit or loss in the year or period in which they arise. For the years ended December 31, 2008, 2009 and 2010 and the six months ended June 30, 2011, we recognized foreign exchange gains of RMB17.3 million, RMB0.1 million, RMB8.8 million and RMB5.6 million, respectively, as we would require less Renminbi to repay our US dollar-denominated loan from IFC.

Our rental income primarily consisted of income from leasing Zhengzhou Tianrui's mixing station to third-parties. Our release of deferred income primarily consisted of the amortization of land premium refunded by local governments to Dalian Cement, Liaoyang Cement and Nanzhao Cement, and the energy-saving technology improvement capital refunded by local governments to Tianrui Cement and Ruzhou Cement. Our amortization of land premium refunded to Dalian Cement, Liaoyang Cement, Nanzhao Cement and Shangqiu Cement was nil, RMB78,000, RMB284,000 and nil respectively, for the year ended December 31, 2008, RMB1.5 million, RMB1.5 million, RMB1.5 million and RMB0.8 million respectively, for the year ended December 31, 2009, RMB3,000, RMB40,000, RMB40,000 and nil respectively, for the year ended December 31, 2010, and RMB20,000, RMB20,000, RMB20,000 and RMB10,217 respectively, for the six months ended June 30, 2011. As a means to promote local economy, these land premium refunds were granted by certain local governments to companies that invested and set up enterprises locally.

Selling and distribution expenses

Our selling and distribution expenses were approximately RMB170.2 million, RMB200.1 million, RMB225.5 million and RMB132.4 million for the years ended December 31, 2008, 2009 and 2010 and the six months ended June 30, 2011, respectively. Our selling and distribution expenses primarily include packaging costs, staff costs, transportation costs and marketing expenses. Our selling and distribution expenses increased throughout the Track Record Period in line with our expansion of operations. As we continue to expand our operations, we expect to strengthen our sales efforts, and our selling and our distribution expenses may increase accordingly.

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The table below sets forth a breakdown of our selling and distribution expenses for the periods indicated:

	Year ended December 31,			Six months ended June 30,	
	2008	2009	2010	2010	2011
	RMB'000	RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000
Staff costs	25,716	29,200	32,468	15,552	19,107
Marketing expenses	17,139	8,823	9,339	4,729	7,684
Transportation expenses	<u>5,225</u>	<u>7,880</u>	<u>12,086</u>	<u>3,876</u>	<u>26,168</u>
Others, including					
Packaging.....	99,261	127,083	131,352	64,455	56,635
Electricity	8,137	10,677	16,755	7,454	9,780
Depreciation.....	5,136	5,371	7,876	3,506	5,142
Normal distribution cost.....	6,691	6,661	10,068	4,168	4,938
Others	<u>2,885</u>	<u>4,435</u>	<u>5,529</u>	<u>1,991</u>	<u>2,983</u>
Subtotal.....	<u>122,110</u>	<u>154,227</u>	<u>171,580</u>	<u>81,574</u>	<u>79,478</u>
Total.....	<u><u>170,190</u></u>	<u><u>200,130</u></u>	<u><u>225,473</u></u>	<u><u>105,731</u></u>	<u><u>132,437</u></u>

Administrative expenses

Our administrative expenses mainly consist of staff costs, general administration expenses, depreciation and amortization, government levies and other expenses. Our administrative expenses were approximately RMB113.7 million, RMB125.3 million, RMB174.6 million and RMB120.5 million for the years ended December 31, 2008, 2009 and 2010 and the six months ended June 30, 2011, respectively.

The table below sets forth a breakdown of our administrative expenses for the periods indicated:

	Year ended December 31,			Six months ended June 30,	
	2008	2009	2010	2010	2011
	RMB'000	RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000
Staff costs	39,263	39,278	50,313	19,121	43,206
General administrative expenses ...	33,093	36,762	55,181	25,661	29,315
Depreciation and amortization	10,337	15,001	21,054	10,816	23,361
Government levies	19,942	23,720	35,945	11,690	19,441
Others	<u>11,071</u>	<u>10,517</u>	<u>12,111</u>	<u>6,993</u>	<u>5,216</u>
Total.....	<u><u>113,706</u></u>	<u><u>125,278</u></u>	<u><u>174,604</u></u>	<u><u>74,281</u></u>	<u><u>120,539</u></u>

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Other expenses

Other expenses represent other business expenses and non-operational expenses, which primarily include cost of sales of waste materials, cost of rental, loss on retirement of fixed assets, and bad and doubtful debt provisions. Our other expenses were approximately RMB22.2 million, RMB15.7 million, RMB7.6 million and RMB10.1 million for the years ended December 31, 2008, 2009 and 2010 and the six months ended June 30, 2011, respectively.

Share of loss of associate

Share of loss of associate primarily related to our investment in Ruiping Shilong. Our share of loss of associate was approximately RMB9.3 million and RMB101.8 million for the years ended December 31, 2008 and 2009, respectively.

In November 2009, after incurring continuing loss of associate for two years due to operational difficulties, Ruiping Shilong decided to suspend its operations until such operational difficulties are resolved. Because we cannot foresee when such difficulties will be resolved and production will resume, we recognized an impairment loss, and our investment value of Ruiping Shilong was nil upon the impairment recognition for the year ended December 31, 2009. Ruiping Shilong resumed partial operations in October 2010, and whether Ruiping Shilong will resume full operations will depend on the prevailing market conditions. As of the Latest Practicable Date, we were not aware of any circumstances that may cause us to provide any funding or incur any liabilities in connection with the resumed operation of Ruiping Shilong. The net assets of Ruiping Shilong were RMB254.6 million as of December 31, 2008 and its net liabilities were RMB0.7 million, RMB78.0 million and RMB93.1 million as of December 31, 2009 and 2010 and June 30, 2011, respectively. Our PRC legal adviser is of the opinion that our liability with respect to Ruiping Shilong is limited to our investment amount in Ruiping Shilong. As we have fully written off our investment in Ruiping Shilong, we would not be subject to any further liabilities and contingent exposures from such investment.

We did not incur any loss of associate for the year ended December 31, 2010 or the six months ended June 30, 2011.

Finance costs

Finance costs primarily include interest on bank loans and other borrowings. Our finance costs were approximately RMB135.4 million, RMB166.7 million, RMB303.3 million and RMB210.9 million for the years ended December 31, 2008, 2009 and 2010 and the six months ended June 30, 2011, respectively.

Profit before taxation

Our profit before taxation was approximately RMB322.7 million, RMB245.0 million, RMB526.7 million and RMB867.6 million for the years ended December 31, 2008, 2009 and 2010 and the six months ended June 30, 2011, respectively.

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Income tax expenses

Our income tax expenses primarily include PRC income tax and deferred tax. Our income tax expenses were approximately RMB90.4 million, RMB81.8 million, RMB128.9 million and RMB212.7 million for the years ended December 31, 2008, 2009 and 2010 and the six months ended June 30, 2011, respectively. Our effective tax rate was approximately 28.0%, 33.4%, 24.5% and 24.5% for the years ended December 31, 2008, 2009 and 2010 and the six months ended June 30, 2011, respectively.

The PRC EIT Law imposes a unified enterprise income tax rate of 25% on both domestic enterprises and foreign-invested enterprises. Under the PRC EIT Law, enterprises that enjoyed a preferential tax rate prior to January 1, 2008 will gradually be subject to the 25% tax rate over five years from January 1, 2008. Enterprises that previously enjoyed a fixed period of tax exemption and reduction will continue to enjoy such preferential tax treatment until the expiry of such prescribed period, and for those enterprises whose preferential tax treatment has not commenced due to an absence of profit, such preferential tax treatment period commences January 1, 2008.

If the relevant government authorities classify our overseas holding companies as resident enterprises, these holding companies will be subject to a 25% tax rate on their global income. In such case, dividend income from other qualified resident enterprises, including dividends payable by our PRC subsidiaries, will be exempt from PRC enterprise income tax. If the relevant government authorities classify our overseas holding companies as non-resident enterprises, their dividend income from sources within China will be subject to a 10% enterprise income tax rate, as applicable. Our financial performance will be adversely affected if such dividends are subject to PRC enterprise income tax.

Profit and total comprehensive income

Our profit and total comprehensive income was approximately RMB232.2 million, RMB163.3 million, RMB397.8 million and RMB654.9 million for the years ended December 31, 2008, 2009 and 2010 and the six months ended June 30, 2011, respectively.

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RESULTS OF OPERATIONS

The following table sets forth our results of operations for the periods indicated:

	Year ended December 31,			Six months ended June 30,	
	2008	2009	2010	2010	2011
	RMB'000	RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000
Revenue	3,360,339	4,415,224	6,129,438	2,512,535	4,072,790
Cost of sales.....	<u>(2,683,957)</u>	<u>(3,695,422)</u>	<u>(5,080,258)</u>	<u>(2,275,110)</u>	<u>(2,870,500)</u>
Gross profit	676,382	719,802	1,049,180	237,425	1,202,290
Other income	97,002	134,812	188,454	69,058	139,324
Selling and distribution expenses...	(170,190)	(200,130)	(225,473)	(105,731)	(132,437)
Administrative expenses	(113,706)	(125,278)	(174,604)	(74,281)	(120,539)
Other expenses	(22,190)	(15,682)	(7,587)	(4,057)	(10,137)
Share of loss of an associate	(9,253)	(101,832)	—	—	—
Finance costs	<u>(135,392)</u>	<u>(166,652)</u>	<u>(303,266)</u>	<u>(99,389)</u>	<u>(210,902)</u>
Profit before taxation	322,653	245,040	526,704	23,025	867,599
Income tax expense	<u>(90,424)</u>	<u>(81,779)</u>	<u>(128,917)</u>	<u>(13,172)</u>	<u>(212,719)</u>
Profit for the year/period and total comprehensive income for the year/period	<u>232,229</u>	<u>163,261</u>	<u>397,787</u>	<u>9,853</u>	<u>654,880</u>

Six months ended June 30, 2011 compared to six months ended June 30, 2010

Revenue

Our revenue was approximately RMB4,072.8 million for the six months ended June 30, 2011, representing an increase of RMB1,560.3 million, or 62.1%, from approximately RMB2,512.5 million for the six months ended June 30, 2010.

Our revenue from sales of cement was approximately RMB3,243.6 million for the six months ended June 30, 2011, representing an increase of RMB1,300.6 million, or 66.9%, from approximately RMB1,943.0 million for the six months ended June 30, 2010. This increase was primarily attributable to (i) a significant increase in the average selling price of our cement products by RMB77.0 per tonne, or 38.8%, from RMB198.2 per tonne for the six months ended June 30, 2010 to RMB275.2 per tonne for the six months ended June 30, 2011; and (ii) an increase in the cement sales volume by 2.0 million tonnes, or 20.5%, from 9.8 million tonnes for the six months ended June 30, 2010 to 11.8 million tonnes for the six months ended June 30, 2011. The significant increase in the average cement selling price was primarily due to the fact that PRC governmental authorities continued to strictly enforce its policy to phase out cement production capacity with obsolete production technology, which drove up the cement selling prices in the market. Consequently, the average selling price of our cement products increased by RMB89.8 per tonne, or 47.4%, from RMB189.6 per tonne to RMB279.4 per tonne in

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central China and increased by RMB28.1 per tonne, or 12.0%, from RMB233.5 per tonne to RMB261.6 per tonne in northeast China, during the same periods. The increase in our cement sales volume was primarily due to (i) the general increase in the market demand for our cement products, particularly the increase in sales to concrete mixture station customers whose products are generally used for infrastructure projects and urban real estate development projects; and (ii) the phasing out of production facilities with obsolete technology from the market. Consequently, our cement sales volume increased by 1.1 million tonnes, or 14.3%, from 7.9 million tonnes to 9.0 million tonnes in central China, and increased by 0.9 million tonnes, or 46.1%, from 1.9 million tonnes to 2.8 million tonnes in northeast China, during the same periods.

Our revenue from sales of clinker was RMB829.2 million for the six months ended June 30, 2011, representing an increase of RMB259.7 million, or 45.6%, from approximately RMB569.5 million for the six months ended June 30, 2010. The increase was primarily due to a significant increase in the average clinker selling price by RMB101.3 per tonne, or 61.1%, from RMB165.7 per tonne for the six months ended June 30, 2010 to RMB267.0 per tonne for the six months ended June 30, 2011, as PRC governmental authorities continued to strictly enforce its policy to phase out clinker production capacity with obsolete production technology, which drove up the clinker selling prices in the market. Consequently, the average selling price of our clinker products increased by RMB116.7 per tonne, or 70.9%, from RMB164.7 per tonne to RMB281.4 per tonne in central China, and increased by RMB87.7 per tonne, or 52.5%, from RMB167.1 per tonne to RMB254.8 per tonne in northeast China, during the same periods. However, our clinker sales volume decreased by 0.4 million tonnes, or 10.4%, from 3.5 million tonnes for the six months ended June 30, 2010 to 3.1 million tonnes for the six months ended June 30, 2011, primarily because a higher percentage of self-produced clinker was used for the production of our own cement products in the six months ended June 30, 2011, particularly in central China.

Our revenue from sales of cement as a percentage of revenue was approximately 79.6% for the six months ended June 30, 2011 and 77.3% for the six months ended June 30, 2010, respectively. Our revenue from sales of clinker as a percentage of revenue was approximately 20.4% for the six months ended June 30, 2011 and 22.7% for the six months ended June 30, 2010, respectively.

Cost of sales

Our cost of sales was approximately RMB2,870.5 million for the six months ended June 30, 2011, representing an increase of RMB595.4 million, or 26.2%, from approximately RMB2,275.1 million for the six months ended June 30, 2010. The increase was in line with the increase in our sales volume and primarily attributable to the growth of our business. Our cost of sales as a percentage of revenue decreased to approximately 70.5% for the six months ended June 30, 2011 from 90.6% for the six months ended June 30, 2010 primarily due to the significant increases in the average selling prices of our cement and clinker products for the six months ended June 30, 2011. Our cost of electricity as a percentage of the cost of sales decreased from 18.1% for the six months ended June 30, 2010 to 15.9% for the six months ended June 30, 2011, primarily due to the fact that for the six months ended June 30, 2011, we installed more residual heat recovery systems and purchased less electricity from external sources than otherwise we would have. Costs of other components of cost of sales as percentages of the cost of sales remained relatively stable during the same periods.

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Gross profit and gross profit margin

As a result of the foregoing reasons, our gross profit increased significantly from approximately RMB237.4 million for the six months ended June 30, 2010 to approximately RMB1,202.3 million for the six months ended June 30, 2011, representing an increase of RMB964.9 million, or 406.4%. Our gross profit margin increased to approximately 29.5% in the six months ended June 30, 2011 from 9.4% in the six months ended June 30, 2010, primarily due to the significant increases in the average selling prices of our cement and clinker products.

Other income

Other income was approximately RMB139.3 million for the six months ended June 30, 2011, an increase of RMB70.2 million, or 101.6%, from approximately RMB69.1 million for the six months ended June 30, 2010. The increase was primarily due to (i) an increase in the sales of scrap as more of our quarries were put in operation, which resulted in increased sales of scrap and waste left from the limestone mining; and (ii) an increase in VAT refunds as our revenue from the sales of cement that utilized recycled materials increased during same periods, which resulted in the increased amount of VAT refunds we received.

Selling and distribution expenses

Our selling and distribution expenses were approximately RMB132.4 million for the six months ended June 30, 2011, representing an increase of RMB26.7 million, or 25.3%, from RMB105.7 million for the six months ended June 30, 2010. The increase was in line with the increase in our sales volume and was primarily due to the growth of our business.

Administrative expenses

Administrative expenses were approximately RMB120.5 million for the six months ended June 30, 2011, representing an increase of RMB46.2 million, or 62.2%, from RMB74.3 million for the six months ended June 30, 2010. The increase was in line with the increase of our sales volume and was primarily due to the growth of our business.

Other expenses

Other expenses were approximately RMB10.1 million for the six months ended June 30, 2011, representing an increase of RMB6.0 million, or 146.3%, from approximately RMB4.1 million for the six months ended June 30, 2010. The increase was primarily due to an increase in our provision for accounts receivables.

Share of loss of associate

We did not incur any loss of associate for the six months ended June 30, 2010 and 2011.

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Finance costs

Finance costs were approximately RMB210.9 million for the six months ended June 30, 2011, representing an increase of RMB111.5 million, or 112.2%, from approximately RMB99.4 million for the six months ended June 30, 2010. The increase was primarily attributable to the increase in short-term borrowings and our issue of short-term financing bonds. See “— Liquidity and Capital Resources — Short-term Financing Bonds”.

Profit before taxation

As a result of the foregoing, our profit before taxation was approximately RMB867.6 million for the six months ended June 30, 2011, representing a significant increase of RMB844.6 million, or 36.7 times approximately, from approximately RMB23.0 million for the six months ended June 30, 2010.

Income tax expenses

Our income tax expenses were approximately RMB212.7 million for the six months ended June 30, 2011, representing a significant increase of RMB199.5 million, or approximately 15.1 times, from approximately RMB13.2 million for the six months ended June 30, 2010.

Profit and total comprehensive income for the period

As a result of the foregoing, our profit for the six months ended June 30, 2011 was approximately RMB654.9 million, representing a significant increase of RMB645.0 million, or approximately 65.2 times, from approximately RMB9.9 million for the six months ended June 30, 2010. The net profit margin increased from 0.4% in the six months ended June 30, 2010 to 16.1% in the six months ended June 30, 2011, primarily attributable to the significant increases in the average selling prices of our cement and clinker products.

Year ended December 31, 2010 compared to the year ended December 31, 2009

Revenue

Our revenue was approximately RMB6,129.4 million in 2010, an increase of RMB1,714.2 million, or 38.8%, from approximately RMB4,415.2 million in 2009.

Our revenue from sales of cement was approximately RMB4,992.1 million in 2010, an increase of RMB1,398.7 million, or 38.9%, from approximately RMB3,593.4 million in 2009. This increase was a result of an increase in the sales volume of our cement products, the expansion of our cement production capacity and an increase in the average selling price of our products in central China. Our cement production capacity increased by 30.3% from approximately 27.0 million tonnes in 2009 to approximately 35.2 million tonnes in 2010 as we commenced the operations of certain cement production lines in Liaoyang, Xiaoxian, Nanzhao and Xuchang, which helped us address the increased market demand for our products. Consequently our cement sales volume increased by 5.4 million tonnes, or 32.3%, to approximately 22.1 million tonnes in 2010. The sales volume of our cement products in the central China and northeast China was 17.0 million tonnes and 5.1 million tonnes in

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2010, respectively, representing an increase of approximately 27.7% and 50.4%, or 3.7 million tonnes and 1.7 million tonnes, from 2009, respectively. The average selling price of our cement products in central China and northeast China were approximately RMB224.0 and RMB231.3 per tonne in 2010, an increase of RMB18.0 and a decrease of RMB18.6 per tonne, or a 8.7% increase and 7.4% decrease, from RMB206.0 and RMB249.9 per tonne in 2009, respectively. The price increase in central China for our cement was primarily due to certain PRC government authorities' strict implementation of environmental protection measures designed to phase out production facilities utilizing obsolete technology, which in turn reduced the supply of cement and drove up its selling prices. The price decrease in northeast China for our cement was primarily due to increased local competition which decreased our prices.

Our revenue from sales of clinker was RMB1,137.3 million in 2010, an increase of RMB315.5 million, or 38.4%, from RMB821.8 million in 2009. The increase was primarily due to an increase in sales volume of clinker products, the expansion of our clinker production capacity and an increase in the average selling prices of our clinker. Our clinker production capacity increased by 24.4% from approximately 16.9 million tonnes in 2009 to approximately 21.0 million tonnes in 2010. Our clinker sales volume was approximately 6.1 million tonnes in 2010, an increase of 1.3 million tonnes, or 27.1%, from approximately 4.8 million tonnes in 2009. The average selling price of clinker in central China and northeast China was approximately RMB185.0 per tonne and RMB187.7 per tonne in 2010, or an increase of 7.7% and 8.3%, from RMB171.8 per tonne and RMB173.3 per tonne in 2009. The price increase in clinker in both central China and northeast China was primarily due to certain PRC government authorities' implementation of environmental protection measures reducing local clinker production capacities, which in turn reduced the supply of clinker and thus increased its selling prices.

Our revenue from sales of cement as a percentage of our revenue was approximately 81.4% in both 2009 and 2010, respectively. Our revenue from sales of clinker as a percentage of our revenue was approximately 18.6% in 2009 and 18.6% in 2010, respectively.

Cost of sales

Our cost of sales was approximately RMB5,080.3 million in 2010, representing an increase of RMB1,384.9 million, or 37.5%, from approximately RMB3,695.4 million in 2009. The increase was primarily attributable to the growth of our business. Our cost of sales as a percentage of revenue decreased slightly to approximately 82.9% in 2010 from 83.7% in 2009 primarily because we used more waste materials and equipped more residual heat recovery systems in our production. Our cost of coal as a percentage of cost of sales increased from approximately 36.0% in 2009 to 42.2% in 2010, primarily due to an increase in coal prices. Consequently, our costs of raw materials and costs of electricity as a percentage of cost of sales decreased from 37.2% in 2009 to 31.6% in 2010 and from 17.8% in 2009 to 17.0% in 2010, respectively.

Gross profit and gross profit margin

As a result of the foregoing reasons, our gross profit increased from approximately RMB719.8 million in 2009 to approximately RMB1,049.2 million in 2010, representing an increase of RMB329.4

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million, or 45.8%. Our gross profit margin increased from 16.3% in 2009 to approximately 17.1% in 2010, primarily due to the increase in the average selling price of our cement in central China and, to a lesser extent, an increase in the average selling price of our clinker in central China and northeast China.

Other income

Other income was RMB188.5 million in 2010, an increase of RMB53.7 million, or 39.8%, from RMB134.8 million in 2009. The increase was primarily due to an increase in VAT refunds for using recycled waste materials in our cement production.

Selling and distribution expenses

Our selling and distribution expenses were approximately RMB225.5 million in 2010, an increase of RMB25.4 million, or 12.7%, from RMB200.1 million in 2009. The increase was primarily due to the expansion of our operations in 2010, including our commencement of certain clinker and cement production lines in various subsidiaries.

Administrative expenses

Our administrative expenses were approximately RMB174.6 million in 2010, an increase of RMB49.3 million, or 39.3%, from RMB125.3 million in 2009. The increase was primarily due to the expansion of our operations in 2010, including our commencement of certain clinker and cement production lines in various subsidiaries.

Other expenses

Other expenses were approximately RMB7.6 million in 2010, a decrease of RMB8.1 million, or 51.6%, from approximately RMB15.7 million in 2009. The decrease was primarily due to a decrease in our provision for bad and doubtful debts.

Share of loss of associate

We did not incur any loss of associate for the year ended December 31, 2010.

Finance costs

Our finance costs were approximately RMB303.3 million in 2010, an increase of RMB136.6 million, or 81.9%, from approximately RMB166.7 million in 2009. The increase was primarily attributable to the increase in short-term borrowings and our issue of short-term financing bonds. See “— Liquidity and Capital Resources — Short-term Financing Bonds”.

Profit before taxation

As a result of the foregoing, our profit before taxation was approximately RMB526.7 million in 2010, an increase of RMB281.7 million, or 115.0%, from approximately RMB245.0 million in 2009.

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Income tax expenses

Our income tax expenses were approximately RMB128.9 million in 2010, an increase of RMB47.1 million, or 57.6%, from approximately RMB81.8 million in 2009. The increase was primarily due to our increased profit before tax in 2010.

Profit and total comprehensive income for the year

As a result of the foregoing, our profit and total comprehensive income for the year was approximately RMB397.8 million in 2010, an increase of RMB234.5 million, or 143.6%, from approximately RMB163.3 million in 2009. The net profit margin increased from 3.7% in 2009 to 6.5% in 2010, mainly attributable to the recovery in the average selling prices of our cement and clinker products in central China as a result of certain PRC government authorities' strict implementation of its policy to phase out obsolete production technology, which reduced the supply of cement and consequently drove up its selling prices.

Year ended December 31, 2009 compared to year ended December 31, 2008

Revenue

Our revenue was approximately RMB4,415.2 million in 2009, an increase of RMB1,054.9 million, or 31.4%, from approximately RMB3,360.3 million in 2008.

Our revenue from sales of cement was approximately RMB3,593.4 million in 2009, an increase of RMB758.1 million, or 26.7%, from approximately RMB2,835.3 million in 2008. This increase was the result of an increase in sales volume of our cement products and our increased production capacity for cement products, which was partially offset by the decrease in the average selling price of our cement products. Our cement production capacity increased by 48.5% from approximately 18.6 million tonnes in 2008 to approximately 27.0 million tonnes in 2009 as we commenced the operation of certain cement production lines in Xingyang, Yingkou, Ningling and Ruzhou. Our cement sales volume was approximately 16.7 million tonnes in 2009, an increase of 4.5 million tonnes, or 36.9%, from approximately 12.2 million tonnes in 2008. The increase in sales volume was primarily due to the increasing demand for our cement products in the regional markets in which we operate. Our sales volume of cement products in central China and northeast China was 13.3 million tonnes and 3.4 million tonnes in 2009, respectively, representing increases of 33.5% and 50.0%, or 3.3 million tonnes and 1.1 million tonnes from 2008, respectively. The average selling price of our cement products in central China and northeast China was approximately RMB206.0 and RMB249.9 per tonne in 2009, representing decreases of RMB20.2 and RMB5.0 per tonne, or 8.9% and 2.0%, from RMB226.2 and RMB255.0 per tonne in 2008, respectively. The price decrease was primarily due to effects of the global financial crisis.

Our revenue from sales of clinker was RMB821.8 million in 2009, an increase of RMB296.8 million, or 56.5%, from RMB525.0 million in 2008. The increase was primarily due to the increased sales volume of our clinker products and our increased production capacity for clinker products. Our clinker production capacity increased by 40.2% from approximately 12.0 million tonnes in 2008 to approximately 16.9 million tonnes in 2009. The clinker sales volume was approximately 4.8 million

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tonnes in 2009, an increase of approximately 2.2 million tonnes, or 87.5%, from approximately 2.5 million tonnes in 2008. The increase in clinker sales volume was primarily due to the fact that our new clinker production lines commenced production earlier than our new cement production lines in 2009. The average selling price of clinker was approximately RMB172.3 per tonne in 2009, representing a decrease of RMB34.1 per tonne, or 16.5%, from RMB206.4 per tonne in 2008. The price decrease was primarily due to the effects of the global financial crisis.

Our revenue from sales of cement as a percentage of revenue was approximately 84.4% in 2008 and 81.4% in 2009, respectively. Revenue from sales of clinker as a percentage of revenue was approximately 15.6% in 2008 and 18.6% in 2009, respectively. The increase in the revenue from sales of clinker as a percentage of revenue and decrease in the revenue from sales of cement as a percentage of revenue was mainly due to the fact that our new clinker production lines commenced production earlier than our new cement production lines in 2009.

Cost of sales

Our cost of sales was approximately RMB3,695.4 million in 2009, an increase of RMB1,011.4 million, or 37.7%, from approximately RMB2,684.0 million in 2008. The increase was primarily attributable to the growth of our business. Cost of sales as a percentage of revenue increased to approximately 83.7% in 2009 from 79.9% in 2008, primarily due to the decreases in our average selling prices for clinker and cement products, which consequently drove down our gross profit margin. Cost of coal as a percentage of cost of sales increased from approximately 34.3% in 2008 to 36.0% in 2009, primarily due to an increase in the proportion of the sales of clinker, as to which the cost of coal constitutes a majority of the cost of sales in our product mix. Consequently, the costs of raw materials and the costs of electricity as a percentage of our cost of sales decreased from 39.7% in 2008 to 37.2% in 2009 and from 18.2% in 2008 to 17.8% in 2009, respectively.

Gross profit and gross profit margin

As a result of the foregoing, our gross profit increased from approximately RMB676.4 million in 2008 to approximately RMB719.8 million in 2009, representing an increase of RMB43.4 million, or 6.4%. Our gross profit margin decreased from 20.1% in 2008 to approximately 16.3% in 2009. The decrease in our profit margin was primarily due to a decrease in the selling price of both cement and clinker products as a result of the global financial crisis.

Other income

Other income was RMB134.8 million in 2009, an increase of RMB37.8 million, or 39.0%, from RMB97.0 million in 2008. The increase was primarily due to an increase in VAT refunds and government subsidies.

Selling and distribution expenses

Our selling and distribution expenses were approximately RMB200.1 million in 2009, an increase of RMB29.9 million, or 17.6%, from RMB170.2 million in 2008. The increase was primarily due to our expansion of operations in 2009.

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Administrative expenses

Our administrative expenses were approximately RMB125.3 million in 2009, an increase of RMB11.6 million, or 10.2%, from RMB113.7 million in 2008. The increase was primarily due to our expansion of operations.

Other expenses

Other expenses were approximately RMB15.7 million in 2009, a decrease of RMB6.5 million, or 29.3%, from approximately RMB22.2 million in 2008. The decrease was primarily due to a decrease in our provision for bad and doubtful debts.

Share of loss of associate

Our share of loss of associate was approximately RMB101.8 million in 2009, an increase of RMB92.5 million from approximately RMB9.3 million in 2008. The increase was primarily due to recognition of impairment loss of our investment in Ruiping Shilong. In November 2009, after incurring continuing loss for two years due to certain operational difficulties, Ruiping Shilong decided to suspend its operation until operational difficulties could be resolved. Since we cannot foresee when such difficulties will be resolved and the production be resumed, we recognized an impairment loss and the net asset value of Ruiping Shilong was reduced to nil upon the impairment recognition for the year ended December 31, 2009.

Finance costs

Our finance costs were approximately RMB166.7 million in 2009, an increase of RMB31.3 million, or 23.1%, from approximately RMB135.4 million in 2008. The increase was primarily attributable to our increased bank borrowings.

Profit before taxation

As a result of the foregoing, our profit before taxation was approximately RMB245.0 million in 2009, a decrease of RMB77.7 million, or 24.1%, from approximately RMB322.7 million in 2008.

Income tax expenses

Our income tax expenses were approximately RMB81.8 million in 2009, a decrease of RMB8.6 million, or 9.5%, from approximately RMB90.4 million in 2008. The decrease was primarily due to our decreased profit before tax in 2009.

Profit and total comprehensive income for the year

As a result of the foregoing, our profit and total comprehensive income for the year was approximately RMB163.3 million in 2009, a decrease of RMB68.9 million, or 29.7%, from

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approximately RMB232.2 million in 2008. Our net profit margin decreased from 6.9% in 2008 to 3.7% in 2009, mainly attributable to our provision of RMB101.8 million in connection with our investment in Ruiping Shilong, the decrease in our average selling prices of cement and clinker products amid the global financial crisis, and the increase in our coal purchase prices.

LIQUIDITY AND CAPITAL RESOURCES

Our principal sources of liquidity have historically been cash generated from operations and bank borrowings. We have historically used cash from such sources for working capital, production facility expansions, other capital expenditures and debt service requirements. We anticipate these uses will continue to be our principal uses of cash in the future.

Cash Flow

We conduct all of our operations through our operating subsidiaries in China. Cash flows generated by our operating subsidiaries on a stand-alone basis may differ significantly from that presented in our consolidated statements of cash flows. The following table sets forth certain information regarding our consolidated statements of cash flows for the periods indicated:

	Year ended December 31,			Six months ended June 30,	
	2008	2009	2010	2010	2011
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				(Unaudited)	
Net cash generated from operating activities	717,068	992,494	1,285,023	911,390	1,920,420
Net cash used in investing activities	(2,115,705)	(3,034,381)	(2,814,121)	(1,242,935)	(19,152)
Net cash generated from/(used in) financing activities	1,325,278	2,194,410	1,472,398	232,695	(1,491,447)
Net (decrease)/increase in cash and cash equivalents	(73,359)	152,523	(56,700)	(98,850)	409,821
Effect of foreign exchange rate changes	(724)	—	—	—	—
Cash and cash equivalents at beginning of year/period	321,656	247,573	400,096	400,096	343,396
Cash and cash equivalents at the end of year/period	247,573	400,096	343,396	301,246	753,217

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Net cash generated from operating activities

The following table summarizes our cash flow from operating activities for the periods indicated:

	Year ended December 31,			Six months ended June 30,	
	2008	2009	2010	2010	2011
	RMB'000	RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000
Operating cash flows before					
movements in working capital ...	657,686	823,024	1,236,932	309,572	1,321,242
Change in working capital —					
generated/(used)	<u>122,469</u>	<u>278,520</u>	<u>121,843</u>	<u>639,870</u>	<u>779,127</u>
Cash generated from operations..	780,155	1,101,544	1,358,775	949,442	2,100,369
Tax paid	<u>(63,087)</u>	<u>(109,050)</u>	<u>(73,752)</u>	<u>(38,052)</u>	<u>(179,949)</u>
Net cash generated from					
operating activities	<u>717,068</u>	<u>992,494</u>	<u>1,285,023</u>	<u>911,390</u>	<u>1,920,420</u>

Our net cash generated from operating activities was approximately RMB717.1 million in 2008. This net cash inflow was primarily a result of (i) profit before taxation in the amount of approximately RMB322.7 million, (ii) adjustments for depreciation on property, plant and equipment in the amount of approximately RMB183.3 million and finance costs in the amount of approximately RMB135.4 million, and (iii) an increase in trade and other payables in the amount of approximately RMB518.6 million as we purchased more supplies for production, which was partially offset by (x) an increase in inventories in the amount of approximately RMB307.3 million as our business grew, (y) an increase in trade and other receivables in the amount of approximately RMB80.7 million as a result of an increase in sales, and (z) income tax paid in the amount of approximately RMB63.1 million.

Our net cash generated from operating activities was approximately RMB992.5 million in 2009. This net cash inflow was primarily a result of (i) profit before taxation in the amount of approximately RMB245.0 million, (ii) adjustments for depreciation on property, plant and equipment in the amount of approximately RMB283.7 million and finance costs in the amount of approximately RMB166.7 million, and (iii) an increase in trade and other payables in the amount of approximately RMB774.1 million as we purchased more supplies for production, which was partially offset by (x) an increase in trade and other receivables in the amount of approximately RMB386.8 million as a result of an increase in sales, (y) income tax paid in the amount of approximately RMB109.1 million, and (z) an increase in inventories in the amount of approximately RMB108.9 million in line with the growth of our business.

Our net cash generated from operating activities was approximately RMB1,285.0 million in 2010. This net cash inflow was primarily a result of (i) profit before taxation in the amount of approximately RMB526.7 million, (ii) adjustments for depreciation on property, plant and equipment in the amount of approximately RMB400.5 million and finance costs of approximately RMB303.3 million, and (iii) an increase in trade and other payables in the amount of approximately RMB854.2

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million as we purchased more supplies for production, which was partially offset by (x) an increase in trade and other receivables in the amount of approximately RMB586.1 million as a result of an increase in sales, (y) an increase in inventories in the amount of approximately RMB144.8 million in line with the growth of our business, and (z) income tax paid in the amount of approximately RMB73.8 million.

Our net cash generated from operating activities was approximately RMB911.4 million for the six months ended June 30, 2010. This net cash inflow was primarily a result of (i) profit before taxation in the amount of approximately RMB23.0 million, (ii) adjustments for depreciation of property, plant and equipment in the amount of approximately RMB181.8 million and finance costs of approximately RMB99.4 million, and (iii) an increase in trade and other payables in the amount of approximately RMB1,352.4 million as we purchased more supplies for our productions, which was partially offset by (x) an increase in inventories in the amount of approximately RMB128.9 million in line with the growth of our business, (y) an increase in trade and other receivables in the amount of approximately RMB583.6 million as a result of an increase in sales, and (z) income tax paid in the amount of approximately RMB38.1 million.

Our net cash generated from operating activities was approximately RMB1,920.4 million for the six months ended June 30, 2011. This net cash inflow was primarily a result of (i) profit before taxation in the amount of approximately RMB867.6 million, (ii) adjustments for depreciation on property, plant and equipment in the amount of approximately RMB242.4 million and finance costs of approximately RMB210.9 million, and (iii) an increase in trade and other payables in the amount of approximately RMB1,834.9 million as we purchased more supplies for production, which was partially offset by (x) an increase in trade and other receivables in the amount of approximately RMB961.1 million as a result of an increase in sales, (y) income tax paid in the amount of approximately RMB179.9 million, and (z) an increase in inventories in the amount of approximately RMB93.4 million in line with the growth of our business.

Net cash used in investing activities

Our net cash used in investing activities was approximately RMB2,115.7 million in 2008, primarily reflecting (i) payment of approximately RMB1,506.5 million for property, plant and equipment, (ii) the deposit of approximately RMB462.0 million we paid for property, plant and equipment, (iii) the payment for land use rights of RMB91.9 million, and (iv) the payment of approximately RMB59.5 million for the acquisition of mining rights.

Our net cash used in investing activities was approximately RMB3,034.4 million in 2009, primarily reflecting (i) payment of approximately RMB1,449.8 million for property, plant and equipment, (ii) the deposit of approximately RMB1,096.5 million we paid for property, plant and equipment, (iii) the increase in restricted bank balances of approximately RMB310.7 million, (iv) the payment for land use rights of RMB108.9 million, and (v) the payment of approximately RMB74.8 million for the acquisition of mining rights.

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Our net cash used in investing activities was approximately RMB2,814.1 million in 2010, primarily reflecting (i) the deposit of approximately RMB1,303.9 million we paid for property, plant and equipment, (ii) the increase in restricted bank balances of approximately RMB1,068.0 million, (iii) payment of approximately RMB422.8 million for property, plant and equipment, (iv) the payment for land use rights of RMB24.6 million, and (v) the payment of approximately RMB19.5 million for the acquisition of mining rights.

Our net cash used in investing activities was approximately RMB1,242.9 million for the six months ended June 30, 2010, primarily reflecting (i) the deposit of approximately RMB601.8 million we paid for property, plant and equipment, (ii) an increase in restricted bank balances of approximately RMB595.8 million, (iii) payment of approximately RMB28.1 million for property, plant and equipment, and (iv) the payment of approximately RMB12.1 million for the acquisition of mining rights.

Our net cash used in investing activities was approximately RMB19.2 million for the six months ended June 30, 2011, primarily reflecting (i) the deposit of approximately RMB337.3 million we paid for property, plant and equipment, (ii) the payment for land use rights of RMB77.8 million, (iii) payment of approximately RMB46.6 million for property, plant and equipment, and (iv) the payment of approximately RMB15.3 million for the acquisition of mining rights, which was largely offset by a decrease in restricted bank balances of approximately RMB430.7 million.

Net cash generated from financing activities

Our net cash generated from financing activities was approximately RMB1,325.3 million in 2008, representing (i) new borrowings of approximately RMB1,090.7 million, and (ii) issuance of new shares of approximately RMB628.7 million, as partially offset by (x) repayment of borrowings of approximately RMB280.0 million, and (y) payment of interest of approximately RMB144.9 million. Our cash generated from financing activities was used primarily as working capital and for our expansion of production capacity and acquisition of mining rights, property, plant and equipment.

Our net cash generated from financing activities was approximately RMB2,194.4 million in 2009, representing new borrowings of approximately RMB2,960.3 million, as partially offset by (i) repayment of borrowings of approximately RMB474.5 million, and (ii) payment of interest of approximately RMB263.1 million. Our cash generated from financing activities was used primarily as working capital and for our expansion of production capacity and acquisition of mining rights, property, plant and equipment.

Our net cash generated from financing activities was approximately RMB1,472.4 million in 2010, representing (i) new borrowings of approximately RMB2,400.2 million, (ii) proceeds of RMB972.5 million from discounted bills and bills payable raised, and (iii) the issue of short-term financing bonds of RMB500.0 million, as partially offset by (x) repayment of borrowings of approximately RMB1,938.3 million, and (y) payment of interest of approximately RMB375.1 million. Our cash generated from financing activities was used primarily as working capital and for our expansion of production capacity and acquisition of mining rights, property, plant and equipment.

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Our net cash generated from financing activities was approximately RMB232.7 million for the six months ended June 30, 2010, representing new borrowings of approximately RMB1,138.4 million, which was partially offset by (i) repayment of borrowings of approximately RMB714.8 million, and (ii) interest payment of RMB167.8 million.

Our net cash used in financing activities was approximately RMB1,491.4 million for the six months ended June 30, 2011, representing (i) settlement of bills payables of approximately RMB1,522.5 million, (ii) repayment of borrowings of approximately RMB1,390.9 million, and (iii) interest payment of approximately RMB238.8 million, which was partially offset by (x) new borrowings of approximately RMB990.3 million, and (y) issue of short-term financing bonds of RMB500.0 million.

Capital Commitments and Contingent Liabilities

Capital commitments

We have entered into production facility construction contracts as well as equipment purchase agreements. The table below sets forth the total amounts of our commitments as of the dates indicated:

	As of December 31,			As of June 30,
	2008	2009	2010	2011
	RMB'000	RMB'000	RMB'000	RMB'000
Capital expenditure of our Group in respect of acquisition and construction of property, plant and equipment				
- contracted for but not provided in the consolidated financial statements ⁽¹⁾	810,533	861,935	791,575	766,720
- authorized but not contracted for ⁽²⁾	1,495,982	2,734,339	1,547,821	1,273,362

Notes:

- (1) Contracts were signed, but the contracted items have not been delivered as of each date of consolidated statements of financial position.
- (2) Authorized by internal budget, but no contract has been signed as of each date of consolidated statements of financial position.

As of December 31, 2008, our capital commitments that have been contracted but not provided for primarily related to the capital commitments for the construction of the production lines in Xingyang and Liaoyang. As of December 31, 2009, our capital commitments that have been contracted but not provided for primarily related to the capital commitments for the construction of clinker production lines in Dalian, Liaoyang and Xiaoxian and the Yuzhou Phase II Project. We have also incurred commitments in relation to certain new projects to be constructed. As a result, we have incurred a larger amount of capital commitments that have been authorized but not contracted for as of December 31, 2009. As of December 31, 2010, our capital commitments that have been contracted

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but not provided for primarily related to the capital commitments to the construction of our cement production lines in Yuzhou and Tianjin, grinding facilities in Dalian and residual heat recovery systems of our production facilities in Dalian, Nanzhao and Liaoyang. We plan to finance these capital commitments with funds generated from our operations and bank borrowings. As of June 30, 2011, our capital commitments that have been contracted but not provided for primarily related to the capital commitments to the construction of cement grinding facilities in Tianjin and Dalian, residual heat recovery systems in Liaoyang and clinker and cement production lines in Yuzhou.

Operating lease commitments

Operating lease payments represent rentals payable by us for certain of our office properties. Leases are negotiated for an average term of one year and rentals are fixed throughout the lease term. The table below sets forth our commitments for rental payments under such operating leases as of the dates indicated:

	As of December 31,			As of June 30,
	2008	2009	2010	2011
	RMB'000	RMB'000	RMB'000	RMB'000
Within one year.....	65	488	—	600

Contingent Liabilities

The table below sets forth the undiscounted maximum amount of potential future payments under guarantee as of the dates indicated:

	As of December 31,			As of June 30,
	2008	2009	2010	2011
	RMB'000	RMB'000	RMB'000	RMB'000
Guarantees given to banks in respect of banking facilities granted to:				
- related parties	—	111,000	181,000	60,000
- third-parties.....	—	—	50,000	50,000
	<u>—</u>	<u>111,000</u>	<u>231,000</u>	<u>110,000</u>

As of December 31, 2008, 2009, 2010 and June 30, 2011, we considered risks arising from contingent liabilities to be remote, and no financial guarantee liabilities were recognized in our consolidated statement of financial position. As of the Latest Practicable Date, all the guarantees issued by our Group for the benefit of related parties had been terminated.

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Statement of Indebtedness

We have financed our operations primarily through cash flows from operations, loans from banks, and proceeds from the issuance of short-term financing bonds. The table below sets forth our borrowings as of the dates indicated:

	As of December 31,			As of June 30,	As of October 31,
	2008	2009	2010	2011	2011
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000 (Unaudited)
Bank borrowings					
- fixed-rate ⁽¹⁾	110,000	376,500	1,154,500	1,042,972	732,999
- variable-rate ⁽²⁾	729,000	2,946,014	3,081,780	3,012,230	4,031,930
IFC loan at variable-rate ⁽³⁾	341,730	341,670	247,358	214,857	209,933
Syndicated loans at variable-rate ⁽⁴⁾	<u>1,676,014</u>	<u>1,678,416</u>	<u>1,093,515</u>	<u>852,675</u>	<u>911,676</u>
	2,856,744	5,342,600	5,577,153	5,123,734	5,886,538
Short-term debenture	—	—	500,000	1,000,000	1,000,000
Bank borrowing relating to bills discounted with recourse ⁽⁵⁾	—	—	218,500	253,452	71,430
Other loans at fixed-rate ⁽⁶⁾	<u>2,800</u>	<u>2,720</u>	<u>2,720</u>	—	—
Total.....	<u>2,859,544</u>	<u>5,345,320</u>	<u>6,298,373</u>	<u>6,377,186</u>	<u>6,957,968</u>
Secured	2,776,744	4,800,600	5,665,653	5,247,186	5,732,968
Unsecured.....	<u>82,800</u>	<u>544,720</u>	<u>632,720</u>	<u>1,130,000</u>	<u>1,225,000</u>
Total.....	<u>2,859,544</u>	<u>5,345,320</u>	<u>6,298,373</u>	<u>6,377,186</u>	<u>6,957,968</u>

Notes:

- (1) The fixed rate borrowings carry interest rates ranging from 7.8%-9.6%, 4.9%-9.2%, 5.3%-10.7%, 5.3%-10.4% and 5.3%-10.9% per annum for the years ended December 31, 2008, 2009 and 2010, the six months ended June 30, 2011 and the ten months ended October 31, 2011, respectively.
- (2) The variable rate borrowings carry interest rates ranging from 5.2%-7.0%, 4.9%-8.5%, 5.3%-7.7%, 5.3%-7.7% and 5.3%-7.9% per annum for the years ended December 31, 2008, 2009 and 2010, the six months ended June 30, 2011 and the ten months ended October 31, 2011, respectively. Such interest rates are determined based on the benchmark interest rate announced by the People's Bank of China.
- (3) As of December 31, 2008, 2009 and 2010, June 30, 2011 and October 31, 2011, the interest rate for our IFC Loan is determined based on LIBOR plus 2%, 2.288%, 2.288%, 2.288% and 2.288%, respectively.
- (4) As of December 31, 2008, 2009 and 2010, June 30, 2011 and October 31, 2011, approximately RMB1,676.0 million, RMB1,678.4 million, RMB1,093.5 million, RMB852.7 million and RMB911.7 million, respectively, represented borrowings from syndicated loans charged at 95% of the 3-5 years benchmark interest rates announced by the People's Bank of China.

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- (5) As of December 31, 2010, such amount represented intercompany bills receivables of RMB218,500,000 arising from intercompany transactions discounted to various financial institutions with full recourse. Such discounted bills carried fixed interest rates, ranging from 3.21% to 4.75% per annum as of December 31, 2010. The intercompany bills represented (i) an aggregate borrowing of RMB180.0 million from Huaxia Bank (Dalian Development Zone Sub-branch) (華夏銀行大連開發區支行) (the underlying bills were issued for Yingkou Cement to purchase clinker from Dalian Cement and Liaoyang Cement); (ii) an aggregate borrowing of RMB15.0 million from China Bohai Bank (Dalian Branch) (渤海銀行大連分行) (the underlying bills were issued for Yingkou Cement to purchase clinker from Dalian Cement); and (iii) an aggregate borrowing of RMB23.5 million from Yingkou Bank (Dalian Branch) (營口銀行大連分行) (the underlying bills were issued for Liaoyang Cement to purchase coal through centralized purchase by Yingkou Cement to benefit from a lower unit purchase price of coal as a result of our centralized purchases from a coal supplier based in Yingkou. Yingkou Cement purchased clinker from Dalian Cement and Liaoyang Cement to satisfy its clinker needs for the production of cement products because Yingkou Cement itself does not have any clinker production facilities. These bills had expired by August 13, 2011, and their settlements have all been completed. Our entering into the intercompany bill arrangements was mainly due to their low interest rates compared to interest rates for bank loans. As of June 30, 2011, such amount represented (i) intercompany bills receivables of RMB223,500,000 arising from intercompany transactions discounted to various financial institutions with full recourse and (ii) bills receivables of RMB29,952,000 arising from customers discounted to various financial institutions with full recourse. Such discounted bills carried fixed interests ranging from 3.58% to 7.68% per annum as of June 30, 2011. Our Directors confirm that all these intercompany transactions and bills discounting arrangement are bona fide. Our PRC legal adviser is of the view that these intercompany transactions and the bills discounting arrangement are in compliance with applicable PRC Laws and regulations.
- (6) As of December 31, 2008, 2009, 2010, June 30, 2011 and October 31, 2011, such amounts represented loans from an Independent Third Party, Zhengzhou Baisha Town Labor Protection Bureau (鄭州市白沙鎮勞保所), of RMB2.8 million, RMB2.7 million, RMB2.7 million, nil and nil which carried a fixed-interest rate of 9.6% per annum. Such borrowings are unsecured and repayable on demand. Such loan was fully repaid in April 2011.
- * In respect of the loans with a carrying amount of RMB1,121,609,000 as of October 31, 2011, we breached certain of the terms of the loans and the lenders have the right to demand for immediate payment. The borrowings have been classified as a current liability as of October 31, 2011. On discovery of the breach, our management informed the lenders and commenced a renegotiation of the terms of the loans with relevant lender. As of October 31, 2011, those negotiations had not been concluded.

As of December 31, 2008, 2009, 2010 and June 30, 2011, our Group had bank and other borrowings of approximately RMB2,859.5 million, RMB5,345.3 million, RMB6,298.4 million and RMB6,377.2 million, of which approximately RMB82.8 million, RMB544.7 million, RMB632.7 million and RMB1,130.0 million were unsecured. Our bank borrowings carry variable interest rates ranging from approximately 5.2% to 9.6% in 2008, 4.9% to 9.2% in 2009, 5.3% to 10.7% in 2010 and 5.3% to 10.4% from January 1, 2011 to June 30, 2011.

As of October 31, 2011, we had banking facilities of approximately RMB3,939.5 million, of which approximately RMB2,734.5 million was unutilized. Our aggregate outstanding bank borrowings as of October 31, 2011, including bank borrowings relating to bills discounted with recourse, amounted to approximately RMB5,958.0 million, of which approximately RMB5,733.0 million was secured by fixed charges on certain of our assets such as properties, mining rights, land use rights and short-term bank deposits. As of October 31, 2011, we had short-term debenture of RMB1,000.0 million and contingent liabilities in respect of guarantee provided to a third party of RMB50.0 million. There is no loan capital of our Company or any of our subsidiaries, which has been issued or agreed to be issued, fully or partly paid either for cash or for a consideration other than cash. In addition, we do not have any loan capital that is under option or is agreed conditionally or unconditionally to be put under any option.

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The table below sets forth the maturity profile of our borrowings and short-term debenture as of the dates indicated:

	As of December 31,			As of June 30,	As of October 31,
	2008	2009	2010	2011	2011
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000 (Unaudited)
On demand or within one year..	306,800	2,994,281	4,277,373	4,460,336	5,209,428
More than one year, but not exceeding two years	554,095	639,636	577,000	484,250	726,540
More than two years, but not exceeding five years.....	1,998,649	1,626,403	1,413,000	1,401,600	1,022,000
More than five years	—	85,000	31,000	31,000	—
	<u>2,859,544</u>	<u>5,345,320</u>	<u>6,298,373</u>	<u>6,377,186</u>	<u>6,957,968</u>
Less: amount due within one year shown under current liabilities.....	<u>(306,800)</u>	<u>(2,994,281)</u>	<u>(4,277,373)</u>	<u>(4,460,336)</u>	<u>(5,209,428)</u>
Amount due after one year	<u>2,552,744</u>	<u>2,351,039</u>	<u>2,021,000</u>	<u>1,916,850</u>	<u>1,748,540</u>

IFC Loan

Tianrui Cement entered into a US\$50.0 million loan agreement (the “IFC Loan”) with IFC on June 28, 2007. Tianrui Cement subsequently fully drew down the IFC Loan and pursuant to the repayment schedule, Tianrui Cement shall repay the last installment of the IFC Loan on July 5, 2015. The interest rate on the IFC Loan was determined with a reference to the LIBOR. The IFC Loan is secured by charges of certain land use rights, buildings, machinery, equipment and mining rights of Tianrui Cement and certain of its PRC subsidiaries and charge of the equity interest held by Tianrui Cement in certain of its PRC subsidiaries. See “— Pledged Assets”. Under the terms of this IFC Loan, (i) starting from 2009, the debt service coverage ratio (as defined in the relevant IFC Loan documents) should not be less than 1.1; (ii) the capital expenditure should not be more than 120% of the amount permitted by the lenders for 2007 and 2008; (iii) the interest coverage ratio (as defined in the relevant IFC Loan documents) should not be less than 3.5 for 2007 and 2008; and (iv) the leverage ratio (as defined in the relevant IFC Loan documents) should not be more than 4.9 for 2007, 4.9 for the first half of 2008, 4.6 for the second half of 2008, 4.3 for the first half of 2009 and 3.5 for the second half of 2009 and afterwards, while any loan amounts or borrowing commitments under the loan agreements are still outstanding.

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JPM Facility

Tianrui Cement and nine of its subsidiaries in the PRC, i.e., Ruzhou Cement, Antai Cement, Zhoukou Cement, Shangqiu Cement, Yingkou Cement, Liaoyang Cement, Nanzhao Cement, Weihui Cement and Zhengzhou Tianrui (together, the “Borrowers”), entered into a facility agreement on August 22, 2007 with a syndicate of financial institutions led by JPM on a joint and several basis. Under the JPM Facility, the syndicate granted the Borrowers a credit facility of up to RMB1,993 million. The JPM Facility consists of several tranches and the Borrowers drew down an aggregate of RMB1,679.7 million in 2007 and 2008. The interest rates on amounts drawn under the JPM Facility are determined with reference to the benchmark interest rate promulgated by PBOC at the time when the JPM Facility was entered into. The Borrowers shall repay the last installment of the JPM Facility on July 5, 2012. The JPM Facility is secured by a mortgage of certain land use rights, buildings, mining rights, machinery, equipment and accounts receivable of the Borrowers and another subsidiary of Tianrui Cement, and charge of certain equity interests held by the Borrowers. See “— Pledged Assets” in this section. Under the terms of the JPM Facility, (i) starting from 2009, the debt service coverage ratio (as defined in relevant JPM Facility documents) should not be less than 1.1; (ii) the capital expenditure should not be more than 120% of the amount permitted by the lenders for 2007 and 2008; (iii) the interest coverage ratio (as defined in relevant JPM Facility documents) should not be less than 3.5 for 2007 and 2008; and (iv) the leverage ratio (as defined in relevant JPM Facility documents) should not be more than 4.9 for 2007, 4.9 for the first half of 2008, 4.6 for the second half of 2008, 4.3 for the first half of 2009 and 3.5 for the second half of 2009 and afterwards, while any loan amounts or borrowing commitments under the loan agreements are still outstanding. On April 16, 2010 we entered into a supplementary agreement in respect of the JPM Facility under which it was agreed that the scope of the security to be provided by us would be reduced subject to certain conditions, and the parties acknowledged that the amount that had been released under the JPM Facility was RMB1.68 billion as opposed to the RMB1.99 billion as originally stated.

During the Track Record Period, although we were able to service our interest and principal installments obligations under the IFC Loan and the JPM Facility on time, we failed to comply with certain terms and covenants contained in the IFC Loan and the JPM Facility which resulted in us being in default of these two agreements, both of which contain cross-default provisions. The terms or covenants we have breached during the Track Record Period or thereafter include:

- several terms requiring us to complete the registration of charges or mortgages over certain assets in favor of the facility agent, including primarily the requirement that we complete the process of obtaining land and building use rights certificates for Yuzhou Cement and have those rights mortgaged in favor of the facility agent;
- a covenant requiring us to maintain our leverage ratio below a certain prescribed threshold, which leverage ratio we have not been able to maintain as of each of December 31, 2009, June 30, 2010 and December 31, 2010; and
- several covenants requiring us to provide certain financial information within the required time frame, such as audited accounts and cash flow forecasts, to the facility agent.

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The circumstances leading to such non-compliances are as follows:

- (i) our application for and the registration of charges or mortgages over certain assets to relevant local authorities were suspended or delayed due to the complexity of the application process and, as a result, we failed to complete the registration of charges or mortgages on schedule as required under the IFC Loan and the JPM Facility.
- (ii) we have significantly expanded our business and have experienced significant growth since we entered into the IFC loan and the JPM Facility, which required more capital than we originally expected when entering into the IFC Loan and the JPM Facility. As a result, we incurred other bank borrowings and debts in an aggregate amount larger than permitted under the IFC Loan and the JPM Facility and we breached the prescribed leverage ratio. As of June 30, 2011, our leverage ratio was 3.4 and had satisfied the covenant requirement under the IFC Loan and the JPM Facility due to the significant increase in our revenue in the past.
- (iii) we have provided the draft annual audited financial reports of 2009 and 2010 to the lenders under the IFC Loan and the JPM Facility. However, the issuance of the final reports for 2009 and 2010 by our auditors was delayed in anticipation of, and in preparation for, this Global Offering.

We have communicated with the lenders with respect to such breaches. Since the occurrence of such non-compliances and up to the Latest Practicable Date, we have not breached any other financial or other covenants. Some of our other bank loans contain cross-default provisions. Our PRC legal adviser is of the view that the breaches under the IFC Loan and the JPM Facilities did not trigger any cross-default provisions of such other loan agreements we have entered into, as either such cross-default provisions are not applicable to the breaches or we have obtained the confirmation letter from relevant bank confirming that we do not breach any covenants or terms under such loan agreement and we will not be requested for early repayment.

We plan to use the net proceeds of the Global Offering, our cash and bank balances, cash generated from our operations and unutilized bank facilities to repay the IFC Loan and the JPM Facility. We are discussing with relevant lenders under the IFC Loan and the JPM Facility to seek waivers from them with respect to relevant breaches, which we may not be able to obtain before the completion of the Global Offering. See “Risk Factors — Risks Relating to Our Business — We are highly leveraged, and our business, results of operations and financial condition could be materially and adversely affected by our indebtedness”. During the course of our discussion with the lenders, we are not aware of any of their intention to request the early repayment of the loans before the completion of the Global Offering. We plan to use the funds available under our bank facilities to repay these loans in the event that an early repayment of the IFC Loan and the JPM Facility is requested by relevant lenders. As of October 31, 2011, the aggregate outstanding principal of the IFC Loan was US\$33.2 million (or approximately RMB211.8 million equivalent) and the aggregate outstanding principal of the JPM Facility was RMB911.7 million, and as of October 31, 2011 we had

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unutilized available bank facilities up to RMB2,734.5 million. In the case of an early repayment of such principal amounts, we believe that the unutilized available bank facilities would be sufficient to repay such principal amounts, and we do not expect that our business, financial condition, results of operations or liquidity will be materially and adversely affected.

Short-term Financing Bonds

We issued an aggregate principal amount of RMB500.0 million short-term, unsecured financing bonds (the “first tranche financing bonds”) in November 2010. The bonds bear interest at a rate of 4.1% per annum, payable upon the maturity of the bonds. We issued the second tranche of the financing bonds (the “second tranche financing bonds”) in the same principal amount in March 2011, with an interest rate of 5.55% per annum payable upon the maturity of the second tranche financing bonds. Both the first tranche financing bonds and the second tranche financing bonds were registered with the National Association of Financial Market Institutional Investors of the PRC (中國銀行間市場交易商協會) and were issued in the PRC interbank debenture market (全國銀行間債券市場) to institutional investors. The proceeds from the issue of these two tranches of financing bonds are or are expected to be used as working capital for various projects of our Group and for our repayment of various short-term bank loans, including using RMB200.0 million in December 2010 to repay a syndicate loan under the JPM Facility, so as to reduce our financing costs and to improve our debt structure.

We have undertaken certain covenants in connection with these two tranches of financing bonds and as of the Latest Practicable Date, we have been in compliance with those covenants. In addition, we are required to disclose to our bond investors information that is material to their investment decisions. We considered this Global Offering material information and we have disclosed relevant information to our bond investors accordingly.

Internal Controls Over Bank Loans

We have designated our treasurer of our finance department to review and examine our financial conditions quarterly and when we draw down a new loan. The reviews are focused on, among other things, any potential non-compliance with our current bank loan covenants and once any potential non-compliance is identified, the treasurer will report it to our chief financial officer and the management team which will take appropriate actions to address such potential non-compliance. We are of the view that our implementations of the above internal control measures will significantly strengthen our ability to manage our financial condition, particularly to monitor certain financial ratios and figures, so as to avoid future non-compliance with our bank loan covenants.

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CAPITAL EXPENDITURES

Our capital expenditures comprise expenditures for the construction of production facilities and the acquisition of buildings, plant and machinery, motor vehicles, office equipment, construction in progress and mining rights. Historically, we have funded our capital expenditures through cash generated from our operations, bank borrowings and issuances of short-term bonds.

	As of December 31,			As of June 30,
	2008	2009	2010	2011
	RMB'000	RMB'000	RMB'000	RMB'000
Property, plant and equipment	1,506,505	1,449,826	422,795	46,553
Mining rights	59,492	74,761	19,469	15,250
Deposits paid for property, plant and equipment	461,997	1,096,488	1,303,937	337,326
Total	<u>2,027,994</u>	<u>2,621,075</u>	<u>1,746,201</u>	<u>399,129</u>

Our capital expenditures in 2008 related primarily to the construction of cement grinding facilities in Xuchang, Yingkou and Nanzhao and clinker production lines in Weihui, Dalian, Liaoyang, Guangshan and Xingyang. Our capital expenditures in 2009 related primarily to the construction of cement grinding facilities in Zhoukou and Ruzhou and clinker production lines in Nanzhao, Dalian, Liaoyang, Xingyang and Xiaoxian. Our capital expenditures in 2010 related primarily to the construction of cement grinding facilities in Weihui, Tianjin and Yingkou, clinker production lines in Nanzhao, Dalian, Xiaoxian and Liaoyang and residual heat recovery systems in Xingyang. Our capital expenditure in the first six months of 2011 related primarily to the construction of cement grinding facilities in Tianjin, residual heat power recovery systems in Nanzhao, Xiaoxian, Dalian and Liaoyang and the clinker and cement production lines in Yuzhou.

Following the Global Offering, we will continue to incur capital expenditures to grow our business. Our planned capital expenditures are primarily for the construction of the Yuzhou Phase II Project and Tianjin Project. As of the Latest Practicable Date, we have obtained approvals from the relevant local DRCs to complete construction of these projects. We estimate our total capital expenditures to be approximately RMB489.4 million before the end of 2012. We expect to fund our capital expenditures through our cash and bank balances, cash flow from operations and unutilized banking facilities.

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WORKING CAPITAL

Current Assets and Current Liabilities

The table below sets forth a breakdown of our current assets and current liabilities as of the dates indicated:

	As of December 31,			As of June 30,	As of October 31,
	2008	2009	2010	2011	2011
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000 (Unaudited)
CURRENT ASSETS					
Inventories.....	546,111	656,036	800,861	894,232	881,621
Trade and other receivables.....	212,481	596,062	1,179,917	2,135,534	2,705,098
Available-for-sale investments	—	—	—	4,000	4,000
Amounts due from related parties	3,249	5,072	12,618	11,528	670
Amount due from a former director of Tianrui Cement	6,000	—	—	—	—
Restricted bank balances	45,165	325,914	1,423,888	993,202	911,028
Cash and bank balances	247,573	400,096	343,396	753,217	989,690
Total	<u>1,060,579</u>	<u>1,983,180</u>	<u>3,760,680</u>	<u>4,791,713</u>	<u>5,492,107</u>
CURRENT LIABILITIES					
Trade and other payables	1,203,109	1,940,644	3,577,309	3,985,777	3,869,853
Amounts due to related parties.....	30,861	2,510	10,325	11,856	—
Income tax payable	49,788	28,047	83,886	119,706	145,876
Short term debenture.....	—	—	500,000	1,000,000	1,000,000
Borrowings — due within one year...	<u>306,800</u>	<u>2,994,281</u>	<u>3,777,373</u>	<u>3,460,336</u>	<u>4,209,428</u>
Total	<u>1,590,558</u>	<u>4,965,482</u>	<u>7,948,893</u>	<u>8,577,675</u>	<u>9,225,157</u>
NET CURRENT LIABILITIES	<u>(529,979)</u>	<u>(2,982,302)</u>	<u>(4,188,213)</u>	<u>(3,785,962)</u>	<u>(3,733,050)</u>

We had net current liabilities of approximately RMB530.0 million, RMB2,982.3 million, RMB4,188.2 million, RMB3,786.0 million and RMB3,733.1 million as of December 31, 2008, 2009 and 2010, June 30, 2011 and October 31, 2011, respectively. The increase in net current liabilities from approximately RMB530.0 million as of December 31, 2008 to approximately RMB2,982.3 million as of December 31, 2009 was primarily due to: (i) loans in an aggregate of RMB1,733.2 million under the JPM Facility and the IFC Loan being re-categorized from long-term liabilities to short-term liabilities as such amounts became due within one year as of December 31, 2009 and (ii) our use of increased amount of cash generated from our operations for the construction and development of our production facilities, with related payables recorded as current liabilities and related facilities recorded as non-current assets. The increase in net current liabilities from approximately RMB2,982.3 million as of December 31, 2009 to approximately RMB4,188.2 million as of December 31, 2010 was primarily due to the fact that (i) we used an increased amount of cash generated from our operations

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for the construction and development of our production facilities, with related payables recorded as current liabilities and related facilities recorded as non-current assets; and (ii) we used bank's acceptance bills more frequently and in greater amounts in 2010 to purchase raw materials and coal to support our business operations. The decrease in our net current liabilities from RMB4,188.2 million as of December 31, 2010 to RMB3,786.0 million as of June 30, 2011 was primarily due to (i) an increase in our accounts and other receivables for the six months ended June 30, 2011 in line with our increased revenue and our customer's increasing use of bank's acceptance bills for the purchase of our products; (ii) a significant increase in our cash and bank balances for the six months ended June 30, 2011, primarily driven by the increase in the amount of cash generated from our operation as a result of an improved operating environment and reduction in investment made in our production lines, which was partially offset by loan repayment and settlement of bills payable that we made during the six months ended June 30, 2011; and (iii) our current liabilities remaining relatively stable in the same period.

Our cash used in our purchases of mining rights, properties, plant and equipment, primarily in connection with new production lines, was approximately RMB2,028.0 million, RMB2,621.1 million, RMB1,746.2 million and RMB399.1 million for the years ended December 31, 2008, 2009, 2010 and the six months ended June 30, 2011, respectively. During the Track Record Period, our trade and other payables increased substantially, which contributed significantly to our net current liabilities position as of the relevant balance sheet dates. As of December 31, 2008, 2009 and 2010, June 30, 2011 and October 31, 2011, our trade and other payables were RMB1,203.1 million, RMB1,940.6 million, RMB3,577.3 million, RMB3,958.8 million and RMB3,869.9 million, respectively, which were primarily for our purchase of coal and other supplies for production. As our purchases of coal and other supplies increased in line with our production expansion, our trade and other payables, which we normally recorded as current liabilities, increased as of the relevant balance sheet dates while we used a significant amount of sale proceeds of our products to finance the construction or acquisition of non-current assets. As of December 31, 2008, 2009, 2010, June 30, 2011 and October 31, 2011, our bills payables amounted to nil, RMB327.7 million, RMB1,653.4 million, RMB1,295.4 million and RMB1,610.0 million, respectively. Bills payables increased from 2008 to 2010 as we used an increasing amount of bank acceptance bills to pay for our supplies as a result of our business growth and also because of relatively low costs in using bank acceptance bills as compared to bank borrowings. The decrease in bills payables in the first half of 2011 was primarily due to the fact that we reduced the use of bank acceptance bills as the financing costs relating to bank acceptance bills increased. As of December 31, 2008, 2009 and 2010, June 30, 2011 and October 31, 2011, our trade payables was RMB434.9 million, RMB812.1 million, RMB1,247.4 million, RMB1,636.6 million and RMB1,731.1 million, respectively. The increase of trade payables during the Track Record Period was primarily due to the fact that we purchased more raw materials and coal and incurred other costs in growing our business.

Although we recorded net current liabilities during the Track Record Period, we had not defaulted on any repayment of bank borrowings.

The Chinese government has taken measures, including increasing the banks' reserve requirement ratio and benchmark interest rate, to tighten the credit market since late 2010 amid concerns over inflation and the overheating of the Chinese economy. Notwithstanding these measures, we have been able to obtain sufficient credit facilities required for our business and operations. We

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recently obtained a facility of up to RMB600.0 million from Zhengzhou Zhengbianlu Sub-Branch, China Everbright Bank in August 2011 and a facility of up to RMB300.0 million from Zhengzhou Branch, China Minsheng Bank in September 2011. As of October 31, 2011, we have drawn down several one-year term loans with an aggregate amount of RMB225.0 million from Zhengzhou Branch, China Minsheng Bank, with an annual interest rate of 7.216%, all of which will mature by October 2012. Our Directors believe that we should be able to satisfy all outstanding obligations and liabilities and meet all funding requirements to sustain our operations in 2011 and 2012 taking into consideration the following:

- (i) As of October 31, 2011, our unutilized banking facilities were in an aggregate amount of RMB2,734.5 million, comprising RMB1,180.0 million from Pingdingshan Branch, Bank of China, which is available until July 31, 2012, RMB1,390.0 million from Pingdingshan Branch, Agricultural Bank of China, which is available until June 22, 2012, and an aggregate amount of RMB164.5 million from a few other banks, which are of various expiration dates up to 2012. These banking facilities provide that the relevant banks will provide us with loans up to the amounts mentioned above and that for each loan that is to be drawn down by us under such facilities, we shall enter into separate agreements with the relevant bank, which will set forth interest rate and other terms of the loan based on the prevailing interest rate and other requirements of the bank for similar loans. As advised by our PRC legal adviser, the banking facilities are binding;
- (ii) As of October 31, 2011, we have available cash and bank balances of approximately RMB989.7 million which can be used to repay loans becoming due;
- (iii) With respect to our two tranches of short-term financing bonds of RMB500.0 million each issued in November 2010 and March 2011, respectively, Zhengzhou Zhengdongxinqu Sub-Branch, Guangdong Development Bank, as underwriter, has undertaken that if we cannot complete a new offering of short-term financing bonds within a month after the maturity of each tranche of such short-term financing bonds, Zhengzhou Zhengdongxinqu Sub-Branch, Guangdong Development Bank will provide alternative sources of short-term financing of not less than RMB500.0 million to us to address our funding requirements; and
- (iv) we have obtained confirmations from certain banks on their intention of rolling over a combined amount of approximately RMB1,877.5 million of our existing short-term borrowings as of October 31, 2011 upon maturity. These short-term borrowings, if rolled over, are expected to have a term of up to one year commencing from their respective drawdown dates, based on our prior experience with these banks.

Our Directors confirm that we are not subject to restrictions or covenants that could have a material adverse effect on our business operations and financial condition under our subsisting bank loans as of the Latest Practicable Date.

In the meantime, we had entered into an underwriting agreement with two banks on June 21, 2011 for the issuance of mid-term notes in an aggregate amount of RMB500.0 million and received an approval from National Association of Financial Market Institutional Investors dated November 23, 2011 for the offering of these mid-term notes. We issued our first tranche mid-term notes in a principal

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amount of RMB300.0 million on December 6, 2011 for a term of three years, carrying an interest rate of 8.4% per annum, calculated and payable on an annual basis. We intend to use proceeds from the issuance of the first tranche mid-term notes to repay certain short-term bank loans, thereby improving our debt structure. We expect to issue our second tranche mid-term notes in a principal amount of RMB200.0 million in the first quarter of 2012 and use the proceeds for similar uses. We believe any additional outstanding obligations and liabilities and funding requirements can be met by the cash generated from our operations. In addition, we believe that our net current liabilities position will be substantially improved following the completion of the Global Offering.

As of the Latest Practicable Date, and as otherwise described in this prospectus we had not defaulted on the repayment of any of our borrowings, nor experienced any difficulty in raising funds with our principal banks or in rolling over short-term loans borrowed from various banks. As of October 31, 2011, we had unutilized bank facilities of approximately RMB2,734.5 million. We seek to improve our loan maturity profile by increasing the proportion of long-term bank loans.

Current Ratio and Gearing Ratio

The table below sets forth our current ratio and gearing ratio as of the dates indicated:

	As of December 31,			As of June 30,
	2008	2009	2010	2011
Current ratio ⁽¹⁾	0.67	0.40	0.47	0.56
Gearing ratio ⁽²⁾	0.47	0.61	0.63	0.57

Notes:

- (1) Current ratio is calculated based on current assets divided by current liabilities.
- (2) Gearing ratio is calculated based on total borrowings, net of cash and bank balances, divided by total borrowings, net of cash and bank balances, plus total equity.

Current Ratio

Our current ratio was 0.67, 0.40, 0.47 and 0.56 as of December 31, 2008, 2009 and 2010 and June 30, 2011, respectively. Our current ratio decreased from 0.67 as of December 31, 2008 to 0.40 as of December 31, 2009, primarily because increase in current liabilities, in particular the short term borrowings in 2009, outweighed the increase in current assets.

Our current ratio increased from 0.40 as of December 31, 2009 to 0.47 as of December 31, 2010, and further increased to 0.56 as of June 30, 2011, primarily due to the fact that the increase in our current assets outweighed the increase in our current liabilities.

Gearing Ratio

Our gearing ratio was 0.47, 0.61, 0.63 and 0.57 as of December 31, 2008, 2009 and 2010 and June 30, 2011, respectively. Our gearing ratio increased from 0.47 as of December 31, 2008 to 0.61 as of December 31, 2009 and to 0.63 as of December 31, 2010, primarily due to an increase in our total bank and other borrowings. Our gearing ratio decreased to 0.57 as of June 30, 2011, primarily due to a decrease in our total bank and other borrowings.

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Cash Flow and Capital Management

We seek to effectively manage our cash flow and capital commitments and to ensure that we have sufficient funds to meet our existing and future cash requirements. Based on our current and anticipated levels of operations and conditions in the markets and industry, our Directors believe that our proceeds from this Global Offering, our cash and bank deposits, cash flow from operations, bank borrowings and banking facilities available to us will be sufficient to meet our present requirement for working capital and capital expenditures for the 12 month period following the date of this prospectus. However, our ability to fund our working capital needs, repay our indebtedness and finance other obligations depends on our future operating performance and cash flow, which are in turn subject to prevailing economic conditions, the level of spending by our customers and other factors, many of which are beyond our control. Any future significant acquisition or expansion may also require additional capital, and we cannot assure you that such capital will be available to us on acceptable terms or at all.

In general, we have the ability to generate adequate cash from our operations to fund our ongoing operating cash needs. We have not experienced and do not expect to experience any material difficulties in meeting our obligations as they become due or in raising funds with our principal banks or in rolling over short-term loans borrowed from various banks.

INVENTORIES

The table below sets forth a summary of our inventories as of the dates indicated and average inventory turnover days for the periods indicated:

	As of December 31,			As of June 30,
	2008	2009	2010	2011
	RMB'000	RMB'000	RMB'000	RMB'000
Raw materials and spare parts	296,525	355,961	572,165	700,027
Work-in-progress	6,838	10,080	9,585	8,072
Finished goods	<u>242,748</u>	<u>289,995</u>	<u>219,111</u>	<u>186,133</u>
Total	<u>546,111</u>	<u>656,036</u>	<u>800,861</u>	<u>894,232</u>
Average inventory turnover days ⁽¹⁾	<u>53.4</u>	<u>59.4</u>	<u>52.3</u>	<u>53.9</u>

Note:

- (1) Average inventory turnover days are the result of the average of inventory at the beginning of the period and inventory at the end of the period divided by the cost of sales for the same period and multiplied by 365 days (or 182.5 days for the six months ended June 30, 2011).

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Our total inventories increased from approximately RMB546.1 million as of December 31, 2008 to RMB656.0 million as of December 31, 2009, then to approximately RMB800.9 million as of December 31, 2010 and further increased to RMB894.3 million as of June 30, 2011. Each of the foregoing increases was primarily due to the significant growth of our business.

Our average inventory turnover days increased from 53.4 days in 2008 to 59.4 days in 2009, decreased to 52.3 days in 2010 and then increased to 53.9 days in the first half of 2011. The fluctuation of average inventory turnover days was primarily due to different production commencement time of the various production lines between 2009 and 2010.

For the six months ended June 30, 2011, the cost of inventory recognized as expenses amounted to approximately RMB2,870.5 million, which is much higher than the ending balance of the inventory as of December 31, 2010 of approximately RMB800.9 million. Pursuant to our inventory policy, the value of inventory shall be the inventory's cost or realizable value, whichever is lower. In the case of cost of certain inventories being lower than their realizable value, the realizable value will be recorded as the value of such inventories and relevant provisions will be made. During the Track Record Period, we only made a provision in an amount of approximately RMB980,000 in 2008. As of September 30, 2011, save for the inventory of approximately RMB2.5 million for spare equipment parts and some production accessories, all inventories as of June 30, 2011 have been sold or used for production.

TRADE AND OTHER RECEIVABLES

The table below sets forth our trade receivables as of the dates indicated:

	As of December 31,			As of June 30,
	2008	2009	2010	2011
	RMB'000	RMB'000	RMB'000	RMB'000
Trade receivables, net of allowances for bad and doubtful debts.....	106,365	130,720	192,165	195,447

The table below sets forth our average trade receivable turnover days for the periods indicated:

	Year ended December 31,			Six months ended June 30,
	2008	2009	2010	2011
	Average trade receivables turnover days ⁽¹⁾	7.2	9.8	9.6

Note:

- (1) Average trade receivables turnover days are the result of the average of trade receivables at the beginning of the period and trade receivables at the end of the period divided by the total revenue for the same period and multiplied by 365 days (or 182.5 days for the six months ended June 30, 2011).

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We generally do not grant credit terms to our customers except that we may, depending on the credit history of relevant customers and profile of relevant projects, occasionally grant credit terms ranging from 30 to 180 days to customers involved in large infrastructure projects, and our trade receivables are primarily from the sales of our products to such customers. Our trade receivables were approximately RMB106.4 million, RMB130.7 million, RMB192.2 million and RMB195.4 million as of December 31, 2008, 2009, 2010 and June 30, 2011, respectively. The increase in our trade receivables from 2008 to June 30, 2011 was primarily due to the growth of our business. As of September 30, 2011, we had received approximately RMB98.4 million, or approximately 50.4%, of our net trade receivables outstanding as of June 30, 2011, which were primarily due from customers involved in large infrastructure projects to whom we granted credit terms.

Our average trade receivables turnover days increased from 7.2 days in 2008 to 9.8 days in 2009 and slightly decreased to 9.6 days in 2010. Our average trade receivables turnover days were relatively short during the Track Record Period primarily because we generally did not grant credit terms to our customers except that we, depending on the credit history of customers and profile of relevant projects, occasionally granted credit terms ranging from 30 to 180 days to customers involved in large infrastructure projects. The increase in our average trade receivables turnover days in 2009 was primarily due to our increased proportion of sales relating to large infrastructure projects as to which we have generally granted certain credit terms. Our average trade receivables turnover days decreased from 9.6 days in 2010 to 8.7 days in the first half of 2011, primarily due to our decreased proportion of sales relating to large infrastructure projects as to which we have generally granted credit terms.

The table below sets forth the aging analysis of trade receivables and bill receivables from relevant goods delivery dates as of the respective dates:

	As of December 31,			As of June 30,
	2008	2009	2010	2011
	RMB'000	RMB'000	RMB'000	RMB'000
Within 90 days	94,751	181,338	376,856	548,594
91 to 180 days	6,646	80,503	293,089	710,880
181 to 360 days	291	9,080	17,463	50,199
Over 1 year	7,547	2,089	3,443	—
Total	<u>109,235</u>	<u>273,010</u>	<u>690,851</u>	<u>1,309,673</u>

The increase in trade receivables and bill receivables due within 91 to 180 days as of the relevant balance sheet dates over the Track Record Period was primarily due to the fact that our concrete mixing station customers and customers in major construction projects have increasingly used bank's acceptance bills generally payable within six months for the purchase of our products.

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We generally do not offer credit sales to our customers, except that we may, depending on the credit history of relevant customers and profile of relevant projects, occasionally grant credit terms ranging from 30 to 180 days to customers involved in large infrastructure projects. Provisions for bad and doubtful debts are made for receivables that we believe would be unlikely to be unrecovered.

The table below sets forth an analysis of trade receivables that were over 180 days but not impaired as of the dates indicated:

	As of December 31,			As of June 30,
	2008	2009	2010	2011
	RMB'000	RMB'000	RMB'000	RMB'000
Over 180 days.....	<u>7,838</u>	<u>11,169</u>	<u>20,906</u>	<u>50,199</u>

The receivables of over 180 days as of December 31, 2008, 2009 and 2010 and June 30, 2011 represented approximately 7.4%, 8.5%, 10.9% and 25.7% of our total receivables (net of allowances for bad and doubtful debts) as of relevant dates. We did not hold any collateral over the balances.

The table below sets forth our other receivables (the “Other Receivables”) as of the respective dates:

	As of December 31,			As of June 30,
	2008	2009	2010	2011
	RMB'000	RMB'000	RMB'000	RMB'000
Bills receivables.....	2,870	142,290	498,686	1,114,226
Advance to suppliers.....	53,707	103,770	255,974	583,289
Value Added Tax refund receivables.....	45	32,692	37,014	58,644
Prepayment for various tax.....	9,848	105,115	129,024	84,504
Prepaid lease payments.....	<u>7,822</u>	<u>8,670</u>	<u>10,837</u>	<u>12,157</u>
Other receivables, including				
Deferred and prepaid expenses.....	4,550	4,322	7,766	12,734
Prepaid costs.....	8,495	12,667	12,387	13,430
Petty cash.....	10,957	19,641	22,708	28,243
VAT deductible.....	5,793	29,728	5,510	7,892
Others.....	<u>2,029</u>	<u>6,447</u>	<u>7,846</u>	<u>24,968</u>
Subtotal.....	<u>31,824</u>	<u>72,805</u>	<u>56,217</u>	<u>87,267</u>
Total.....	<u>106,116</u>	<u>465,342</u>	<u>987,752</u>	<u>1,940,087</u>

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Our Other Receivables increased from RMB106.1 million as of December 31, 2008 to RMB465.3 million as of December 31, 2009, then to RMB987.8 million as of December 31, 2010 and further increased to RMB1,940.1 million as of June 30, 2011, primarily due to increases in bills receivables and advance to suppliers. The increase in bills receivables on recourse basis during the Track Record Period was primarily due to the growth of our business, and an increase in the number of our concrete mixing stations and other large customers, which generally would settle their payments due to us through bank's acceptance bills. In particular, our bills receivables increased substantially during the six months ended June 30, 2011 from RMB498.7 million as of December 31, 2010 to RMB1,114.2 million as of June 30, 2011, primarily due to a significant increase in our sales to such large customers, which amounted to RMB2,013.0 million for the first half of 2011 as compared to RMB2,277.7 million for the full year of 2010. With respect to our bills receivables of RMB1,114.2 million as of June 30, 2011, RMB886.9 million of such bills receivables were settled as of September 30, 2011. The increases in VAT refund receivables and VAT deductible in 2009 were primarily due to the delayed payment of the VAT refund at the end of the year as a result of the tightening of the local government's budget, thus contributing to an increase in VAT refund receivables at the end of that year. The increase in advances to suppliers during the Track Record Period was primarily due to the growth of our business. The increase in petty cash during the Track Record Period was primarily due to the prepayment for purchase of coal at a pre-determined price in order to hedge against the increase in coal prices. Prepayment for various taxes during the Track Record Period primarily consisted of (i) prepayment of resources taxes relating to our quarries and (ii) certain tax credits we received in connection with the purchase of our machinery which could be deducted against our value-added tax liability in connection with our other purchases under relevant PRC tax regulations.

The table below sets forth the movements in our allowance for bad and doubtful debts for the periods indicated:

	As of December 31,			As of June 30,
	2008	2009	2010	2011
	RMB'000	RMB'000	RMB'000	RMB'000
Balance at the beginning of the period	4,162	22,736	26,783	31,231
Additional provision for the period	<u>18,574</u>	<u>4,047</u>	<u>4,448</u>	<u>6,793</u>
Balance at the ending of the period	<u><u>22,736</u></u>	<u><u>26,783</u></u>	<u><u>31,231</u></u>	<u><u>38,024</u></u>

Our allowance for bad and doubtful debts was approximately RMB22.7 million as of December 31, 2008, which primarily represented provisions for debts that were past due and unlikely to be recovered. Our allowance for bad and doubtful debts increased to approximately RMB26.8 million as of December 31, 2009, to RMB31.2 million as of December 31, 2010 and further to RMB38.0 million as of June 30, 2011, each increase primarily reflecting an increase in our provisions for aged debts that are not likely to be recovered.

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TRADE AND OTHER PAYABLES

The table below sets forth our trade payables as of the dates indicated:

	As of December 31,			As of June 30,
	2008	2009	2010	2011
	RMB'000	RMB'000	RMB'000	RMB'000
Trade payables	434,893	812,105	1,247,388	1,636,602

The following table sets forth our average trade payables turnover days for the periods indicated:

	Year ended December 31,			Six months ended June 30,
	2008	2009	2010	2011
	Average trade payables turnover days ⁽¹⁾	46.1	61.6	74.0

Note:

- (1) Average trade payables turnover days are the result of the average of trade payables at the beginning of the period and trade payables at the end of the period divided by the cost of sales for the same period and multiplied by 365 days (or 182.5 days for the six months ended June 30, 2011).

Our trade payables are derived primarily from payables relating to purchases of raw materials and other supplies, principally including coal and electricity. The credit period granted to us generally ranges from one month to three months. Our trade payables were approximately RMB434.9 million, RMB812.1 million, RMB1,247.4 million and RMB1,636.6 million as of December 31, 2008, 2009 and 2010 and as of June 30, 2011, respectively. The increase in our trade payables from December 31, 2008 to June 30, 2011 was primarily due to the purchase of a larger quantity of raw materials and other supplies to support the growth of our business during the Track Record Period. With respect to our RMB1,636.6 million of trade payables as of June 30, 2011, RMB497.0 million was settled as of September 30, 2011.

Our average trade payables turnover days increased from 46.1 days as of December 31, 2008 to 61.6 days as of December 31, 2009. The increase was primarily due to the fact that as our business grew, our purchase from suppliers increased and consequently such suppliers were willing to grant us longer credit terms. Our average trade payables turnover days increased from 61.6 days in 2009 to 74.0 days in 2010 due to the fact that we paid our suppliers more frequently through bank's acceptance bills in 2010. Our average trade payables turnover days increased from 74.0 days in 2010 to 91.7 days in the first half of 2011 primarily because we continued to increase the use of bank's acceptance bills in paying our suppliers and we obtained better credit terms from our suppliers when we increased the purchase from them.

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The table below sets forth our other payables as of the dates indicated:

	As of December 31,			As of June 30,
	2008	2009	2010	2011
	RMB'000	RMB'000	RMB'000	RMB'000
Bills payable	—	327,742	1,653,368	1,295,438
Advances from customers	56,916	118,600	97,162	405,832
Construction costs and retention payable	456,832	437,837	335,822	322,753
Other tax payables	<u>24,046</u>	<u>27,423</u>	<u>76,516</u>	<u>119,624</u>
Other payables and accrued expenses, including				
Salaries and benefits	27,785	7,795	12,856	19,681
Borrowing interests and guarantee fees	40,945	28,972	46,954	26,525
Transportation fees	12,372	21,776	14,947	9,709
Deposit	5,933	14,671	16,335	15,219
Mining rights	28,873	23,942	33,041	19,669
Land use rights	38,307	38,307	38,307	38,307
Others	<u>76,207</u>	<u>81,474</u>	<u>4,613</u>	<u>76,418</u>
Subtotal	<u>230,422</u>	<u>216,937</u>	<u>167,053</u>	<u>205,528</u>
Total	<u><u>768,216</u></u>	<u><u>1,128,539</u></u>	<u><u>2,329,921</u></u>	<u><u>2,349,175</u></u>

Our other payables were approximately RMB768.2 million, RMB1,128.5 million, RMB2,329.9 million and RMB2,349.2 million as of December 31, 2008, 2009 and 2010 and June 30, 2011, respectively. The increase in other payables from December 31, 2008 to December 31, 2009 was mainly due to the increases in the bills payable and advances from customers as a result of our expansion of operations. The increase in our other payables from December 31, 2009 to December 31, 2010 was primarily due to a significant increase in bills payable which was in line with the expansion of our operations. Our other payables remained relatively stable from December 31, 2010 to June 30, 2011.

During the Track Record Period, the increase in trade and other payables was mainly due to the growth in our business which caused (i) an increase in the purchases of raw materials and other supplies, (ii) the granting of a longer credit period by our suppliers and (iii) our increasing use of bank acceptance bills.

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PLEDGED ASSETS

The table below sets forth the carrying amounts of our pledged assets as of the dates indicated:

	As of December 31,			As of June 30,
	2008	2009	2010	2011
	RMB'000	RMB'000	RMB'000	RMB'000
Property, plant and equipment	2,482,680	2,309,021	2,853,195	2,332,847
Prepaid lease payments	183,441	216,273	265,906	263,405
Mining rights	66,534	66,843	64,861	64,278
Trade and other receivables	27,169	63,613	70,928	103,609
Restricted bank balances	—	30,000	171,750	101,750
	<u>2,759,824</u>	<u>2,685,750</u>	<u>3,426,640</u>	<u>2,865,889</u>

As of December 31, 2008, 2009 and 2010 and June 30, 2011, approximately RMB2,759.8 million, RMB2,685.8 million, RMB3,426.6 million and RMB2,865.9 million were pledged as security for the JPM Facility, the IFC Loan and other bank loans and facilities, respectively.

As of December 31, 2009 and 2010 and June 30, 2011, the restricted bank balances carried market interest rates of 0.4% to 2.5%, 0.4% to 2.8% and 0.4% to 3.3% per annum, respectively. The restricted bank balances will be released upon the settlement of relevant bank loans and the bank's acceptance bills. There was an increase in restricted bank balances from RMB30.0 million as of December 31, 2009 to RMB171.8 million as of December 31, 2010 due to the fact that we significantly increased the amounts of bank's acceptance bills in making payments to our suppliers, which consequently required a larger amount of restricted bank balances pledged for the bank's acceptance bills. No restricted bank balances were pledged for non-current bank borrowings as of December 31, 2008.

Apart from the assets pledged set out above, Tianrui Cement has pledged all of its equity interests in Ruzhou Cement, Antai Cement, Shangqiu Cement, Zhengzhou Tianrui, Weihui Cement, Yuzhou Cement, Ruiping Shilong, and part of its equity interests in Zhoukou Cement, Dalian Cement, Yingkou Cement, Liaoyang Cement, Nanzhao Cement for certain loans.

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AMOUNT DUE FROM/TO RELATED PARTIES AND RELATED PARTY TRANSACTIONS

As of December 31, 2008, 2009 and 2010 and June 30, 2011, amounts due from related parties (trade in nature) were RMB3.2 million, RMB3.1 million, RMB4.4 million and RMB5.7 million, respectively.

The following table sets forth the aging analysis of amounts due from related parties (trade in nature) from the goods delivery dates:

	As of December 31,			As of June 30,
	2008	2009	2010	2011
	RMB'000	RMB'000	RMB'000	RMB'000
Aging of amounts due from related parties (trade in nature)				
Within 90 days.....	432	—	1,388	2,441
91-180 days	1,082	3	—	246
181-365 days	1,735	97	—	—
Over 1 year.....	—	2,972	3,053	3,053
	<u>3,249</u>	<u>3,072</u>	<u>4,441</u>	<u>5,740</u>

As of December 31, 2008, 2009 and 2010 and June 30, 2011, amounts due from related parties (non-trade in nature) were approximately RMB5.1 million, RMB30.1 million, RMB36.2 million and RMB33.9 million, respectively. The increase in amounts due from related parties (non-trade in nature) from RMB5.1 million as of December 31, 2008 to RMB30.1 million as of December 31, 2009 was primarily due to an amount due from Ruzhou Shi Thermal Power Plant, which is a subsidiary of Tianrui Group. The increase in amounts due from related parties (non-trade in nature) from RMB30.1 million as of December 31, 2009 to RMB36.2 million as of December 31, 2010 was primarily due to an amount due from Ruiping Shilong. The decrease in amounts due from related parties (non-trade in nature) from RMB36.2 million as of December 31, 2010 to RMB33.9 million as of June 30, 2011 was primarily due to the fact that the amount due from Ruiping Shilong was settled.

In 2009, we considered that an amount due from a former director of Tianrui Cement which was unsecured, repayable on September 7, 2009 with an interest rate of 5.31% per annum (representing the one-year benchmark interest rate issued by the People's Bank of China), was not recoverable and thus the outstanding balance was fully impaired.

All amounts due from related parties were denominated in Renminbi, unsecured, interest free (except the amount due from a former director of Tianrui Cement as discussed in the preceding paragraph) and repayable on demand (except the amount due from a former director of Tianrui Cement as discussed in the preceding paragraph).

As of December 31, 2008, 2009, 2010 and June 30, 2011, amounts due to related parties (trade in nature) were approximately RMB0.1 million, RMB0.1 million, RMB0.1 million and RMB0.1 million, respectively.

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The following table sets forth the aging analysis of amounts due to related parties (trade in nature) from the goods delivery date:

	As of December 31,			As of June 30,
	2008	2009	2010	2011
	RMB'000	RMB'000	RMB'000	RMB'000
Aging of amounts due to related parties (trade in nature)				
1-90 days	9	—	—	—
91-180 days	96	—	—	—
Over 1 year	32	137	137	137
	137	137	137	137

All amounts due to related parties with trade nature are within relevant credit terms.

As of December 31, 2008, 2009 and 2010 and June 30, 2011, amounts due to related parties (non-trade in nature) were approximately RMB30.7 million, RMB2.4 million, RMB10.2 million and RMB11.7 million, respectively. The decrease in amounts due to related parties (non-trade nature) from RMB30.7 million as of December 31, 2008 to RMB2.4 million as of December 31, 2009 was primarily due to the repayment of RMB20.0 million to Ruzhou Shi Waste Recycling Company Limited and RMB9.9 million to Tianrui Group in 2009. The increase in amounts due to related parties (non-trade in nature) from RMB2.4 million as of December 31, 2009 to RMB10.2 million as of December 31, 2010 was primarily due to the receipt of a deposit of RMB9.0 million from Tianrui Group Yunyang Foundry Co., Ltd. (天瑞集團雲陽鑄造有限公司). The increase in amounts due to related parties (non-trade in nature) from RMB10.2 million as of December 31, 2010 to RMB11.7 million as of June 30, 2011 was primarily due to the fact we incurred an amount due to Ruiping Shilong.

All amounts due to related parties are unsecured, interest free and repayable on demand.

The amount due to or from related parties that were non-trade in nature will be fully settled before the completion of the Global Offering.

INTANGIBLE ASSETS

Our intangible assets consist of goodwill and mining rights. As of December 31, 2008, 2009 and 2010 and June 30, 2011, the carrying value of our intangible assets amounted to approximately RMB178.6 million, RMB234.4 million, RMB240.8 million and RMB236.5 million, respectively.

Goodwill

The carrying value of our goodwill was approximately RMB12.3 million as of each of December 31, 2008, 2009 and 2010 and June 30, 2011. Our goodwill relates to the excess of consideration over the fair market value of our acquired subsidiaries.

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Mining Rights

The carrying value of our mining rights amounted to approximately RMB166.4 million, RMB222.2 million, RMB228.5 million and RMB224.2 million as of December 31, 2008, 2009 and 2010 and June 30, 2011, respectively.

OFF-BALANCE SHEET ARRANGEMENTS

As of the Latest Practicable Date, we did not have any outstanding derivative financial instruments, off-balance sheet guarantees or foreign currency forward contracts, nor did we engage in trading activities involving non-exchange traded contracts.

QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Interest Rate Risk

We are exposed to interest rate risks resulting from our long-term and short-term borrowings. We undertake borrowings for general working capital purposes and our expansion needs. Our borrowings are subject to both fixed interest rates and variable interest rates. Borrowing at fixed rates and payables for mining rights expose us to a fair value interest rate risk. The variable-rate borrowings and syndicated loans, restricted bank balances and bank balances expose us to cash flow interest rate risk. Upward fluctuations in interest rates increase the cost of new borrowings and the interest costs of our outstanding borrowings. We do not currently have an interest rate hedging policy for fixed-rate borrowings, but we review the mix of our borrowings regularly to monitor our interest rate exposure, and will consider hedging significant interest rate exposure should the need arise. In respect of our IFC Loan, we entered into an interest rate swap contract in 2011, which enabled us to fix LIBOR interest rate at 1.43%. Our exposure to interest rate risk relates primarily to our interest-bearing bank loans, and our policy is to keep our borrowings at variable rates of interest so as to minimize fair value interest rate risk, and to manage our interest rate exposure from all of our interest-bearing loans through the use of a mix of fixed and variable rates.

We have conducted a sensitivity analysis to determine our exposure to interest rates. If interest rates had been 27 basis points higher/lower and all other variables were held constant, our net profit after tax would have decreased/increased by approximately RMB3.5 million, RMB5.5 million, RMB3.3 million, and RMB2.0 million and the amount of borrowing costs capitalized in respect of the Group's qualifying assets would be increased/decreased by approximately RMB1.9 million, RMB 4.6 million, RMB2.8 million and RMB0.4 million for the years ended December 31, 2008, 2009 and 2010 and the six months ended June 30, 2011, respectively.

The range of interest rates on our bank loans was 5.2% to 9.6% in 2008, 4.9% to 9.2% in 2009, 5.3% to 10.7% in 2010 and 5.3% to 10.4% in the first half of 2011. The terms of our bank loans are disclosed in note 30 in section B of the Accountants' Report set forth in Appendix I to this prospectus.

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The above sensitivity analysis is prepared by using certain assumptions on a hypothetical situation. In reality, market interest rates would not change in isolation. The analysis is used for reference purposes and should not be considered a projection of future profits or losses.

Credit Risk

Our maximum exposure to credit risk arises from the amount of contingent liabilities in relation to financial guarantees issued by us. Such exposure to credit risk will cause us financial loss in the event that we fail to discharge an obligation by financial guarantees provided by our Group. We also face credit risk with respect to our trade receivables. We generally do not offer credit terms to our customers except that we may, depending on the credit history of relevant customers and profile of relevant projects, occasionally grant credit terms ranging from 30 to 180 days to customers involved in large infrastructure projects.

In order to minimize our credit risk, our management has delegated a team responsible for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts from credit customers and related parties. In addition, we review the recoverable amount of each debtor at the end of each reporting period to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, we consider that our credit risk is significantly reduced. Additionally, our credit risk is significantly reduced by having our bank balances (including bank balances and restricted bank balances) mainly deposited in state-owned banks, such as the Bank of China, China Construction Bank, Guangdong Development Bank, Shanghai Pudong Development Bank, China Everbright Bank and Agricultural Bank of China, all of which are creditable financial institutions.

We have no significant concentrations of credit risk with exposure spread over a large number of customers across different geographical areas in the PRC.

Liquidity Risk

Our Board has built an appropriate liquidity risk management of our short, medium and long-term funding and liquidity management requirements. We manage the liquidity risk by monitoring and maintaining a level of cash and cash equivalents deemed adequate by our management to finance our operations and mitigate the effects of fluctuations in (both actual and forecast) cash flows. Our management also monitors the utilization of bank borrowings and ensures compliance with loan covenants.

We are exposed to liquidity risk as we had net current liabilities as of December 31, 2008, 2009, 2010 and June 30, 2011. In order to manage our liquidity risk, our management regularly monitors our operating cash flow to meet our short-term and long-term liquidity requirements. We also monitor our utilization of bank borrowings and ensure we comply with loan obligations. We breached certain covenants of the JPM Facility and the IFC Loan. See “Risk Factors — Risks Relating to Our Business — We are highly leveraged, and our business, results of operations and financial condition could be materially and adversely affected by our indebtedness”.

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The following table sets forth out remaining contractual maturity for our financial liabilities for non-derivative liabilities. The table has been prepared to reflect the undiscounted cash flows of financial liabilities based on the earliest date on which we are required to pay. The table includes both interest and principal cash flows.

	Weighted average interest rate	On demand or less than 30 days	31 to 180 days	181 to 365 days	1-2 years	2-3 years	Over 3 years	Total undiscounted cash flows	Carrying amounts
	%	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
As of December 31, 2008									
Trade and other payables		310,298	446,370	353,729	—	—	—	1,110,397	1,110,397
Amounts due to related parties		30,861	—	—	—	—	—	30,861	30,861
Borrowings									
- fixed-rate	7.9	—	—	117,256	—	—	—	117,256	112,800
- variable-rate	5.8	—	—	199,600	586,084	327,194	2,019,085	3,131,963	2,746,744
Other payables - fixed rate	7.3	11,750	—	—	3,501	13,243	41,329	69,823	59,759
		<u>352,909</u>	<u>446,370</u>	<u>670,585</u>	<u>589,585</u>	<u>340,437</u>	<u>2,060,414</u>	<u>4,460,300</u>	<u>4,060,561</u>
As of December 31, 2009									
Trade and other payables		348,943	342,411	1,098,767	—	—	—	1,790,121	1,790,121
Amounts due to related parties		2,510	—	—	—	—	—	2,510	2,510
Financial guarantee liabilities		111,000	—	—	—	—	—	111,000	—
Borrowings									
- fixed-rate	6.4	—	130,689	227,737	30,312	—	—	388,738	379,220
- variable-rate	5.7	1,762,252	289,985	609,502	645,809	639,197	1,344,074	5,290,819	4,966,100
Other payables - fixed rate	7.3	4,500	—	—	12,330	13,222	26,651	56,703	48,860
		<u>2,229,205</u>	<u>763,085</u>	<u>1,936,006</u>	<u>688,451</u>	<u>652,419</u>	<u>1,370,725</u>	<u>7,639,891</u>	<u>7,186,811</u>
As of December 31, 2010									
Trade and other payables		964,878	1,902,129	525,625	—	—	—	3,392,632	3,392,632
Amounts due to related parties		10,325	—	—	—	—	—	10,325	10,325
Financial guarantee liabilities		231,000	—	—	—	—	—	231,000	—
Borrowings									
- fixed-rate	6.4	50,000	650,952	644,186	57,454	—	—	1,402,592	1,375,720
- variable-rate	5.8	1,316,680	402,200	759,950	553,099	706,838	960,418	4,699,185	4,422,653
Other payables - fixed rate	7.3	10,999	—	—	3,284	13,222	24,548	52,053	45,236
Short-term debenture	4.1	—	—	518,792	—	—	—	518,792	500,000
		<u>2,583,882</u>	<u>2,955,281</u>	<u>2,448,553</u>	<u>613,837</u>	<u>720,060</u>	<u>984,966</u>	<u>10,306,579</u>	<u>9,746,566</u>
As of June 30, 2011									
Trade and other payables		1,304,530	1,483,826	661,423	—	—	—	3,449,779	3,449,779
Amounts due to related parties		11,856	—	—	—	—	—	11,856	11,856
Financial guarantee liabilities		110,000	—	—	—	—	—	110,000	—
Borrowings									
- fixed-rate	7.0	209,973	572,052	518,449	—	—	—	1,300,474	1,296,424
- variable-rate	6.2	1,067,533	612,664	502,105	514,514	720,916	952,366	4,370,098	4,080,762
Other payables - fixed rate	7.3	10,542	—	—	12,238	3,480	23,915	50,175	44,779
Short-term debenture	4.8	—	522,000	506,000	—	—	—	1,028,000	1,000,000
		<u>2,714,434</u>	<u>3,190,542</u>	<u>2,187,977</u>	<u>526,752</u>	<u>724,396</u>	<u>976,281</u>	<u>10,320,382</u>	<u>9,883,600</u>

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The amounts included above for financial guarantee contracts are the maximum amounts that we could be required to settle under the arrangement for the full guaranteed amount if that amount is claimed by the counterparty to the guarantee. Based on our expectations as of June 30, 2011, we consider that it is more likely than not that no amount will be payable under the arrangement. However, this estimate is subject to change depending on the probability of the counterparty claiming under the guarantee which is a function of the likelihood that the financial receivables held by the counterparty which are guaranteed suffer credit losses.

As of December 31, 2010 and June 30, 2011, a principal amount of RMB50.0 million with a repayment on demand clause is included in the “on demand or less than 30 days” time frame in the above maturity analysis. Taking into account our financial position, our management does not believe that it is probable that the bank will exercise its discretionary rights to demand immediate repayment. For the purpose of managing liquidity risk, our management reviews the expected cash flow information of the term loan based on the scheduled repayment dates set out in the agreement in the table below:

	Weighted average interest rate	0-30 days	31 to 180 days	181 to 365 days	1-2 years	2-3 years	Over 3 years	Total undiscounted cash flows	Carrying amounts
	%	(RMB'000)							
<u>As of December 31, 2010</u>									
Borrowings.....	6.56	—	—	—	10,656	11,354	37,882	59,892	50,000
<u>As of June 30, 2011</u>									
Borrowings.....	7.32	—	—	10,732	—	11,517	36,653	58,902	50,000

Currency Risk

Our operating activities are primarily carried out in China, and our transactions are primarily denominated in Renminbi. Our Group is mainly exposed to the effects of fluctuation of the Renminbi to the US dollar. We are also exposed to currency risk from bank loans which are denominated in currencies other than the functional currency of the entity to which they relate. We manage our foreign currency risk by closely monitoring the foreign currency exposure and will consider hedging significant currency exposure should the need arise.

The carrying amounts of our foreign currency denominated monetary liabilities as of the dates indicated are as follows:

	As of December 31,			As of June 30,
	2008	2009	2010	2011
	RMB'000	RMB'000	RMB'000	RMB'000
Liabilities denominated in				
US dollars	<u>341,730</u>	<u>341,634</u>	<u>247,358</u>	<u>214,857</u>

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The Renminbi is not a freely convertible currency and the conversion of the Renminbi into foreign currencies is subject to rules and regulations of foreign currency exchange control promulgated by the PRC government. As of June 30, 2011, there had been an approximately 20.2% appreciation of the Renminbi against the US dollar based on the median between buy and sale prices promulgated by PBOC since the removal of the Renminbi's peg to the US dollar on July 21, 2005. There remains significant international pressure on the PRC government to adopt an even more flexible currency policy, which could result in further and more significant appreciation of the Renminbi against the US dollar.

Depreciation of the value of the Renminbi will increase the amount of our non-Renminbi debt service in Renminbi terms since we have to convert Renminbi into non-Renminbi currencies to service our non-Renminbi debt. In addition, since our income and profits are denominated in Renminbi, any depreciation of the Renminbi will decrease the value of, and any dividends payable on, our Shares in foreign currency terms.

The following table sets forth details of our sensitivity to a 5% increase and decrease in the Renminbi against the US dollar as of December 31, 2008, 2009 and 2010 and June 30, 2011. These percentages represent our management's reasonable assessment of the possible change in the foreign exchange rate. This sensitivity analysis includes only outstanding foreign-currency-denominated monetary items, and adjusts their translation at the year end for a respective percentage change in foreign currency rates. The sensitivity analysis includes all loans denominated in US dollars. A positive number below indicates an increase in post-tax profit where the Renminbi strengthens 5% against the US dollar. Where there is a sensitivity rate of 5% decrease in the Renminbi against the US dollar, there would be an equal and opposite impact on the profit, and the balances below would be negative.

	As of December 31,			As of June 30,
	2008	2009	2010	2011
	RMB'000	RMB'000	RMB'000	RMB'000
Profit for the year	12,815	12,811	9,276	8,057

DIVIDEND POLICY

The recommendation of the payment of a dividend is subject to the discretion of our Board, and, after the Listing, any declaration of a final dividend for the year will be subject to the approval of the Shareholders.

Our Directors may recommend a dividend payment in the future after taking into account our operations, earnings, financial condition, cash requirements and availability, capital expenditures and future development requirements and other factors as they may deem relevant at such time. Any declaration and payment as well as the amount of the dividend will be subject to our constitutional documents and the Companies Law and the approval of our Shareholders. Any future declarations of dividends may or may not reflect our historical declarations of dividends.

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Future dividend payments will also depend upon the availability of dividends received from our subsidiaries in the PRC. PRC laws require that dividends be paid only out of the net profit calculated according to PRC GAAP, which differ in many aspects from generally accepted accounting principles in other jurisdictions, including IFRS. PRC laws also require foreign-invested enterprises to set aside part of their net profit as statutory reserves, which are not available for distribution as cash dividends. Distributions from our subsidiaries may also be restricted to the extent that our subsidiaries incur debt or losses or pursuant to any restrictive covenants in bank credit facilities, convertible bond instruments or other agreements that we or our subsidiaries and associated companies may enter into in the future.

No dividend has been paid or declared by the Company or any of its subsidiaries during the Track Record Period.

DISTRIBUTABLE RESERVES

Our distributable reserves consist of share premium and retained earnings. Under the Companies Law, the share premium account is distributable to shareholders if immediately following the date on which we propose to distribute the dividend, we will be in a position to pay our debts as they fall due in the ordinary course of business. As of June 30, 2011, the distributable reserves of our Company were RMB2,378.1 million.

UNAUDITED PRO FORMA STATEMENT OF ADJUSTED NET TANGIBLE ASSETS

The following is an unaudited pro forma statement of adjusted consolidated net tangible assets of our Company that is based on the audited consolidated net tangible assets of our Company attributable to its owner as of June 30, 2011 as shown in the Accountants' Report set forth in Appendix I to this prospectus, adjusted as described below. The unaudited pro forma adjusted consolidated net tangible assets have been prepared for illustrative purposes only and, because of its hypothetical nature, it may not give a true picture of the financial position of our Group as of or after the completion of this Global Offering.

	Audited consolidated net tangible assets of the Group attributable to the owners of the Company as of June 30, 2011 ⁽¹⁾⁽⁵⁾	Estimated net proceeds from the Global Offering ⁽²⁾⁽⁴⁾	Unaudited pro forma net tangible assets	Unaudited pro forma adjusted net tangible assets per Share ⁽³⁾	Unaudited pro forma adjusted net tangible assets per Share ⁽⁴⁾
	RMB'000	RMB'000	RMB'000	RMB	HK\$
Based on an Offer Price of HK\$2.41 per Share.....	3,954,492	748,466	4,702,958	1.96	2.39
Based on an Offer Price of HK\$3.61 per Share.....	3,954,492	1,132,306	5,086,798	2.12	2.59

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Notes:

- (1) The audited consolidated net tangible assets attributable to the owners of our Company as of June 30, 2011 is derived from the consolidated net assets attributable to the owners of our Company as of June 30, 2011 of approximately RMB4,190,996,000 as reported in the Accountants' Report set out in Appendix I to this prospectus, after deducting goodwill and mining rights of approximately RMB236,504,000.
- (2) The estimated net proceeds from the Global Offering are based on the Offer Price of HK\$2.41 and HK\$3.61 per Share, after deducting underwriting fees and other costs directly related to the Global Offering. No account has been taken of the Shares which may be allotted and issued upon the exercise of the Over-allotment Option or the Share Option Scheme.
- (3) The unaudited pro forma adjusted net tangible assets per Share is arrived at after the adjustment for the estimated net proceeds from the Global Offering as described in Note (2) and on the basis of a total of 2,400,900,000 Shares expected to be in issue immediately after the Global Offering. No account has been taken of the Shares which may be allotted and issued upon the exercise of the Over-allotment Option or the Share Option Scheme.
- (4) Amounts in Hong Kong dollars are converted into RMB amounts at a rate of RMB1.00 to HK\$1.2219.
- (5) The property interests of our Group as of October 31, 2011 have been revalued by BMI Appraisals Limited, an independent property valuer, and the relevant property valuation report is set out in Appendix IV to this prospectus. The value of revalued property interests is approximately RMB4,218,210,000. By comparing the valuation of our Group's property interests as set out in Appendix IV and the carrying amount of these properties as of October 31, 2011, the net revaluation surplus on property interests is approximately RMB67,036,000, which has not been included in the above adjusted net tangible assets of our Group.

Revaluation surplus related to property interests will not be recorded in our Group's consolidated financial statements in subsequent years as property interests are carried at cost less accumulated depreciation and any recognized impairment loss. Had property interests been stated at the valuation amount, additional annual depreciation of approximately RMB2,123,000 would be recognized in profit or loss.

PROFIT FORECAST FOR THE YEAR ENDING DECEMBER 31, 2011

We forecast that, on the bases and assumptions set out in Appendix III to this prospectus and in the absence of unforeseen circumstances, the net profit attributable to owners of our Company for the year ending December 31, 2011 is expected to be not less than RMB1,254.0 million.

The unaudited pro forma basic earnings per Share for the year ending December 31, 2011 is expected to be not less than RMB0.52, which has been calculated based on the forecast for net profit attributable to owners of our Company for the year ending December 31, 2011 divided by 2,400,900,000 Share, assuming that the Global Offering had been completed on January 1, 2011 and no outstanding share option will be exercised during the period from the date of this prospectus to December 31, 2011, without taking into account any Shares which may be allotted and issued upon the exercise of the Over-allotment Option.

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The following table illustrates the sensitivity of our forecasted net profit attributable to owners of our Company for the year ending December 31, 2011 to the changes in the average selling prices of our clinker and cement products, assuming that all other factors remain unchanged:

	<u>5% increase in average clinker and cement selling price</u>	<u>10% increase in average clinker and cement selling price</u>	<u>5% decrease in average clinker and cement selling price</u>	<u>10% decrease in average clinker and cement selling price</u>
Increase/(Decrease) in forecasted net profit (RMB in million).....	81.1	162.3	(81.1)	(162.3)
Forecasted net profit (RMB in million).....	1,335.1	1,416.3	1,172.9	1,091.7

The following table illustrates the sensitivity of our forecasted net profit attributable to owners of our Company for the year ending December 31, 2011 to the changes in our average coal purchase prices, assuming that all other factors remain unchanged:

	<u>5% increase in average coal purchase price</u>	<u>10% increase in average coal purchase price</u>	<u>5% decrease in average coal purchase price</u>	<u>10% decrease in average coal purchase price</u>
(Decrease)/increase in forecasted net profit (RMB in million).....	(27.7)	(55.4)	27.7	55.4
Forecasted net profit (RMB in million).....	1,226.3	1,198.6	1,281.7	1,309.4

The following table illustrates the sensitivity of our forecasted net profit attributable to owners of our Company for the year ending December 31, 2011 to the changes in the utilization rate of our production capacity, assuming that all other factors remain unchanged:

	<u>5% increase in the utilization rate of production capacity</u>	<u>10% increase in the utilization rate of production capacity</u>	<u>15% increase in the utilization rate of production capacity</u>	<u>20% increase in the utilization rate of production capacity</u>	<u>5% decrease in the utilization rate of production capacity</u>	<u>10% decrease in the utilization rate of production capacity</u>	<u>15% decrease in the utilization rate of production capacity</u>	<u>20% decrease in the utilization rate of production capacity</u>
Increase/(Decrease) in forecasted net profit (RMB in million)	19.4	38.8	58.1	77.5	(19.4)	(38.8)	(58.1)	(77.5)
Forecasted net profit (RMB in million)	1,273.4	1,292.8	1,312.1	1,331.5	1,234.6	1,215.2	1,195.9	1,176.5

FINANCIAL INFORMATION

Due to the size of our operations, we enjoy economies of scale for certain components of cost of sales such as purchase costs of raw materials and coal. On the other hand, other components of our cost of sales such as depreciation cost of our property, plant and equipment are recorded on a straight-line basis and therefore remain relatively stable during their estimated useful lives and are not likely to be affected by our economies of scale. As a result, an increase or decrease in the size of our operation may not lead to a direct proportionate increase or decrease in our overall cost of sales or profitability.

The sensitivity illustrations above are intended for reference only. Investors should note in particular that (i) these sensitivity illustrations are not meant to be exhaustive and only assume the change only relates to one variable, while other variables remain unchanged; (ii) any variation could exceed the ranges given; and (iii) the profit forecast for the year ending December 31, 2011 is subject to further and additional uncertainties generally.

PROPERTY INTERESTS

BMI Appraisals Limited, an independent property valuer, has valued our property interests as of October 31, 2011 and is of the opinion that the value of our property interests is an aggregate amount of RMB4,218.2 million. The full text of the letter, summary of valuation and valuation certificates with regard to such property interests are set out in Appendix IV — “Property Valuation Report” to this prospectus.

Disclosure of the reconciliation of the aggregate amount of net book value of our Group’s property interests and the valuation of such property interests as required under Rule 5.07 of the Listing Rules is set out below:

	RMB'000
Carrying value of our properties as of June 30, 2011	
- property interests included in buildings and construction in progress	4,264,642
- land use rights.....	<u>582,589</u>
	<u>4,847,231</u>
Less: Property interest not included in Appendix IV ⁽¹⁾	(830,510)
Add: Additions of property interests included in buildings, construction in progress and land use rights	180,459
Less: Depreciation and amortization.....	(46,006)
Net book value of our properties as of October 31, 2011	4,151,174
Revaluation surplus, before income tax and non-controlling interests	<u>67,036</u>
	<u><u>4,218,210</u></u>
Capital value of properties as of October 31, 2011, as set forth in the property valuation report in Appendix IV	<u><u>4,218,210</u></u>

FINANCIAL INFORMATION

Note:

- (1) Property interests not included in Appendix IV to this prospectus include certain ancillary facilities and constructions in progress such as equipment base, storage yard, circulating water pool, conveyer belt, enclosing wall, roads and other relevant facilities located on our quarry land and the land parcel as to which we had not obtained land use right certificate as of October 31, 2011. These ancillary facilities were classified as property, plant and equipment and constructions in progress in the consolidated statements of financial position, but they were not valued by the independent valuer.

NO MATERIAL ADVERSE CHANGE

Our Directors confirm that there has not been any material adverse change in our results of operations, financial condition or business prospects since June 30, 2011.

DISCLOSURE REQUIRED UNDER THE LISTING RULES

Our Directors confirm that, as of the Latest Practicable Date, there are no circumstances which would have given rise to a disclosure requirement under Rules 13.13 to 13.19 of the Listing Rules.

FUTURE PLANS AND USE OF PROCEEDS

FUTURE PLANS

In order to meet the fast growing market demand for cement products, we are currently constructing the Yuzhou Phase II Project and the Tianjin Project. As of the Latest Practicable Date, we have obtained approvals from the relevant local DRCs to complete construction of these projects. As a result, we expect our clinker production capacity will increase by 1.4 million tonnes per annum and our cement production capacity will increase by 5.0 million tonnes per annum upon completion of these projects.

Chinese cement markets are geographically segmented, and a cement production facility in one area can generally only cover its own area and areas nearby. We see good development opportunities in both Yuzhou and Tianjin and have decided to develop our production capacities to meet customers' needs in these two markets as we believe that a significant amount of existing production capacity in Yuzhou does not satisfy the requirements set forth under the Policy of Cement Industry Development; and Tianjin is fast-growing and is making significant investments in developing its infrastructure, particularly relating to its Binhai New Area, an economic development zone designated by the State Council of the PRC, which could result in a significant increase in demand for building and construction materials.

The table below sets forth certain information regarding the estimated capital expenditure of our production facilities in Yuzhou and Tianjin:

	Yuzhou Phase II Project	Tianjin Project
	(RMB million, except expected production commencement time)	
Estimated total capital expenditure	567.7	450.4
Actual capital expenditure incurred as of September 30, 2011	130.7	398.0
Estimated capital expenditure to be incurred	437.0	52.4
Expected production commencement time	December 2012	December 2011

In addition to building new production lines, we will also consider acquiring other cement and clinker producers or production facilities to strengthen our market position. We intend to evaluate acquisition opportunities that may provide us with access to additional markets, production capacity and limestone reserves. In particular, we will focus on large-scale NSP clinker and cement production lines that are newly put into operation, with sufficient limestone reserves and necessary permits, certificates and licenses. We recently signed non-binding memoranda of understanding on potential acquisitions of certain clinker and cement production lines in Henan province (comprising four clinker production lines with an aggregate production capacity of approximately 9.0 million tonnes per annum and four cement production lines with an aggregate production capacity of approximately 12.0 million tonnes per annum) and Liaoning province (comprising two clinker production lines with an aggregate production capacity of approximately 3.1 million tonnes per annum and two cement production lines with an aggregate production capacity of 6.6 million tonnes per annum), which may or may not lead to binding definitive acquisition agreements. As of the Latest Practicable Date, we have not entered into any binding definitive acquisition agreements with any of these potential target companies. Therefore, all the substantive terms regarding any of such potential acquisitions, including, without limitation, clinker and cement production lines to be acquired and acquisition price, are still subject to further negotiation and definitive agreement.

FUTURE PLANS AND USE OF PROCEEDS

We intend to fund the above-mentioned estimated outstanding capital expenditure and potential acquisitions by cash generated from our operations and unutilized bank facilities. As of October 31, 2011, our cash and bank balances amounted to RMB989.7 million and our unutilized banking facilities were in an aggregate amount of RMB2,734.5 million, comprising RMB1,180.0 million from Pingdingshan Branch, Bank of China, which is available until July 31, 2012, RMB1,390.0 million from Pingdingshan Branch, Agricultural Bank of China, which is available until June 22, 2012, and an aggregate amount of RMB164.5 million from several other banks, which are of various expiration dates up to 2012.

USE OF PROCEEDS

We estimate that the aggregate net proceeds to our Company from the Global Offering (after deducting underwriting fees and estimated expenses in connection with the Global Offering payable by us and assuming that the Over-allotment Option is not exercised and an Offer Price of HK\$3.01 per Offer Share, being the mid-point of the indicative offer price range stated in this prospectus) will be approximately HK\$1,149.1 million. We currently intend to apply such net proceeds for the following purposes:

- approximately 95% of the net proceeds from the Global Offering, or HK\$1,091.7 million (equivalent to approximately RMB893.4 million), to be used to repay part of the IFC Loan and the JPM Facility on a pro rata basis according to their respective outstanding principal amounts, which were approximately US\$33.2 million (or approximately RMB211.8 million equivalent) under the IFC Loan and approximately RMB911.7 million under the JPM Facility, respectively, as of October 31, 2011; and
- the remaining 5% of the net proceeds from the Global Offering, or HK\$57.5 million, to be used as our additional general working capital.

To the extent our net proceeds are either more or less than expected, we will adjust our allocation of the net proceeds for the above purposes on a pro rata basis. We intend to settle the remaining balances under the IFC Loan and the JPM Facility with our cash and bank balances, cash generated from our operations and unutilized bank facilities.

Any additional net proceeds that we would receive from any exercise, in full or in part, of the Over-allotment Option may be applied in the manner and the proportions stated above.

To the extent that our net proceeds are not immediately used for the above purposes and to the extent permitted by the relevant laws and regulations, we intend to deposit the net proceeds into short-term interest bearing deposits and/or money market instruments.

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HONG KONG UNDERWRITERS

Joint Lead Managers

Deutsche Bank AG, Hong Kong Branch
BOCI Asia Limited
BOCOM International Securities Limited
CCB International Capital Limited

Co-lead Manager

First Shanghai Securities Limited

UNDERWRITING ARRANGEMENTS AND EXPENSES

Hong Kong Public Offer

Hong Kong Underwriting Agreement

The Hong Kong Underwriting Agreement was entered into on Tuesday, December 13, 2011. As described in the Hong Kong Underwriting Agreement, we are offering the Hong Kong Public Offer Shares for subscription on the terms and subject to the terms and conditions of this prospectus and the Application Forms at the Offer Price. Subject to the Listing Committee of the Hong Kong Stock Exchange granting the listing of, and permission to deal in, our Shares in issue and to be issued as mentioned herein, and to certain other conditions set out in the Hong Kong Underwriting Agreement, the Hong Kong Underwriters have agreed severally and not jointly to subscribe or procure subscribers for the Hong Kong Public Offer Shares which are being offered but are not taken up under the Hong Kong Public Offer on the terms and subject to the conditions of this prospectus, the Application Forms and the Hong Kong Underwriting Agreement.

The Hong Kong Underwriting Agreement is conditional upon and subject to the International Placing Agreement having been signed and becoming and remaining unconditional and not having been terminated in accordance with its terms.

Grounds for Termination

The respective obligations of the Hong Kong Underwriters to subscribe or procure subscribers for the Hong Kong Public Offer Shares under the Hong Kong Underwriting Agreement will be subject to termination with immediate effect by notice (orally or in writing) from the Joint Global Coordinators, for themselves and on behalf of the Hong Kong Underwriters, if at any time prior to 8:00 a.m. on the Listing Date:

- (a) there develops, occurs, exists or comes into effect:
 - (i) any change or development involving a prospective change, or any event or series of events likely to result in any change or development involving a prospective change, in local, national, regional or international financial, economic, political, military, industrial, fiscal, regulatory, currency, credit or market conditions (including, without

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limitation, conditions in the stock and bond markets, money and foreign exchange markets, the interbank markets and credit markets), in or affecting Hong Kong, the PRC, the United States, the United Kingdom, the European Union or any member thereof, Japan, the Cayman Islands, the B.V.I. or any other jurisdiction relevant to any member of our Group (collectively, the “**Relevant Jurisdictions**”); or

- (ii) any event, or series of events, in the nature of force majeure (including, without limitation, any acts of government, declaration of a national or international emergency or war, calamity, crisis, epidemic, pandemic, outbreak of disease, economic sanctions, strikes, lock-outs, fire, explosion, flooding, earthquake, volcanic eruption, civil commotion, riots, public disorder, acts of war, outbreak or escalation of hostilities (whether or not war is declared), acts of God or acts of terrorism) in or affecting any of the Relevant Jurisdictions; or
- (iii) any moratorium, suspension or restriction (including, without limitation, any imposition of or requirement for any minimum or maximum price limit or price range) in or on trading in securities generally on the Stock Exchange, the New York Stock Exchange, the NASDAQ Global Market, the London Stock Exchange, the Tokyo Stock Exchange, the Shenzhen Stock Exchange and the Shanghai Stock Exchanges; or
- (iv) any general moratorium on commercial banking activities in Hong Kong (imposed by the Financial Secretary or the Hong Kong Monetary Authority or other competent administrative, governmental or regulatory commission, board, body, authority or agency, or any stock exchange, self-regulatory organization or other non-governmental regulatory authority, or any court, tribunal or arbitrator, in each case whether national, central, federal, provincial, state, regional, municipal, local, domestic or foreign (“**Authority**”)), New York (imposed at Federal or New York State level or other competent Authority), London, the PRC, the European Union or any member thereof, Japan, the Cayman Islands, the B.V.I. or any material disruption in commercial banking or foreign exchange trading or securities settlement or clearance services, procedures or matters in those places or jurisdictions; or
- (v) any new law or regulation or any change or development involving a prospective change in existing laws or regulations or any change or development involving a prospective change in the interpretation or application thereof by any court or other competent Authority in or affecting any of the Relevant Jurisdictions; or
- (vi) the imposition of economic sanctions, in whatever form, directly or indirectly, by, or for, the United States or the European Union (or any member thereof) on the PRC or any of the Relevant Jurisdictions; or
- (vii) a change or development involving a prospective change in taxation or exchange control, currency exchange rates or foreign investment regulations (including, without limitation, a material devaluation of the Hong Kong dollar or the Renminbi against any foreign currencies), or the implementation of any exchange control, in any of the Relevant Jurisdictions; or

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- (viii) any change or prospective change in the condition (financial or otherwise), or in the earnings, business affairs, business prospects or trading position of the Company or any other member of our Group; or
- (ix) any change or development involving a prospective change, or a materialization of, any of the risks set out in the section headed “Risk Factors”; or
- (x) save as disclosed in this prospectus, any litigation or claim of any third party being threatened or instigated against any member of our Group; or
- (xi) a Director being charged with an indictable offence or prohibited by operation of law or otherwise disqualified from taking part in the management of a company; or
- (xii) the chairman, chief executive officer or chief financial officer of our Company vacating his or her office; or
- (xiii) save as disclosed in this prospectus, a contravention by any member of our Group of the Listing Rules or applicable laws; or
- (xiv) a prohibition on our Company for whatever reason from allotting or selling the Shares (including the Shares to be issued pursuant to the exercise of the Over-allotment Option) pursuant to the terms of the Global Offering; or
- (xv) non-compliance of this prospectus (or any other documents used in connection with the contemplated offer and sale of the Shares) or any aspect of the Global Offering with the Listing Rules or any other applicable law or regulation; or
- (xvi) an order or petition for the winding up of any member of our Group or any composition or arrangement made by any member of our Group with its creditors or a scheme of arrangement entered into by any member of our Group or any resolution for the winding-up of any member of our Group or the appointment of a provisional liquidator, receiver or manager over all or part of the assets or undertaking of any member of our Group or anything analogous thereto occurring in respect of any member of our Group,

which, individually or in the aggregate, in the sole opinion of the Joint Global Coordinators:

- (1) has or will or may have an adverse effect on the assets, liabilities, business, general affairs, management, prospects, shareholders’ equity, profits, losses, results of operations, position or condition, financial or otherwise, or performance of our Group as a whole; or
- (2) has or will have or may have an adverse effect on the success of the Global Offering or the level of applications under the Hong Kong Public Offer or the level of interest under the International Placing; or

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- (3) makes or will make or may make it inadvisable or inexpedient or impracticable for the Global Offering to proceed or to market the Global Offering; or
 - (4) has or will or may have the effect of making any part of the Hong Kong Underwriting Agreement (including underwriting) incapable of performance in accordance with its terms or preventing the processing of applications and/or payments pursuant to the Global Offering or pursuant to the underwriting thereof; or
- (b) there has come to the notice of the Joint Global Coordinators:
- (i) that any statement contained in any of this prospectus or the Application Forms and/or in any notices, announcements, advertisements, communications or other documents issued or used by or on behalf of our Company in connection with the Hong Kong Public Offer (including any supplement or amendment thereto) was, when it was issued, or has become, untrue, incorrect or misleading in any respect, or that any forecast, expression of opinion, intention or expectation contained in any of the Application Forms, and/or any notices, announcements, advertisements, communications or other documents issued or used by or on behalf of our Company in connection with the Hong Kong Public Offer (including any supplement or amendment thereto), and/or, any notices, announcements, advertisements, communications or other documents issued or used by or on behalf of our Company in connection with the Hong Kong Public Offer (including any supplement or amendment thereto) is not fair and honest and based on reasonable assumptions; or
 - (ii) that any matter has arisen or has been discovered which would, had it arisen or been discovered immediately before the date of this prospectus, constitute an omission from any of the Application Forms and/or in, any notices, announcements, advertisements, communications or other documents issued or used by or on behalf of our Company in connection with the Hong Kong Public Offer (including any supplement or amendment thereto); or
 - (iii) any breach of any of the obligations imposed upon any party to the Hong Kong Underwriting Agreement or the International Underwriting Agreement (other than upon any of the Hong Kong Underwriters or the International Underwriters); or
 - (iv) that a valid demand by any creditor for repayment or payment of any indebtedness of our Company or any other member of our Group or in respect of which our Company or any other member of our Group is liable prior to its stated maturity, which demand has or could reasonably be expected to have material adverse effect on our Group taken as a whole; or
 - (v) that a petition is presented for the winding-up or liquidation of our Company or any member of our Group or our Company or any other member of our Group makes any composition or arrangement with its creditors or enters into a scheme of arrangement

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or any resolution is passed for the winding-up of our Company or any other member of our Group or a provisional liquidator, receiver or manager is appointed over all or part of the assets or undertaking of our Company or any other member of our Group or anything analogous thereto occurs in respect of our Company or any other member of our Group, which in the sole opinion of the Joint Global Coordinators, may or is likely to be material in the context of the Global Offering; or

- (vi) any event, act or omission which gives or is likely to give rise to any liability of any of the indemnifying parties pursuant to the indemnities referred to in Clause 12 of the Hong Kong Underwriting Agreement; or
- (vii) any adverse change or development involving a prospective adverse change in the assets, liabilities, business, management, prospects, shareholders' equity, profits, losses, results of operations, position or condition, financial or otherwise of our Company and the other members of our Group; or
- (viii) any breach of, or any event rendering untrue or incorrect in any respect, any of the warranties given under the Hong Kong Underwriting Agreement; or
- (ix) approval by the Listing Committee of the Stock Exchange of the listing of, and permission to deal in, the Shares to be issued or sold (including any additional Shares that may be issued or sold pursuant to the exercise of the Over-Allotment Option and the Share Option Scheme) under the Global Offering is refused or not granted, other than subject to customary conditions, on or before the date of the listing, or if granted, the approval is subsequently withdrawn, qualified (other than by customary conditions) or withheld; or
- (x) our Company withdraws this prospectus (and/or any other documents issued or used in connection with the Global Offering) or the Global Offering.

Undertakings to the Hong Kong Stock Exchange pursuant to the Listing Rules

Undertakings by our Company

Pursuant to Rule 10.08 of the Listing Rules except pursuant to the Global Offering (including pursuant to the Over-allotment Option) or any issue of shares or securities prescribed by Rule 10.08 of the Listing Rules, our Company will not, at any time within six months from the Listing Date, issue any Shares or other securities convertible into equity securities of our Company or enter into any agreement or arrangement to issue such shares or securities (whether or not such issue of shares or securities will be completed within six months from the Listing Date).

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Undertakings by our Controlling Shareholders

Pursuant to Rule 10.07 of the Listing Rules, each of our Controlling Shareholders has undertaken to us and to the Stock Exchange, except pursuant to the Global Offering (including pursuant to the Over-allotment Option), that he or it will not, and shall procure that any other registered holder(s) (if any) will not, without the prior written consent of the Stock Exchange or unless otherwise in compliance with applicable requirements of the Listing Rules:

- (a) in the period commencing on the date of this prospectus and ending on the date which is six months from the Listing Date (“**First Six-month Period**”), dispose of, or enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of, any of our Shares in respect of which he or it is shown by this prospectus to be the beneficial owner (as defined in Rule 10.07(2) of the Listing Rules) (“**Relevant Shares**”); or
- (b) during the period of six months commencing on the date on which the First Six-month Period expires (“**Second Six-month Period**”), dispose of, or enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of, any of the Relevant Shares to such an extent that immediately following such disposal, or upon the exercise or enforcement of such options, rights, interests or encumbrances, he or it would cease to be our controlling shareholder (as defined in the Listing Rules).

Further, pursuant to Note (3) to Rule 10.07(2) of the Listing Rules, each of our Controlling Shareholders has undertaken to us and to the Stock Exchange that, during the First Six-month Period and the Second Six-month Period, he or it will:

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

We will also inform the Stock Exchange as soon as we have been informed of the above matters, if any, by any of our Controlling Shareholders and disclose such matters in accordance with the publication requirements under Rule 2.07C of the Listing Rules as soon as possible after being so informed.

Undertakings Pursuant to the Hong Kong Underwriting Agreement

Undertakings by our Company

Pursuant to the Hong Kong Underwriting Agreement, our Company has undertaken to each of the Joint Sponsors, the Joint Global Coordinators and the Hong Kong Underwriters not to, and have

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agreed to procure that each other member of our Group not to, except (i) pursuant to the Capitalization Issue; (ii) for the offer and sale of the Offer Shares pursuant to the Global Offering (including pursuant to the exercise of the Over-allotment Option); and (iii) pursuant to the grant and exercise of the options that may be granted under the Share Option Scheme, during the First Six-month Period, we will not, without the prior written consent of the Joint Sponsors and Joint Global Coordinators (on behalf of the Hong Kong Underwriters) and unless in compliance with the requirements of the Listing Rules:

- (a) allot, issue, sell, accept subscription for, offer to allot, issue or sell, contract or agree to allot, issue or sell, mortgage, charge, pledge, hypothecate, lend, grant or sell any option, warrant, contract or right to subscribe for or purchase, grant or purchase any option, warrant, contract or right to allot, issue or sell, or otherwise transfer or dispose of or create an encumbrance over, or agree to transfer or dispose of or create an encumbrance over, either directly or indirectly, conditionally or unconditionally, any Shares or any other securities of our Company, or any interest in any of the foregoing (including, without limitation, any securities convertible into or exchangeable or exercisable for or that represent the right to receive, or any warrants or other rights to purchase, any Shares); or
- (b) enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership of Shares or any other securities of our Company, or any interest in any of the foregoing (including, without limitation, any securities convertible into or exchangeable or exercisable for or that represent the right to receive, or any warrants or other rights to purchase, any Shares); or
- (c) enter into any transaction with the same economic effect as any transaction specified in (a) or (b) above ; or
- (d) offer to or agree to or announce any intention to effect any transaction specified in (a), (b) or (c) above,

in each case, whether any of the transactions specified in (a), (b) or (c) above is to be settled by delivery of Shares or such other securities of our Company, or in cash or otherwise (whether or not the issue of Shares or such other securities will be completed within the aforesaid period). In the event that, during the Second Six-Month Period, our Company enters into any of the transactions specified in (a), (b) or (c) above or offers to or agrees to or announces any intention to effect any such transaction, our Company shall take all reasonable steps to ensure that we will not create a disorderly or false market in the securities of our Company.

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Undertakings by our Controlling Shareholders

Each of the Controlling Shareholders has undertaken to each of our Company, the Joint Global Coordinators, the Hong Kong Underwriters and the Joint Sponsors that, without the prior written consent of the Joint Global Coordinators (on behalf of the Hong Kong Underwriters) and unless in compliance with the requirements of the Listing Rules:

- (a) it will not, at any time during the First Six-Month Period:
- (i) sell, offer to sell, contract or agree to sell, mortgage, charge, pledge, hypothecate, lend, grant or sell any option, warrant, contract or right to purchase, grant or purchase any option, warrant, contract or right to sell, or otherwise transfer or dispose of or create an encumbrance over, or agree to transfer or dispose of or create an encumbrance over, either directly or indirectly, conditionally or unconditionally, any Shares or any other securities of our Company or any interest therein (including, without limitation, any securities convertible into or exchangeable or exercisable for or that represent the right to receive, or any warrants or other rights to purchase, any Shares, as applicable); or
 - (ii) enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership of Shares or any other securities of our Company or any interest therein in (including, without limitation, any securities convertible into or exchangeable or exercisable for or that represent the right to receive, or any warrants or other rights to purchase, any Shares); or
 - (iii) enter into any transaction with the same economic effect as any transaction specified in (i) or (ii) above; or
 - (iv) offer to or agree to or announce any intention to effect any transaction specified in (i), (ii) or (iii) above,

in each case, whether any of the transactions specified in (i), (ii) or (iii) above is to be settled by delivery of Shares, or in cash or otherwise (whether or not the issue of Shares or such other securities will be completed within the aforesaid period);

- (b) it will not, during the Second Six-Month Period, enter into any of the transactions specified in paragraphs (a)(i), (ii) or (iii) above or offer to or agree to or announce any intention to effect any such transaction if, immediately following any sale, transfer or disposal or upon the exercise or enforcement of any option, right, interest or encumbrance pursuant to such transaction, it will cease to be a controlling shareholder (as the term is defined in the Listing Rules) of our Company; and

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- (c) until the expiry of the Second Six-Month period, in the event that it enters into any of the transactions specified in paragraphs (a)(i), (ii) or (iii) above or offer to or agrees to or announce any intention to effect any such transaction, it will take all reasonable steps to ensure that it will not create a disorderly or false market in the securities of our Company.

Undertakings by each of the Investors

In consideration of our Company, the Joint Global Coordinators and the Hong Kong Underwriters entering into the Hong Kong Underwriting Agreement, each of the Investors has undertaken to each of our Company and Deutsche Bank AG, Hong Kong Branch that, at any time after the date of the Hong Kong Underwriting Agreement up to and including the date falling 180 days after the Listing Date, it will not, and will procure that no company controlled by it, nominee or trustee holding in trust for it, will, without the prior written consent of Deutsche Bank AG, Hong Kong Branch and unless in compliance with the requirements of the Listing Rules, directly or indirectly:

- (a) offer, sell, pledge, mortgage, charge, contract to sell, sell any option or contract to purchase, purchase any option or contract to sell, grant or agree to grant any option, right or warrant to purchase or subscribe for, make any share sale, lend or otherwise transfer or dispose of, or create any encumbrance, either directly or indirectly, conditionally or unconditionally, any of the share capital of our Company or any equity securities of our Company or any interest therein acquired or beneficially owned by it prior to the Listing Date (including, but not limited to, any securities which are convertible into or exercisable or exchangeable for or that represent the right to receive or warrants or other right to purchase any such share capital or equity securities or interest therein) (the “Company Securities”); or
- (b) enter into any swap, derivative or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership of the Company Securities; or
- (c) enter into any transaction with the same economic effect as any transaction described in (a) or (b) above;
- (d) agree or contract to, or publicly announce any intention to enter into, any transaction described in (a), (b) or (c) above; or
- (e) offer or agree to do any of the foregoing or announce any intention to do so,

whether any of the foregoing transactions described in (a), (b) or (c) above is to be settled by delivery of share capital or such other securities, in cash or otherwise.

Each of the Investors has further undertaken that, if any of the matters listed in (a) to (d) above occur after any time after the date of the Hong Kong Underwriting Agreement up to and including the date falling six months after the Listing Date, each of the Investors shall ensure that the occurrence of such matter will be in compliance with the Companies Ordinance and the SFO.

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International Placing

International Placing Agreement

In connection with the International Placing, it is expected that we will enter into the International Placing Agreement with the Joint Global Coordinators and the International Underwriters. Under the International Placing Agreement, the International Underwriters would, subject to certain conditions set forth therein, severally agree to purchase the International Placing Shares being offered pursuant to the International Placing, or procure purchasers for such International Placing Shares.

We will grant to the International Underwriters the Over-allotment Option, exercisable by the Stabilizing Manager after consultation with the Joint Global Coordinators (on behalf of the International Underwriters) at any time from the date of the International Placing Agreement until Wednesday, January 18, 2012, being the 30th day from the last day for lodging applications under the Hong Kong Public Offer, to require us to sell up to an aggregate of 60,135,000 additional Shares, representing 15% of the initial Offer Shares, at the Offer Price, among other things, to cover over-allocations in the International Placing, if any.

It is expected that the International Placing Agreement may be terminated on similar grounds as the Hong Kong Underwriting Agreement. Potential investors should note that if the International Placing Agreement is not entered into, or is terminated, the Global Offering will not proceed.

Indemnity

We have agreed to indemnify the Hong Kong Underwriters for certain losses which they may suffer, including losses arising from their performance of their obligations under the Hong Kong Underwriting Agreement and any breach of the Hong Kong Underwriting Agreement by us.

Commission and Expenses

Under the terms and conditions of the Underwriting Agreements, the Hong Kong Underwriters will receive a gross underwriting commission of 0.75% on the aggregate Offer Price payable for the Hong Kong Public Offer Shares initially offered under the Hong Kong Public Offering (excluding any International Placing Shares reallocated to the Hong Kong Public Offering and any Hong Kong Public Offer Shares reallocated to the International Placing). In addition, our Company may, at its absolute discretion, pay to the Joint Global Coordinators for their respective accounts an incentive fee of an aggregate of 1.75% (or any percentage point deemed appropriate by our Company) of the Offer Price for each Offer Share.

Assuming the Over-allotment Option is not exercised at all and based on an Offer Price of HK\$3.01 per Share (being the mid-point of the indicative Offer Price range of HK\$2.41 to HK\$3.61 per Share), the aggregate commissions and incentive fees, together with the Stock Exchange listing fees, the SFC transaction levy, the Stock Exchange trading fee, legal fees and printing and other expenses relating to the Global Offering and other professional fees to be borne by us are estimated to amount to approximately HK\$57.7 million in aggregate (assuming an Offer Price of HK\$3.01, being the mid-point of the indicative range of the Offer Price of HK\$2.41 to HK\$3.61).

UNDERWRITING

Underwriters' Interests in our Company

Save for their respective obligations under the Hong Kong Underwriting Agreement and save as otherwise disclosed in this prospectus, and, if applicable, the stock borrowing arrangement that may be entered into between Yu Kuo and the Stabilizing Manager or any of its affiliates, none of the Underwriters is interested legally or beneficially in any shares of any members of our Group or has any right or option (whether legally enforceable or not) to subscribe for or purchase or to nominate persons to subscribe for or purchase securities in any members of our Group in the Global Offering.

Sponsors' Independence

Each of the Joint Sponsors except BOCI Asia Limited satisfies the independence criteria applicable to sponsors set out in Rule 3A.07 of the Listing Rules.

BOCI Asia Limited does not satisfy the independence test set out in Rule 3A.07 of the Listing Rules. As disclosed in the section headed "History, Reorganization and Corporate Structure — Our Reorganization" in this prospectus, its related entity, BOCI LSF has provided a bridging loan to our Group for the acquisition of the 47.5% equity interest in Tianrui Cement.

STRUCTURE OF THE GLOBAL OFFERING

THE GLOBAL OFFERING

This prospectus is published in connection with the Hong Kong Public Offer as part of the Global Offering. The Global Offering comprises (subject to adjustment and the Over-allotment Option):

- (i) the Hong Kong Public Offer of 40,090,000 Shares (subject to adjustment as mentioned below) in Hong Kong, as described below in the paragraph headed “The Hong Kong Public Offer”; and
- (ii) the International Placing of an aggregate of 360,810,000 Shares (subject to adjustment and the Over-allotment Option as mentioned below) outside the United States (including to professional and institutional investors within Hong Kong) in offshore transactions in reliance on Regulation S.

Investors may apply for Shares under the Hong Kong Public Offer or apply for or indicate an interest, if qualified to do so, for Shares under the International Placing, but may not apply in both the Hong Kong Public Offer and the International Placing. The Hong Kong Public Offer is open to members of the public in Hong Kong as well as to institutional and professional investors in Hong Kong. The International Placing will involve selective marketing of the Offer Shares to institutional and professional investors and other investors expected to have a sizeable demand for the Offer Shares in Hong Kong and other jurisdictions outside the United States in reliance on Regulation S. The International Underwriters are soliciting from prospective investors indications of interest in acquiring the Offer Shares in the International Placing. Prospective investors will be required to specify the number of Offer Shares under the International Placing they would be prepared to acquire either at different prices or at a particular price.

References in this prospectus to “applications”, “Application Forms”, “application monies” or the “procedure for application” relate solely to the Hong Kong Public Offer.

THE HONG KONG PUBLIC OFFER

Number of Offer Shares Initially Offered

The Company is initially offering 40,090,000 Shares for subscription by the public in Hong Kong at the Offer Price, representing 10% of the total number of Shares initially available under the Global Offering. Subject to the reallocation of Shares between (i) the International Placing, and (ii) the Hong Kong Public Offer, the Hong Kong Public Offer Shares will represent approximately 1.67% of the Company’s enlarged issued share capital immediately after completion of the Global Offering, assuming that the Over-allotment Option is not exercised.

The Hong Kong Public Offer is open to the public in Hong Kong as well as to institutional and professional investors. Professional investors generally include brokers, dealers, companies (including fund managers) whose ordinary business involves dealing in shares and other securities, and corporate entities that regularly invest in shares and other securities.

STRUCTURE OF THE GLOBAL OFFERING

Completion of the Hong Kong Public Offer is subject to the conditions as set out in the paragraph headed “Conditions of the Hong Kong Public Offer” below.

Allocation

Allocation of Shares to investors under the Hong Kong Public Offer will be based solely on the level of valid applications received under the Hong Kong Public Offer. The basis of allocation may vary, depending on the number of Hong Kong Public Offer Shares validly applied for by applicants. Such allocation could, where appropriate, consist of balloting, which would mean that some applicants may receive a higher allocation than others who have applied for the same number of Hong Kong Public Offer Shares, and those applicants who are not successful in such a ballot may not receive any Hong Kong Public Offer Shares.

The total number of Offer Shares available under the Hong Kong Public Offer (after taking account of any reallocation referred to below) is to be divided into two pools for allocation purposes: pool A and pool B. The Offer Shares in pool A will consist of 20,045,000 Offer Shares (being 50% of the total number of Hong Kong Public Offer Shares initially available under the Hong Kong Public Offer (prior to any exercise of the Over-allotment Option)) and will be allocated on an equitable basis to applicants who have applied for Offer Shares with an aggregate price of HK\$5 million or less (excluding the brokerage, SFC transaction levy and the Hong Kong Stock Exchange trading fee payable). The Offer Shares in pool B will consist of 20,045,000 Offer Shares (being 50% of the total number of Hong Kong Public Offer Shares initially available under the Hong Kong Public Offer (prior to any exercise of the Over-allotment Option)) and will be allocated on an equitable basis to applicants who have applied for Offer Shares with an aggregate price of more than HK\$5 million and up to the total value of pool B (excluding the brokerage, SFC transaction levy and Hong Kong Stock Exchange trading fee payable). Investors should be aware that applications in pool A and applications in pool B may receive different allocation ratios. If Offer Shares in one (but not both) of the pools are under-subscribed, the surplus Offer Shares will be transferred to the other pool to satisfy demand in that other pool and be allocated accordingly. For the purpose of this paragraph only, the “price” for Offer Shares means the price payable on application therefor (without regard to the Offer Price as finally determined). Applicants can only receive an allocation of Offer Shares from either pool A or pool B but not from both pools. Multiple or suspected multiple applications and any application for more than 20,045,000 Offer Shares, being the number of Offer Shares initially allocated to each pool, are liable to be rejected.

Reallocation

The allocation of the Offer Shares between the Hong Kong Public Offer and the International Placing is subject to adjustment. If the number of Offer Shares validly applied for under the Hong Kong 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 than the number of Offer Shares initially available under the Hong Kong Public Offer, then Offer Shares will be reallocated to the Hong Kong Public Offer from the International Placing. As a result of such reallocation, the total number of Offer Shares available under the Hong Kong Public Offer will be increased to 120,270,000 Offer Shares (in the case of (i)), 160,360,000 Offer Shares (in the case of (ii)) and 200,450,000 Offer Shares (in the case of (iii)), representing approximately 30%, 40% and 50% of the Offer Shares initially available under the

STRUCTURE OF THE GLOBAL OFFERING

Global Offering, respectively (before any exercise of the Over-allotment Option). In each case, the additional Offer Shares reallocated to the Hong Kong Public Offer will be allocated between pool A and pool B and the number of Offer Shares allocated to the International Placing will be correspondingly reduced in such manner as the Joint Global Coordinators deem appropriate. In addition, the Joint Global Coordinators may, at their discretion reallocate Offer Shares from the International Placing to the Hong Kong Public Offer to satisfy valid applications under the Hong Kong Public Offer. If the Hong Kong Public Offer is not fully subscribed, the Joint Global Coordinators have the authority to reallocate all or any unsubscribed Hong Kong Public Offer Shares from the Hong Kong Public Offer to the International Placing, in such proportions as the Joint Global Coordinators deem appropriate.

Applications

Each applicant under the Hong Kong Public Offer will also be required to give an undertaking and confirmation in the application submitted by him that he and any person(s) for whose benefit he is making the application has not applied for or taken up, or indicated an interest for, and will not apply for or take up, or indicate an interest for, any Offer Shares under the International Placing, and such applicant's application is liable to be rejected if the said undertaking and/or confirmation is breached and/or untrue (as the case may be) or it has been or will be placed or allocated Offer Shares under the International Placing.

Applicants under the Hong Kong Public Offer are required to pay, on application, the maximum price of HK\$3.61 per Offer Share in addition to the brokerage, SFC transaction levy and Hong Kong Stock Exchange trading fee payable on each Offer Share. If the Offer Price, as finally determined in the manner described in the paragraph headed "Pricing and Allocation" below, is less than the maximum price of HK\$3.61 per Offer Share, appropriate refund payments (including the brokerage, SFC transaction levy and Hong Kong Stock Exchange trading fee attributable to the surplus application monies) will be made to successful applicants, without interest. Further details are set out below in the section headed "How to Apply for Hong Kong Public Offer Shares" in this prospectus.

THE INTERNATIONAL PLACING

Number of Offer Shares initially offered

The International Placing will consist of an initial offering of 360,810,000 Shares representing 90% of the total number of Offer Shares initially available under the Global Offering. Subject to the reallocation of Shares between (i) the International Placing, and (ii) the Hong Kong Public Offer, the International Placing Shares will represent approximately 15.03% of the Company's enlarged issued share capital immediately after completion of the Global Offering, assuming that the Over-allotment Option is not exercised.

Allocation

The International Placing will include selective marketing of Offer Shares to institutional and professional investors and other investors anticipated to have a sizeable demand for such Offer Shares in Hong Kong and other jurisdictions outside the United States in reliance on Regulation S.

STRUCTURE OF THE GLOBAL OFFERING

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. Allocation of Offer Shares pursuant to the International Placing will be effected in accordance with the “book-building” process described in “Pricing and Allocation” in this section and 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 of our Shares on the Hong Kong Stock Exchange. Such allocation is intended to result in a distribution of our Shares on a basis which would lead to the establishment of a solid professional and institutional shareholder base to our benefit and our Shareholders’ as a whole.

The Joint Global Coordinators (on behalf of the Underwriters) may require any investor who has been offered Offer Shares under the International Placing and who has made an application under the Hong Kong Public Offer, to provide sufficient information to the Joint Global Coordinators so as to allow them to identify the relevant applications under the Hong Kong Public Offer and to ensure that they are excluded from any allotment of Offer Shares under the Hong Kong Public Offer.

Reallocation

The total number of International Placing Shares to be sold and issued pursuant to the International Placing may change as a result of the clawback arrangement described in “The Hong Kong Public Offer — Reallocation” in this section, any exercise of the Over-allotment Option and/or any reallocation of unsold Offer Shares originally included in the Hong Kong Public Offer.

OVER-ALLOTMENT OPTION

In connection with the Global Offering, it is expected that we will grant the Over-allotment Option to the International Underwriters, exercisable by the Stabilizing Manager after consultation with the Joint Global Coordinators on behalf of the International Underwriters.

Pursuant to the Over-allotment Option, the International Underwriters have the right, exercisable by the Stabilizing Manager after consultation with the Joint Global Coordinators (on behalf of the International Underwriters) at any time from the Listing Date until Wednesday, January 18, 2012, being the 30th day from the last day for lodging applications under the Hong Kong Public Offer, to require us to sell up to an aggregate of 60,135,000 Shares representing approximately 15% of the initial Offer Shares, at the same price per Share under the International Placing, to cover, among other things, over-allocations in the International Placing, if any. In the event that the Over-allotment Option is exercised, a press announcement will be made.

STABILIZATION

Stabilization is a practice used by underwriters in some markets to facilitate the distribution of securities. To stabilize, the Underwriters may bid for, or purchase, the securities in the secondary market, during a specified period of time, to retard and, if possible, prevent a decline in the initial

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public market price of the securities below the offer price. Such transactions may be effected in all jurisdictions where it is permissible to do so, in each case in compliance with all applicable laws and regulatory requirements, including those of Hong Kong. In Hong Kong, the price at which stabilization is effected is not permitted to exceed the offer price.

In connection with the Global Offering, Deutsche Bank AG, Hong Kong Branch, as stabilizing manager (the “Stabilizing Manager”), its affiliates or any person acting for it, on behalf of the Underwriters, may, to the extent permitted by applicable law of Hong Kong or elsewhere, effect transactions with a view to stabilizing or supporting the market price of our Shares at a level higher than that which might otherwise prevail in the open market, for a limited period after the Listing Date. Any market purchases of Shares will be effected in compliance with all applicable laws and regulatory requirements. However, there is no obligation on the Stabilizing Manager, its affiliates or any persons acting for it, to conduct any such stabilizing action. Such stabilizing action, if taken, will be conducted at the absolute discretion of the Stabilizing Manager, its affiliates or any person acting for it, and may be discontinued at any time, and is required to be brought to an end within 30 days of the last day for lodging applications under the Hong Kong Public Offer. The number of Shares that may be over-allocated will not be greater than the number of Shares that may be sold upon exercise of the Over-allotment Option, being an aggregate of 60,135,000 additional Shares, which is 15% of the Shares initially available under the Global Offering.

Stabilization action permitted in Hong Kong pursuant to the Securities and Futures (Price Stabilizing) Rules of the SFO includes (i) over-allocating for the purpose of preventing or minimizing any reduction in the market price of our Shares, (ii) selling or agreeing to sell our Shares so as to establish a short position in them for the purpose of preventing or minimizing any reduction in the market price of our Shares, (iii) purchasing or agreeing to purchase, our Shares pursuant to the Over-allotment Option in order to close out any position established under (i) or (ii) above, (iv) purchasing, or agreeing to purchase, any of our Shares for the sole purpose of preventing or minimizing any reduction in the market price of our Shares, (v) selling or agreeing to sell any Shares in order to liquidate any position established as a result of those purchases, and (vi) offering or attempting to do anything as described in (ii), (iii), (iv) or (v) above.

Specifically, prospective applicants for and investors in the Offer Shares should note that:

- the Stabilizing Manager, its affiliates or any person acting for it, may, in connection with the stabilizing action, maintain a long position in our Shares;
- there is no certainty as to the extent to which and the time or period for which the Stabilizing Manager, its affiliates or any person acting for them, will maintain such a long position;
- liquidation of any such long position by the Stabilizing Manager, its affiliates or any person acting for it, and selling in the open market, may have an adverse impact on the market price of our Shares;

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- no stabilizing action can be taken to support the price of our Shares for longer than the stabilization period which will begin on the Listing Date, and is expected to expire on Wednesday, January 18, 2012, being the 30th day from the last day for lodging applications under the Hong Kong Public Offer. After this date, when no further stabilizing action may be taken, demand for our Shares, and therefore the price of our Shares, could fall;
- the price of our Shares cannot be assured to stay at or above the Offer Price by the taking of any stabilizing action; and
- stabilizing bids or transactions effected in the course of the stabilizing action may be made at any price at or below the Offer Price and can, therefore, be done at a price below the price paid by applicants for, or investors in, the Offer Shares.

Our Company will ensure or procure that an announcement in compliance with the Securities and Futures (Price Stabilizing) Rules of the SFO will be made within seven days of the expiration of the stabilization period.

For the purpose of covering any covered short position, including any covered short position created by over-allotment, the Stabilizing Manager or its affiliates may borrow from Yu Kuo up to 60,135,000 Shares, equivalent to the maximum number of Shares to be sold on a full exercise of the Over-allotment Option, under the Stock Borrowing Agreement expected to be entered into between the Stabilizing Manager and Yu Kuo on or about Monday, December 19, 2011. The loan of Shares by Yu Kuo pursuant to the Stock Borrowing Agreement shall not be subject to the restrictions under Rule 10.07(1)(a) of the Listing Rules which restricts the disposal of Shares by the Controlling Shareholder subsequent to the date of this prospectus, subject to compliance with the following requirements in accordance with the provisions of Rule 10.07(3) of the Listing Rules:

- (i) the Stock Borrowing Agreement will be for the sole purpose of covering any short position prior to the exercise of the Over-allotment Option in connection with the International Placing;
- (ii) the maximum number of Shares which may be borrowed from Yu Kuo must not exceed the maximum number of Shares which may be sold upon the full exercise of the Over-allotment Option;
- (iii) the same number of Shares so borrowed must be returned to Yu Kuo or its nominees, as the case may be, on or before the third business day following the earlier of the last day for exercising the Over-allotment Option, and the date on which the Over-allotment Option is exercised in full;
- (iv) the borrowing of Shares pursuant to the stock borrowing arrangement will be effected in compliance with all applicable Listing Rules, laws and other regulatory requirements; and
- (v) no payments will be made to Yu Kuo by the Stabilizing Manager in relation to the Stock Borrowing Agreement.

STRUCTURE OF THE GLOBAL OFFERING

PRICING AND ALLOCATION

The International Underwriters will be soliciting from prospective professional and institutional investors indications of interest in acquiring Offer Shares in the International Placing. Prospective professional and institutional investors will be required to specify the number of Offer Shares under the International Placing that they would be prepared to acquire either at different prices or at a particular price. This process, known as “book-building”, is expected to continue up to, and to cease on or around, the last day for lodging applications under the Hong Kong Public Offer.

Pricing for the Offer Shares for the purpose of the various offerings under the Global Offering will be fixed on the Price Determination Date, which is expected to be on or around Monday, December 19, 2011 and in any event on or before Tuesday, December 20, 2011, by agreement between the Joint Global Coordinators (on behalf of the Underwriters), and the Company and the number of Offer Shares to be allocated under the various offerings will be determined shortly thereafter.

The Offer Price per Offer Share under the Hong Kong Public Offer will be identical to the Offer Price per Offer Share under the International Placing based on the Hong Kong dollar price per Offer Share under the International Placing, as determined by the Joint Global Coordinators (on behalf of the Underwriters), and the Company. The Offer Price per Offer Share under the Hong Kong Public Offer will be fixed at the Hong Kong dollar amount which, when increased by the 1% brokerage, 0.003% SFC transaction levy and 0.005% Hong Kong Stock Exchange trading fee payable thereon, is (subject to any necessary rounding) effectively equivalent to the Hong Kong dollar price per Offer Share under the International Placing. The SFC transaction levy and the Hong Kong Stock Exchange trading fee otherwise payable by investors in the International Placing on Offer Shares purchased by them will be paid by us.

The Offer Price will not be more than HK\$3.61 per Offer Share and is expected to be not less than HK\$2.41 per Offer Share unless otherwise announced, as further explained below, not later than the morning of the last day for lodging applications under the Hong Kong Public Offer. Prospective investors should be aware that the Offer Price to be determined on the Price Determination Date may be, but is not expected to be, lower than the indicative offer price range stated in this prospectus.

The Joint Global Coordinators, on behalf of the Underwriters, may, where considered appropriate, based on the level of interest expressed by prospective professional and institutional investors during the book-building process, and with the consent of the Company, reduce the number of Offer Shares and/or the indicative Offer Price range below that stated in this prospectus at any time on or prior to the morning of the last day for lodging applications under the Hong Kong Public Offer. In such a case, we will, as soon as practicable following the decision to make such reduction, and in any event not later than the morning of the day which is the last day for lodging applications under the Hong Kong Public Offer, cause there to be published in The Standard (in English) and the Hong Kong Economic Times (in Chinese) notices of the reduction. Upon issue of such a notice, the revised offer price range will be final and conclusive and the Offer Price, if agreed upon by the Joint Global

STRUCTURE OF THE GLOBAL OFFERING

Coordinators (on behalf of the Underwriters) and the Company, will be fixed within such revised offer price range. Applicants should have regard to the possibility that any announcement of a reduction in the number of Offer Shares and/or the indicative offer price range may not be made until the day which is the last day for lodging applications under the Hong Kong Public Offer. Such notice will also include confirmation or revision, as appropriate, of the working capital statement and the Global Offering statistics as currently set out in this prospectus, and any other financial information which may change as a result of any such reduction. In the absence of any such notice so published, the number of Offer Shares will not be reduced and/or the Offer Price, if agreed upon with the Company and the Joint Global Coordinators (on behalf of the Underwriters), will under no circumstances be set outside the offer price range as stated in this prospectus.

In the event of a reduction in the number of Offer Shares, the Joint Global Coordinators may, at their discretion, reallocate the number of Offer Shares to be offered in the Hong Kong Public Offer and the International Placing, provided that the number of Offer Shares comprised in the Hong Kong Public Offer shall not be less than 10% of the total number of Offer Shares available under the Global Offering (assuming the Over-allotment Option is not exercised). The Offer Shares to be offered in the Hong Kong Public Offer and the Offer Shares to be offered in the International Placing may, in certain circumstances, be reallocated between these offerings at the discretion of the Joint Global Coordinators.

The net proceeds from the Global Offering accruing to us (after deduction of underwriting fees and estimated expenses payable by us in relation to the Global Offering), are estimated to be approximately HK\$1,149.1 million, assuming an Offer Price of HK\$3.01 per Offer Share, being the approximate mid-point of the proposed offer price range of HK\$2.41 to HK\$3.61.

The final Offer Price, the level of indications of interest in the Global Offering and the basis of allotment of Offer Shares available under the Hong Kong Public Offer are expected to be announced on Thursday, December 22, 2011 in The Standard (in English) and the Hong Kong Economic Times (in Chinese).

HONG KONG UNDERWRITING AGREEMENT AND INTERNATIONAL PLACING AGREEMENT

The Hong Kong Public Offer is fully underwritten by the Hong Kong Underwriters under the terms of the Hong Kong Underwriting Agreement and is subject to the Company and the Joint Global Coordinators (on behalf of the Underwriters) agreeing on the Offer Price.

We expect to enter into the International Placing Agreement relating to the International Placing on the Price Determination Date.

The Hong Kong Underwriting Agreement and the International Placing Agreement are summarized in the section headed “Underwriting” in this prospectus.

STRUCTURE OF THE GLOBAL OFFERING

CONDITIONS OF THE HONG KONG PUBLIC OFFER

Acceptance of all applications for Offer Shares pursuant to the Hong Kong Public Offer will be conditional on:

- (i) the Listing Committee of the Hong Kong Stock Exchange granting listing of, and permission to deal in, our Shares in issue (including the Shares that may be sold pursuant to any exercise of the Over-allotment Option) and our Shares being offered pursuant to the Global Offering (subject only to allotment);
- (ii) the Offer Price having been duly determined and the execution and delivery of the International Placing Agreement on the Price Determination Date; and
- (iii) the obligations of the Hong Kong Underwriters under the Hong Kong Underwriting Agreement and the obligations of the International Underwriters under the International Placing Agreement becoming and remaining unconditional and not having been terminated in accordance with the terms of the respective agreements,

in each case on or before the dates and times specified in the Hong Kong Underwriting Agreement or the International Placing Agreement (unless and to the extent such conditions are validly waived on or before such dates and times) and in any event not later than 8:00 am on Friday, December 23, 2011.

If, for any reason, the Offer Price is not agreed between the Company and the Joint Global Coordinators (on behalf of the Underwriters) on or before Tuesday, December 20, 2011, the Global Offering will not proceed and will lapse.

The consummation of each of the Hong Kong Public Offer and the International Placing is conditional upon, among other things, the other offering 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 and dates specified, the Global Offering will not proceed and will lapse and the Hong Kong Stock Exchange will be notified immediately. Notice of the lapse of the Hong Kong Public Offer will be published by the Company in *The Standard* (in English) and the *Hong Kong Economic Times* (in Chinese) on the next day following such lapse. In such eventuality, all application monies will be returned, without interest, on the terms set out in the section headed “How to Apply for Hong Kong Public Offer Shares — 9. Dispatch/Collection of Share Certificates and Refund Monies”. In the meantime, all application monies will be held in separate bank account(s) with the receiving bankers or other bank(s) in Hong Kong licensed under the Banking Ordinance (Chapter 155 of the Laws of Hong Kong) (as amended).

Share certificates for the Offer Shares will only become valid certificates of title at 8:00 a.m. in Hong Kong on Friday, December 23, 2011 provided that (i) the Global Offering has become unconditional in all respects and (ii) the right of termination as described in the section headed “Underwriting — Underwriting Arrangements and Expenses — Hong Kong Public Offer — Grounds for Termination” has not been exercised.

STRUCTURE OF THE GLOBAL OFFERING

DEALING

Assuming that the Hong Kong Public Offer becomes unconditional at or before 8:00 a.m. in Hong Kong on Friday, December 23, 2011, it is expected that dealings in the Shares on the Hong Kong Stock Exchange will commence at 9:00 a.m. on Friday, December 23, 2011.

HOW TO APPLY FOR HONG KONG PUBLIC OFFER SHARES

There are two channels to make an application for Hong Kong Public Offer Shares. You may either (i) use a **WHITE** or **YELLOW** Application Form; or (ii) apply online through the designated website of the **White Form eIPO** Service Provider, referred to herein as the “**White Form eIPO**” service. Except where you are a nominee and provide the required information in your application, you or your joint applicant(s) or you and your joint applicant(s) may not make more than one application (whether individually or jointly) by applying on a **WHITE** or **YELLOW** Application Form or applying online through **WHITE FORM eIPO** service.

WHO CAN APPLY FOR HONG KONG PUBLIC OFFER SHARES

You can apply for the Hong Kong Public Offer Shares available for subscription by the public on a **WHITE** or **YELLOW** Application Form, or 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 outside the United States;
- are not a United States Person (as defined in Regulation S); and
- are not a legal or natural person of the PRC (except qualified domestic institutional investors).

If you wish to apply for Hong Kong Public Offer Shares online through the **White Form eIPO** service (www.eipo.com.hk), in addition to the above you must also:

- have a valid Hong Kong identity card number; and
- be willing to provide a valid e-mail address and a contact telephone number.

You may only apply by means of the **White Form eIPO** service if you are an individual applicant. Corporations or joint applicants may not apply by means of **White Form eIPO** service.

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 Form must be signed by a duly authorized officer, who must state his or her representative capacity.

If an application is made by a person duly authorized under a valid power of attorney, our Company and the Joint Bookrunners (or their agents or nominees), 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 the attorney.

HOW TO APPLY FOR HONG KONG PUBLIC OFFER SHARES

The number of joint applicants may not exceed four.

We, the Joint Bookrunners or the designated **White Form eIPO** Service Provider (where applicable) or our or their respective agents and nominees have full discretion to reject or accept any application, in full or in part, without assigning any reason.

The Hong Kong Public Offer Shares are not available to existing legal and beneficial owners of Shares, our Directors or chief executive officer, the directors or chief executive officer of any of our subsidiaries, or their respective associates or any other connected persons of our Company or persons who will become our connected persons immediately upon completion of the Global Offering.

You may apply for Hong Kong Public Offer Shares under the Hong Kong Public Offer or indicate an interest for International Placing Shares under the International Placing, but may not do both.

1. APPLYING BY USING AN APPLICATION CHANNEL

WHICH APPLICATION CHANNEL TO USE

Use a **WHITE** Application Form if you want the Hong Kong Public Offer Shares issued in your own name.

Instead of using a **WHITE** Application Form, you may apply for the Hong Kong Public Offer Shares by means of **White Form eIPO** service by submitting applications online through the designated website at www.eipo.com.hk. Use **White Form eIPO** if you want the Hong Kong Public Offer Shares issued in your own name.

Use a **YELLOW** Application Form if you want the Hong Kong 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.

HOW TO APPLY FOR HONG KONG PUBLIC OFFER SHARES

WHERE TO COLLECT THE APPLICATION FORMS

You can collect a **WHITE** Application Form and a prospectus during normal business hours from 9:00 a.m. on Wednesday, December 14, 2011 until 12:00 noon on Monday, December 19, 2011 from:

- (1) Any of the following addresses of the Hong Kong Underwriters:

Deutsche Bank AG, Hong Kong Branch	52/F International Commerce Centre, 1 Austin Road West, Kowloon, Hong Kong
BOCI Asia Limited	26/F, Bank of China Tower, 1 Garden Road, Central, Hong Kong
BOCOM International Securities Limited	9/F, Man Yee Building, 68 Des Voeux Road Central, Hong Kong
CCB International Capital Limited	34/F, Two Pacific Place, 88 Queensway, Admiralty, Hong Kong

- (2) Any of the following branches of The Hongkong and Shanghai Banking Corporation Limited:

<u>Branch</u>	<u>Name</u>	<u>Address</u>
Hong Kong Island:	Hong Kong Office	Level 3, 1 Queen's Road Central, HK
	Cityplaza Branch	Unit 065, Cityplaza 1, Taikoo Shing, HK
	Des Voeux Road West Branch	Western Centre, 40-50 Des Voeux Road West, HK
Kowloon:	Kwun Tong Branch	No. 1, Yue Man Square, Kwun Tong, Kowloon
	Mong Kok Branch	Basement & U/G, 673 Nathan Road, Mong Kok, Kowloon
New Territories:	Tuen Mun Town Plaza Branch	Shop 1, UG/F, Shopping Arcade Phase II, Tuen Mun Town Plaza, Tuen Mun, New Territories

HOW TO APPLY FOR HONG KONG PUBLIC OFFER SHARES

(3) any of the following branches of Bank of China (Hong Kong) Limited:

<u>Branch</u>	<u>Name</u>	<u>Address</u>
Hong Kong Island:	Bank of China Tower Branch	3/F, 1 Garden Road
	King's Road Branch	131-133 King's Road, North Point
	Lee Chung Street Branch	29-31 Lee Chung Street, Chai Wan
Kowloon:	Whampoa Garden Branch	Shop G8B, Site 1, Whampoa Garden, Hung Hom
	East Point City Branch	Shop 101, East Point City, Tseung Kwan O
	Mei Foo Mount Sterling Mall Branch	Shop N47-49 Mount Sterling Mall, Mei Foo Sun Chuen

You can collect a **YELLOW** Application Form and a prospectus during normal business hours from 9:00 a.m. on Wednesday, December 14, 2011 until 12:00 noon on Monday, December 19, 2011 from:

1. the Depository Counter of HKSCC at 2nd Floor, Infinitus Plaza, 199 Des Voeux Road Central, Hong Kong; or
2. your stockbroker may also have Application Forms and this prospectus available.

HOW TO COMPLETE THE WHITE OR YELLOW APPLICATION FORM

Obtain an Application Form as described in the section headed "Where to Collect the Application Forms" above.

Complete the Application Form in English using blue or black ink, and sign it. There are detailed instructions on each Application Form. 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 check or banker's cashier order 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. Each Application Form must be accompanied by payment, in the form of either one check or one banker's cashier order. You should read the detailed instructions set out on the Application Form carefully, as an application is liable to be rejected if the check or banker's cashier order does not meet the requirements set out on the Application Form.

Lodge the Application Form in one of the collection boxes by the time and at one of the locations as described in the section headed "5. Members of the public — Time for Applying for Hong Kong Public Offer Shares" below.

HOW TO APPLY FOR HONG KONG PUBLIC OFFER SHARES

You should note that by completing and submitting the **WHITE** and **YELLOW** Application Form, among other things:

- (i) you agree with our Company and each Shareholder of our Company, and our Company agrees with each of our Shareholders, to observe and comply with the Hong Kong Companies Ordinance, the Memorandum of Association and the Articles of Association;
- (ii) you agree with our Company and each of our Shareholders that the Shares in our Company are freely transferable by the holders thereof;
- (iii) you authorize our Company to enter into a contract on your behalf with each of our Directors and officer of our Company whereby such Directors and officers undertake to observe and comply with their obligations to Shareholders as stipulated in Articles of Association;
- (iv) you confirm that you have received a copy of this prospectus and have only relied on the information and representations contained in this prospectus in making your application and will not rely on any other information or representations concerning our Company save as set out in any supplement to this prospectus;
- (v) you agree that none of our Company, the Joint Sponsors, the Joint Global Coordinators, the Joint Bookrunners, the Underwriters, other parties involved in the Global Offering or any of their respective directors, officers, employees, partners, agents or advisers is or will be liable for any information and representations not contained in this prospectus (and any supplement thereto);
- (vi) you undertake and confirm that you (if the application is made for your benefit) or the person(s) for whose benefit you have made the application have not applied for or taken up, or indicated an interest in or received or been placed, allotted or allocated (including conditionally and/or provisionally), and will not apply for or take up, or indicate any interest in any International Placing Shares nor otherwise participated in the International Placing;
- (vii) you agree to disclose to our Company, and/or our Hong Kong Share Registrar, receiving bankers, the Joint Sponsors, the Joint Global Coordinators, the Joint Bookrunners, the Underwriters and their respective advisers and agents any information about you which they require or the person(s) for whose benefit you have made the application;
- (viii) you instruct our Company and the Joint Bookrunners (or their respective agents or nominees) as agent for our Company to execute any transfer forms, contract notes or other documents on your behalf and to do on your behalf all other things necessary to effect registration of any Hong Kong Public Offer Shares allocated to you in your name(s) or HKSCC Nominees, as the case may be, as required by the Articles of Association and otherwise to give effect to the arrangements described in this prospectus and the Application Form;

HOW TO APPLY FOR HONG KONG PUBLIC OFFER SHARES

- (ix) you agree that the processing of your application may be done by any of our Company's receiving bankers and is not restricted to the bank at which your application was lodged;
- (x) you represent and warrant that you understand that the Offer Shares have not been and will not be registered under the Securities Act and you are outside the United States (as defined in Regulation S) when completing the Application Form or are a person described in paragraph (h)(3) of Rule 902 of Regulation S;
- (xi) you agree (without prejudice to any other rights which you may have) that once your application has been accepted, you may not rescind it because of an innocent misrepresentation and you may not revoke it other than as provided in this prospectus;
- (xii) you warrant the truth and accuracy of the information contained in your application;
- (xiii) you agree that your application, any acceptance of it and the resulting contract will be governed by and construed in accordance with the laws of Hong Kong;
- (xiv) you confirm that you have read the terms and conditions and application procedures set out in this prospectus and the Application Form and agree to be bound by them;
- (xv) you undertake and agree to accept the Hong Kong Public Offer Shares applied for, or any lesser number allocated to you, under the application; and
- (xvi) if the laws of any place outside Hong Kong are applicable to your application, you agree and warrant that you have complied with all such laws and none of the Company, the Joint Sponsors, the Joint Global Coordinators, the Joint Bookrunners, the Underwriters and other parties involved in the Global Offering nor any of their respective directors, employees, partners, agents, officers or advisers will infringe any laws outside Hong Kong as a result of the acceptance of your offer to purchase, or any actions arising from your rights and obligations under the terms and conditions contained in this prospectus.

In order for the **YELLOW** Application Forms to be valid, you, as an applicant(s), must complete the Application Form as indicated below and sign on the first page of the Application Form. Only written signatures will be accepted:

(i) **If the application is made through a designated CCASS Participant (other than a CCASS Investor Participant):**

the designated CCASS Participant must endorse the form with its company chop (bearing its company name) and insert its participant I.D. in the appropriate box in the Application Form.

(ii) **If the application is made by an individual CCASS Investor Participant:**

- (a) the Application Form must contain the CCASS Investor Participant's name and Hong Kong identity card number; and

HOW TO APPLY FOR HONG KONG PUBLIC OFFER SHARES

- (b) the CCASS Investor Participant must insert its participant I.D. in the appropriate box in the Application Form.

(iii) **If the application is made by a joint individual CCASS Investor Participant:**

- (a) the Application Form must contain all joint CCASS Investor Participants' names and the Hong Kong identity card number of all joint CCASS Investor Participants; and
- (b) the participant I.D. must be inserted in the appropriate box in the Application Form.

(iv) **If the application is made by a corporate CCASS Investor Participant:**

- (a) the Application Form must contain the CCASS Investor Participant's company name and Hong Kong business registration number; and
- (b) the participant I.D. and company chop (bearing its company name) must be inserted in the appropriate box in the Application Form.

Incorrect or incomplete details of the CCASS Participant or the omission or inadequacy of participant I.D. or other similar matters may render the application invalid.

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. Failure to provide the account number(s) or other identification code(s) for the beneficial owner(s) will result in the application being deemed to be submitted for the benefit of the nominee(s) in question.

If your application is made through a duly authorized attorney, we and the Joint Bookrunners, (or its agents or nominees) 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. We and the Joint Bookrunners (or its agents or nominees) will have full discretion to reject or accept any application, in full or in part, without assigning any reason.

2. HOW TO APPLY THROUGH WHITE FORM eIPO SERVICE

General

If you are an individual and meet the criteria set out in paragraph above entitled "Who Can Apply for Hong Kong Public Offer Shares" under this section, you may apply through **White Form eIPO** service by submitting an application through the designated website at www.eipo.com.hk. If you apply through **White Form eIPO** service, the Shares will be issued in your own name.

HOW TO APPLY FOR HONG KONG PUBLIC OFFER SHARES

Detailed instructions for application through the **White Form eIPO** service are set out on the designated website at www.eipo.com.hk. You should read these instructions carefully. If you do not follow the instructions, your application may be rejected by the designated **White Form eIPO** Service Provider and may not be submitted to our Company.

If you give **electronic application instructions** through the designated website at www.eipo.com.hk, you will have authorized the designated **White Form eIPO** Service Provider to apply on the terms and conditions set out in this prospectus, as supplemented and amended by the terms and conditions applicable to the **White Form eIPO** service.

In addition to the terms and conditions set out in this prospectus, the designated **White Form eIPO** Service Provider may impose additional terms and conditions upon you for the use of the **White Form eIPO** service. Such terms and conditions are set out on the designated website at www.eipo.com.hk. You will be required to read, understand and agree to such terms and conditions in full prior to making any application.

By submitting an application to the designated **White Form eIPO** Service Provider through the **White Form eIPO** service, you are deemed to have authorized the designated **White Form eIPO** Service Provider to transfer the details of your application to our Company and our Hong Kong Share Registrar.

You may submit an application through the **White Form eIPO** service in respect of a minimum of 1,000 Hong Kong Public Offer Shares. Each electronic application instruction in respect of more than 1,000 Hong Kong Public Offer Shares must be in one of the numbers set out in the table in the Application Forms, or as otherwise specified on the designated website at www.eipo.com.hk.

Warning: The application for Hong Kong Public Offer Shares through the **White Form eIPO** service is only a facility provided by the designated **White Form eIPO** Service Provider to public investors. Our Company, our Directors, the Joint Sponsors, the Joint Global Coordinators, the Joint Bookrunners, the Underwriters and the **White Form eIPO** Service Provider take no responsibility for such applications, and provide no assurance that applications through the **White Form eIPO** service will be submitted to our Company or that you will be allotted any Hong Kong Public Offer Shares.

Environmental Protection

The obvious advantage of **White Form eIPO** is to save the use of papers via the self-serviced and electronic application process. Computershare Hong Kong Investor Services Limited, being the designated **White Form eIPO** Service Provider, will contribute HK\$2, for each “CHINA TIANRUI GROUP CEMENT COMPANY LIMITED” **White Form eIPO** application submitted via www.eipo.com.hk to support the funding of “Source of DongJiang — Hong Kong Forest” project initiated by Friends of the Earth (HK).

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Please note that Internet services may have capacity limitations and/or be subject to service interruptions from time to time. To ensure that you can submit your application through the **White Form eIPO** service (www.eipo.com.hk), you are advised not to wait until the last day for lodging applications in the Hong Kong Public Offer to submit your **electronic application instructions**. In the event that you have problems connecting to the designated website for the **White Form eIPO** service (www.eipo.com.hk), you should submit a **WHITE** Application Form. However, once you have submitted **electronic application instructions** and completed payment in full using the application reference number provided to you on the designated website, you will be deemed to have made an actual application and should not submit a **WHITE** Application Form. See the paragraph entitled “3. How Many Applications You May Make” under this section.

Conditions of the White Form eIPO service

In using the **White Form eIPO** service to apply for the Hong Kong Public Offer Shares, the applicant shall be deemed to have accepted the following conditions:

That the applicant:

- (i) applies for the desired number of Hong Kong Public Offer Shares on the terms and conditions of this prospectus and the **White Form eIPO** designated website at www.eipo.com.hk, and subject to the Articles of Association of our Company;
- (ii) undertakes and agrees to accept the Hong Kong Public Offer Shares applied for, or any lesser number allotted to the applicant on such application;
- (iii) declares that this is the only application made and the only application intended by the applicant to be made whether on a **WHITE** or **YELLOW** Application Form or by giving **electronic application instructions** to the **White Form eIPO** Service Provider under the **White Form eIPO** service (www.eipo.com.hk), to benefit the applicant or the person for whose benefit the applicant is applying;
- (iv) undertakes and confirms that the applicant or the person(s) for whose benefit the applicant is applying have not applied for or taken up, or indicated an interest in, and will not apply for or take up, or indicate an interest in, and have not received or been placed or allotted (including conditionally and/or provisionally) any International Placing Shares under the International Placing, nor otherwise participated in the International Placing;
- (v) understands that this declaration and representation will be relied upon by our Company and the Joint Bookrunners in deciding whether or not to make any allotment of Hong Kong Public Offer Shares in response to such application;
- (vi) authorizes our Company to place the applicant’s name on the register of members of our Company as the holder of any Hong Kong Public Offer Shares to be allotted to the applicant, and (subject to the terms and conditions set forth in this prospectus) to send any share certificates (where applicable) by ordinary post at the applicant’s own risk to the

HOW TO APPLY FOR HONG KONG PUBLIC OFFER SHARES

address given on the **White Form eIPO** application except where the applicant has applied for 1,000,000 or more Hong Kong Public Offer Shares and that applicant collects any share certificate(s) in person in accordance with the procedures prescribed in the **White Form eIPO** designated website at www.eipo.com.hk and this prospectus;

- (vii) requests that any refund check(s) be made payable to the applicant who had used multiple bank accounts to pay the application monies; and (subject to the terms and conditions set forth in this prospectus) to send any refund checks by ordinary post and at the applicant's own risk to the address given on the **White Form eIPO** application;
- (viii) request that any e-Refund payment instructions be dispatched to the application payment account where the applicant had paid the application monies from a single bank account;
- (ix) has read the terms and conditions and application procedures set forth on the **White Form eIPO** designated website at www.eipo.com.hk and this prospectus and agrees to be bound by them;
- (x) represents, warrants and undertakes that the applicant, and any persons for whose benefit the applicant is applying are non-US person(s) outside the United States (as defined in Regulation S) when completing and submitting the Application Form or is a person described in paragraph (h)(3) of Rule 902 of Regulation S or the allotment of or application for the Hong Kong Public Offer Shares to or by whom or for whose benefit this application is made would not require our Company to comply with any requirements under any law or regulation (whether or not having the force of law) of any territory outside Hong Kong; and
- (xi) agrees that such application, any acceptance of it and the resulting contract will be governed by and construed in accordance with the laws of Hong Kong.

Supplemental Information

If any supplement to this prospectus is issued, applicant(s) who have already submitted **electronic application instructions** through the **White Form eIPO** service may or may not (depending on the information contained in the supplement) be notified that they can withdraw their applications. If applicant(s) have not been so notified, or if applicant(s) have been notified but have not withdrawn their applications in accordance with the procedure to be notified, all applications through the **White Form eIPO** service that have been submitted remain valid and may be accepted. Subject to the above and below, an application once made through the **White Form eIPO** service is irrevocable and applicants shall be deemed to have applied on the basis of this prospectus as supplemented.

HOW TO APPLY FOR HONG KONG PUBLIC OFFER SHARES

Effect of completing and submitting an application through the White Form eIPO service

By completing and submitting an application through the **White Form eIPO** service, you for yourself or as agent or nominee and on behalf of any person for whom you act as agent or nominee shall be deemed to:

- (i) instruct and authorize our Company and the Joint Bookrunners as agent for our Company (or their respective agents or nominees) to do on your behalf all things necessary to register any Hong Kong Public Offer Shares allotted to you in your name as required by the Articles of Association and otherwise to give effect to the arrangements described in this prospectus and the **White Form eIPO** service designated website at www.eipo.com.hk;
- (ii) confirm that you have only relied on the information and representations in this prospectus in making your application and will not rely on any other information or representations save as set forth in any supplement to this prospectus;
- (iii) agree that our Company, our Directors and any person who has authorized this prospectus are liable only for the information and representations contained in this prospectus and any supplement thereto;
- (iv) agree (without prejudice to any other rights which you may have) that once your application has been accepted, you may not rescind it because of an innocent misrepresentation;
- (v) (if the application is made for your own benefit) warrant that this is the only application which has been or will be made for your benefit on a **WHITE** or **YELLOW** Application Form or by giving **electronic application instructions** to the **White Form eIPO** Service Provider via the **White Form eIPO** service;
- (vi) (if you are an agent for another person) warrant that reasonable enquiries have been made of that other person that this is the only application which has been or will be made for the benefit of that other person on a **WHITE** or **YELLOW** Application Form or by giving **electronic application instructions** to the **White Form eIPO** Service Provider via the **White Form eIPO** service, and that you are duly authorized to submit the application as that other person's agent;
- (vii) undertake and confirm that, you (if the application is made for your benefit) or the person(s) for whose benefit you have made this application have not applied for or taken up, or indicated an interest for, and will not apply for, take up or indicate an interest for, any Offer Shares under the International Placing nor otherwise participate in the International Placing;
- (viii) agree that your application, any acceptance of it and the resulting contract will be governed by and construed in accordance with the laws of Hong Kong;

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- (ix) agree to disclose to our Company, the Joint Sponsors, the Joint Global Coordinators, the Underwriters, the Hong Kong Share Registrar, the Joint Bookrunners, the receiving bankers and/or their respective advisers and agents personal data and any information which they require about you or the person(s) for whose benefit you have made this application;
- (x) agree with our Company and each Shareholder of our Company, and our Company agrees with each of its Shareholders, to observe and comply with the Hong Kong Companies Ordinance, the Memorandum of Association and the Articles of Association;
- (xi) agree with our Company and each Shareholder of our Company that the Shares in our Company are freely transferable by the holders thereof;
- (xii) represent and warrant that you understand that the Shares have not been and will not be registered under the Securities Act and you are outside the United States (as defined in Regulation S) when completing the Application Form or are a person described in paragraph (h)(3) of rule 902 of Regulation S;
- (xiii) confirm that you have read the terms and conditions and application procedures set forth in this prospectus and the **White Form eIPO** service designated website at www.eipo.com.hk and agree to be bound by them;
- (xiv) undertake and agree to accept the Shares applied for, or any lesser number allocated to you under your application; and
- (xv) if the laws of any place outside Hong Kong are applicable to your application, agree and warrant that you have complied with all such laws and none of our Company, the Joint Sponsors, the Joint Global Coordinators, the Joint Bookrunners, the Underwriters, and the other parties involved in the Global Offering nor any of their respective directors, employees, partners, agents, officers or advisers will infringe any laws outside Hong Kong as a result of the acceptance of your offer to purchase, or any actions arising from your rights and obligations under the terms and conditions contained in this prospectus and the **White Form eIPO** service designated website at www.eipo.com.hk.

Our Company, the Joint Sponsors, the Joint Global Coordinators, the Joint Bookrunners, the Underwriters, any other parties involved in the Global Offering and their respective directors, officers, employees, partners, agents, advisers are entitled to rely on any warranty, representation or declaration made by you in such application.

Power of attorney

If your application is made by a duly authorized attorney, our Company and the Joint Bookrunners (or its agents or nominees), may accept it at their discretion and subject to any conditions as any of them may think fit, including production of evidence of the authority of your attorney.

HOW TO APPLY FOR HONG KONG PUBLIC OFFER SHARES

Additional information

For the purposes of allocating Hong Kong Public Offer Shares, each applicant giving **electronic application instructions** through **White Form eIPO** service to the **White Form eIPO** Service Provider through the designated website at www.eipo.com.hk will be treated as an applicant.

If your payment of application monies is insufficient, or in excess of the required amount, having regard to the number of Offer Shares for which you have applied, or if your application is otherwise rejected by the designated **White Form eIPO** service provider, the designated **White Form eIPO** Service Provider may adopt alternative arrangements for the refund of monies to you. Please refer to the additional information provided by the designated **White Form eIPO** Service Provider on the designated website at www.eipo.com.hk.

Otherwise, any monies payable to you due to a refund for any of the reasons set out below in the paragraph entitled “10. Refund of Application Monies”.

3. HOW MANY APPLICATIONS YOU MAY MAKE

You may make more than one application for the Hong Kong Public Offer Shares if and only if:

You are a nominee, in which case you may lodge more than one **WHITE** or **YELLOW** 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. Otherwise, multiple applications are not allowed.

If you apply by means of **White Form eIPO**, once you complete payment in respect of any **electronic application instruction** given by you or for your benefit to the designated **White Form eIPO** Service Provider to make an application for Hong Kong Public Offer Shares, an actual application shall be deemed to have been made. For the avoidance of doubt, giving an **electronic application instruction** under **White Form eIPO** more than once and obtaining different application reference numbers without effecting full payment in respect of a particular reference number will not constitute an actual application.

If you are suspected of submitting more than one application through the **White Form eIPO** service by giving **electronic application instructions** through the designated website at www.eipo.com.hk and completing payment in respect of such **electronic application instructions**, or of submitting one application through the **White Form eIPO** service and one or more applications by any other means, all of your applications are liable to be rejected.

HOW TO APPLY FOR HONG KONG PUBLIC OFFER SHARES

It will be a term and condition of all applications that by completing and delivering an Application Form or submitting an **electronic application instruction** you (and if you are joint applicants, each of you jointly and severally):

- (if the application is made for your own benefit) warrant that this is the only application which has been or will be made for your benefit on a **WHITE** or **YELLOW** Application Form or by giving **electronic application instructions** to the designated **White Form eIPO** Service Provider through **White Form eIPO** service (www.eipo.com.hk); or
- (if you are an agent for another person) warrant that reasonable enquiries have been made of that other person that this is the only application which has been or will be made for the benefit of that other person on a **WHITE** or **YELLOW** Application Form or by giving **electronic application instructions** to the designated **White Form eIPO** Service Provider through **White Form eIPO** service (www.eipo.com.hk) and that you are duly authorized to sign the Application Form or give electronic application instructions as that other person's agent.

Except where you are a nominee and provide the information required to be provided in your application, all of your applications will be rejected as multiple applications if you, or you and your joint applicant(s) together:

- make more than one application (whether individually or jointly) on a **WHITE** or **YELLOW** Application Form or by giving **electronic application instructions** to the designated **White Form eIPO** Service Provider through **White Form eIPO** service (www.eipo.com.hk); or
- apply both (whether individually or jointly) on one **WHITE** Application Form and one **YELLOW** Application Form or on one **WHITE** or **YELLOW** Application Form and give **electronic application instructions** to the designated **White Form eIPO** Service Provider through **White Form eIPO** service (www.eipo.com.hk); or
- apply (whether individually or jointly) on one **WHITE** or **YELLOW** Application Form or by giving **electronic application instructions** to the designated **White Form eIPO** Service Provider through **White Form eIPO** service (www.eipo.com.hk) for more than 20,045,000 Shares, being 50% of the Hong Kong Public Offer Shares initially being offered for public subscription under the Hong Kong Public Offer, as more particularly described in the section headed "Structure of the Global Offering — The Hong Kong Public Offer"; or
- have applied for or taken up, or indicated an interest for, or have been or will be placed or allocated (including conditionally and/or provisionally) Offer Shares under the International Placing.

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All of your applications will also be rejected as multiple applications if more than one application on a **WHITE** or **YELLOW** Application Form or by giving **electronic application instructions** to the designated **White Form eIPO** Service Provider through **White Form eIPO** service (www.eipo.com.hk) 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 for your benefit.

Unlisted company means a company with no equity securities listed on the Hong Kong 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).

4. HOW MUCH ARE THE HONG KONG PUBLIC OFFER SHARES

The maximum offer price is HK\$3.61 per Offer Share. You must also pay brokerage of 1%, SFC transaction levy of 0.003% and the Hong Kong Stock Exchange trading fee of 0.005%. This means that for one board lot of 1,000 Shares you will pay HK\$3,646.39. The **WHITE** and **YELLOW** Application Forms have tables showing the exact amount payable for numbers of Shares up to 20,045,000 Shares. Your application must be for a minimum of 1,000 Shares. Applications must be in one of the numbers set forth in the tables in the Application Forms. No application for any other number of Shares will be considered and any such application is liable to be rejected.

You must pay the maximum Offer Price, brokerage, SFC transaction levy and the Hong Kong Stock Exchange trading fee in full upon application for Shares by a check or a banker's cashier order in accordance with the terms set out in the Application Forms (if you apply by an Application Form) or this prospectus.

If your application is successful, brokerage is paid to participants of the Hong Kong Stock Exchange, the SFC transaction levy and the Hong Kong Stock Exchange trading fee are paid to the Hong Kong Stock Exchange (in the case of the SFC transaction levy, collected by the Hong Kong Stock Exchange on behalf of the SFC).

HOW TO APPLY FOR HONG KONG PUBLIC OFFER SHARES

5. MEMBERS OF THE PUBLIC — TIME FOR APPLYING FOR HONG KONG PUBLIC OFFER SHARES

Completed **WHITE** or **YELLOW** Application Forms, together with a check attached and marked payable to “HSBC Nominees (Hong Kong) Limited — China Tianrui Public Offer” for the payment, must be lodged by 12:00 noon on Monday, December 19, 2011, or, if the application lists are not open on that day, then by the time and date stated in the paragraph headed “6. Effect of Bad Weather on the Opening of the Application Lists” below.

Your completed Application Form, together with a check attached and marked payable to “HSBC Nominees (Hong Kong) Limited — China Tianrui Public Offer” for the payment, should be deposited in the special collection boxes provided at any of the branches of The Hongkong and Shanghai Banking Corporation Limited and Bank of China (Hong Kong) Limited listed under the section headed “1. Applying by Using an Application Channel — Where to Collect the Application Forms” above at the following times:

Wednesday, December 14, 2011 — 9:00 a.m. to 4:30 p.m.
Thursday, December 15, 2011 — 9:00 a.m. to 4:30 p.m.
Friday, December 16, 2011 — 9:00 a.m. to 4:30 p.m.
Saturday, December 17, 2011 — 9:00 a.m. to 1:00 p.m.
Monday, December 19, 2011 — 9:00 a.m. to 12:00 noon

The application lists will be open from 11:45 a.m. to 12:00 noon on Monday, December 19, 2011. No proceedings will be taken on applications for the Shares and no allotment of any such Shares will be made until the closing of the application lists.

White Form eIPO

You may submit your application to the designated **White Form eIPO** Service Provider through the designated website at www.eipo.com.hk from 9:00 a.m. on Wednesday, December 14, 2011 until 11:30 a.m. on Monday, December 19, 2011 or such later time as described under the paragraph headed “6. Effect of Bad Weather on the Opening of the Application Lists” under this section below (24 hours daily, except on the last application day). The latest time for completing full payment of application monies in respect of such applications will be 12:00 noon on Monday, December 19, 2011, the last application day, or, if the application lists are not open on that day, then by the time and date stated in “6. Effect of Bad Weather on the Opening of the Application Lists” under this section below.

You will not be permitted to submit your application to the designated **White Form eIPO** Service Provider through the designated website at www.eipo.com.hk after 11:30 a.m. on the last day for lodging applications on Monday, December 19, 2011. If you have already submitted your application and obtained an application reference number from the website prior to 11:30 a.m., you will be permitted to continue the application process (by completing payment of application monies) until 12:00 noon on the last day for lodging applications on Monday, December 19, 2011, when the application lists close. If you do not make complete payment of the application monies (including any related fees) on or before 12:00 noon on Monday, December 19, 2011, or such later time as described under the paragraph headed “6. Effect of Bad Weather on the Opening of the Application Lists” under this section, the designated **White Form eIPO** Service Provider will reject your application and your application monies will be returned to you in the manner described in the designated website at www.eipo.com.hk.

HOW TO APPLY FOR HONG KONG PUBLIC OFFER SHARES

6. EFFECT OF BAD WEATHER ON THE OPENING OF THE APPLICATION LISTS

The application lists will not open if there is:

- a tropical cyclone warning signal number 8 or above; or
- a “black” rainstorm warning,

in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon on Monday, December 19, 2011. Instead the last application day will be postponed and the application lists will open between 11:45 a.m. and 12:00 noon on the next Business Day which does not have either of those warnings in Hong Kong in force at any time between 9:00 a.m. and 12:00 noon.

Business Day means a day that is not a Saturday, Sunday or a public holiday in Hong Kong.

7. PUBLICATION OF RESULTS

We expect to announce the Offer Price, the level of indication of interest in the International Placing, the level of indication of interest in the Hong Kong Public Offer and the basis of allocation and the results of applications of the Hong Kong Public Offer Shares on Thursday, December 22, 2011 in The Standard (in English) and Hong Kong Economic Times (in Chinese) on the Company’s website at www.trcement.com and the website of the Hong Kong Stock Exchange at www.hkexnews.hk.

The results of allocations and the Hong Kong identity card/passport/Hong Kong business registration numbers of successful applicants under the Hong Kong Public Offer will be available at the times and date and in the manner specified below:

- Results of allocations for the Hong Kong Public Offer can be found in our announcement to be posted on our Company’s website www.trcement.com and the website of the Hong Kong Stock Exchange at www.hkexnews.hk by no later than 9:00 a.m. on Thursday, December 22, 2011.
- Results of allocations for the Hong Kong Public Offer will be available from our designated results of allocations website at www.iporesults.com.hk on a 24-hour basis from 8:00 a.m. on Thursday, December 22, 2011 to 12:00 midnight on Wednesday, December 28, 2011. Search by ID function will be available on our Hong Kong Public Offer results of allocations website at www.iporesults.com.hk, or via a hyperlink from our website at www.trcement.com to our Hong Kong Public Offer results of allocations website at www.iporesults.com.hk. 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;
- Results of allocations will be available from our Hong Kong Public Offer allocation results telephone enquiry line. Applicants may find out whether or not their applications have been successful and the number of Hong Kong Public Offer Shares allocated to them, if any, by calling 2862 8669 between 9:00 a.m. and 10:00 p.m. from Thursday, December 22, 2011 to Sunday, December 25, 2011;

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- Special allocation results booklets setting out the results of allocations will be available for inspection during opening hours of individual branches and sub-branches from Thursday, December 22, 2011 to Saturday, December 24, 2011 at all the receiving bank branches and sub-branches at the addresses set out in the section headed “1. Applying by Using an Application Channel — Where to Collect the Application Forms” above.

8. CIRCUMSTANCES IN WHICH YOU WILL NOT BE ALLOTTED HONG KONG PUBLIC OFFER SHARES

Full details of the circumstances in which you will not be allotted the Hong Kong Public Offer Shares are set out in the notes attached to the relevant Application Forms (whether you are making your application by an Application Form or through **White Form eIPO** service (www.eipo.com.hk), and you should read them carefully. You should note in particular the following situations in which the Hong Kong Public Offer Shares will not be allotted to you:

- **If your application is revoked:**

By completing and submitting an Application Form or giving an electronic application instruction to the designated **White Form eIPO** Service Provider through **White Form eIPO** service (www.eipo.com.hk), you agree that your application or the application made by HKSCC Nominees on your behalf or to the designated **White Form eIPO** Service Provider through **White Form eIPO** service (www.eipo.com.hk) cannot be revoked on or before the expiration of the fifth day after the time of the opening of the application lists (excluding for this purpose any day which is a Saturday, Sunday or public holiday in Hong Kong).

Your application or the application made by HKSCC Nominees or the designated **White Form eIPO** Service Provider through **White Form eIPO** service (www.eipo.com.hk) on your behalf may only be revoked on or before the expiration of the fifth day after the time of the opening of the application lists (excluding for this purpose any day which is a Saturday, Sunday or public holiday in Hong Kong) if a person responsible for this prospectus under section 40 of the Hong Kong Companies Ordinance (as applied by section 342E of the Hong Kong Companies Ordinance) gives a public notice under that section which excludes or limits the responsibility of that person for this prospectus.

If any supplement to this prospectus is issued, applicant(s) who have already submitted an application may or may not (depending on the information contained in the supplement) be notified that they can withdraw their applications. If applicant(s) have not been so notified, or if applicant(s) have been notified but have not withdrawn their applications in accordance with the procedure to be notified, all applications that have been submitted remain valid and may be accepted. Subject to the above, an application once made is irrevocable and applicants shall be deemed to have applied on the basis of this prospectus as supplemented.

If your application or the application made by HKSCC Nominees on your behalf or to the designated **White Form eIPO** Service Provider through **White Form eIPO** service

HOW TO APPLY FOR HONG KONG PUBLIC OFFER SHARES

(www.eipo.com.hk) has been accepted, it cannot be revoked. For this purpose, acceptance of applications which are not rejected will be constituted by notification in the press of the results of allocation, and where such basis of allocation is subject to certain conditions or provides for allocation by ballot, such acceptance will be subject to the satisfaction of such conditions or results of the ballot respectively.

- Full discretion of our Company, the Joint Bookrunners or the designated **White Form eIPO** Service Provider or our or their respective agents to reject or accept your application:

Our Company, the Joint Bookrunners (or their respective agents and nominees) or the designated **White Form eIPO** Service Provider (where applicable), or our respective agents and nominees, have full discretion to reject or accept any application, or to accept only part of any application.

Our Company, the Joint Bookrunners (or their respective agents and nominees) and the designated **White Form eIPO** Service Provider (where applicable), in their capacity as our agents, and our agents and nominees do not have to give any reason for any rejection or acceptance.

- If the allotment of Hong Kong Public Offer Shares is void:

The allotment of Hong Kong Public Offer Shares to you or to HKSCC Nominees (if you apply by a **YELLOW** Application Form) will be void if the Listing Committee of the Hong Kong Stock Exchange does not grant permission to list the Shares either:

- within three weeks from the closing date of the application lists; or
 - within a longer period of up to six weeks if the Listing Committee of the Hong Kong Stock Exchange notifies our Company of that longer period within three weeks of the closing date of the application lists.
- You will not receive any allotment if:
 - you make multiple applications or suspected multiple applications;
 - you or the person for whose benefit you are applying have applied for or taken up, or indicated an interest for, or have been or will be placed or allocated (including conditionally and/or provisionally) Hong Kong Public Offer Shares and/or Offer Shares in the International Placing. By filling in any of the **WHITE** or **YELLOW** Application Forms or applying by giving **electronic application instructions** to the designated **White Form eIPO** Service Provider through **White Form eIPO** service (www.eipo.com.hk), you agree not to apply for Hong Kong Public Offer Shares as well as Offer Shares in the International Placing. Reasonable steps will be taken to

HOW TO APPLY FOR HONG KONG PUBLIC OFFER SHARES

identify and reject applications in the Hong Kong Public Offer from investors who have received Offer Shares in the International Placing, and to identify and reject indications of interest in the International Placing from investors who have received Hong Kong Public Offer Shares in the Hong Kong Public Offer;

- your application is not completed in accordance with the instructions as stated in the Application Form (if you apply by an Application Form) or on the **White Form eIPO** website (www.eipo.com.hk);
- your payment is not made correctly or you pay by check or banker's cashier order and the check or banker's cashier order is dishonored upon its first presentation;
- the Hong Kong Underwriting Agreement and the International Placing Agreement do not become unconditional;
- the Hong Kong Underwriting Agreement and the International Placing Agreement are terminated in accordance with their respective terms;
- the Company and/or the Joint Bookrunners believes that by accepting your application, it would violate the applicable securities or other laws, rules or regulations of the jurisdiction in which your application is completed and/or signed; or
- your application is for more than 50% of the Hong Kong Public Offer Shares initially offered for public subscription under the Hong Kong Public Offer.

9. DISPATCH/COLLECTION OF SHARE CERTIFICATES AND REFUND MONIES

If an application is rejected, not accepted or accepted in part only, or if the Offer Price as finally determined is less than the offer price of HK\$3.61 per Share (excluding brokerage, SFC transaction levy and the Hong Kong Stock Exchange trading fee thereon) initially paid on application, or if the conditions of the Hong Kong Public Offer are not fulfilled in accordance with the section headed "Structure of the Global Offering — Conditions of the Hong Kong Public Offer" 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 the Hong Kong 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.

You will receive one share certificate for all the Hong Kong Public Offer Shares issued to you under the Hong Kong Public Offer (except pursuant to applications made on **YELLOW** Application Forms where the share certificates will be deposited into CCASS as described below).

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No temporary document of title will be issued in respect of the Shares. 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 the application:

- (a) for applications on **WHITE** Application Form or by giving **electronic application instructions** through the **White Form eIPO** service:
 - (i) share certificate(s) for all the Hong Kong Public Offer Shares applied for, if the application is wholly successful; or
 - (ii) share certificate(s) for the number of Hong Kong Public Offer Shares successfully applied for, if the application is partially successful (for wholly successful and partially successful applications on **YELLOW** Application Forms: share certificates for the Shares successfully applied for will be deposited into CCASS as described below); and/or
- (b) for applications on **WHITE** or **YELLOW** Application Forms, refund check(s) crossed “Account Payee Only” in favor of the applicant (or, in the case of joint applicants, the first-named applicant) for (i) the surplus application monies for the Hong Kong Public Offer Shares unsuccessfully applied for, if the application is partially unsuccessful; or (ii) all the application monies, if the application is wholly unsuccessful; and/or (iii) the difference between the Offer Price and the maximum offer price per Share paid on application in the event that the Offer Price is less than the offer price per Share initially paid on application, in each case including brokerage of 1%, SFC transaction levy of 0.003% and the Hong Kong Stock Exchange trading fee of 0.005%, attributable to such refund/surplus monies but without interest. 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 check, 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 check. Inaccurate completion of your Hong Kong identity card number/passport number may lead to delay in encashment of, or may invalidate, your refund check.
- (c) Subject to personal collection as mentioned below, refund checks for surplus application monies (if any) in respect of wholly and partially unsuccessful applications and the difference between the Offer Price and the offer price per Share initially paid on application (if any) under **WHITE** or **YELLOW** Application Forms; and share certificates for wholly and partially successful applicants under **WHITE** Application Forms or by giving **electronic application instructions** through the **White Form eIPO** service are expected to be posted on or before Thursday, December 22, 2011. The right is reserved to retain any share certificate(s) and any surplus application monies pending clearance of check(s).

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Share certificates will only become valid certificates of title at 8:00 a.m. on Friday, December 23, 2011 provided that the Hong Kong Public Offer has become unconditional in all respects and the right of termination described in the section headed “Underwriting — Underwriting Arrangements and Expenses — Hong Kong Public Offer — Grounds for Termination” has not been exercised.

(a) if you apply using a WHITE Application Form

If you apply for 1,000,000 or more Hong Kong Public Offer Shares and have indicated your intention in your **WHITE** Application Form to collect your refund check(s) (where applicable) and/or share certificate(s) (where applicable) in person and have provided all information required by your Application Form, you may collect your refund check(s) (where applicable) and/or share certificate(s) (where applicable) from Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong, from 9:00 a.m. to 1:00 p.m. on Thursday, December 22, 2011 or such other date as notified by us in the newspapers as the date of dispatch/collection of share certificates/e-Refund payment instructions/refund checks. If you are an individual who opts for personal collection, you must not authorize 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 authorized representative bearing a letter of authorization from your corporation stamped with your corporation’s chop. Both individuals and authorized representatives (if applicable) must produce, at the time of collection, evidence of identity acceptable to Computershare Hong Kong Investor Services Limited. If you do not collect your refund check(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 Hong Kong Public Offer Shares or you apply for 1,000,000 Hong Kong Public Offer Shares or more but have not indicated on your Application Form that you will collect your refund check(s) (where applicable) and/or share certificate(s) (where applicable) in person or if your application is rejected, not accepted or accepted in part only, or if the conditions of the Hong Kong Public Offer are not fulfilled in accordance with the section headed “Structure of the Global Offering — Conditions of the Hong Kong Public Offer” in this prospectus, or if your application is revoked or any allotment pursuant thereto has become void, your share certificate(s) (where applicable) and/or refund check(s) (where applicable) in respect of the application monies or the appropriate parties thereof, together with the related brokerage fee, Hong Kong Stock Exchange trading fee, and SFC transaction levy, if any, (without interest) will be sent to the address on your Application Form on Thursday, December 22, 2011, by ordinary post and at your own risk.

(b) If you apply using a YELLOW Application Form

If you apply for 1,000,000 Hong Kong Public Offer Shares or more and you have elected on your **YELLOW** Application Form to collect your refund check (where applicable) in person, please follow the same instructions as those for **WHITE** Application Form applicants as described above. If you have applied for 1,000,000 Hong Kong Public Offer Shares or above and have not indicated on your Application Form that you will collect your refund check (if any) in person, or if you have applied for less than 1,000,000 Hong Kong Public Offer Shares, or if your application is rejected, not accepted or accepted in part only, or if the conditions of the Hong Kong Public Offer are not fulfilled in

HOW TO APPLY FOR HONG KONG PUBLIC OFFER SHARES

accordance with the section headed “Structure of the Global Offering — Conditions of the Hong Kong Public Offer” in this prospectus, or if your application is revoked or any allotment pursuant thereto has become void, your refund check(s) (where applicable) in respect of the application monies or the appropriate parties thereof, together with the related brokerage fee, Hong Kong Stock Exchange trading fee, and SFC transaction levy, if any, (without interest) will be sent to the address on your Application Form on the date of dispatch, which is expected to be on Thursday, December 22, 2011, by ordinary post and at your own risk.

If you apply for Hong Kong 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 Thursday, December 22, 2011, or under contingent situation, on any other date as shall be determined by HKSCC or HKSCC Nominees.

If you are applying through a designated CCASS Participant (other than a CCASS Investor Participant):

- for Hong Kong 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 Hong Kong Public Offer Shares allocated to you with that CCASS Participant.

If you are applying as a CCASS Investor Participant:

- our Company expects to publish the results of CCASS Investor Participants’ applications together with the results of the Hong Kong Public Offer on Thursday, December 22, 2011 in the manner described in “7. Publication of Results” above. You should check such results and report any discrepancies to HKSCC before 5:00 p.m. on Thursday, December 22, 2011 or such other date as shall be determined by HKSCC or HKSCC Nominees. Immediately after the credit of the Hong Kong Public Offer Shares to your stock account, you can check your new account balance via the CCASS Phone System and the CCASS Internet System (under the procedures contained in HKSCC’s “An Operating Guide for Investor Participants” in effect from time to time). HKSCC will also make available to you an activity statement showing the number of Hong Kong Public Offer Shares credited to your stock account.

(c) If you are applying through White Form eIPO

If you apply for 1,000,000 Hong Kong Public Offer Shares or more through the **White Form eIPO** service by submitting an electronic application to the designated **White Form eIPO** Service Provider through the designated website www.eipo.com.hk and your application is wholly or partially successful, you may collect your Share certificate(s) (where applicable) in person from Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong, from 9:00 a.m. to 1:00 p.m. on Thursday, December 22, 2011, or such other date as notified by our Company in the newspapers as the date of dispatch/collection of Share certificates/e-Refund payment instructions/refund checks.

HOW TO APPLY FOR HONG KONG PUBLIC OFFER SHARES

If you do not collect your Share certificate(s) personally within the time specified for collection, they will be sent to the address specified in your application instructions to the designated **White Form eIPO** Service Provider promptly thereafter by ordinary post and at your own risk.

If you apply for less than 1,000,000 Hong Kong Public Offer Shares, your Share certificate(s) (where applicable) will be sent to the address specified in your application instructions to the designated **White Form eIPO** Service Provider through the designated website at www.eipo.com.hk on Thursday, December 22, 2011 by ordinary post and at your own risk.

If you apply through the **White Form eIPO** service and paid the application monies from a single bank account, refund monies (if any) will be dispatched to the application payment account in the form of e-Refund payment instructions.

If you apply through **White Form eIPO** service from multiple bank accounts, refund monies (if any) will be dispatched to the address as specified on your application instructions to the designated **White Form eIPO** application in the form of refund check(s), by ordinary post at your own risk.

Please also note the additional information relating to refund of application monies overpaid, application money underpaid or applications rejected by the designated **White Form eIPO** Service Provider set out above in the section headed “2. How to Apply Through White Form eIPO Service — Additional Information”.

10. REFUND OF APPLICATION MONIES

If you do not receive any Hong Kong Public Offer Shares for any reason, we will refund your application monies, including brokerage of 1%, SFC transaction levy of 0.003% and the Hong Kong Stock Exchange trading fee of 0.005%. No interest will be paid thereon. All interest accrued on such monies prior to the date of dispatch/collection of Share certificates/e-Refund payment instructions/refund checks will be retained for our benefit.

If your application is accepted only in part, we will refund the appropriate portion of your application monies, including the related brokerage of 1%, SFC transaction levy of 0.003% and the Hong Kong Stock Exchange trading fee of 0.005%, without interest.

If the Offer Price as finally determined is less than HK\$3.61 per Offer Share, appropriate refund payments, including the brokerage of 1%, SFC transaction levy of 0.003% and the Hong Kong Stock Exchange trading fee of 0.005% attributable to the surplus application monies will be made to successful applicants, without interest. Details of the procedure for refund are set out above in the paragraph headed “9. Dispatch/Collection of Share Certificates and Refund Monies”.

All such interest accrued prior to the date of dispatch of refund will be retained for our benefit.

In a contingency situation involving a substantial over-subscription, at the discretion of the Company and the Joint Bookrunners checks for applications for certain small denominations of Hong Kong Public Offer Shares on Application Forms (apart from successful applications) may not be cleared.

HOW TO APPLY FOR HONG KONG PUBLIC OFFER SHARES

Refund of your application monies (if any) will be made on Thursday, December 22, 2011 in accordance with the various arrangements as described in this section.

11. COMMENCEMENT OF DEALINGS IN THE SHARES

Dealings in the Shares are expected to commence on Friday, December 23, 2011. The Shares will be traded in board lots of 1,000 Shares. The stock code of the Shares is 1252.

12. SHARES WILL BE ELIGIBLE FOR ADMISSION INTO CCASS

If the Hong Kong Stock Exchange grants the listing of, and permission to deal in, the Shares and we comply 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 date of commencement of dealings in the Shares on the Hong Kong Stock Exchange or any other date HKSCC chooses. Settlement of transactions between participants of the Hong Kong Stock Exchange is required to take place in CCASS on the second Business Day after any trading day.

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

Investors should seek the advice of their stockbroker or other professional adviser for details of the settlement arrangement as such arrangements may affect their rights and interests.

All necessary arrangements have been made enabling the Shares to be admitted into CCASS.

The following is the text of a report received from our reporting accountants, Deloitte Touche Tohmatsu, Certified Public Accountants, for the purpose of incorporation in this prospectus.

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

14 December 2011

The Directors

China Tianrui Group Cement Company Limited
Deutsche Bank AG, Hong Kong Branch
BOCI Asia Limited
BOCOM International (Asia) Limited
CCB International Capital Limited

Dear Sirs,

We set out below our report on the financial information (the “Financial Information”) regarding China Tianrui Group Cement Company Limited (the “Company”) and its subsidiaries (hereinafter collectively referred to as the “Group”) for each of the three years ended 31 December 2008, 2009 and 2010 and the six months ended 30 June 2011 (the “Relevant Periods”) for inclusion in the prospectus of the Company dated 14 December 2011 (the “Prospectus”) in connection with the initial listing of the shares of the Company on the Main Board of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”).

The Company was incorporated and registered as an exempted company with limited liability in the Cayman Islands under the Companies Law of the Cayman Islands on 7 February 2011. Through a corporate reorganization, as more fully explained in the paragraph headed “Our Reorganization” in the “History, Reorganization and Corporate Structure” Section to the Prospectus (the “Corporate Reorganization”), the Company became the holding company of companies now comprising the Group on 8 April 2011.

As at the date of this report, the Company has the following subsidiaries and associate:

Name of company	Place and date of incorporation/ establishment	Issued and fully paid share capital/ registered capital	Attributable equity interest to the Group				Date of this report	Principal activities
			31 December 2008	31 December 2009	31 December 2010	30 June 2011		
			%	%	%	%	%	
Subsidiaries								
Zhong Yuan Cement Company Limited 中原水泥有限公司 (“Zhong Yuan Cement”)	British Virgin Islands (“BVI”) 7 April 2010	US\$1	N/A	N/A	100	100	100	Investment holding

APPENDIX I
ACCOUNTANTS' REPORTS

Name of company	Place and date of incorporation/ establishment	Issued and fully paid share capital/ registered capital	Attributable equity interest to the Group				Date of this report	Principal activities
			31 December 2008	31 December 2009	31 December 2010	30 June 2011		
			%	%	%	%		
Subsidiaries								
China Tianrui (Hong Kong) Company Limited 中國天瑞(香港)有限公司 ("Tianrui (HK)")	Hong Kong 16 April 2010	US\$1	N/A	N/A	100	100	100	Investment holding
Tianrui Group Cement Company Limited 天瑞集團水泥有限公司 ("Tianrui Cement") (Note i)	The People's Republic of China (the "PRC") 28 September 2000	US\$184,052,471	100	100	100	100	100	Manufacture and sale of cement and clinker
Lushan Xian Antai Cement Company Limited 魯山縣安泰水泥有限公司*	The PRC 16 September 1998	RMB21,357,000	100	100	100	100	100	Manufacture and sale of cement
Tianrui Group Ruzhou Cement Company Limited 天瑞集團汝州水泥有限公司*	The PRC 3 December 2002	RMB180,000,000	100	100	100	100	100	Manufacture and sale of cement and clinker
Weihui Shi Tianrui Cement Company Limited 衛輝市天瑞水泥有限公司*	The PRC 30 June 2003	RMB240,000,000	100	100	100	100	100	Manufacture and sale of cement and clinker
Tianrui Group Zhoukou Cement Company Limited 天瑞集團周口水泥有限公司*	The PRC 10 September 2003	RMB81,000,000	96.30	96.30	100	100	100	Manufacture and sale of cement
Shangqiu Tianrui Cement Company Limited 商丘天瑞水泥有限公司*	The PRC 9 June 2004	RMB63,000,000	100	100	100	100	100	Manufacture and sale of cement
Zhengzhou Tianrui Cement Company Limited 鄭州天瑞水泥有限公司*	The PRC 17 June 2004	RMB55,000,000	100	100	100	100	100	Manufacture and sale of cement
Yuzhou Shi Zhongjin Cement Company Limited 禹州市中錦水泥有限公司*	The PRC 4 August 2004	RMB250,000,000	100	100	100	100	100	Manufacture and sale of cement and clinker

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Name of company	Place and date of incorporation/ establishment	Issued and fully paid share capital/ registered capital	Attributable equity interest to the Group				Date of this report	Principal activities
			31 December 2008	31 December 2009	31 December 2010	30 June 2011		
			%	%	%	%		
Subsidiaries								
Dalian Tianrui Cement Company Limited 大連天瑞水泥有限公司*	The PRC 8 December 2004	RMB350,000,000	100	100	100	100	100	Manufacture and sale of cement and clinker
Yingkou Tianrui Cement Company Limited 營口天瑞水泥有限公司*	The PRC 4 July 2006	RMB111,300,000	100	100	100	100	100	Manufacture and sale of cement
Tianrui Group Nanzhao Cement Company Limited 天瑞集團南召水泥有限公司*	The PRC 23 January 2007	RMB200,000,000	100	100	100	100	100	Manufacture and sale of cement and clinker
Yuzhou Shi Zhongjin Mining Company Limited 禹州市中錦礦業有限公司*	The PRC 23 April 2007	RMB1,000,000	100	100	100	100	100	Inactive
Liaoyang Tianrui Cement Company Limited 遼陽天瑞水泥有限公司*	The PRC 25 April 2007	RMB213,680,000	100	100	100	100	100	Manufacture and sale of cement and clinker
Tianrui Group Xuchang Cement Company Limited 天瑞集團許昌水泥有限公司*	The PRC 16 August 2007	RMB80,000,000	100	100	100	100	100	Manufacture and sale of cement
Tianrui Group Guangshan Cement Company Limited 天瑞集團光山水泥有限公司*	The PRC 14 December 2007	RMB280,000,000	100	100	100	100	100	Manufacture and sale of cement and clinker
Tianrui Group Zhengzhou Cement Company Limited 天瑞集團鄭州水泥有限公司*	The PRC 23 April 2008	RMB520,000,000	100	100	100	100	100	Manufacture and sale of cement and clinker
Tianrui Group Xiaoxian Cement Company Limited 天瑞集團蕭縣水泥有限公司*	The PRC 6 October 2008	RMB241,958,000	100	100	100	100	100	Manufacture and sale of cement and clinker
Tianrui Group Ningling Cement Company Limited 天瑞集團寧陵水泥有限公司*	The PRC 9 July 2009	RMB20,000,000	N/A	100	100	100	100	Manufacture and sale of cement

Name of company	Place and date of incorporation/ establishment	Issued and fully paid share capital/ registered capital	Attributable equity interest to the Group				Date of this report	Principal activities
			31 December 2008	31 December 2009	31 December 2010	30 June 2011		
			%	%	%	%		
Subsidiaries								
Tianjin Tianrui Cement Company Limited ("Tianjin Tianrui") 天津天瑞水泥有限公司 (Note ii)*	The PRC 5 November 2009	RMB100,000,000	N/A	100	100	60	60	Manufacture and sale of cement
Associate Pingdingshan Ruiping Shilong Cement Company Limited 平頂山瑞平石龍水泥有限公司**	The PRC 12 September 2005	RMB300,000,000	40	40	40	40	40	Manufacture and sale of clinker

Note:

i: Prior to the Corporate Reorganization, the operation of manufacture and sale of cement and clinker were carried out by Tianrui Cement, its subsidiaries and associate.

ii: Tianjin Tianrui was established with registered capital of RMB100,000,000 in 2009.

In 2009 and 2010, Tianrui Cement injected capital of RMB40,000,000 and RMB20,000,000 into Tianjin Tianrui separately, and no capital injection by other registered shareholders has been made. Hence, Tianjin Tianrui was wholly owned by Tianrui Cement in 2009 and 2010.

In 2011, Tianjin Tianrui received the injected capital of RMB40,000,000 from other registered shareholders, and hence, its equity interest was diluted to 60%.

* The entities are subsidiaries of Tianrui Cement.

** The entity is an associate of Tianrui Cement.

Other than Zhong Yuan Cement, all subsidiaries are indirectly held by the Company.

The financial year end date of all the companies now comprising the Group is 31 December.

No audited financial statements have been prepared for the Company and Zhong Yuan Cement since their dates of incorporation as there are no statutory requirements in the Cayman Islands and the BVI.

For the purpose of this report, we have, however, reviewed all the relevant transactions of the Company and Zhong Yuan Cement since their respective dates of incorporation and carried out such procedures as we considered necessary for inclusion of their financial information in this report.

Financial statements for the period from 16 April 2010 (date of incorporation) to 31 December 2010 has been prepared for Tianrui (HK), and audited by Deloitte Touche Tohmatsu, Certified Public Accountants.

The statutory financial statements of the individual subsidiaries established in the PRC for the years ended 31 December 2008, 2009 and 2010 were prepared in accordance with the relevant accounting principles and financial regulations in the PRC. They were audited by the following certified public accountants registered in the PRC:

Name of subsidiary	Financial year/period	Name of auditor
Tianrui Cement	Three years ended 31 December 2008, 2009 and 2010	平頂山市明審會計師事務所有限公司 (Pingdingshanshi Ming Shen Certified Public Accountants Company Limited)
Lushan Xian Antai Cement Company Limited 魯山縣安泰水泥有限公司	Three years ended 31 December 2008, 2009 and 2010	平頂山市明審會計師事務所有限公司 (Pingdingshanshi Ming Shen Certified Public Accountants Company Limited)
Tianrui Group Ruzhou Cement Company Limited 天瑞集團汝州水泥有限公司	Three years ended 31 December 2008, 2009 and 2010	平頂山市明審會計師事務所有限公司 (Pingdingshanshi Ming Shen Certified Public Accountants Company Limited)
Weihui Shi Tianrui Cement Company Limited 衛輝市天瑞水泥有限公司	Three years ended 31 December 2008, 2009 and 2010	平頂山市明審會計師事務所有限公司 (Pingdingshanshi Ming Shen Certified Public Accountants Company Limited)
Tianrui Group Zhoukou Cement Company Limited 天瑞集團周口水泥有限公司	Year ended 31 December 2008	河南華穎會計師事務所有限公司 (Henan Hua Ying Certified Public Accountants Company Limited)
	Two years ended 31 December 2009 and 2010	平頂山市明審會計師事務所有限公司 (Pingdingshanshi Ming Shen Certified Public Accountants Company Limited)
Shangqiu Tianrui Cement Company Limited 商丘天瑞水泥有限公司	Three years ended 31 December 2008, 2009 and 2010	平頂山市明審會計師事務所有限公司 (Pingdingshanshi Ming Shen Certified Public Accountants Company Limited)
Zhengzhou Tianrui Cement Company Limited 鄭州天瑞水泥有限公司	Three years ended 31 December 2008, 2009 and 2010	平頂山市明審會計師事務所有限公司 (Pingdingshanshi Ming Shen Certified Public Accountants Company Limited)
Yuzhou Shi Zhongjin Cement Company Limited 禹州市中錦水泥有限公司	Three years ended 31 December 2008, 2009 and 2010	平頂山市明審會計師事務所有限公司 (Pingdingshanshi Ming Shen Certified Public Accountants Company Limited)
Dalian Tianrui Cement Company Limited 大連天瑞水泥有限公司	Three years ended 31 December 2008, 2009 and 2010	平頂山市明審會計師事務所有限公司 (Pingdingshanshi Ming Shen Certified Public Accountants Company Limited)
Yingkou Tianrui Cement Company Limited 營口天瑞水泥有限公司	Three years ended 31 December 2008, 2009 and 2010	平頂山市明審會計師事務所有限公司 (Pingdingshanshi Ming Shen Certified Public Accountants Company Limited)

APPENDIX I
ACCOUNTANTS' REPORTS

Name of subsidiary	Financial year/period	Name of auditor
Tianrui Group Nanzhao Cement Company Limited 天瑞集團南召水泥有限公司	Three years ended 31 December 2008, 2009 and 2010	平頂山市明審會計師事務所有限公司 (Pingdingshanshi Ming Shen Certified Public Accountants Company Limited)
Yuzhou Shi Zhongjin Mining Company Limited 禹州市中錦礦業有限公司	Three years ended 31 December 2008, 2009 and 2010	(Note i)
Liaoyang Tianrui Cement Company Limited 遼陽天瑞水泥有限公司	Three years ended 31 December 2008, 2009 and 2010	平頂山市明審會計師事務所有限公司 (Pingdingshanshi Ming Shen Certified Public Accountants Company Limited)
Tianrui Group Xuchang Cement Company Limited 天瑞集團許昌水泥有限公司	Three years ended 31 December 2008, 2009 and 2010	平頂山市明審會計師事務所有限公司 (Pingdingshanshi Ming Shen Certified Public Accountants Company Limited)
Tianrui Group Guangshan Cement Company Limited 天瑞集團光山水泥有限公司	Three years ended 31 December 2008, 2009 and 2010	平頂山市明審會計師事務所有限公司 (Pingdingshanshi Ming Shen Certified Public Accountants Company Limited)
Tianrui Group Zhengzhou Cement Company Limited 天瑞集團鄭州水泥有限公司	Period from 23 April 2008 (date of establishment) to 31 December 2008 Two years ended 31 December 2009 and 2010	平頂山市明審會計師事務所有限公司 (Pingdingshanshi Ming Shen Certified Public Accountants Company Limited)
Tianrui Group Xiaoxian Cement Company Limited 天瑞集團蕭縣水泥有限公司	Period from 6 October 2008 (date of establishment) to 31 December 2008 Two years ended 31 December 2009 and 2010	(Note ii) 平頂山市明審會計師事務所有限公司 (Pingdingshanshi Ming Shen Certified Public Accountants Company Limited)
Tianrui Group Ningling Cement Company Limited 天瑞集團寧陵水泥有限公司	Period from 9 July 2009 (date of establishment) to 31 December 2009 The year ended 31 December 2010	(Note ii) 平頂山市明審會計師事務所有限公司 (Pingdingshanshi Ming Shen Certified Public Accountants Company Limited)
Tianjin Tianrui 天津天瑞水泥有限公司	Period from 5 November 2009 (date of establishment) to 31 December 2009 The year ended 31 December 2010	(Note ii) 平頂山市明審會計師事務所有限公司 (Pingdingshanshi Ming Shen Certified Public Accountants Company Limited)

Note:

- i: The subsidiary was inactive during the Relevant Periods, no audited financial statements have been prepared.
- ii: The subsidiaries were newly established during that period, no audited financial statements have been prepared.

For the purpose of this report, the directors of the Company have prepared the consolidated financial statements of the Group for the Relevant Periods in accordance with International Financial Reporting Standards (“IFRSs”) (the “Underlying Financial Statements”). We have undertaken an independent audit on the Underlying Financial Statements in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”).

We have examined the Underlying Financial Statements for the Relevant Periods in accordance with the Auditing Guideline 3.340 “Prospectuses and the Reporting Accountant” as recommended by HKICPA.

The Financial Information of the Group for the Relevant Periods as set out in this report has been prepared from the Underlying Financial Statements, on the basis of preparation set out in Note 1B of Section B. No adjustment is considered necessary to the Underlying Financial Statements for the preparation of this report.

The Underlying Financial Statements are the responsibility of the directors of the Company who approved their issue. The directors of the Company are also 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 1B of Section B to this Financial Information, the Financial Information gives, for the purpose of this report, a true and fair view of the state of affairs of the Group as at 31 December 2008, 2009 and 2010 and the state of affairs of the Group and the Company as at 30 June 2011 and of the consolidated results and consolidated cash flows of the Group for Relevant Periods.

The comparative consolidated statement of comprehensive income, consolidated statement of cash flows and consolidated statement of changes in equity of the Group for the six months ended 30 June 2010 together with the notes thereon (the “30 June 2010 Financial Information”) have been extracted from Tianrui Cement’s unaudited consolidated financial information for the same period which was prepared by the directors of the Company solely for the purpose of this report. We have reviewed the 30 June 2010 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 30 June 2010 Financial Information consists of making enquiries, 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 30 June 2010 Financial Information. Based on our review, nothing has come to our attention that causes us to believe that the 30 June 2010 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 IFRSs.

FINANCIAL INFORMATION

Consolidated Statements of Comprehensive Income

	Notes	For the year ended 31 December			For the six months ended 30 June	
		2008	2009	2010	2010	2011
		RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Revenue.....	5, 6	3,360,339	4,415,224	6,129,438	2,512,535	4,072,790
Cost of sales.....		(2,683,957)	(3,695,422)	(5,080,258)	(2,275,110)	(2,870,500)
Gross profit		676,382	719,802	1,049,180	237,425	1,202,290
Other income	7	97,002	134,812	188,454	69,058	139,324
Selling and distribution expenses.....		(170,190)	(200,130)	(225,473)	(105,731)	(132,437)
Administrative expenses..		(113,706)	(125,278)	(174,604)	(74,281)	(120,539)
Other expenses.....		(22,190)	(15,682)	(7,587)	(4,057)	(10,137)
Share of loss of an associate	19	(9,253)	(101,832)	—	—	—
Finance costs	8	(135,392)	(166,652)	(303,266)	(99,389)	(210,902)
Profit before taxation.....		322,653	245,040	526,704	23,025	867,599
Income tax expense.....	9	(90,424)	(81,779)	(128,917)	(13,172)	(212,719)
Profit for the year/ period and total comprehensive income for the year/period	10	<u>232,229</u>	<u>163,261</u>	<u>397,787</u>	<u>9,853</u>	<u>654,880</u>
Profit for the year/ period and total comprehensive income for the year/period attributable to:						
Owners of the Company..		231,153	162,738	396,833	8,899	654,880
Non-controlling interest ..		<u>1,076</u>	<u>523</u>	<u>954</u>	<u>954</u>	<u>—</u>
		<u>232,229</u>	<u>163,261</u>	<u>397,787</u>	<u>9,853</u>	<u>654,880</u>
Earnings per share						
Basic (RMB).....	12	<u>0.12</u>	<u>0.08</u>	<u>0.20</u>	<u>0.004</u>	<u>0.33</u>

Consolidated Statements of Financial Position

	Notes	At 31 December			At 30 June
		2008	2009	2010	2011
		RMB'000	RMB'000	RMB'000	RMB'000
NON-CURRENT ASSETS					
Property, plant and equipment	14	5,186,688	7,322,017	8,666,714	8,920,587
Deposits paid	15	317,870	509,742	473,472	352,791
Prepaid lease payments	16	411,795	488,367	499,927	570,432
Mining rights	17	166,356	222,173	228,500	224,229
Goodwill	18	12,275	12,275	12,275	12,275
Interest in an associate	19	101,832	—	—	—
Available-for-sale investments	20	5,200	5,200	4,000	—
Amounts due from related parties	23	5,070	28,070	28,070	28,070
Restricted bank balances	25	—	30,000	—	—
Deferred tax assets	32	7,420	8,283	8,528	11,106
		<u>6,214,506</u>	<u>8,626,127</u>	<u>9,921,486</u>	<u>10,119,490</u>
CURRENT ASSETS					
Inventories	21	546,111	656,036	800,861	894,232
Trade and other receivables	22	212,481	596,062	1,179,917	2,135,534
Available-for-sale investments	20	—	—	—	4,000
Amounts due from related parties	23	3,249	5,072	12,618	11,528
Amount due from a former director of Tianrui Cement	24	6,000	—	—	—
Restricted bank balances	25	45,165	325,914	1,423,888	993,202
Cash and bank balances	26	247,573	400,096	343,396	753,217
		<u>1,060,579</u>	<u>1,983,180</u>	<u>3,760,680</u>	<u>4,791,713</u>
CURRENT LIABILITIES					
Trade and other payables	27	1,203,109	1,940,644	3,577,309	3,985,777
Amounts due to related parties	28	30,861	2,510	10,325	11,856
Income tax payable		49,788	28,047	83,886	119,706
Short term debenture	29	—	—	500,000	1,000,000
Borrowings - due within one year	30	306,800	2,994,281	3,777,373	3,460,336
		<u>1,590,558</u>	<u>4,965,482</u>	<u>7,948,893</u>	<u>8,577,675</u>
NET CURRENT LIABILITIES		<u>(529,979)</u>	<u>(2,982,302)</u>	<u>(4,188,213)</u>	<u>(3,785,962)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES					
		<u>5,684,527</u>	<u>5,643,825</u>	<u>5,733,273</u>	<u>6,333,528</u>

	Notes	At 31 December			At 30 June
		2008	2009	2010	2011
		RMB'000	RMB'000	RMB'000	RMB'000
NON-CURRENT LIABILITIES					
Borrowings - due after one year.....	30	2,552,744	2,351,039	2,021,000	1,916,850
Other payables	31	48,009	44,360	34,237	34,237
Deferred tax liabilities	32	28,719	24,052	23,623	23,151
Deferred income.....	33	76,991	78,684	111,726	120,633
Provision for environmental restoration	34	—	4,365	6,575	7,661
		<u>2,706,463</u>	<u>2,502,500</u>	<u>2,197,161</u>	<u>2,102,532</u>
NET ASSETS		<u>2,978,064</u>	<u>3,141,325</u>	<u>3,536,112</u>	<u>4,230,996</u>
CAPITAL AND RESERVES					
Issued capital/paid-in capital.....	35	1,397,135	1,397,135	1,397,135	8
Reserves		905,168	933,196	980,924	2,378,055
Retained earnings.....		<u>670,807</u>	<u>805,517</u>	<u>1,158,053</u>	<u>1,812,933</u>
Equity attributable to owners of the Company		2,973,110	3,135,848	3,536,112	4,190,996
Non-controlling interest		<u>4,954</u>	<u>5,477</u>	—	<u>40,000</u>
TOTAL EQUITY		<u>2,978,064</u>	<u>3,141,325</u>	<u>3,536,112</u>	<u>4,230,996</u>

Statements of Financial Position

	<u>At 30 June</u>
	<u>2011</u>
	RMB'000
NON-CURRENT ASSET	
Investment in a subsidiary (note a)	565,524
CURRENT ASSET	
Cash and bank balances	—
TOTAL ASSETS	<u>565,524</u>
CAPITAL AND RESERVES	
Issued capital (note 35).....	8
Share premium.....	<u>565,516</u>
TOTAL EQUITY	<u>565,524</u>

Notes:

(a) The investment is unlisted equity investment.

Consolidated Statements of Changes in Equity

	Issued capital/ paid-in capital	Share premium	Capital reserve	Statutory reserve fund	Other reserve	Revaluation reserve	Retained earnings	Attributable to owners of the Company	Non- controlling interest	Total equity
	RMB'000 (Note 35)	RMB'000	RMB'000 (note i)	RMB'000 (note ii)	RMB'000 (note iii)	RMB'000 (note iv)	RMB'000	RMB'000	RMB'000	RMB'000
For the three years ended										
31 December 2010 and six months ended 30 June 2011										
At 1 January 2008.....	1,147,255	—	411,180	57,099	—	31,768	465,965	2,113,267	3,878	2,117,145
Profit for the year and total comprehensive income for the year.....	—	—	—	—	—	—	231,153	231,153	1,076	232,229
Capital injection to Tianrui Cement	249,880	—	378,810	—	—	—	—	628,690	—	628,690
Transfer	—	—	—	26,311	—	—	(26,311)	—	—	—
At 31 December 2008	1,397,135	—	789,990	83,410	—	31,768	670,807	2,973,110	4,954	2,978,064
Profit for the year and total comprehensive income for the year.....	—	—	—	—	—	—	162,738	162,738	523	163,261
Transfer	—	—	—	28,028	—	—	(28,028)	—	—	—
At 31 December 2009	1,397,135	—	789,990	111,438	—	31,768	805,517	3,135,848	5,477	3,141,325
Profit for the year and total comprehensive income for the year.....	—	—	—	—	—	—	396,833	396,833	954	397,787
Acquisition of additional interest in a subsidiary	—	—	—	—	3,431	—	—	3,431	(6,431)	(3,000)
Transfer	—	—	—	44,297	—	—	(44,297)	—	—	—
At 31 December 2010	1,397,135	—	789,990	155,735	3,431	31,768	1,158,053	3,536,112	—	3,536,112
Profit for the period and total comprehensive income for the period.....	—	—	—	—	—	—	654,880	654,880	—	654,880
Issue of shares	8	—	—	—	—	—	—	8	—	8
Reserve arising from Corporate Reorganization (note v).....	(1,397,135)	565,516	—	—	831,615	—	—	—	—	(4)
Capital injection by non-controlling shareholders to Tianjin Tianrui	—	—	—	—	—	—	—	—	40,000	40,000
At 30 June 2011.....	8	565,516	789,990	155,735	835,046	31,768	1,812,933	4,190,996	40,000	4,230,996
For the six months ended										
30 June 2010 (Unaudited)										
At 1 January 2010.....	1,397,135	—	789,990	111,438	—	31,768	805,517	3,135,848	5,477	3,141,325
Profit for the period and total comprehensive income for the period.....	—	—	—	—	—	—	8,899	8,899	954	9,853
Acquisition of additional interest in a subsidiary	—	—	—	—	3,431	—	—	3,431	(6,431)	(3,000)
At 30 June 2010.....	1,397,135	—	789,990	111,438	3,431	31,768	814,416	3,148,178	—	3,148,178

Note:

- i Capital reserve represents the excess of capital injection over the registered capital of Tianrui Cement.
- ii According to the relevant requirements in the memorandum of the Group's PRC subsidiaries, a portion of their profits after taxation is transferred to statutory reserve fund. The transfer to this fund must be made before the distribution of dividend to the equity owners. The statutory reserve fund can be used to make up previous years' losses, if any. The statutory reserve fund is non-distributable other than upon liquidation.
- iii Pursuant to an equity transfer agreement with non-controlling interest of a subsidiary, Tianrui Cement acquired the remaining interest in a subsidiary at a consideration of RMB3,000,000 in 2010. Other reserve represents the difference between the consideration paid by Tianrui Cement and the carrying amount of non-controlling interests being acquired.
- iv The revaluation reserve represents the revaluation surplus of previously held interests in associates of Tianrui Cement recognized directly in equity when Tianrui Cement acquired additional interests in those entities and obtained control.
- v The Company was incorporated on 7 February 2011 and became the ultimate holding company of Tianrui Cement on 8 April 2011. On 2 April 2011, 474,526 Shares as nil paid was allotted and issued to Yu Kuo Company Limited. On 31 May 2011, Yu Kuo Company Limited applied a bridging loan in the net amount of US\$87.43 million to pay up 474,526 Shares. The amount of US\$87.43 million (equal to approximately RMB565,516,000) in excess of the par value of 474,526 Shares was recognized in share premium upon the completion of the Corporate Reorganization.

Consolidated Statements of Cash Flows

	For the year ended 31 December			For the six months ended 30 June	
	2008	2009	2010	2010	2011
	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Operating activities					
Profit before taxation	322,653	245,040	526,704	23,025	867,599
Adjustments for:					
Release of deferred income	(1,492)	(1,640)	(2,917)	(888)	(2,093)
Write-down (reversal of allowance) of inventories.....	980	(980)	—	—	—
Interest on bank deposits.....	(2,607)	(3,428)	(9,091)	(2,424)	(12,638)
Depreciation of property, plant and equipment.....	183,347	283,687	400,523	181,771	242,448
Finance costs.....	135,392	166,652	303,266	99,389	210,902
Foreign exchange gain.....	(17,288)	(60)	(8,843)	(1,791)	(5,569)
Amortisation of prepaid lease payments.....	5,039	5,790	9,948	4,354	5,271
Allowances for bad and doubtful debts.....	18,574	4,047	4,448	2,600	6,793
Allowances for amount due from a former director of Tianrui Cement.....	—	6,000	—	—	—
Impairment loss of property, plant and equipment.....	—	—	—	—	2,561
Amortisation of mining rights.....	3,991	10,364	12,118	3,124	5,322
(Gain) loss on disposal of property, plant and equipment	(156)	1,355	(1,434)	(597)	(440)
Share of loss of an associate	9,253	101,832	—	—	—
Provision for environmental restoration	—	4,365	2,210	1,009	1,086
Operating cash flows before movements in working capital.....	657,686	823,024	1,236,932	309,572	1,321,242
Increase in inventories	(307,339)	(108,945)	(144,825)	(128,869)	(93,371)
Increase in trade and other receivables.....	(80,726)	(386,780)	(586,136)	(583,633)	(961,090)
Increase in amount due from a former director of Tianrui Cement	(4,953)	—	—	—	—
(Increase) decrease in amounts due from related parties.....	(241)	177	(1,369)	—	(1,299)
Increase in trade and other payables.....	518,617	774,068	854,173	1,352,372	1,834,887
Decrease in amounts due to related parties.....	(2,889)	—	—	—	—
Cash generated from operations.....	780,155	1,101,544	1,358,775	949,442	2,100,369
Income tax paid	(63,087)	(109,050)	(73,752)	(38,052)	(179,949)
Net cash generated from operating activities ..	717,068	992,494	1,285,023	911,390	1,920,420

	For the year ended 31 December			For the six months ended 30 June	
	2008	2009	2010	2010	2011
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				(unaudited)	
Investing activities					
Interest received.....	2,607	3,428	9,091	2,424	12,638
Purchase of property, plant and equipment .	(1,506,505)	(1,449,826)	(422,795)	(28,125)	(46,553)
Addition of prepaid lease payments	(91,900)	(108,903)	(24,564)	(8,453)	(77,821)
Proceeds from disposal of property, plant and equipment	699	1,585	2,595	161	1,085
Acquisition of mining rights.....	(59,492)	(74,761)	(19,469)	(12,139)	(15,250)
Proceeds from disposal of available-for-sale investment.....	—	—	5,200	5,200	—
Investment in available-for-sale investment	—	—	(4,000)	—	—
Advances to related parties.....	(65,084)	(2,000)	(9,777)	(9,124)	(17,787)
Repayment from related parties	93,071	—	3,600	600	20,176
Deposits paid for property, plant and equipment and prepaid lease payments....	(461,997)	(1,096,488)	(1,303,937)	(601,806)	(337,326)
Government subsidies for prepaid lease payments and property, plant and equipment.....	9,204	3,333	17,909	4,108	11,000
Decrease (increase) in restricted bank balances.....	(36,308)	(310,749)	(1,067,974)	(595,781)	430,686
Net cash used in investing activities	<u>(2,115,705)</u>	<u>(3,034,381)</u>	<u>(2,814,121)</u>	<u>(1,242,935)</u>	<u>(19,152)</u>

	For the year ended 31 December			For the six months ended 30 June	
	2008	2009	2010	2010	2011
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				(unaudited)	
Financing activities					
Interest paid	(144,875)	(263,075)	(375,058)	(167,756)	(238,777)
Issuance of new shares	628,690	—	—	—	565,520
Capital injection from non-controlling shareholders to Tianjin Tianrui	—	—	—	—	40,000
Repayment of borrowings	(280,000)	(474,510)	(1,938,330)	(714,807)	(1,390,947)
New borrowings raised	1,090,739	2,960,346	2,400,226	1,138,384	990,329
Advances from related parties	30,924	16,600	11,140	—	1,531
Proceeds from bills discounted by the Group	—	—	218,500	9,874	49,952
Settlement of bills discounted by the Group	—	—	—	—	(15,000)
Proceeds from bills payables raised	—	—	753,985	—	93,961
Settlement of bills payables	—	—	(91,740)	(30,000)	(1,522,500)
Repayment to related parties	(200)	(44,951)	(3,325)	—	—
Payment for transfer in of equity interests of Tianrui Cement from Tianrui Group Company Limited	—	—	—	—	(565,516)
Acquisition of additional interest in a subsidiary	—	—	(3,000)	(3,000)	—
Issuance of short term debentures	—	—	500,000	—	500,000
Net cash generated from (used in) financing activities	<u>1,325,278</u>	<u>2,194,410</u>	<u>1,472,398</u>	<u>232,695</u>	<u>(1,491,447)</u>
Net (decrease) increase in cash and cash equivalents	(73,359)	152,523	(56,700)	(98,850)	409,821
Cash and cash equivalents at beginning of year/period	321,656	247,573	400,096	400,096	343,396
Effect of foreign exchange rate changes	(724)	—	—	—	—
Cash and cash equivalents at end of the year/period represented by cash and bank balances	<u>247,573</u>	<u>400,096</u>	<u>343,396</u>	<u>301,246</u>	<u>753,217</u>

B. NOTES TO THE FINANCIAL INFORMATION**1A. GENERAL INFORMATION**

The Company was incorporated in the Cayman Islands as an exempted company with limited liability under the Companies Law of the Cayman Islands on 7 February 2011.

The principal activity of the Company is investment holding and its subsidiaries and associate established in the PRC are mainly engaged in manufacture and sale of cement and clinker.

The Financial Information is presented in Renminbi ("RMB") which is the same as the functional currency of the Company.

The registered office of the Company is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands, and its principal place of business is located at No. 63, Guangcheng Road East, Ruzhou City, Henan 467500, the PRC.

1B. BASIS OF PRESENTATION OF FINANCIAL INFORMATION

Prior to the Corporate Reorganization, Tianrui Group Company Limited (天瑞集團有限公司) (ultimately controlled by Mr. Li Liufa (李留法) and Mr. Li Xuanyu (李玄煜)), Titan Cement Limited ("Titan Cement"), International Finance Corporation ("IFC"), JPMorgan PCA Holdings (Mauritius) I Limited ("JPMG PCA") and Wan Qi Company Limited ("Wan Qi") each owned equity interest of Tianrui Cement of 47.5%, 20%, 3.6%, 10.03% and 18.87%, respectively.

In preparing the listing of the Company's shares on the Main Board of the Hong Kong Stock Exchange, the following steps have been carried out:

- (1) On 7 April 2010, Yu Kuo Company Limited ("Yu Kuo") and Zhong Yuan Cement Company Limited ("Zhong Yuan Cement") were incorporated in the BVI. Yu Kuo subscribed for one share in Zhong Yuan Cement at par. The ultimate shareholders of Yu Kuo are Mr. Li Liufa (李留法) and Mr. Li Xuanyu (李玄煜). On 16 April 2010, China Tianrui (Hong Kong) Company Limited ("Tianrui (HK)") was incorporated in Hong Kong. Tianrui (HK) allotted and issued one share to initial subscriber who then transferred the same to Zhong Yuan Cement at par value on the same date. Zhong Yuan Cement became the (i) wholly owned subsidiary of Yu Kuo and (ii) immediate holding company of Tianrui (HK).

On 7 February 2011, the Company was incorporated in the Cayman Islands with one registered share at par value of HK\$0.01 and fully paid by Yu Kuo. Pursuant to the equity transfer agreement dated 21 February 2011, the Company issued 473 shares to Yu Kuo in exchange for the 100% equity interest of Zhong Yuan Cement. Yu Kuo became the immediate holding company of the Company and the Company became the immediate holding company of Zhong Yuan Cement.

- (2) On 22 March 2011, Tianrui Group Company Limited entered into an equity transfer agreement with Tianrui (HK), pursuant to which, Tianrui Group Company Limited transferred 47.5% equity interest in Tianrui Cement to Tianrui (HK) at a consideration of approximately USD87,433,000.
- (3) On 22 March and 2 April 2011, the Company, Yu Kuo, Titan Cement, IFC, JPMG PCA and Wan Qi entered into various equity transfer agreements and a subscription agreement, pursuant to which, the Company agreed to allot and issue (i) 474,526 Shares to Yu Kuo at a consideration of USD87,433,333; (ii) 200,000 Shares to Titan Cement, 36,000 Shares to IFC, 100,300 Shares to JPMG PCA and 188,700 Shares to Wan Qi, credited as fully paid to exchange their respective equity interests in Tianrui Cement.
- (4) On 8 April 2011, Titan Cement transferred 200,000 shares to its sole shareholder, Titan Investments S.à r.l. (“Titan Investments (Luxembourg)”). On the same date, Titan Investments (Luxembourg) transferred the aforesaid 200,000 Shares to its sole shareholder, Titan Investments Limited (“Titan Investments (Cayman)”). Upon completion of these transfers, all of the shares previously held by Titan Cement were directly held by Titan Investment (Cayman) and there is no change of ultimate beneficial interest of these shares.

Upon completion of the above steps on 8 April 2011, the Company became the ultimate holding company of Tianrui Cement. Yu Kuo (ultimately controlled by Mr. Li Liufa (李留法) and Mr. Li Xuanyu (李玄煜)), Titan Investment (Cayman) (holding company of Titan Cement), IFC, JPMG PCA and Wan Qi each owned 47.5%, 20%, 3.6%, 10.03% and 18.87% equity interests in the Company respectively which mirrors their respective percentage of equity interest in Tianrui Cement before the Corporate Reorganization. Accordingly, the Group resulting from the Corporate Reorganization is regarded as a continuation of Tianrui Cement.

The Financial Information of the Group has been prepared as if the Company had always been the holding company of the Group. The consolidated statements of comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flow 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/establishment of the relevant entities now comprising the Group where this is a shorter period. The consolidated statements of financial position of the Group as at 31 December 2008, 2009 and 2010 have been prepared to present the assets and liabilities of the entities now comprising the Group which were in existence at those dates.

1C. GOING CONCERN BASIS

At 30 June 2011, the Group's current liabilities exceeded its current assets by RMB3,785,962,000. The Group's current liabilities mainly included trade and other payables and borrowings, including an amount of RMB988,660,000 which was classified as current liabilities due to the breach of loan covenants (see Note 30 (vii)).

In view of these circumstances, the directors of the Company have given consideration to the future liquidity and performance of the Group and its available sources of finance in assessing whether the Group will have sufficient financial resources to continue as a going concern.

The Financial Information has been prepared on a going concern basis. In the opinion of the directors of the Company, the Group should be able to continue as a going concern in the coming twelve months taking into consideration of various measures to improve its financial position which include, but are not limited to, the following:

- (i) Subsequent to 30 June 2011, the Group has obtained from four banks committed banking facilities of RMB1,200,000,000 in aggregate, which comprised of:
 - (a) a banking facility of RMB240,000,000 from the Shenzhen Development Bank Company Limited which is available until 27 June 2012. The amount of RMB220,000,000 has been drawn down as at 31 October 2011;
 - (b) a banking facility of RMB600,000,000 from the China Everbright Bank Company Limited which is available until 7 August 2012. The entire amount has been drawn down as at 31 October 2011;
 - (c) a banking facility of RMB300,000,000 from the China Minsheng Banking Corporation Limited which is available until 6 September 2012. The amount of RMB225,000,000 has been drawn down as at 31 October 2011; and
 - (d) a banking facility of RMB 60,000,000 from the Bank of Yingkou Company Limited which is available until 17 October 2012. The amount of RMB30,000,000 has been drawn down as at 31 October, 2011.
- (ii) Four banking facilities of RMB2,609,500,000 in aggregate are available which are obtained before 30 June 2011, which comprised of:
 - (a) a banking facility of RMB1,180,000,000 from the Bank of China which is available until 31 July 2012;
 - (b) a banking facility of RMB1,390,000,000 from the Agricultural Bank of China which is available until 22 June 2012;
 - (c) a banking facility of RMB19,500,000 from China Guangfa Bank Company Limited which is available until 17 November 2011. This facility has been renewed before the date of issuance of this report, which is available until 10 November 2012; and
 - (d) a banking facility of RMB20,000,000 from China Merchants Bank Company Limited which is available until 26 April 2012.

None of the banking facilities of RMB2,609,500,000 has been drawn down as at 30 June 2011 and up to the date of issuance of this report.

- (iii) In October 2010, the Company obtained approval from the National Association of Financial Market Institutional Investors (中國銀行間市場交易商協會) to issue short term debentures in an aggregate amount of RMB1,000,000,000. As at 31 December 2010, the Group has issued the first tranche of short term debentures of RMB500,000,000 (see Note 29) which is repayable in November 2011. The Group further issued the second tranche debentures of RMB500,000,000 in March 2011 which is repayable in March 2012. The directors of the Company is of the view that the Group is able to identify investors and issue new debentures shortly after the settlement of the existing short term debentures on the respective maturity dates.
- (iv) In November 2011, the Company obtained approval from the National Association of Financial Market Institutional Investors (中國銀行間市場交易商協會) to issue mid-term debentures in an aggregate amount of RMB500,000,000, of which RMB300,000,000 was issued on 6 December 2011 for a term of three years, carrying an interest rate of 8.4% per annum.

Taking into account of the aforesaid presently available banking facilities, debentures and internally generated funds of the Group, the directors of the Company are satisfied that the Group is able to meet in full its financial obligations as they fall due in the foreseeable future and therefore the Financial Information is prepared on a going concern basis.

2. APPLICATION OF INTERNATIONAL FINANCIAL REPORTING STANDARDS

For the purpose of preparing and presenting the Financial Information for the Relevant Periods, the Group has consistently adopted International Accounting Standards (“IASs”) and IFRSs issued by International Accounting Standards Board (“IASB”) and Interpretations issued by International Financial Reporting Interpretation committee (“IFRIC”) of IASB, which are effective for the accounting period beginning on 1 January 2011 throughout the Relevant Periods, except for IFRS 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 IAS 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 following new and revised standards and amendments have been issued which are not yet effective:

IAS 1 (Amendments)	Presentation of Items of Other Comprehensive Income ⁴
IAS 12 (Amendments)	Deferred Tax: Recovery of Underlying Assets ³
IAS 19 (Revised 2011)	Employee Benefits ²
IAS 27 (Revised 2011)	Separate Financial Statements ²
IAS 28 (Revised 2011)	Investments in Associates and Joint Ventures ²
IFRS 7 (Amendments)	Disclosures — Transfers of Financial Assets ¹
IFRS 9	Financial Instruments ²

IFRS 10	Consolidated Financial Statements ²
IFRS 11	Joint Arrangements ²
IFRS 12	Disclosure of Interests in Other Entities ²
IFRS 13	Fair Value Measurement ²
IFRIC 20	Stripping Costs in the Production Phase of a Surface Mine ²

¹ Effective for annual periods beginning on or after 1 July 2011

² Effective for annual periods beginning on or after 1 January 2013

³ Effective for annual periods beginning on or after 1 January 2012

⁴ Effective for annual periods beginning on or after 1 July 2012

IFRS 9 *Financial Instruments* (as issued in November 2009) introduces new requirements for the classification and measurement of financial assets. IFRS 9 *Financial Instruments* (as revised in October 2010) adds requirements for financial liabilities and for derecognition.

Under IFRS 9, all recognized financial assets that are within the scope of IAS 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.

IFRS 9 is effective for annual periods beginning on or after 1 January 2013, with earlier application permitted. The management anticipated that IFRS 9 will be adopted in the Group's consolidated financial statements for the year ending 31 December 2013 and that the application of the new standard is not expected to have a significant impact on amounts reported in respect of the Group's financial assets and financial liabilities based on an analysis of the Group's financial instruments as at 30 June 2011.

The directors of the Company anticipate that the application of the other new or revised standards and amendments will have no material impact on the consolidated financial statements.

3. SIGNIFICANT ACCOUNTING POLICIES

The Financial Information has been prepared on the historical cost basis, as explained in accounting policies set out below which conform with IFRSs. These policies have been consistently applied throughout the Relevant Periods.

In addition, the Financial Information includes applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange and the Hong Kong Companies Ordinance.

Basis of combination

The Financial Information incorporates the financial statements of the subsidiaries controlled by the Company. 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.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by other members of the Group.

All intra-group transactions, balances, income and expenses are eliminated in full on combination.

Non-controlling interests in subsidiaries are presented separately from the Group's equity therein.

Total comprehensive income 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.

Changes in the Group's ownership interests in existing subsidiary

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 recognized directly in equity and attributed to owners of the Company.

Goodwill

Goodwill arising on an acquisition of a business is carried at cost as established at the acquisition date less any accumulated impairment losses, if any and is presented separately in the consolidated statements of financial position.

For the purposes of impairment testing, goodwill arising from an acquisition is allocated to the relevant cash-generating units that are expected to benefit from the synergies of the acquisition. A cash-generating unit to which goodwill has been allocated is tested for impairment annually, and whenever there is an indication that the unit may be impaired. When the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated to reduce the carrying amount of any goodwill allocated to the unit first, 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 recognized directly in the profit or loss. An impairment loss for goodwill is not reversed in subsequent periods.

Investment in a subsidiary

Investment in a subsidiary is included in the Company's statement of financial position at cost less any identified impairment loss.

Investment in an associate

An associate is an entity over which the Group has significant influence and that is neither a subsidiary nor an interest in a joint venture. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

The results and assets and liabilities of an associate are incorporated in the Financial Information using the equity method of accounting. Under the equity method, investments in associates are carried in the consolidated statements of financial position at cost as adjusted for post-acquisition changes in the Group's share of the profit or loss and other comprehensive income of the associate, less any identified impairment loss. When the Group's share of losses of an associate equals or exceeds its interest in that associate, the Group discontinues recognizing its share of further losses. An additional share of losses is provided for and a liability is recognized only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of that associate.

When a group entity transacts with its associate, profits and losses resulting from the transaction with the associate are recognized in the Financial Information only to the extent of interests in the associate that are not related to the Group.

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods sold in the normal course of business, net of discounts and sales related taxes.

Revenue from the sale of goods is recognized when goods are delivered and legal title is passed.

Interest income 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 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 the production or supply of goods or services, or for administrative purposes 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 items of property, plant and equipment other than construction in progress over their estimated useful lives and after taking into account of their estimated residual value, 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 recognized 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 derecognized 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 the profit or loss in the year/period in which the item is derecognized.

Mining rights

Mining rights acquired separately and with finite useful lives are carried at cost less accumulated amortisation and any accumulated impairment losses. Amortisation of mining rights with finite useful lives is provided on a straight-line basis over their estimated useful lives.

Land use right

Prepaid lease payments represent payments made to acquire land use rights and are amortised on a straight-line basis over the term of the land use rights.

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 lessor

Rental income from operating leases is recognized in profit or loss on a straight-line basis over the term of relevant lease.

The Group as lessee

Operating leases payment is recognized as an expense on a straight-line basis over the term of the relevant lease.

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.

For leasehold land classified as an operating lease, whilst the building element is classified as a finance lease, interest in leasehold land is presented as “prepaid lease payments” in the consolidated statement of financial position and is amortised over the lease term on a straight-line basis.

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency (foreign currencies) are recorded in the respective functional currency at the rates of exchanges prevailing on the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at those dates. 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 recognized in profit or loss in the period in which they arise.

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 capitalization.

All other borrowing costs are recognized in profit or loss in the period in which they are incurred.

Government grants

Government grants are not recognized 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 recognized in profit or loss on a systematic basis over the periods in which the Group recognizes as expenses the related costs for which the grants are intended to compensate. Specifically, government grants whose primary condition is that the Group should purchase, construct or otherwise acquire non-current assets are recognized as deferred income in the consolidated statement of financial position and transferred to profit or loss over the useful lives of the related assets.

Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognized in profit or loss in the period in which they become receivable.

Retirement benefits costs

Payments to state-managed retirement benefit schemes are charged as an expense when employees have rendered service entitling them to the contribution.

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 profit as reported in the consolidated statements of comprehensive income because it excludes items of income or expense that are taxable or deductible in other years/period and it further excludes items 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 by the end of each reporting period.

Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities in the consolidated statements of financial position and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognized for all taxable temporary differences. Deferred tax assets are generally recognized for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized. Such assets and liabilities are not recognized 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 recognized for taxable temporary differences associated with investments in subsidiaries and associates, 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 and interests are only recognized to the extent that it is probable that there will be sufficient taxable profits against which to utilize 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 assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset is realised, based on tax rate (and tax laws) that have been enacted or substantively enacted by the end of each 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 each reporting period, to recover or settle the carrying amount of its assets and liabilities. Deferred tax is recognized in profit or loss, except when it relates to items that are recognized in other comprehensive income or directly in equity, in which case the deferred tax is also recognized in other comprehensive income or directly in equity respectively.

Inventories

Inventories are stated at the lower of cost and net realizable value. Costs are calculated using the weighted average method. Net realizable value represents the estimated selling price for inventories less estimated costs of completion and costs necessary to make the sale.

Financial instruments

Financial assets and financial liabilities are recognized on the consolidated statements 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 financial 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 recognized immediately in profit or loss.

Financial assets

The Group's financial assets are either loans and receivables or available-for-sale financial assets. All regular way purchases or sales of financial assets are recognized and derecognized on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that requires 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 periods. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points 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 recognized on an effective interest basis for debt instruments.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Subsequent to initial recognition, loans and receivables (including trade and other receivables, amounts due from related parties and a director, restricted bank balances and cash and bank balances) are carried at amortised cost using the effective interest method, less any identified impairment losses.

Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated or not classified as financial assets at fair value through profit or loss, loans and receivables or held-to-maturity investments.

For available-for-sale investments measured at fair value at the end of each reporting period, changes in fair value are recognized in other comprehensive income and accumulated in equity. Where the financial asset is disposed of or is determined to be impaired, the cumulative gain or loss previously accumulated in the equity is reclassified to profit or loss (see the accounting policy in respect of impairment loss on financial assets below).

For available-for-sale equity investments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured, they are measured at cost less any identified impairment losses at the end of each reporting period (see accounting policy in respect of impairment loss on financial assets below).

Impairment of financial assets

Financial assets are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been affected.

For an available-for-sale equity investment, a significant or prolonged decline in the fair value of the security below its cost is considered to be objective evidence of impairment.

For other financial assets, objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- breach of contract, such as a default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation.

For certain categories of financial assets, such as trade receivables, assets that are assessed not to be impaired individually are, in addition, assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period, as well as 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 recognized 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 estimated future cash flows discounted at the original effective interest rate.

For financial assets carried at cost, the amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment loss will not be reversed in the subsequent periods.

The carrying amount of the financial asset 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 recognized in profit or loss. When a trade and other receivable is 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 the 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 losses was recognized, the previously recognized 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 recognized.

Financial liabilities and equity instruments

Financial liabilities and equity instruments issued by the group entities 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 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 periods. 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.

Interest expense is recognized on an effective interest basis.

Financial liabilities

The Group's financial liabilities including trade and other payables, amounts due to related parties, short term debenture 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.

Financial guarantee contract liabilities

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument. A financial guarantee contract issued by the Group and not designated as at fair value through profit or loss is recognized initially at its fair value less transaction costs that are directly attributable to the issue of the financial guarantee contract. Subsequent to initial recognition, the Group measures the financial guarantee contract at the higher of: (i) the amount determined in accordance with IAS 37 *Provisions, Contingent Liabilities and Contingent Assets*; and (ii) the amount initially recognized less, when appropriate, cumulative amortisation recognized in accordance with IAS 18 *Revenue*.

Derecognition

Financial assets are derecognized 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, 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 recognized in other comprehensive income is recognized in profit or loss. If the Group retains substantially all the risks and rewards of ownership of a transferred asset, the Group continues to recognize the financial assets and recognize a collateralised borrowing for proceeds received.

Financial liabilities are derecognized when the obligation specified in the relevant contract is discharged, cancelled or expires. The difference between the carrying amount of the financial liability derecognized and the consideration paid and payable is recognized in profit or loss.

Impairment of tangible and intangible assets other than goodwill (see the accounting policy in respect of goodwill above)

At the end of the reporting period, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order

to determine the extent of the impairment loss, if any. In addition, intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment annually, and whenever there is an indication that they may be impaired. 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 recognized 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, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset in prior years. A reversal of an impairment loss is recognized as income immediately.

Provision for environmental restoration

The Group is required to incur costs for environment restoration after the underground sites have been mined. Provision for restoration costs were recognized when the Group has a present obligation as a result of a past event, and it is probable that the Group will be required to settle that obligation. Provision is measured at the best estimate of the consideration required to settle the present obligation at the end of each reporting period, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (where the effect is material).

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 amount 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 recognized in the period in which the estimates is revised if the revision affects only that period, or in the period of the revision and the 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 each reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next twelve months.

Depreciation of property, plant and equipment

Property, plant and equipment are depreciated on a straight-line basis over their estimated useful lives, after taking into account the estimated residual value. The Group assesses annually the residual value and the remaining useful life of property, plant and equipment and if the expectation differs from the original estimates, such differences from the original estimates will impact the depreciation charges in the current year/period in which the estimates change and in future periods.

Estimated impairment of trade receivables

Where there is objective evidence of impairment loss, the Group takes into consideration the estimation of future cash flows. The impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the original effective interest rate. Where the actual future cash flows are less than expected, a material impairment loss may arise. As at 31 December 2008, 2009 and 2010 and 30 June 2011, the carrying amount of trade receivables are RMB106,365,000 (net of allowance for doubtful debts of RMB22,736,000), RMB130,720,000 (net of allowance for doubtful debts of RMB26,783,000) and RMB192,165,000 (net of allowance for doubtful debts of RMB31,231,000) and RMB195,447,000 (net of allowance for doubtful debts of RMB38,024,000), respectively (Note 22).

5. REVENUE

Revenue represents the amount received and receivable for goods sold to external customers, net of sales tax.

An analysis of the Group's revenue for the year/period is as below:

	For the year ended 31 December			For the six months ended 30 June	
	2008	2009	2010	2010	2011
	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Sales of cement.....	2,835,341	3,593,371	4,992,139	1,942,998	3,243,625
Sales of clinker.....	524,998	821,853	1,137,299	569,537	829,165
	<u>3,360,339</u>	<u>4,415,224</u>	<u>6,129,438</u>	<u>2,512,535</u>	<u>4,072,790</u>

6. SEGMENT INFORMATION

Segment information has been identified on the basis of internal management reports, which are regularly reviewed by the chief executive officer in order to allocate resources to the operating segments and to assess their performance.

The Group's chief executive officer reviews the operating results and financial information of each manufacturing plant for the purposes of resource allocation and performance assessment. Hence, each manufacturing plant is an operating segment. The nature of products, production process of each manufactory plant is the same and they are operated under similar regulatory environment and applied similar distribution methods. However, customers in different regions are of different economic characteristics. Therefore, the Group has aggregated the operating segments and presented the following two reportable segments based on the regions in which the Group operates: Central China and Northeast China.

The following is an analysis of the Group's revenue and results by reportable segment:

	Segment revenue					Segment profit				
	For the year ended 31 December			Six months ended 30 June		For the year ended 31 December			Six months ended 30 June	
	2008	2009	2010	2010	2011	2008	2009	2010	2010	2011
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				(unaudited)					(unaudited)	
Central China.....	2,621,803	3,274,251	4,403,309	1,829,726	3,190,958	272,186	185,469	435,933	9,827	682,603
Northeast China	738,536	1,140,973	1,726,129	682,809	881,832	70,620	172,387	114,211	18,497	195,145
Total	<u>3,360,339</u>	<u>4,415,224</u>	<u>6,129,438</u>	<u>2,512,535</u>	<u>4,072,790</u>	<u>342,806</u>	<u>357,856</u>	<u>550,144</u>	<u>28,324</u>	<u>877,748</u>
Share of loss of an associate.....						(9,253)	(101,832)	—	—	—
Unallocated corporate administrative expenses.....						(10,900)	(10,984)	(23,440)	(5,299)	(10,149)
Profit before taxation.....						<u>322,653</u>	<u>245,040</u>	<u>526,704</u>	<u>23,025</u>	<u>867,599</u>

The accounting policies of the reportable segments are the same as the Group's accounting policies described in Note 3. Segment profit represents the profit before taxation without allocation of share of loss of an associate and unallocated corporate administrative expense including directors' emoluments.

Segment revenues are derived from sales to external customers. There are no inter-segment sales.

The following is an analysis of the Group's assets and liabilities by reportable segment:

	At 31 December			At 30 June
	2008	2009	2010	2011
	RMB'000	RMB'000	RMB'000	RMB'000
SEGMENT ASSETS				
Central China.....	4,816,231	7,101,892	8,321,595	8,757,542
Northeast China	<u>2,045,664</u>	<u>2,737,922</u>	<u>3,580,759</u>	<u>4,392,136</u>
Total segment assets	6,861,895	9,839,814	11,902,354	13,149,678
Interest in an associate.....	101,832	—	—	—
Available-for-sale investments.....	5,200	5,200	4,000	4,000
Deferred tax assets.....	7,420	8,283	8,528	11,106
Cash and bank balances	247,573	400,096	343,396	753,217
Restricted bank balances	45,165	355,914	1,423,888	993,202
Amount due from a former director of Tianrui Cement	<u>6,000</u>	<u>—</u>	<u>—</u>	<u>—</u>
Total assets	<u>7,275,085</u>	<u>10,609,307</u>	<u>13,682,166</u>	<u>14,911,203</u>
SEGMENT LIABILITIES				
Central China.....	2,796,134	5,133,672	6,710,804	6,513,115
Northeast China	<u>1,422,380</u>	<u>2,282,211</u>	<u>3,327,741</u>	<u>4,024,235</u>
Total segment liabilities	4,218,514	7,415,883	10,038,545	10,537,350
Deferred tax liabilities	28,719	24,052	23,623	23,151
Income tax payable	<u>49,788</u>	<u>28,047</u>	<u>83,886</u>	<u>119,706</u>
Total liabilities	<u>4,297,021</u>	<u>7,467,982</u>	<u>10,146,054</u>	<u>10,680,207</u>

For the purposes of monitoring segment performances and allocating resources between segments:

- all assets are allocated to reportable segments other than interest in an associate, available-for-sale investments, deferred tax assets, cash and bank balances, restricted bank balances and amount due from a former director of Tianrui Cement; and
- all liabilities are allocated to reportable segments other than deferred tax liabilities and income tax payable.

Other segment information*For the year ended 31 December 2008*

Amounts included in the measure of segment profit and segment assets:

	Central China	Northeast China	Total
	RMB'000	RMB'000	RMB'000
Additions to property, plant and equipment.....	1,370,192	777,298	2,147,490
Additions to prepaid lease payments	84,394	7,506	91,900
Additions to mining rights	54,589	4,903	59,492
Finance costs	89,759	45,633	135,392
Write-down of inventories.....	980	—	980
Depreciation and amortisation.....	144,054	48,323	192,377
Allowances for bad and doubtful debts	17,574	1,000	18,574
Gain on disposal of property, plant and equipment..	140	16	156
Value Added Tax refund.....	61,265	—	61,265
Foreign exchange gain, net	15,726	1,562	17,288
Incentive subsidies.....	4,080	5,776	9,856
Interest on bank deposits	<u>1,382</u>	<u>1,225</u>	<u>2,607</u>

For the year ended 31 December 2009

Amounts included in the measure of segment profit and segment assets:

	Central China	Northeast China	Total
	RMB'000	RMB'000	RMB'000
Additions to property, plant and equipment.....	1,892,315	530,275	2,422,590
Additions to prepaid lease payments	85,567	336	85,903
Additions to mining rights	66,181	—	66,181
Finance costs	109,222	57,430	166,652
Provision for environmental restoration.....	3,774	591	4,365
Reversal of write-down of inventories.....	(980)	—	(980)
Depreciation and amortisation.....	216,662	83,179	299,841
Allowances for bad and doubtful debts	4,047	—	4,047
Loss on disposal of property, plant and equipment..	1,143	212	1,355
Value Added Tax refund.....	77,577	6,003	83,580
Foreign exchange gain, net	—	60	60
Incentive subsidies.....	26,732	14,302	41,034
Interest on bank deposits	<u>2,302</u>	<u>1,126</u>	<u>3,428</u>

For the year ended 31 December 2010

Amounts included in the measure of segment profit and segment assets:

	Central China	Northeast China	Total
	RMB'000	RMB'000	RMB'000
Additions to property, plant and equipment.....	1,146,812	604,838	1,751,650
Additions to prepaid lease payments	24,564	—	24,564
Additions to mining rights	18,445	—	18,445
Finance costs	208,176	95,090	303,266
Provision for environmental restoration.....	1,666	544	2,210
Depreciation and amortisation.....	313,049	109,540	422,589
(Reversal) allowances for bad and doubtful debts ...	(379)	4,827	4,448
Gain on disposal of property, plant and equipment..	1,148	286	1,434
Value Added Tax refund.....	96,279	18,184	114,463
Foreign exchange gain, net	7,417	1,426	8,843
Incentive subsidies.....	16,298	17,479	33,777
Interest on bank deposits	<u>6,335</u>	<u>2,756</u>	<u>9,091</u>

For the six months ended 30 June 2010 (unaudited)

Amounts included in the measure of segment profit and segment assets:

	Central China	Northeast China	Total
	RMB'000	RMB'000	RMB'000
Additions to property, plant & equipment	494,783	537,526	1,032,309
Additions to prepaid lease payments	6,880	—	6,880
Additions to mining rights	11,225	—	11,225
Finance costs	60,080	39,309	99,389
Provision for environmental restoration.....	693	316	1,009
Depreciation and amortisation.....	141,932	47,317	189,249
Allowances for bad and doubtful debts	449	2,151	2,600
Gain on disposal of property, plant and equipment..	167	430	597
Value Added Tax refund.....	54,248	—	54,248
Foreign exchange gain, net	1,530	261	1,791
Incentive subsidies.....	1,116	4,477	5,593
Interest on bank deposits	<u>1,458</u>	<u>966</u>	<u>2,424</u>

For the six months ended 30 June 2011

Amounts included in the measure of segment profit and segment assets:

	Central China	Northeast China	Total
	RMB'000	RMB'000	RMB'000
Additions to property, plant and equipment.....	170,942	329,548	500,490
Additions to prepaid lease payments	7,704	70,117	77,821
Additions to mining rights	1,051	—	1,051
Finance costs	146,242	64,660	210,902
Provision for environmental restoration.....	747	339	1,086
Impairment of property, plant and equipment	2,561	—	2,561
Depreciation and amortisation.....	185,680	67,361	253,041
Allowances for bad and doubtful debts	1,172	5,621	6,793
Gain on disposal of property, plant and equipment..	354	86	440
Value Added Tax refund.....	61,551	15,491	77,042
Foreign exchange gain, net	5,256	313	5,569
Incentive subsidies.....	2,145	8,601	10,746
Interest on bank deposits	<u>8,578</u>	<u>4,060</u>	<u>12,638</u>

Revenue from major products has been disclosed in Note 5. All of the Group's operations, as well as all external customers and its non-current assets, are located in the PRC.

No revenue from a single customer or a group of customers under common control contributing over 10% of the total revenue of the Group for the years ended 31 December 2008, 2009 and 2010 and the six months ended 30 June 2010 and 2011.

7. OTHER INCOME

	For the year ended 31 December			For the six months ended 30 June	
	2008	2009	2010	2010	2011
	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Value Added Tax refund.....	61,265	83,580	114,463	54,248	77,042
Incentive subsidies (note).....	9,856	41,034	33,777	5,593	10,746
Foreign exchange gain, net ..	17,288	60	8,843	1,791	5,569
Interest on bank deposits	2,607	3,428	9,091	2,424	12,638
Rental income	2,081	1,762	2,404	920	1,246
Release of deferred income (Note 33).....	1,492	1,640	2,917	888	2,093
Gain on sales of scrap	1,287	1,349	9,789	257	25,583
Gain on disposal of property, plant and equipment.....	156	—	1,434	597	440
Others.....	970	1,959	5,736	2,340	3,967
	<u>97,002</u>	<u>134,812</u>	<u>188,454</u>	<u>69,058</u>	<u>139,324</u>

Note: Amounts mainly represent subsidies granted by certain local governments for encouraging domestic business development.

8. FINANCE COSTS

	For the year ended 31 December			For the six months ended 30 June	
	2008	2009	2010	2010	2011
	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Interest on:					
Bank borrowings wholly repayable within five years	179,534	234,404	319,047	130,349	155,581
Bank borrowings not wholly repayable within five years	—	13,874	16,836	8,541	8,113
Other payables.....	3,257	1,973	1,944	913	827
Bills discounted with recourse	—	—	52,629	12,788	35,287
Short term debenture	—	—	1,708	—	18,917
Imputed interest on other payables	828	851	876	438	451
	<u>183,619</u>	<u>251,102</u>	<u>393,040</u>	<u>153,029</u>	<u>219,176</u>
Less: amounts capitalized.....	<u>(48,227)</u>	<u>(84,450)</u>	<u>(89,774)</u>	<u>(53,640)</u>	<u>(8,274)</u>
	<u><u>135,392</u></u>	<u><u>166,652</u></u>	<u><u>303,266</u></u>	<u><u>99,389</u></u>	<u><u>210,902</u></u>

Borrowing costs capitalized during the Relevant Periods arose on both specific borrowings and the general borrowing pool. The borrowing costs on general borrowing pool capitalized are calculated by applying capitalization rate of 5.4%, 5.2%, 6.1%, 6.1% and 6.15% per annum, for the years ended 31 December 2008, 2009 and 2010 and for the period of the six months ended 30 June 2010 and 2011, respectively.

9. INCOME TAX EXPENSES

	For the year ended 31 December			For the six months ended 30 June	
	2008	2009	2010	2010	2011
	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
PRC Enterprise Income Tax ("EIT")					
- current year/period	97,975	86,857	127,757	11,693	214,249
- under-provision in prior years/periods	<u>2,323</u>	<u>452</u>	<u>1,834</u>	<u>1,834</u>	<u>1,520</u>
	100,298	87,309	129,591	13,527	215,769
Deferred tax (Note 32).....	<u>(9,874)</u>	<u>(5,530)</u>	<u>(674)</u>	<u>(355)</u>	<u>(3,050)</u>
	<u>90,424</u>	<u>81,779</u>	<u>128,917</u>	<u>13,172</u>	<u>212,719</u>

No provision for Hong Kong taxation has been made during the Relevant Periods as the Group's income neither arisen nor is derived from Hong Kong.

Under the Law of the People's Republic of China on Enterprise Income Tax (the "PRC EIT Law") and Implementation Regulation of the PRC EIT Law, the tax rate of the PRC subsidiaries is 25% from 1 January 2008 onwards.

Pursuant to Ping Guo Shui Han 2007 No. 59 issued by the State Administration of Taxation at Pingdingshan, Henan province, the PRC, Tianrui Cement was entitled to an exemption from EIT in year 2007 and 2008, followed by a 50% relief for year 2009 to 2011.

The income tax expenses for the Relevant Periods can be reconciled to profit before taxation per consolidated statements of comprehensive income as follows:

	For the year ended 31 December			For the six months ended 30 June	
	2008	2009	2010	2010	2011
	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Profit before taxation	<u>322,653</u>	<u>245,040</u>	<u>526,704</u>	<u>23,025</u>	<u>867,599</u>
Tax at the applicable rate of 25%	80,663	61,260	131,676	5,756	216,900
Tax effect of share of loss of associate	2,313	25,458	—	—	—
Tax effect of expenses that are not deductible	7,745	1,788	4,150	1,552	2,717
Effect of tax exemption	(6,258)	—	—	—	—
Tax effect of concessionary rate	—	(4,473)	478	—	(3,671)
Effect of tax incentives (note)	—	(5,968)	(6,871)	—	(1,496)
Tax effect of tax losses not recognized	3,366	4,069	1,623	5,069	306
Utilization of tax losses previously not recognized .	—	(1,277)	(3,219)	(282)	(2,909)
Under-provision in prior years/periods	2,323	452	1,834	1,834	1,520
Others	<u>272</u>	<u>470</u>	<u>(754)</u>	<u>(757)</u>	<u>(648)</u>
Tax charge for the year/period	<u>90,424</u>	<u>81,779</u>	<u>128,917</u>	<u>13,172</u>	<u>212,719</u>

Note: According to Caishui (2008) No.48 and Caishui (2008) No.115 issued by the Ministry of Finance, State Administration of Taxation and National Development and Reform Commission, the Group obtained incentives of additional deduction of RMB23,872,000, RMB27,484,000 and RMB5,984,000 from local tax authorities for the year ended 31 December 2009 and 2010 and the six months ended 30 June 2011 respectively for purchase of environmental protection equipments.

10. PROFIT FOR THE YEAR/PERIOD

Profit for the year/period has been arrived at after charging (crediting):

	For the year ended 31 December			For the six months ended 30 June	
	2008	2009	2010	2010	2011
	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Cost of inventories					
recognized as an expense..	2,683,957	3,695,422	5,080,258	2,275,110	2,870,500
Staff costs excluding					
directors' emoluments.....	100,450	114,035	147,567	58,486	103,376
Depreciation of property,					
plant and equipment	183,347	283,687	400,523	181,771	242,448
Amortisation of prepaid					
lease payments	5,039	5,790	9,948	4,354	5,271
Amortisation of mining					
rights, included in cost of					
sales	3,991	10,364	12,118	3,124	5,322
Allowances for bad and					
doubtful debts, included					
in other expenses.....	18,574	4,047	4,448	2,600	6,793
Impairment for amount due					
from a former director of					
Tianrui Cement, included					
in other expenses.....	—	6,000	—	—	—
Write-down (reversal of					
write-down) of					
inventories.....	980	(980)	—	—	—
Impairment of property,					
plant and equipment	—	—	—	—	2,561
Auditor's remuneration	2,250	2,250	2,250	1,125	1,500
Provision for environmental					
restoration	—	4,365	2,210	1,009	1,086
(Gain) loss on disposal of					
property, plant and					
equipment.....	<u>(156)</u>	<u>1,355</u>	<u>(1,434)</u>	<u>(597)</u>	<u>(440)</u>

11. DIRECTORS' AND EMPLOYEES' EMOLUMENTS

Directors

Details of the emoluments paid to the directors of the Company for the Relevant Periods are as follows:

	For the year ended 31 December			For the six months ended 30 June	
	2008	2009	2010	2010	2011
	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Salaries and allowances	53	61	59	33	66
Bonus (Note)	9	9	408	—	215
Retirement benefit scheme contribution	3	3	3	2	2
	<u>65</u>	<u>73</u>	<u>470</u>	<u>35</u>	<u>283</u>
Executive directors:					
Mr. Li Fashen	65	73	470	35	283
Mr. Li Liufa.....	—	—	—	—	—
Mr. Xiao Jiayang	—	—	—	—	—
Mr. Li Heping.....	—	—	—	—	—
Mr. Yu Yagang	—	—	—	—	—
Mr. Liu Wenying.....	—	—	—	—	—
Non-Executive directors:					
Mr. Li Liufa.....	—	—	—	—	—
Mr. Tang Ming Chien.....	—	—	—	—	—
Mr. Wang Yanmou.....	—	—	—	—	—
Mr. Poon Chiu Kwok	—	—	—	—	—
Mr. Song Quanqi.....	—	—	—	—	—
Mr. Ma Chun Fung Horace...	—	—	—	—	—
Mr. Kang Huan	—	—	—	—	—
Mr. Julian Wolhardt	—	—	—	—	—
Mr. William Janetschek.....	—	—	—	—	—
Mr. Li Xiang.....	—	—	—	—	—
Ms. Zheng Shenglan	—	—	—	—	—
Mr. David H Lin.....	—	—	—	—	—
Mr. Varun Bery	—	—	—	—	—
	<u>65</u>	<u>73</u>	<u>470</u>	<u>35</u>	<u>283</u>

Note: The performance related bonus is determined by performance appraisal of each director for the related financial year/period.

No directors waived or agreed to waive any emoluments during the Relevant Periods.

Employees

Of the five individuals with the highest emoluments in the Group during the Relevant Periods, none was director of the Company for the years ended 31 December 2008 and 2009 and one was director of the Company for the year ended 31 December 2010 and the six months ended 30 June 2010 and 2011. The details of the emoluments paid to the five, five, four, four and four highest paid individuals for the Relevant Periods are as follows:

	For the year ended 31 December			For the six months ended 30 June	
	2008	2009	2010	2010	2011
	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Salaries and allowances	602	372	480	283	340
Bonus	2,102	1,746	1,635	—	985
Retirement benefit scheme contribution	15	26	33	22	30
	<u>2,719</u>	<u>2,144</u>	<u>2,148</u>	<u>305</u>	<u>1,355</u>

The emolument of each of the above employees is below HK\$1,000,000 (equivalent to approximately RMB831,600).

No emoluments were paid by the Group to the directors or the five highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office for the Relevant Periods.

12. EARNINGS PER SHARE

The calculation of the basic earnings per share attributable to owners of the Company for the Relevant Periods is based on the following data:

	For the year ended 31 December			For the six months ended 30 June	
	2008	2009	2010	2010	2011
	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Earnings					
Profit for the year/period attributable to owners of the Company	<u>231,153</u>	<u>162,738</u>	<u>396,833</u>	<u>8,899</u>	<u>654,880</u>
Number of shares					
Weighted average number of shares for the purpose of basic earnings per share (in thousands).....	<u>1,880,766</u>	<u>2,000,000</u>	<u>2,000,000</u>	<u>2,000,000</u>	<u>2,000,000</u>

The calculation of the basic earnings per share for the Relevant Periods is based on the consolidated profit of the Group attributable to owners of the Company during the Relevant Periods and assuming 1,880,766,000 shares, 2,000,000,000 shares, 2,000,000,000 shares, 2,000,000,000 shares and 2,000,000,000 shares of the Company were in issue during the year ended 31 December 2008, 31 December 2009, 31 December 2010 and the six months ended 30 June 2010 and 30 June 2011 respectively after taking into account the Corporate Reorganization and Capitalization Issue as detailed in note 1B and Section C(f) of this report.

No diluted earnings per share is presented as there were no potential ordinary shares outstanding during the Relevant Periods.

13. DIVIDEND

No dividend has been paid or declared by any group entities during the Relevant Periods.

14. PROPERTY, PLANT AND EQUIPMENT

	<u>Buildings</u>	<u>Plant and machinery</u>	<u>Motor vehicles</u>	<u>Office equipment</u>	<u>Construction in progress</u>	<u>Total</u>
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
COST						
At 1 January 2008	1,103,484	1,737,335	43,470	54,837	704,735	3,643,861
Additions.....	38,110	75,561	13,469	7,130	2,013,220	2,147,490
Disposals.....	(24)	(551)	(1,707)	(18)	—	(2,300)
Transfer.....	1,021,993	1,020,037	—	—	(2,042,030)	—
At 31 December 2008.....	2,163,563	2,832,382	55,232	61,949	675,925	5,789,051
Additions.....	162,021	71,074	27,792	5,823	2,155,880	2,422,590
Disposals.....	(1,652)	—	(2,428)	—	—	(4,080)
Transfer.....	630,405	999,017	—	—	(1,629,422)	—
At 31 December 2009.....	2,954,337	3,902,473	80,596	67,772	1,202,383	8,207,561
Additions.....	156,958	236,630	18,772	5,267	1,334,023	1,751,650
Disposals.....	—	(4,249)	(5,842)	(11)	—	(10,102)
Transfer.....	760,898	1,202,397	—	—	(1,963,295)	—
At 31 December 2010.....	3,872,193	5,337,251	93,526	73,028	573,111	9,949,109
Additions.....	18,145	18,285	9,072	1,466	453,522	500,490
Disposals.....	(74)	(2,448)	(2,665)	(596)	—	(5,783)
Transfer.....	179,923	264,379	—	—	(444,302)	—
At 30 June 2011	4,070,187	5,617,467	99,933	73,898	582,331	10,443,816
DEPRECIATION AND IMPAIRMENT						
At 1 January 2008	102,261	273,903	14,549	28,856	—	419,569
Provided for the year.....	49,618	118,596	7,827	7,306	—	183,347
Eliminated on disposals	(1)	(35)	(509)	(8)	—	(553)
At 31 December 2008.....	151,878	392,464	21,867	36,154	—	602,363
Provided for the year.....	69,628	192,323	12,707	9,029	—	283,687
Eliminated on disposals	(109)	—	(397)	—	—	(506)
At 31 December 2009.....	221,397	584,787	34,177	45,183	—	885,544
Provided for the year.....	101,548	272,309	14,925	11,741	—	400,523
Eliminated on disposals	—	(392)	(3,272)	(8)	—	(3,672)
At 31 December 2010.....	322,945	856,704	45,830	56,916	—	1,282,395
Provided for the period	62,665	165,027	7,626	7,130	—	242,448
Impairment loss recognised in profit or loss.....	2,315	246	—	—	—	2,561
Eliminated on disposals	(49)	(1,490)	(2,178)	(458)	—	(4,175)
At 30 June 2011	387,876	1,020,487	51,278	63,588	—	1,523,229
CARRYING AMOUNTS						
At 31 December 2008.....	2,011,685	2,439,918	33,365	25,795	675,925	5,186,688
At 31 December 2009.....	2,732,940	3,317,686	46,419	22,589	1,202,383	7,322,017
At 31 December 2010.....	3,549,248	4,480,547	47,696	16,112	573,111	8,666,714
At 30 June 2011	3,682,311	4,596,980	48,655	10,310	582,331	8,920,587

Buildings are located in the PRC on medium term leasehold land. The above items of property, plant and equipment, other than construction in progress, are depreciated over their useful lives, after taking into account the estimated residual value, on a straight-line basis:

Buildings	30 years
Plant and machinery.....	5-15 years
Motor vehicles	5 years
Office equipment	5 years

During the six months ended 30 June 2011, the management conducted a review of the Group's manufacturing assets and determined that a number of those assets were impaired due to technical obsolescence. Accordingly, impairment losses of RMB2,561,000 has been recognized in respect of factory buildings, plant and machinery, which are used for cement production in Lushan Xian Antai Cement Company Limited. The recoverable amounts of the relevant assets have been identified individually and fully impaired.

Details of the property, plant and equipment pledged by the Group to secure the bank borrowings granted to the Group are set out in Note 36.

The carrying amounts of buildings, which the application to obtain the ownership certificates is still in process, are approximately RMB6,894,000, RMB8,681,000, RMB21,859,000 and RMB21,543,000 as at 31 December 2008, 2009 and 2010 and 30 June 2011, respectively.

15. DEPOSITS PAID

As at 31 December 2008, 2009 and 2010 and 30 June 2011, amounts represented deposits paid for acquiring property, plant and equipment and land use rights.

16. PREPAID LEASE PAYMENTS

	Prepaid lease payments
	RMB'000
At 1 January 2008	335,149
Additions.....	91,900
Capitalized to construction in progress	(2,393)
Amortisation charged to profit or loss	<u>(5,039)</u>
At 31 December 2008.....	419,617
Additions.....	85,903
Capitalized to construction in progress	(2,693)
Amortisation charged to profit or loss	<u>(5,790)</u>
At 31 December 2009.....	497,037
Additions.....	24,564
Capitalized to construction in progress	(889)
Amortisation charged to profit or loss	<u>(9,948)</u>
At 31 December 2010.....	510,764
Additions.....	77,821
Capitalized to construction in progress	(725)
Amortisation charged to profit or loss	<u>(5,271)</u>
At 30 June 2011	<u><u>582,589</u></u>

Analysis for reporting purposes as:

	As at 31 December			As at 30 June
	2008	2009	2010	2011
	RMB'000	RMB'000	RMB'000	RMB'000
Current assets included in trade and other receivables (Note 22).....	7,822	8,670	10,837	12,157
Non-current assets	<u>411,795</u>	<u>488,367</u>	<u>499,927</u>	<u>570,432</u>
	<u><u>419,617</u></u>	<u><u>497,037</u></u>	<u><u>510,764</u></u>	<u><u>582,589</u></u>

The carrying amounts of land use right, which the application to obtain the certificates is still in process, are approximately RMB46,285,000, RMB51,845,000, RMB57,605,000 and RMB56,961,000 as at 31 December 2008, 2009 and 2010 and 30 June 2011, respectively.

Prepaid lease payments represent medium-term land use right in the PRC and are amortised over the lease term of the respective leases.

Details of the land use rights pledged by the Group to secure the bank borrowings granted to the Group are set out in Note 36.

17. MINING RIGHTS

	<u>Mining rights</u>
	<u>RMB'000</u>
COST	
At 1 January 2008	112,052
Additions.....	<u>59,492</u>
At 31 December 2008.....	171,544
Additions.....	<u>66,181</u>
At 31 December 2009.....	237,725
Additions.....	<u>18,445</u>
At 31 December 2010.....	256,170
Additions.....	<u>1,051</u>
At 30 June 2011	<u>257,221</u>
ACCUMULATED AMORTISATION	
At 1 January 2008	1,197
Amortisation.....	<u>3,991</u>
At 31 December 2008.....	5,188
Amortisation.....	<u>10,364</u>
At 31 December 2009.....	15,552
Amortisation.....	<u>12,118</u>
At 31 December 2010.....	27,670
Amortisation.....	<u>5,322</u>
At 30 June 2011	<u>32,992</u>
CARRYING AMOUNTS	
At 31 December 2008.....	<u>166,356</u>
At 31 December 2009.....	<u>222,173</u>
At 31 December 2010.....	<u>228,500</u>
At 30 June 2011	<u>224,229</u>

The useful lives of the mining rights in respect of limestone sites located in the PRC, mainly ranged from 10-33 years.

Details of the mining rights pledged by the Group to secure the bank loans granted to the Group are set out in Note 36.

18. GOODWILL

For the purposes of impairment testing, goodwill has been allocated to two cash generating units (“CGUs”), comprising two subsidiaries in the Central China segment. The carrying amounts of goodwill as at 31 December 2008, 2009 and 2010 and 30 June 2011 allocated to these units are as follows:

	As at 1 January 2008, 31 December 2008, 2009, 2010 and 30 June 2011
	RMB'000
Central China segment:	
Weihui Shi Tianrui Cement Company Limited	10,502
Zhengzhou Tianrui Cement Company Limited	<u>1,773</u>
	<u><u>12,275</u></u>

The basis of the recoverable amounts of the above CGUs and their major underlying assumptions are summarised below:

The recoverable amounts of the relevant CGUs have been determined based on a value in use calculation. That calculation uses cash flow projections based on financial budgets approved by the management of the respective subsidiary covering a one-year period with growth rates of 1% for the following 4 years and discount rate of 7.1%, 5.6%, 6.6% and 7.1% as at 31 December 2008, 2009 and 2010 and 30 June 2011, respectively. This growth rate is based on the industry growth forecasts and does not exceed the average medium-term growth rate for the relevant industry. The cash flows beyond the five-year period are extrapolated using zero growth rate. Another key assumption for the value in use calculated is the budgeted gross margin, which is determined based on the unit's past performance and management's expectations for the market development.

The management determines that there are no impairment of any of its CGUs containing goodwill as at 31 December 2008, 2009 and 2010 and 30 June 2011.

19. INTEREST IN AN ASSOCIATE

	As at 31 December			As at 30 June
	2008	2009	2010	2011
	RMB'000	RMB'000	RMB'000	RMB'000
Cost of investment in an associate ...	120,000	120,000	120,000	120,000
Share of post-acquisition losses	<u>(18,168)</u>	<u>(120,000)</u>	<u>(120,000)</u>	<u>(120,000)</u>
	<u>101,832</u>	<u>—</u>	<u>—</u>	<u>—</u>

Details of the associate as at 31 December 2008, 2009 and 2010 and 30 June 2011 are as follows:

<u>Name of company</u>	<u>Place and date of incorporation</u>	<u>Registered capital</u>	<u>Attributable equity interest to the Group</u>	<u>Principal activities</u>
		RMB'000		
Pingdingshan Ruiping Shilong Cement Company Limited 平頂山瑞平石龍水泥有限公司	the PRC 12 September 2005	300,000	40%	Manufacture and sale of clinker

The summarised financial information in respect of the Group's associate is set out below:

	<u>As at 31 December</u>			<u>As at 30 June</u>
	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
	RMB'000	RMB'000	RMB'000	RMB'000
Total assets	948,035	760,519	738,576	724,721
Total liabilities.....	693,455	761,190	816,574	817,843
Net assets (liabilities)	<u>254,580</u>	<u>(671)</u>	<u>(77,998)</u>	<u>(93,122)</u>
Group's share of net assets of associate	<u>101,832</u>	<u>—</u>	<u>—</u>	<u>—</u>
Revenue	<u>344,075</u>	<u>307,804</u>	<u>49,748</u>	<u>206,786</u>
Loss for the year/period	<u>(23,131)</u>	<u>(255,251)</u>	<u>(77,327)</u>	<u>(17,124)</u>
Group's share of losses of the associate for the year/period	<u>(9,253)</u>	<u>(101,832)</u>	<u>—</u>	<u>—</u>

The Group has discontinued recognition of its share of losses of the associate. The amounts of unrecognized share of loss of the associate, extracted from the financial statements of the associate prepared in accordance with IFRSs, are as follows:

	<u>As at 31 December</u>			<u>As at 30 June</u>
	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
	RMB'000	RMB'000	RMB'000	RMB'000
Unrecognized share of loss of the associate for the year/period	<u>—</u>	<u>269</u>	<u>30,931</u>	<u>6,850</u>
Accumulated unrecognized share of loss of the associate	<u>—</u>	<u>269</u>	<u>31,200</u>	<u>38,050</u>

20. AVAILABLE-FOR-SALE INVESTMENTS

Available-for-sale investments comprise:

	As at 31 December			As at 30 June
	2008	2009	2010	2011
	RMB'000	RMB'000	RMB'000	RMB'000
Unlisted investment, at cost (i)	5,200	5,200	—	—
Listed investment, at fair value				
(ii) (iii)	—	—	4,000	4,000
	<u>5,200</u>	<u>5,200</u>	<u>4,000</u>	<u>4,000</u>

Note:

- i: As at 31 December 2008 and 2009, the amount represents unquoted equity investments in several credit cooperative associations (信用合作社) in the PRC. Those investments are measured at cost less impairment loss at the end of each reporting period because the range of reasonable fair value estimates is so significant that the management is of the opinion that their fair values cannot be measured reliably. The investments were disposed of in 2010 at a consideration of RMB5,200,000.
- ii: As at 31 December 2010 and 30 June 2011, the amount represents investment in a listed open-ended fund on Shenzhen Stock Exchange.
- iii: As at 30 June 2011, the listed investment is reclassified as current assets because the Group has the right to redeem this investment within twelve months from the end of the reporting period.

21. INVENTORIES

	As at 31 December			As at 30 June
	2008	2009	2010	2011
	RMB'000	RMB'000	RMB'000	RMB'000
Raw materials and consumables	296,525	355,961	572,165	700,027
Work-in-progress.....	6,838	10,080	9,585	8,072
Finished goods.....	<u>242,748</u>	<u>289,995</u>	<u>219,111</u>	<u>186,133</u>
	<u>546,111</u>	<u>656,036</u>	<u>800,861</u>	<u>894,232</u>

22. TRADE AND OTHER RECEIVABLES

	As at 31 December			As at 30 June
	2008	2009	2010	2011
	RMB'000	RMB'000	RMB'000	RMB'000
Trade receivables	129,101	157,503	223,396	233,471
Less: allowances for bad and doubtful debts.....	<u>22,736</u>	<u>26,783</u>	<u>31,231</u>	<u>38,024</u>
	106,365	130,720	192,165	195,447
Bills receivables	2,870	142,290	498,686	1,114,226
Advance to suppliers.....	53,707	103,770	255,974	583,289
Value Added Tax refund receivables.	45	32,692	37,014	58,644
Prepayment for various tax	9,848	105,115	129,024	84,504
Prepaid lease payments (Note 16)	7,822	8,670	10,837	12,157
Other receivables	<u>31,824</u>	<u>72,805</u>	<u>56,217</u>	<u>87,267</u>
	<u>212,481</u>	<u>596,062</u>	<u>1,179,917</u>	<u>2,135,534</u>

Bills receivables amounted to RMB29,952,000 as at 30 June 2011 were discounted to banks to obtain borrowings. (See Note 30)

Generally, the Group did not make credit sales to customers, except for sales made to major construction contractors and strategic customers with an average credit period of 180 days.

The aged analysis of the Group's trade receivables and bills receivables (net of allowances) from the goods delivery date at the end of each reporting period is as follows:

	As at 31 December			As at 30 June
	2008	2009	2010	2011
	RMB'000	RMB'000	RMB'000	RMB'000
Within 90 days.....	94,751	181,338	376,856	548,594
91-180 days	6,646	80,503	293,089	710,880
181-360 days	291	9,080	17,463	50,199
Over 1 year.....	<u>7,547</u>	<u>2,089</u>	<u>3,443</u>	<u>—</u>
Total	<u>109,235</u>	<u>273,010</u>	<u>690,851</u>	<u>1,309,673</u>

Before accepting any new credit customers, the Group assesses the potential customer's credit quality and defines credit limits by customer. Limits and credit period attributed to customers are reviewed on a customer by customer basis. Over 90% of trade receivable and bills receivable that are neither past due nor impaired are regarded as customers with good credit quality under the internal assessment process used by the Group.

Included in the Group's trade receivable are debtors with aggregate carrying amount of RMB7,838,000, RMB11,169,000, RMB20,906,000 and RMB50,199,000 which are past due as at 31 December 2008, 2009 and 2010 and 30 June 2011 respectively for which the Group has not provided for impairment loss. The Group does not hold any collateral over these balances. No allowance has been provided for those balances as the Group considers that there is no significant change in the credit quality of those customers from the date credit was initially granted up to the end of the reporting period.

The aged analysis of the Group's trade receivables which are past due but not impaired as at the end of each reporting period is as follows:

	As at 31 December			As at 30 June
	2008	2009	2010	2011
	RMB'000	RMB'000	RMB'000	RMB'000
181-360 days	291	9,080	17,463	50,199
Over 1 year.....	7,547	2,089	3,443	—
Total	<u>7,838</u>	<u>11,169</u>	<u>20,906</u>	<u>50,199</u>

Movement in the allowance for bad and doubtful debts

	As at 31 December			As at 30 June
	2008	2009	2010	2011
	RMB'000	RMB'000	RMB'000	RMB'000
Balance at beginning of the year/period	4,162	22,736	26,783	31,231
Provided for the year/period	<u>18,574</u>	<u>4,047</u>	<u>4,448</u>	<u>6,793</u>
Balance at the end of the year/period	<u>22,736</u>	<u>26,783</u>	<u>31,231</u>	<u>38,024</u>

Included in the allowance for bad and doubtful debts are individually impaired trade receivables with an aggregate balance of RMB22,736,000, RMB26,783,000, RMB31,231,000 and RMB 38,024,000 which was considered as uncollectable. The Group does not hold any collateral over these balances.

Details of trade and other receivables pledged by the Group to secure the bank borrowings granted to the Group are set out in Note 36.

23. AMOUNTS DUE FROM RELATED PARTIES

	As at 31 December			As at 30 June
	2008	2009	2010	2011
	RMB'000	RMB'000	RMB'000	RMB'000
Current	3,249	5,072	12,618	11,528
Non-current.....	5,070	28,070	28,070	28,070
	<u>8,319</u>	<u>33,142</u>	<u>40,688</u>	<u>39,598</u>
Trade in nature	3,249	3,072	4,441	5,740
Non-trade in nature.....	5,070	30,070	36,247	33,858
Total	<u>8,319</u>	<u>33,142</u>	<u>40,688</u>	<u>39,598</u>

Trade in nature

		As at 31 December			As at 30 June
		2008	2009	2010	2011
		RMB'000	RMB'000	RMB'000	RMB'000
Zhongqing (Ruzhou) Power Company Limited (中青(汝州)電力有限公司)	i	1,356	1,356	1,356	1,356
Henan Tianrui Yaoshan Travel Company Limited (河南天瑞堯山旅遊有限公司).....	i	182	182	182	182
Tianrui Group Tourism Development Company Limited (天瑞集團旅遊發展有限公司).....	i	1,674	1,434	1,434	1,434
Tianrui Group Yunyang Foundry Company Limited (天瑞集團雲陽鑄造有限公司).....	i	—	81	81	81
Henan Province Zhoukou Power Company Limited (河南省周口發電有限公司)	ii	35	—	—	—
Pingdingshan Ruiping Shilong Cement Company Limited (平頂山瑞平石龍水泥有限公司) ..	iii	2	19	1,388	2,687
		<u>3,249</u>	<u>3,072</u>	<u>4,441</u>	<u>5,740</u>

The Group makes credit sales to related parties with a maximum credit period of 180 days.

The aged analysis of the Group's amounts due from related parties (trade in nature) from the goods delivery date as at the end of each reporting period is as follows:

	As at 31 December			As at 30 June
	2008	2009	2010	2011
	RMB'000	RMB'000	RMB'000	RMB'000
Within 90 days.....	432	—	1,388	2,441
91-180 days	1,082	3	—	246
181-365 days	1,735	97	—	—
Over 1 year.....	—	2,972	3,053	3,053
	<u>3,249</u>	<u>3,072</u>	<u>4,441</u>	<u>5,740</u>

The aged analysis of the Group's amounts due from related parties which are past due but not impaired as at the end of each reporting period is as follows:

	As at 31 December			As at 30 June
	2008	2009	2010	2011
	RMB'000	RMB'000	RMB'000	RMB'000
181-365 days	1,735	97	—	—
Over 1 year.....	—	2,972	3,053	3,053
Total	<u>1,735</u>	<u>3,069</u>	<u>3,053</u>	<u>3,053</u>

No allowance has been provided for those balances as the Group closely monitors the financial position of the relevant related parties and considers those amounts are recoverable up to the reporting date. The Group did not hold any collateral over these balances.

Non-trade in nature

		As at 31 December			As at 30 June
		2008	2009	2010	2011
		RMB'000	RMB'000	RMB'000	RMB'000
Ruzhou Shi Thermal Power Plant (汝州市火電廠) *	i	5,070	28,070	28,070	28,070
Ruzhou Tianrui Coking Company Limited (汝州天瑞煤焦化有限公司) **	i	—	2,000	1,400	2,298
Tianrui Group Yunyang Foundry Company Limited (天瑞集團雲陽鑄造有限公司) **. . .	i	—	—	1,694	3,490
Pingdingshan Ruiping Shilong Cement Company Limited (平頂山瑞平石龍水泥 有限公司) **	iii	—	—	5,083	—
		<u>5,070</u>	<u>30,070</u>	<u>36,247</u>	<u>33,858</u>

Amounts have been fully settled before the date of issuance of this report.

* The amounts represent advances for the acquisition of land use rights in the PRC which were currently occupied by Ruzhou Shi Thermal Power Plant (汝州市火電廠) and is therefore classified as non-current assets. Subsequent to 30 June 2011, in view of the continuous delay, the Group negotiated with Ruzhou Shi Thermal Power Plant (汝州市火電廠) and obtained the refund of the entire amount.

** The amounts are unsecured, interest-free and repayable on demand.

Note:

- i. Subsidiaries of Tianrui Group Company Limited (天瑞集團有限公司);
- ii. Non-controlling shareholder of a subsidiary;
- iii. An associate of the Group.

24. AMOUNT DUE FROM A FORMER DIRECTOR OF TIANRUI CEMENT

The amount is unsecured, interest bearing at 5.31% per annum (representing 1-year benchmark interest rate issued by People's Bank of China) and repayable on 7 September 2009. The maximum balance due from the former director is RMB6,000,000 during the Relevant Periods.

During the year ended 31 December 2009, the management considers the amount is not recoverable and thus the outstanding balance was fully impaired.

25. RESTRICTED BANK BALANCES

Restricted bank balances represent deposits pledged to banks for (i) securing bank borrowings granted to the Group amounting to Nil, RMB30,000,000, RMB171,750,000 and RMB101,750,000 as at 31 December 2008, 2009 and 2010 and 30 June 2011 respectively (details disclosed in Note 36), and (ii) issuing trade facilities such as bills payable and bankers' guarantee amounting to RMB45,165,000, RMB325,914,000, RMB1,252,138,000 and RMB891,452,000 as at 31 December 2008, 2009 and 2010 and 30 June 2011 respectively.

The restricted bank balances carry market interest rate of 0.36% to 2.25%, 0.36% to 2.50%, 0.36% to 2.75% and 0.4% to 3.25% per annum as at 31 December 2008, 2009 and 2010 and 30 June 2011 respectively.

As at 31 December 2009, the restricted bank balances of RMB30,000,000 were pledged to secure non-current bank borrowings and were therefore classified as non-current. No restricted bank balances were pledged for non-current bank borrowings as at 31 December 2008 and 2010 and 30 June 2011.

26. CASH AND BANK BALANCES

The amounts represent cash and bank balances held by the Group. As at 31 December 2008, 2009 and 2010 and 30 June 2011, bank balances carry interest at market rates of 0.36%, 0.36%, 0.36% and 0.5% per annum respectively.

27. TRADE AND OTHER PAYABLES

	As at 31 December			As at 30 June
	2008	2009	2010	2011
	RMB'000	RMB'000	RMB'000	RMB'000
Trade payables	434,893	812,105	1,247,388	1,636,602
Bills payable.....	—	327,742	1,653,368	1,295,438
Construction cost and retention payable.....	456,832	437,837	335,822	322,753
Advances from customers	56,916	118,600	97,162	405,832
Other tax payables	24,046	27,423	76,516	119,624
Other payables - current (note 31) ..	11,750	4,500	10,999	10,542
Payables for mining rights	17,123	19,442	22,042	9,127
Other payables and accrued expenses	201,549	192,995	134,012	185,859
	<u>1,203,109</u>	<u>1,940,644</u>	<u>3,577,309</u>	<u>3,985,777</u>

The average credit period on purchases of goods is 90 days.

The aged analysis of the Group's trade and bills payable from the goods receipt date as at the end of each reporting period is as follows:

	As at 31 December			As at 30 June
	2008	2009	2010	2011
	RMB'000	RMB'000	RMB'000	RMB'000
Within 1-90 days	345,784	800,747	1,826,991	2,256,424
91-180 days	74,654	276,074	983,696	602,952
181-365 days	9,784	53,337	69,052	54,802
Over 1 year.....	4,671	9,689	21,017	17,862
Total	<u>434,893</u>	<u>1,139,847</u>	<u>2,900,756</u>	<u>2,932,040</u>

28. AMOUNTS DUE TO RELATED PARTIES

	As at 31 December			As at 30 June
	2008	2009	2010	2011
	RMB'000	RMB'000	RMB'000	RMB'000
Trade in nature	137	137	137	137
Non-trade in nature	<u>30,724</u>	<u>2,373</u>	<u>10,188</u>	<u>11,719</u>
	<u>30,861</u>	<u>2,510</u>	<u>10,325</u>	<u>11,856</u>

Trade in nature

	Notes	As at 31 December			As at 30 June
		2008	2009	2010	2011
		RMB'000	RMB'000	RMB'000	RMB'000
Ruzhou Shi Thermal Power Plant (汝州市火電廠).....	i	9	9	9	9
Tianrui Group Tourism Development Company Limited (天瑞集團旅遊發展有限公司).....	i	32	32	32	32
Pingdingshan Ruiping Shilong Cement Company Limited (平頂山瑞平石龍水泥有限公司) ..	ii	<u>96</u>	<u>96</u>	<u>96</u>	<u>96</u>
		<u>137</u>	<u>137</u>	<u>137</u>	<u>137</u>

The average credit period offered by related parties is 90 days.

The aged analysis of the Group's amounts due to related parties (trade in nature) from service/goods receipt date at the end of each reporting period is as follows:

	As at 31 December			As at 30 June
	2008	2009	2010	2011
	RMB'000	RMB'000	RMB'000	RMB'000
Within 90 days.....	9	—	—	—
91-180 days	96	—	—	—
Over 1 year.....	32	137	137	137
	<u>137</u>	<u>137</u>	<u>137</u>	<u>137</u>

Non-trade in nature

	Notes	As at 31 December			As at 30 June
		2008	2009	2010	2011
		RMB'000	RMB'000	RMB'000	RMB'000
Ruzhou Shi Waste Recycling Company Limited (汝州市通用廢舊金屬回收有限公司).....	i	20,000	—	—	—
Tianrui Group Company Limited (天瑞集團有限公司).....	iii	10,724	873	688	828
Pingdingshan Ruiping Shilong Cement Company Limited (平頂山瑞平石龍水泥有限公司) ..	ii	—	1,500	500	1,891
Tianrui Group Yunyang Foundry Company Limited (天瑞集團雲陽鑄造有限公司).....	i	—	—	9,000	9,000
		<u>30,724</u>	<u>2,373</u>	<u>10,188</u>	<u>11,719</u>

Amounts are unsecured, interest-free, repayable on demand and have been fully settled before the date of issuance of this report.

Note:

- i. Subsidiaries of Tianrui Group Company Limited (天瑞集團有限公司);
- ii. An associate of the Group;
- iii. A shareholder of the Company.

29. SHORT TERM DEBENTURES

	As at 31 December			As at 30 June
	2008	2009	2010	2011
	RMB'000	RMB'000	RMB'000	RMB'000
Short term debentures	<u>—</u>	<u>—</u>	<u>500,000</u>	<u>1,000,000</u>

The amounts as at 30 June 2011 represented the issuance of the two tranche of short term debentures of RMB500,000,000 on 9 November 2010 and RMB500,000,000 on 8 March 2011 through the lead underwriter, China Guangfa Bank Company Limited, with maturity of one year. The two tranche of short term debentures carries fixed interest at 4.1% and 5.55% per annum separately.

30. BORROWINGS

	As at 31 December			As at 30 June
	2008	2009	2010	2011
	RMB'000	RMB'000	RMB'000	RMB'000
Bank borrowings				
- fixed-rate (i)	110,000	376,500	1,154,500	1,042,972
- variable-rate (ii)	729,000	2,946,014	3,081,780	3,013,230
IFC loan at variable-rate (iii)	341,730	341,670	247,358	214,857
Syndicated loans at variable-rate				
(iv)	<u>1,676,014</u>	<u>1,678,416</u>	<u>1,093,515</u>	<u>852,675</u>
	2,856,744	5,342,600	5,577,153	5,123,734
Bank borrowing relating to bills				
discounted with recourse (v)	—	—	218,500	253,452
Other loans at fixed-rate (vi)	<u>2,800</u>	<u>2,720</u>	<u>2,720</u>	<u>—</u>
	<u>2,859,544</u>	<u>5,345,320</u>	<u>5,798,373</u>	<u>5,377,186</u>
Secured	2,776,744	4,800,600	5,665,653	5,247,186
Unsecured	<u>82,800</u>	<u>544,720</u>	<u>132,720</u>	<u>130,000</u>
	<u>2,859,544</u>	<u>5,345,320</u>	<u>5,798,373</u>	<u>5,377,186</u>

The borrowings are repayable as follows:

	As at 31 December			As at 30 June
	2008	2009	2010	2011
	RMB'000	RMB'000	RMB'000	RMB'000
On demand or within one year*	306,800	2,994,281	3,777,373	3,460,336
More than one year, but not exceeding two years	554,095	639,636	577,000	484,250
More than two years, but not exceeding five years	1,998,649	1,626,403	1,413,000	1,401,600
More than five years	—	85,000	31,000	31,000
	<u>2,859,544</u>	<u>5,345,320</u>	<u>5,798,373</u>	<u>5,377,186</u>
Less: Amount due within one year shown under current liabilities	<u>(306,800)</u>	<u>(2,994,281)</u>	<u>(3,777,373)</u>	<u>3,460,336</u>
Amount due after one year	<u><u>2,552,744</u></u>	<u><u>2,351,039</u></u>	<u><u>2,021,000</u></u>	<u><u>1,916,850</u></u>

* As at 31 December 2009, included in borrowings repayable on demand are syndicated loans of RMB1,449,657,000 and IFC loan of RMB 283,556,000 repayable on demand due to breach of loan covenants.

As at 31 December 2010, included in borrowings repayable on demand are (i) bank borrowing of RMB 50,000,000 repayable by instalments up to 2015 but contain a repayment on demand clause; and (ii) syndicated loans of RMB1,009,322,000 and IFC loan of RMB 219,874,000 repayable on demand due to breach of loan covenants.

As at 30 June 2011, included in borrowings repayable on demand are (i) bank borrowing of RMB 50,000,000 repayable by instalments up to 2015 but contain a repayment on demand clause; and (ii) syndicated loans of RMB797,676,000 and IFC loan of RMB 190,984,000 repayable on demand due to breach of loan covenants.

Note:

- i As at 31 December 2008, 2009 and 2010 and 30 June 2011, the fixed-rate borrowings carry interests ranged from 7.83% to 9.60%, 4.86% to 9.18%, 5.31% to 10.68% and 5.31% to 10.41% per annum;
- ii As at 31 December 2008, 2009 and 2010 and 30 June 2011, the variable-rate borrowings carry interests ranged from 5.18% to 6.97%, 4.86% to 8.50%, 5.31% to 7.68% and 5.31% to 7.68% per annum. The interest rate is determined based on the Benchmark Interest Rate announced by People's Bank of China.
- iii As at 31 December 2008, 2009 and 2010 and 30 June 2011, the interest rate for the Group's IFC loan is determined based on London Interbank Offered Rate ("LIBOR"). plus 2%, 2.288%, 2.288% and 2.288%, respectively.
- iv As at 31 December 2008, 2009 and 2010 and 30 June 2011, the interest rate for the Group's syndicated loan is 95% of the 3-5 years Benchmark Interest Rates announced by the People's Bank of China.
- v As at 31 December 2010 and 30 June 2011, the amounts represented (i) intercompany bills receivables amounted to RMB218,500,000, RMB223,500,000 respectively, arising from intercompany transactions discounted to various financial institutions with full recourse, and (ii) bills receivables amounted to Nil, RMB29,952,000 respectively, received from customers discounted to various banks with full recourse. The discounted bills carried fixed interests ranging from 3.21% to 4.75% per annum and 3.58% to 7.68% per annum as at 31 December 2010 and 30 June 2011 respectively.

- vi As at 31 December 2008, 2009 and 2010, the amount represented a loan from an independent third party, Zhengzhou Baisha County Labor Protection Bureau (鄭州市白沙鎮勞保所) amounted to RMB2,800,000, RMB2,720,000 and RMB2,720,000 respectively and carried fixed interests at 9.6%. Such borrowing is unsecured and repayable on demand. The loan was fully settled during the six months ended 30 June 2011.
- vii In respect of the loans with the carrying amounts of RMB1,229,196,000 and RMB988,660,000 as at 31 December 2010 and 30 June 2011, respectively the Group breached certain of the terms of the loans and the lenders have the right to demand immediate payment. The borrowings have been classified as a current liability as at 31 December 2010 and 30 June 2011. On discovery of the breach, the management informed the lenders and commenced a renegotiation of the terms of the loans with the relevant lender, As at 30 June 2011, those negotiations had not been concluded.

Details of assets pledged to secure bank borrowings are set out in Note 36.

31. OTHER PAYABLES

	As at 31 December			As at 30 June
	2008	2009	2010	2011
	RMB'000	RMB'000	RMB'000	RMB'000
Acquisition of mining rights	59,759	48,860	45,236	44,779
Less: Amount due within one year shown under trade and other payables (note 27)	(11,750)	(4,500)	(10,999)	(10,542)
	<u>48,009</u>	<u>44,360</u>	<u>34,237</u>	<u>34,237</u>

The amounts represented the payables for acquisition of mining rights.

Pursuant to the purchase agreement entered into between Dalian Tianrui Cement Company Limited (大連天瑞水泥有限公司) and Dalian Municipal Bureau of Land and Resources and Housing (大連市國土資源和房屋局) in 2007, Dalian Tianrui Cement Company Limited (大連天瑞水泥有限公司) acquired mining rights at a consideration of approximately RMB52,068,000 which is repayable by 6 installments between 2007 to 2017 every 2 years. The amount bears interest at progressive rates ranged from 5.87% to 7.83% per annum. The effective interest rate is 6.89% per annum.

Pursuant to the purchase agreement entered into between Weihui Shi Tianrui Cement Company Limited (衛輝市天瑞水泥有限公司) and Weihui Municipal Bureau of Geological and Mineral Resources (衛輝市地質礦產局) in 2007, Weihui Shi Tianrui Cement Company Limited (衛輝市天瑞水泥有限公司) acquired mining rights at a consideration of RMB35,000,000 which is repayable by 8 installments between 2007 to 2014 annually. The amount is interest free. The fair value of the outstanding amount at initial recognition is estimated at an effective interest rate of 6.89% per annum.

32. DEFERRED TAXATION

The following are the major deferred tax assets (liabilities) recognized by the Group, and the movements thereon, during the Relevant Periods:

	Allowance on inventories and trade and other receivables	Depreciation on property, plant, equipment and prepaid lease payments	Imputed interest on other payables	Others	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2008	765	(30,586)	(1,580)	228	(31,173)
Credit (charge) to income for the year	<u>4,383</u>	<u>(346)</u>	<u>207</u>	<u>5,630</u>	<u>9,874</u>
At 31 December 2008	5,148	(30,932)	(1,373)	5,858	(21,299)
Credit to income for the year	<u>1,442</u>	<u>2,468</u>	<u>213</u>	<u>1,407</u>	<u>5,530</u>
At 31 December 2009	6,590	(28,464)	(1,160)	7,265	(15,769)
Credit (charge) to income for the year	<u>934</u>	<u>1,014</u>	<u>219</u>	<u>(1,493)</u>	<u>674</u>
At 31 December 2010	7,524	(27,450)	(941)	5,772	(15,095)
Credit to income for the period	<u>1,804</u>	<u>354</u>	<u>113</u>	<u>779</u>	<u>3,050</u>
At 30 June 2011	<u>9,328</u>	<u>(27,096)</u>	<u>(828)</u>	<u>6,551</u>	<u>(12,045)</u>

For the purpose of presentation in the consolidated statements of financial position, certain deferred tax assets and liabilities have been offset. The following is the analysis of the deferred tax balances for financial reporting purposes:

	As at 31 December			As at 30 June
	2008	2009	2010	2011
	RMB'000	RMB'000	RMB'000	RMB'000
Deferred tax assets	7,420	8,283	8,528	11,106
Deferred tax liabilities	<u>(28,719)</u>	<u>(24,052)</u>	<u>(23,623)</u>	<u>(23,151)</u>
	<u>(21,299)</u>	<u>(15,769)</u>	<u>(15,095)</u>	<u>(12,045)</u>

At 31 December 2008, 2009 and 2010 and 30 June 2011, the Group has unused tax losses of approximately RMB13,464,000, RMB24,633,000, RMB18,249,000 and RMB6,613,000 available for offset against future profits. No deferred tax asset has been recognized in respect of these tax losses due to unpredictability of future profit streams in respective subsidiaries. The unrecognized tax loss will be expired as follows:

	As at 31 December			As at 30 June
	2008	2009	2010	2011
	RMB'000	RMB'000	RMB'000	RMB'000
2013	13,464	8,357	—	—
2014	—	16,276	11,757	6,613
2015	—	—	6,492	—
	<u>13,464</u>	<u>24,633</u>	<u>18,249</u>	<u>6,613</u>

Under the PRC EIT Law, withholding tax is imposed on dividends declared in respect of profits earned by PRC subsidiaries from 1 January 2008 onwards. Deferred taxation has not been provided for in the Financial Information in respect of temporary differences attributable to accumulated profit of the PRC subsidiaries amounting to RMB204,842,000, RMB339,552,000, RMB692,088,000 and RMB1,346,968,000 as at 31 December 2008, 2009 and 2010 and 30 June 2011 respectively as the Group is able to control the timing of the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future.

33. DEFERRED INCOME

	As at 31 December			As at 30 June
	2008	2009	2010	2011
	RMB'000	RMB'000	RMB'000	RMB'000
Assets-related government grants	<u>76,991</u>	<u>78,684</u>	<u>111,726</u>	<u>120,633</u>

The assets-related government grants represent the subsidies received by the Group for the purpose of acquiring land use rights to build new production lines in the PRC and acquiring qualified energy conservation equipment. An amount of approximately RMB1,492,000, RMB1,640,000, RMB2,917,000, RMB888,000 (unaudited) and RMB2,093,000 was released to "other income" during the year ended 31 December 2008, 2009 and 2010 and six months ended 30 June 2010 and 2011 respectively.

34. PROVISION FOR ENVIRONMENTAL RESTORATION

	Environmental restoration
	RMB'000
At 31 December 2008	—
Provision for the year	<u>4,365</u>
At 31 December 2009	4,365
Provision for the year	<u>2,210</u>
At 31 December 2010	6,575
Provision for the period	<u>1,086</u>
At 30 June 2011.....	<u><u>7,661</u></u>

According to the regulation issued in 2009 by the Ministry of Land and Resources (國土資源部), the user of a mine should undertake the obligation of environmental restoration. After taking into account the quantity of limestone mined and the timing of mine restoration in future, a provision has been recognized for the costs expected to be incurred for the restoration of the limestone mines. Addition in provision is recognized as cost of sales of the related limestone mined and sold.

35. ISSUED CAPITAL/PAID-IN CAPITAL

The Company

	Number of shares	Share capital	
		HK\$'000	RMB'000
Ordinary shares of HK\$0.01 each:			
Authorised			
On incorporation and at 30 June 2011	<u>38,000,000</u>	<u>380</u>	<u>316</u>
Issued			
On incorporation (note a)	1	—	—
Issued on 21 February and 2 April 2011 (note b)	474,999	5	4
Issued on 2 April 2011 (note c)	<u>525,000</u>	<u>5</u>	<u>4</u>
As at 30 June 2011	<u><u>1,000,000</u></u>	<u><u>10</u></u>	<u><u>8</u></u>

Notes:

- (a) On 7 February 2011, one subscriber share was issued to the Company's subscriber, Yu Kuo, at par value.
- (b) On 21 February 2011, the Company issued 473 shares to Yu Kuo in exchange for the 100% equity interests in Zhong Yuan Cement and on 2 April 2011, issued 474,526 shares to Yu Kuo at a consideration of USD87,433,333.
- (c) As on 2 April 2011, the Company issued 525,000 shares to other shareholders of Tianrui Cement for acquiring their respective interests in Tianrui Cement.

For the purpose of the preparation of the consolidated statements of financial position, the balances of paid-in capital at 31 December 2008, 2009 and 2010 represented the paid-in capital of Tianrui Cement.

The Group

	As at 31 December		
	2008	2009	2010
	RMB'000	RMB'000	RMB'000
Paid-in capital of Tianrui Cement	1,397,135	1,397,135	1,397,135
Issued share capital of Zhong Yuan Cement	—	—	—
Issued share capital of Tianrui (HK)	—	—	—
	<u>1,397,135</u>	<u>1,397,135</u>	<u>1,397,135</u>

Pursuant to the Corporate Reorganization completed on 8 April 2011, the Company became the holding company comprising the Group. The issued capital at 30 June 2011 represents the issued share capital of the Company.

36. PLEDGE OF ASSETS

As at the end of each of the reporting period, the carrying amount of the assets of the Group pledged to secure the bank borrowings granted to the Group is analysed as follows:

	As at 31 December			As at 30 June
	2008	2009	2010	2011
	RMB'000	RMB'000	RMB'000	RMB'000
Property, plant and equipment	2,482,680	2,309,021	2,853,195	2,332,847
Prepaid lease payments	183,441	216,273	265,906	263,405
Mining rights	66,534	66,843	64,861	64,278
Trade and other receivables	27,169	63,613	70,928	103,609
Restricted bank balances	—	30,000	171,750	101,750
	<u>2,759,824</u>	<u>2,685,750</u>	<u>3,426,640</u>	<u>2,865,889</u>

During the Relevant Periods, apart from the assets pledged set out above, Tianrui Cement has pledged all of its equity interests in Tianrui Group Ruzhou Cement Company Limited (天瑞集團汝州水泥有限公司), Lushan Xian Antai Cement Company Limited (魯山縣安泰水泥有限公司), Shangqiu Tianrui Cement Company Limited (商丘天瑞水泥有限公司), Zhengzhou Tianrui Cement Company Limited (鄭州天瑞水泥有限公司), Weihui Shi Tianrui Cement Company Limited (衛輝市天瑞水泥有

限公司), Yuzhou Shi Zhongjin Cement Company Limited (禹州市中錦水泥有限公司) and Pingdingshan Ruiping Shilong Cement Company Limited (平頂山瑞平石龍水泥有限公司), and part of its equity interests in Tianrui Group Zhoukou Cement Company Limited (天瑞集團周口水泥有限公司), Dalian Tianrui Cement Company Limited (大連天瑞水泥有限公司), Yingkou Tianrui Cement Company Limited (營口天瑞水泥有限公司), Liaoyang Tianrui Cement Company Limited (遼陽天瑞水泥有限公司), Tianrui Group Nanzhao Cement Company Limited (天瑞集團南召水泥有限公司) for the syndicated loans.

37. CAPITAL COMMITMENTS

	As at 31 December			As at 30 June
	2008	2009	2010	2011
	RMB'000	RMB'000	RMB'000	RMB'000
Capital expenditure of the Group in respect of acquisition of property, plant and equipment				
- contracted for but not provided in the Financial Information.....	810,533	861,935	791,575	766,720
- authorized but not contracted for.....	<u>1,495,982</u>	<u>2,734,339</u>	<u>1,547,821</u>	<u>1,273,362</u>

38. OPERATING LEASE COMMITMENTS

The Group as lessee

At the end of each of the reporting period, the Group had commitments for future minimum lease payments in respect of rented premises which fall due as follows:

	As at 31 December			As at 30 June
	2008	2009	2010	2011
	RMB'000	RMB'000	RMB'000	RMB'000
Within one year	<u>65</u>	<u>488</u>	<u>—</u>	<u>600</u>

Operating lease payments represent rentals payable by the Group for certain of its office properties. Leases are negotiated for an average terms of 1 year and rental are fixed throughout the lease term.

The Group as lessor

The rental income earned for the years ended 31 December 2008, 2009 and 2010 and the six months ended 30 June 2010 and 2011 amounted to approximately RMB2,081,000, RMB1,762,000, RMB2,404,000, RMB920,000 (unaudited) and RMB1,246,000 respectively are generated from rental of certain plant and machinery. All leases have committed tenants for next 2 years.

At the end of each reporting period, the Group had contracted with tenants for the following future minimum lease payments:

	As at 31 December			As at 30 June
	2008	2009	2010	2011
	RMB'000	RMB'000	RMB'000	RMB'000
Within one year	1,625	983	2,838	2,216
In the second to fifth year inclusive.	—	—	623	—
	<u>1,625</u>	<u>983</u>	<u>3,461</u>	<u>2,216</u>

39. RETIREMENT BENEFIT SCHEMES

The PRC employees of the Group are members of state-managed retirement benefit schemes operated by the local governments. The Group is required to contribute a specified percentage of their payroll costs to the retirement benefit schemes to fund the benefits. The retirement benefit cost charged to profit or loss for the years ended 31 December 2008, 2009 and 2010 and the six months ended 30 June 2010 and 2011, amounts to RMB4,789,000, RMB7,384,000, RMB10,108,000, RMB4,506,000 (unaudited) and RMB7,812,000 respectively.

40. RELATED PARTY DISCLOSURES

(a) Apart from the amounts due from/to related parties as disclosed in Notes 23, 24 and 28, during the Relevant Periods, the Group had the following significant transactions with the related parties.

Nature of transaction	Name of related company	Notes	For the year ended 31 December			For the six months ended 30 June	
			2008	2009	2010	2010	2011
			RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Continuing transactions *							
Purchase of goods	Pingdingshan Ruiping Shilong Cement Company Limited (平頂山瑞平石龍水泥有限公司)	i	<u>10,737</u>	<u>9,734</u>	<u>21,587</u>	—	<u>17,224</u>
Office rental	Tianrui Group Company Limited (天瑞集團有限公司)	ii	<u>566</u>	<u>600</u>	<u>600</u>	<u>300</u>	<u>1,000</u>

Nature of transaction	Name of related company	Notes	For the year ended 31 December			For the six months ended 30 June	
			2008	2009	2010	2010	2011
			RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Discontinued transactions #							
Sales of goods	Tianrui Group Tourism Development Company Limited (天瑞集團旅遊發展有限公司)	iii	1,210	—	—	—	—
	Henan Tianrui Yaoshan Travel Company Limited (河南天瑞堯山旅遊有限公司)	iii	230	—	—	—	—
	Tianrui Group Yunyang Foundry Company Limited (天瑞集團雲陽鑄造有限公司)	iii	—	82	449	—	2,816
	Ruzhou Tianrui Coking Company Limited (汝州天瑞煤焦化有限公司)	iii	—	—	—	—	1,485
	Pingdingshan Ruiping Shilong Cement Company Limited (平頂山瑞平石龍水泥有限公司)	i	—	—	4,034	—	15,614
			<u>1,440</u>	<u>82</u>	<u>4,483</u>	<u>—</u>	<u>19,915</u>
Purchase of goods	Zhongqing (Ruzhou) Power Company Limited (中青(汝州)電力有限公司)	iii	578	—	—	—	—
Purchase of property, plant and equipment	Zhongqing (Ruzhou) Power Company Limited (中青(汝州)電力有限公司)	iii	30,525	—	—	—	—
Rental expenses	Ruzhou Shi Thermal Power Plant (汝州市火電廠)	iii	249	—	—	—	—
Financial guarantee provided by the Group to	Tianrui Group Company Limited (天瑞集團有限公司)	ii	—	30,000	60,000	—	60,000
	Sanmenxia Tianyuan Aluminum Company Limited (三門峽天元鋁業股份有限公司)	iii	—	51,000	51,000	51,000	—
	Tianrui Group Foundry Company Limited (天瑞集團鑄造有限公司)	iii	—	30,000	70,000	—	—
			<u>—</u>	<u>111,000</u>	<u>181,000</u>	<u>51,000</u>	<u>60,000</u>

Notes:

* These transactions will continue after the listing of the shares of the Company on the Main Board of the Stock Exchange.

These transactions will discontinue after the listing of the shares of the Company on the Main Board of the Stock Exchange.

i. An associate of the Group;

ii. A shareholder of the Group;

iii. Subsidiaries of Tianrui Group Company Limited (天瑞集團有限公司);

(b) Remuneration to key management

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Group, directly and indirectly including directors and supervisors of the Group. The key management personnel compensations are as follows:

	For the year ended 31 December			For the six months ended 30 June	
	2008	2009	2010	2010	2011
	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Short-term benefits	6,458	3,855	4,297	493	605
Retirement benefits	66	110	91	31	43
	<u>6,524</u>	<u>3,965</u>	<u>4,388</u>	<u>524</u>	<u>648</u>

- (c) In the opinion of the directors of the Company, other than the financial guarantee provided by/to Tianrui Group Company Limited (天瑞集團有限公司) and its subsidiaries, other related party transactions were conducted on normal commercial terms.
- (d) The amounts due from/to related parties (other than those which are of trading nature) were fully settled before the date of issuance of this report and the amounts due from/to related parties which are of trading nature will be settled in accordance with the relevant credit terms, which are no more favorable than those granted to independent third parties.
- (e) The guarantees provided to Tianrui Group Company Limited (天瑞集團有限公司) and its subsidiaries will be released before the listing of the shares of the Company on the Main Board of the Stock Exchange.

41. CAPITAL RISK MANAGEMENT

The management manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximizing the return to shareholders through the optimisation of the debt and equity balance. The Group's overall strategy remains unchanged during the Relevant Periods.

The capital structure of the Group consists of debt, which includes the short term debenture and borrowings (details refer to Note 29 and 30), and equity attributable to owners of the Company, comprising issued capital/paid-in capital and reserves.

The management reviews the capital structure on a yearly basis. As part of this review, the management considers the cost of capital and the risks associated with each class of capital. The Group will balance its overall capital structure through the payment of dividends and new share issues as well as the issue of new debt or the redemption of existing debt.

42. FINANCIAL INSTRUMENTS

Categories of financial instruments

	The Group			
	As at 31 December			As at 30 June
	2008	2009	2010	2011
	RMB'000	RMB'000	RMB'000	RMB'000
Financial assets				
Loans and receivables (including restricted bank balances and cash and bank balances)	443,046	1,106,897	2,526,970	3,136,909
Available-for-sale investments	<u>5,200</u>	<u>5,200</u>	<u>4,000</u>	<u>4,000</u>
Financial liabilities				
Amortised cost	<u>4,060,561</u>	<u>7,186,811</u>	<u>9,746,566</u>	<u>9,883,600</u>

The Company did not have any financial instruments outstanding as at 30 June 2011.

Financial risk management objectives and policies

The Group's major financial assets and liabilities include trade and other receivables, amounts due from related parties, amount due from a former director of Tianrui Cement, restricted bank balances, cash and bank balances, available-for-sale investments, trade and other payables, amounts due to related parties, short term debenture 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 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 on a timely and effective manner.

Interest rate risk

The Group is exposed to fair value interest rate risk in relation to fixed-rate borrowings and payables for mining rights (see Note 30 and 31 for details). Besides, the Group is also exposed to cash flow interest rate risk in relation to variable-rate borrowings and syndicated loans, restricted bank balances and bank balances (see Notes 25, 26 and 30 for details).

The Group closely monitors the interest rate trend and aims to minimise the finance costs. The Group's fair value interest rate risk mainly arose from bank borrowings carried at fixed interest rate.

The Group's cash flow interest rate risk is mainly concentrated on the fluctuation of Benchmark Interest Rate announced by People's Bank of China and LIBOR.

Sensitivity analysis

The sensitivity analysis below has been determined based on the exposure to interest rates for non-derivative instruments at the end of each reporting period. For restricted bank balances, bank balances, variable-rate borrowings and syndicated loans, the analysis is prepared assuming the amount of asset and liability outstanding at the end of each reporting period was outstanding for the whole year. A 27 basis points increase or decrease in LIBOR and Benchmark Interest Rate is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates.

If interest rates had been 27 basis points higher/lower and all other variables were held constant, the Group's profit for the year/period would be decreased/increased by approximately RMB3,512,000, RMB5,507,000, RMB3,302,000 and RMB2,046,000 and the amount of borrowing costs capitalized in respect of the Group's qualifying assets would be increased/decreased by approximately RMB1,943,000, RMB4,625,000, RMB2,767,000 and RMB424,000 for the years ended 31 December 2008, 2009 and 2010 and the six months ended 30 June 2011, respectively.

Currency risk

The Group undertakes certain loans denominated in United States Dollar ("US Dollar"), hence exposures to exchange rate fluctuation arises. The Group currently does not have a foreign currency hedging policy in respect of foreign currency exposure. However, management monitors the US Dollar exposure closely and will consider hedging significant currency exposure should the need arise.

The carrying amount of the Group's foreign currency denominated monetary liabilities at the end of each reporting period are as follows:

	As at 31 December			As at 30 June
	2008	2009	2010	2011
	RMB'000	RMB'000	RMB'000	RMB'000
Liabilities				
US Dollar	<u>341,730</u>	<u>341,634</u>	<u>247,358</u>	<u>214,857</u>

Sensitivity analysis

The Group is mainly exposed to the effects of fluctuation in RMB against US Dollar.

The following table details the Group's sensitivity to a 5% increase or decrease in RMB against US Dollar as at 31 December 2008, 2009 and 2010 and 30 June 2011. The percentage is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in foreign exchange rate. The sensitivity analysis includes only outstanding bank borrowings denominated in US Dollar, and adjusts its translation at the end of each reporting period for 5% change in foreign currency rate. A positive

number below indicates an increase in post-tax profit where RMB strengthen 5% against US Dollar. For a 5% weakening of RMB against US Dollar, there would be an equal and opposite impact on the profit and the balances below would be negative.

	For the year ended 31 December			For the six months ended 30 June
	2008	2009	2010	2011
	RMB'000	RMB'000	RMB'000	RMB'000
Profit for the year/period	<u>12,815</u>	<u>12,811</u>	<u>9,276</u>	<u>8,057</u>

Credit risk

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 and financial guarantees provided by the Group is arising from (i) the carrying amounts of the respective recognized financial assets as stated in the consolidated statements of financial positions and (ii) the amount of contingent liabilities in relation to financial guarantee issued by the Group as disclosed in Note 43.

In order to minimise the credit risk, the management of the Group has delegated a team responsible for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts from credit customers and related parties. In addition, the Group reviews the recoverable amount of each debtor at the end of each reporting period to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the management considers that the Group's credit risk is significantly reduced.

Other than concentration of credit risk on liquid funds which are deposited with several banks with high credit ratings, the Group does not have any other significant concentration of credit risk. Besides, trade receivables consist of a large number of customers spread across diverse geographical areas in the PRC.

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 management monitors the utilization of bank borrowings and ensures compliance with loan covenants and follow up actions were taken promptly as appropriate. As at 30 June 2011, four banking facilities of RMB2,609,500,000 in aggregate are available, which comprised of: (a) a banking facility of RMB1,180,000,000 from the Bank of China

which is available until 31 July 2012; and (b) a banking facility of RMB1,390,000,000 from the Agricultural Bank of China which is available until 22 June 2012; (c) a banking facility of RMB19,500,000 from China Guangfa Bank Company Limited which is available until 17 November 2011; and (d) a banking facility of RMB20,000,000 from China Merchants Bank Company Limited which is available until 26 April 2012. None of the banking facilities of RMB2,609,500,000 has been utilized as at 31 October 2011. Subsequent to 30 June 2011, the Group has obtained four banking facilities of RMB1,200,000,000 in aggregate from Shenzhen Development Bank Company Limited, China Everbright Bank Company Limited, China Minsheng Bank Corporation Limited and Bank of Yingkou Company Limited in the PRC. As at 31 October 2011, the amount of RMB1,075,000,000 in aggregate has been drawn down.

The Group has net current liabilities as at 31 December 2008, 2009 and 2010 and 30 June 2011, which exposed the Group to liquidity risk. In order to mitigate the liquidity risk, the management regularly monitors the operating cash flows of the Group to meet its liquidity requirement in the short and long term. As detailed in Note 30, the Group breached certain covenants of the syndicated loans and IFC loan as at 31 December 2009 and 2010 and 30 June 2011. Up to the date of issuance of this report, the Group is still in the progress of negotiation with relevant lenders.

The following table details the Group's remaining contractual maturity for its non-derivative 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. Specifically, bank borrowing of RMB50,000,000 as at 31 December 2010 and 30 June 2011 with a repayment on demand clause are included in the earliest time band regardless of the probability of the banks choosing to exercise their rights. In addition, IFC loan and syndicated loans amounted to RMB1,733,213,000, RMB1,229,196,000 and RMB988,660,000 as at 31 December 2009 and 2010 and 30 June 2011 are included in the "on demand" category due to breach of loan covenants.

The tables include both interest and principal cash flows. To the extent that interest flows are variable-rate, the undiscounted amount is derived from interest rate at the end of each reporting period.

	Weighted average interest rate	On demand or 0-30 days	31 to 180 days	181 to 365 days	1-2 years	2-3 years	Over 3 years	Total undiscounted cash flows	Carrying amounts
	%	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
As at 31 December 2008									
Trade and other payables		310,298	446,370	353,729	—	—	—	1,110,397	1,110,397
Amounts due to related parties		30,861	—	—	—	—	—	30,861	30,861
Borrowings									
- fixed-rate	7.9	—	—	117,256	—	—	—	117,256	112,800
- variable-rate	5.8	—	—	199,600	586,084	327,194	2,019,085	3,131,963	2,746,744
Other payables - fixed rate	7.3	11,750	—	—	3,501	13,243	41,329	69,823	59,759
		<u>352,909</u>	<u>446,370</u>	<u>670,585</u>	<u>589,585</u>	<u>340,437</u>	<u>2,060,414</u>	<u>4,460,300</u>	<u>4,060,561</u>
As at 31 December 2009									
Trade and other payables		348,943	342,411	1,098,767	—	—	—	1,790,121	1,790,121
Amounts due to related parties		2,510	—	—	—	—	—	2,510	2,510
Financial guarantee liabilities		111,000	—	—	—	—	—	111,000	—
Borrowings									
- fixed-rate	6.4	—	130,689	227,737	30,312	—	—	388,738	379,220
- variable-rate	5.7	1,762,252	289,985	609,502	645,809	639,197	1,344,074	5,290,819	4,966,100
Other payables - fixed rate	7.3	4,500	—	—	12,330	13,222	26,651	56,703	48,860
		<u>2,229,205</u>	<u>763,085</u>	<u>1,936,006</u>	<u>688,451</u>	<u>652,419</u>	<u>1,370,725</u>	<u>7,639,891</u>	<u>7,186,811</u>
As at 31 December 2010									
Trade and other payables		964,878	1,902,129	525,625	—	—	—	3,392,632	3,392,632
Amounts due to related parties		10,325	—	—	—	—	—	10,325	10,325
Financial guarantee liabilities		231,000	—	—	—	—	—	231,000	—
Borrowings									
- fixed-rate	6.4	50,000	650,952	644,186	57,454	—	—	1,402,592	1,375,720
- variable-rate	5.8	1,316,680	402,200	759,950	553,099	706,838	960,418	4,699,185	4,422,653
Other payables - fixed rate	7.3	10,999	—	—	3,284	13,222	24,548	52,053	45,236
Short-term debenture	4.1	—	—	518,792	—	—	—	518,792	500,000
		<u>2,583,882</u>	<u>2,955,281</u>	<u>2,448,553</u>	<u>613,837</u>	<u>720,060</u>	<u>984,966</u>	<u>10,306,579</u>	<u>9,746,566</u>
As at 30 June 2011									
Trade and other payables		1,304,530	1,483,826	661,423	—	—	—	3,449,779	3,449,779
Amounts due to related parties		11,856	—	—	—	—	—	11,856	11,856
Financial guarantee liabilities		110,000	—	—	—	—	—	110,000	—
Borrowings									
- fixed-rate	7.0	209,973	572,052	518,449	—	—	—	1,300,474	1,296,424
- variable-rate	6.2	1,067,533	612,664	502,105	514,514	720,916	952,366	4,370,098	4,080,762
Other payables - fixed rate	7.3	10,542	—	—	12,238	3,480	23,915	50,175	44,779
Short-term debenture	4.8	—	522,000	506,000	—	—	—	1,028,000	1,000,000
		<u>2,714,434</u>	<u>3,190,542</u>	<u>2,187,977</u>	<u>526,752</u>	<u>724,396</u>	<u>976,281</u>	<u>10,320,382</u>	<u>9,883,600</u>

The amounts included above for financial guarantee contracts are the maximum amounts the Group could be required to settle under the arrangement for the full guaranteed amount if that amount is claimed by the counterparty to the guarantee. Based on expectations at the end of the reporting period, the Group considers that it is more likely than not that no amount will be payable under the arrangement. However, this estimate is subject to change depending on the probability of the counterparty claiming under the guarantee which is a function of the likelihood that the financial receivables held by the counterparty which are guaranteed suffer credit losses.

As at 31 December 2010 and 30 June 2011, principal amount of RMB50,000,000 with a repayment on demand clause is included in the "on demand or 0-30 days" time band in the above maturity analysis. Taking into account the Group's financial position, the management does not believe that it is probable that the bank will exercise their discretionary rights to demand immediate repayment. For the purpose of managing liquidity risk, the management reviews the expected cash flow information of the term loan based on the scheduled repayment dates set out in the agreements in the table below:

	Weighted average interest rate						Total		Carrying amounts
		0-30 days	31 to 180 days	181 to 365 days	1-2 years	2-3 years	Over 3 years	undiscounted cash flows	
	%	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	
As at 31 December 2010									
Borrowings.....	6.56	—	—	—	10,656	11,354	37,882	59,892	50,000
As at 30 June 2011									
Borrowings.....	7.32	—	—	10,732	—	11,517	36,653	58,902	50,000

43. CONTINGENT LIABILITIES

	As at 31 December			As at 30 June
	2008	2009	2010	2011
	RMB'000	RMB'000	RMB'000	RMB'000
Guarantees given to banks in respect of banking facilities granted to:				
- Related parties (Note 40)	—	111,000	181,000	60,000
- Third party.....	—	—	50,000	50,000
	—	111,000	231,000	110,000

As at the end of each reporting period, the management considers the risk of the contingent liabilities are remote and no financial guarantee liabilities have been recognized.

C. SUBSEQUENT EVENTS

- (a) Subsequent to 30 June 2011, the Group has obtained from four banks committed banking facilities of RMB1,200,000,000 in aggregate. The amount of RMB1,075,000,000 in aggregate has been drawn down as the date of issuance of this report;
- (b) Subsequent to 30 June 2011, the Group has obtained and drawn down a new syndicated loan of RMB59,000,000;
- (c) In November 2011, the Group repaid short term debentures of RMB500,000,000 on the maturity date;
- (d) In November 2011, the Group had obtained approval from the National Association of Financial Market Institutional Investors (中國銀行間交易商協會) to issue mid-term debentures in an aggregate amount of RMB500,000,000, of which RMB300,000,000 was issued on 6 December 2011 for a term of three years, carrying an interest rate of 8.4% per annum;
- (e) The Group repaid approximately RMB1,112,898,400 and obtained renewal of bank borrowing of approximately RMB620,000,000 during the period from 1 July 2011 to 31 October 2011; and
- (f) On 9 December 2011, a written resolution were passed to approve the capitalization issue of 1,999,000,000 shares of the Company by the capitalization of an amount of HK\$19,990,000 from the amount standing to the credit of the share premium account of the Company (the "Capitalization Issue") as set out in the paragraph headed "Written resolutions of our Shareholders passed on 9 December 2011" under the section headed "Further information about our Group" in Appendix VI to this prospectus.

D. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared by any companies comprising the Group in respect of any period subsequent to 30 June 2011.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong

APPENDIX II UNAUDITED PRO FORMA FINANCIAL INFORMATION

The information set out in this Appendix was prepared in accordance with Rule 4.29 of the Hong Kong Listing Rules and for illustrative purposes only and does not form part of the accountants' report on financial information of the Group for the three years ended 31 December 2010 and six months ended 30 June 2011 of the Group prepared by the reporting accountants of our Company, Deloitte Touche Tohmatsu, Certified Public Accountants, Hong Kong, as set out in Appendix I.

For illustrative purpose only, the unaudited pro forma financial information prepared in accordance with Rule 4.29 of the Hong Kong Listing Rules is set out here to provide the prospective investors with further information on (i) how the Global Offering might have affected the net tangible assets of the Group as if the Global Offering had been taken place on 30 June 2011 and; (ii) how the Global Offering might have affected the forecasted earnings per share of the Group for the year ending 31 December 2011 as if the Global Offering had taken place on 1 January 2011.

Although reasonable care has been exercised in preparing such information, prospective investors who read the information should bear in mind that these figures are inherently subject to adjustments and may not give a true picture of the Group's financial position upon completion of the Global Offering or as of any future dates and the Group's financial results of the financial periods concerned or any future periods.

A. UNAUDITED PRO FORMA ADJUSTED NET TANGIBLE ASSETS

The following is an unaudited pro forma statement of adjusted net tangible assets of the Group which is based on the audited consolidated net tangible assets of the Group attributable to the owners of the Company as at 30 June 2011 as shown in the Accountants' Report, the text of which is set out in Appendix I to this prospectus, adjusted as described below. It has been prepared for illustrative purpose only and, because of its hypothetical nature, may not give a true picture of the financial position of our Group after the completion of the Global Offering or at any future dates.

	Audited consolidated net tangible assets of the Group attributable to the owners of the Company as at 30 June 2011	Estimated net proceeds from the Global Offering	Unaudited pro forma adjusted net tangible assets of the Group attributable to the owners of the Company	Unaudited pro forma adjusted net tangible asset per Share	Unaudited pro forma adjusted net tangible asset per Share
	RMB'000 (Note 1)	RMB'000 (Note 2)	RMB'000	RMB (Note 3)	HK\$ (Note 4)
Based on an Offer Price of HK\$2.41 per Share	3,954,492	748,466	4,702,958	1.96	2.39
Based on an Offer Price of HK\$3.61 per Share	3,954,492	1,132,306	5,086,798	2.12	2.59

APPENDIX II UNAUDITED PRO FORMA FINANCIAL INFORMATION

Notes:

- (1) The audited consolidated net tangible assets of the Group attributable to the owners of the Company as at 30 June 2011 are based on audited consolidated net assets of the Group attributable to the owners of the Company as at 30 June 2011 of approximately RMB4,190,996,000 as set out in Appendix I to this prospectus, after deducting goodwill and mining rights of approximately RMB236,504,000.
- (2) The estimated net proceeds from the Global Offering are based on 400,900,000 shares (assuming over-allotment option is not exercised) at the offer price of lower limit and upper limit of HK\$2.41 and HK\$3.61 per Share, respectively, after deduction of estimated related fees and expenses. Estimated net proceeds are converted into RMB at an exchange rate of RMB1.00 to HK\$1.2219 prevailing on 25 November 2011. No representation is made that Hong Kong dollar amounts have been, could have been or could be converted to RMB, or vice versa, at that rate or at any other rates or at all.
- (3) The unaudited pro forma adjusted net tangible assets per Share has been arrived at after making the adjustments referred to in this section and on the basis of a total of 2,400,900,000 Shares expected to be in issue immediately following completion of the Global Offering (assuming over-allotment option is not exercised).
- (4) The unaudited pro forma adjusted net tangible assets per Share are converted into Hong Kong dollar at an exchange rate of RMB1.00 to HK\$1.2219 prevailing on 25 November 2011. No representative is made that the RMB amounts have been, could have been or could be converted to Hong Kong dollar, or vice versa, at that rate or at any other rates or at all.
- (5) The property interests of the Group as at 31 October 2011 have been revalued by BMI Appraisals Limited, an independent property valuer, and the relevant property valuation report is set out in Appendix IV to this prospectus. The value of revalued property interests is approximately RMB4,218,210,000. By comparing the valuation of the Group's property interests as set out in Appendix IV and the carrying amount of these properties as at 31 October 2011, the net revaluation surplus on property interests is approximately RMB67,036,000, which has not been included in the above adjusted net tangible assets of the Group.

Revaluation surplus related to property interests will not be recorded in the Group's consolidated financial statements in subsequent years as property interests are carried at cost less accumulated depreciation and any recognized impairment loss. Had property interests been stated at the valuation amount, additional annual depreciation of approximately RMB2,123,000 would be recognized in profit or loss.

APPENDIX II UNAUDITED PRO FORMA FINANCIAL INFORMATION

B. UNAUDITED PRO FORMA FORECAST EARNINGS PER SHARE

The following unaudited pro forma forecast earnings per share for the year ending 31 December 2011 has been prepared in accordance with Rule 4.29(8) on the basis of the notes set out below for the purpose of illustrating the effect of the Global Offering as if it had taken place on 1 January 2011. This unaudited pro forma forecast earnings per share has been prepared for illustrative purposes only and because of its hypothetical nature, it may not give a true picture of the financial results of the Group following the Global Offering or for any future period.

For the year ending 31 December 2011

Forecast consolidated profit attributable to owners of the Company ⁽¹⁾	not less than RMB1,254.0 million (approximately HK\$1,532.3 million)
Unaudited pro forma forecast earnings per Share ⁽²⁾⁽³⁾	not less than RMB0.52 (approximately HK\$0.64)

Notes:

- (1) The bases and assumptions on which the forecast consolidated profit attributable to owners of the Company for the year ending 31 December 2011 has been prepared are summarized in Appendix III to this prospectus.
- (2) The calculation of the unaudited pro forma forecast earnings per share is based on the forecast consolidated profit attributable to owners of the Company for the year ending 31 December 2011 and assuming a total of 2,400,900,000 Shares (after taking into account the effect of Corporate Reorganization and the Capitalization Issue and assuming the Global Offering were completed on 1 January 2011) had been in issue throughout the year ending 31 December 2011.
- (3) The unaudited pro forma forecast earnings per Share are converted into Hong Kong dollar at an exchange rate of RMB1.00 to HK\$1.2219 prevailing on 25 November 2011. No representative is made that the RMB amounts have been, could have been or could be converted to Hong Kong dollar, or vice versa, at that rate or at any other rates or at all.

C. ACCOUNTANTS' REPORT ON UNAUDITED PRO FORMA FINANCIAL INFORMATION

The following is the text of a report, received from the independent reporting accountants of the Company, Deloitte Touche Tohmatsu, Certified Public Accountants, Hong Kong, prepared for inclusion in this prospectus, in respect of the Group's unaudited pro forma financial information.

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

ACCOUNTANTS' REPORT ON UNAUDITED PRO FORMA FINANCIAL INFORMATION TO THE DIRECTORS OF CHINA TIANRUI GROUP CEMENT COMPANY LIMITED

We report on the unaudited pro forma financial information of China Tianrui Group Cement Company 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 proposed global offering might have affected the financial information presented, for inclusion in Appendix II to the prospectus dated 14 December 2011 (the "Prospectus"). The basis of preparation of the unaudited pro forma financial information is set out in sections A and B of Appendix II to the Prospectus.

Respective Responsibilities of the directors of the Company and the 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 (the "HKICPA").

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 solely to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the unaudited pro forma financial information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

Basis of Opinion

We conducted our engagement in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 300 “Accountants’ Reports on Pro Forma Financial Information in Investment Circulars” issued by the HKICPA. Our work 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 purposes only, based on the judgments and assumptions of the directors of the Company, and because of its hypothetical nature, does not provide any assurance or indication that any event will take place in the future and may not be indicative of the financial position of the Group as at 30 June 2011 or any future date, or the earnings per share of the Group for the year ending 31 December 2011 or any future period.

Opinion

In our opinion:

- (a) the unaudited pro forma financial information has been properly compiled by the directors of the Company on the bases 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

14 December 2011

The forecast of our net profit for the year ending 31 December 2011 is set out in the section entitled “Financial Information — Profit Forecast for the Year Ending 31 December 2011”.

(A) Bases and assumptions

The forecast consolidated profit attributable to owners of the Company for the year ending 31 December 2011 is based on the audited results of the Group for the six months ended 30 June 2011, results shown in the unaudited management accounts of the Group for the three months ended 30 September 2011, and forecast of results of the Group for the remaining three months ending 31 December 2011 (the “Forecast Period”).

The forecast has been prepared on the basis of the accounting policies consistent in all material respects with those normally adopted by the Group as summarized in the accountants’ report of the financial information of the Group for the three years ended 31 December 2010 and the six months ended 30 June 2011, the text of which is set out in Appendix I to this Prospectus and on the following general assumptions:

1. It is assumed that there will be no material changes in existing government policies, or in political, legal (including changes in legislation, regulations or rules), fiscal, market or economic conditions in the PRC and in the industry in which the Group operates.
2. It is assumed that no extraordinary items will occur during the Forecast Period.
3. It is assumed that there will be no material changes in inflation rates, interest rates and exchange rate from the current prevailing rates.
4. It is assumed that the schedule of the construction and production commencement for the new production facilities will not be delayed.
5. It is assumed that there will be no major breakthrough of production technologies during the Forecast Period.
6. It is assumed that there will be no material changes in the basis or rates of taxation and the policy of VAT refund in the PRC in which the Group operates.
7. It is assumed that there will be no government actions or any other unforeseen circumstances beyond the control of the Company which will have a material adverse effect on the results of operations of the Group.
8. It is assumed that the operations of the Group will not be materially affected or interrupted by any force majeure events or unforeseeable factors or any unforeseeable reasons that are beyond the control of the Directors, including but not limited to the occurrence of natural disasters, epidemics or serious accidents.

9. It is assumed that the Group's operations and financial performance will not be materially and adversely impacted by any of the risk factors as set out in the section headed "Risk Factors" in the Prospectus.
10. It is assumed that the management of the Group has no material changes during the Forecast Period.
11. It is assumed that the Group will maintain the business relationship with major customers and the customers' demands of the Group's production will not substantially change during the Forecast Period.
12. It is assumed that the Group will maintain the business relationship with major suppliers and Group could consistently purchase coal, electricity and other raw materials from these suppliers during the Forecast Period.
13. It is assumed that the Group will not have any significant business acquisition or disposal during the Forecast Period.

(B) Sensitivity Analysis

The sensitivities of certain key factors underlying the profit forecast have been considered by the Directors and are discussed in this section.

1. Selling price

Forecast sales are significantly influenced by the forecast average selling price of cement and clinker during the Forecast Period. If the forecast market price of cement and clinker cannot be achieved, there would be a direct adverse effect on the level of revenue and hence profitability.

The Directors forecast that variations of the forecast average sales price for the remaining three months ending 31 December 2011 would lead to fluctuations in sales revenue and profit for such period as follows:

Impact on the forecast consolidated profit attributable to owners of the Company for the year ending 31 December 2011			
+ =increase ; - = decrease			
	Increase/decrease in Forecast Profit	Increase/decrease in Forecast Profit	Profit for the year
	RMB million	%	RMB million
+10% of selling price.....	+162.3	+12.9%	1,416.3
+5% of selling price	+81.1	+6.5%	1,335.1
+1% of selling price	+16.3	+1.3%	1,270.3
-1% of selling price	-16.3	-1.3%	1,237.7
-5% of selling price	-81.1	-6.5%	1,172.9
-10% of selling price	-162.3	-12.9%	1,091.7

The forecast sales volume for the remaining three months ending 31 December 2011 is mostly based on the purchase contracts with customers. It is assumed that any changes in forecast average selling price of cement would not change the forecast sales volume.

2. Utilization rate of production capacity

On the basis that the Group would be able to sell any additional cement or clinker produced by the Group when the utilization rate is improved, the Directors estimate that variations in the utilization rate of production capacity for the remaining three months ending 31 December 2011 would result in fluctuations in the profit for the Forecast Period as follows:

impact on the forecast consolidated profit attributable to owners of the Company for the year ending 31 December 2011			
+ =increase ; - = decrease			
	Increase/decrease in Forecast Profit	Increase/decrease in Forecast Profit	Profit for the year
	RMB million	%	RMB million
+20% utilization rate of production capacity	+77.5	+6.2%	1,331.5
+15% utilization rate of production capacity	+58.1	+4.6%	1,312.1
+10% utilization rate of production capacity	+38.8	+3.1%	1,292.8
+5% of utilization rate of production capacity	+19.4	+1.5%	1,273.4
-5% of utilization rate of production capacity	-19.4	-1.5%	1,234.6
-10% of utilization rate of production capacity	-38.8	-3.1%	1,215.2
-15% of utilization rate of production capacity	-58.1	-4.6%	1,195.9
-20% of utilization rate of production capacity	-77.5	-6.2%	1,176.5

3. Purchase price of coal

The Directors estimate that variations in the average purchase price of coal for the remaining three months ending 31 December 2011 would result in fluctuations in the profit for the Forecast Period as follows:

impact on the forecast consolidated profit attributable to owners of the Company for the year ending 31 December 2011			
+ =increase ; - = decrease			
	Increase/decrease in Forecast Profit	Increase/decrease in Forecast Profit	Profit for the year
	RMB million	%	RMB million
+10% of price of coal.....	-55.4	-4.4%	1,198.6
+5% of price of coal.....	-27.7	-2.2%	1,226.3
+1% of price of coal.....	-5.5	-0.4%	1,248.5
-1% of price of coal.....	+5.5	+0.4%	1,259.5
-5% of price of coal.....	+27.7	+2.2%	1,281.7
-10% of price of coal.....	+55.4	+4.4%	1,309.4

(C) Letters

Set out below are texts of letters received by the Directors from (i) Deloitte Touche Tohmatsu, reporting accountants of our Company, and (ii) the Sponsors prepared for the purpose of incorporation in this Prospectus in connection with the forecast of our Group's consolidated net profit attributable to owners of the Company for the year ending 31 December 2011.

(i) Letter From Deloitte Touche Tohmatsu

The following is the text of a letter received from the reporting accountants, Deloitte Touche Tohmatsu, Certified Public Accountants, Hong Kong, prepared for the purpose of incorporation in this Prospectus, in respect of the forecast of consolidated net profit attributable to owners of the Company.

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

14 December 2011

The Directors
China Tianrui Group Cement Company Limited
Deutsche Bank AG, Hong Kong Branch
BOCI Asia Limited
BOCOM International (Asia) Limited
CCB International Capital Limited

Dear Sirs,

We have reviewed the accounting policies adopted and calculations made in arriving at the forecast of the consolidated profit of China Tianrui Group Cement Company Limited (the "Company") and its subsidiaries (hereinafter collectively referred to as the "Group") for the year ending 31 December 2011 attributable to equity holders of the Company (the "Forecast"), for which the directors of the Company are solely responsible, as set out in the prospectus dated 14 December 2011 issued by the Company (the "Prospectus"). The Forecast is prepared based on the audited results of the Group for the six months ended 30 June 2011, the results shown in the unaudited management accounts of the Group for the three months ended 30 September 2011, and a forecast of the results for the remaining three months of the financial year ending 31 December 2011.

In our opinion the Forecast, so far as the accounting policies and calculations are concerned, has been properly compiled on the basis of the assumptions made by the directors of the Company as set out in “Bases and assumptions” of Appendix III to the Prospectus and is presented on a basis consistent in all material respects with the accounting policies normally adopted by the Group as set out in our accountants’ report of the financial information on the Group for the three years ended 31 December 2010 and the six months ended 30 June 2011 as set out in Appendix I to the Prospectus.

Yours faithfully,
Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong

(ii) Letter from the Sponsors

Deutsche Bank 

**Deutsche Bank AG,
Hong Kong Branch**
52nd Floor,
International Commerce
Centre
1 Austin Road West
Kowloon
Hong Kong

 BOC INTERNATIONAL

BOCI Asia Limited
26th Floor
Bank of China Tower
1 Garden Road
Central
Hong Kong

 交銀國際
BOCOM INTERNATIONAL

**BOCOM International
(Asia) Limited**
9th Floor
Man Yee Building
68 Des Voeux Road Central
Hong Kong

 建銀國際
CCB International

**CCB International
Capital Limited**
34/F, Two Pacific Place
88 Queensway
Admiralty
Hong Kong

December 14, 2011

The Directors
China Tianrui Group Cement Company Limited

Dear Sirs,

We refer to the forecast of the consolidated profit attributable to owner of China Tianrui Group Cement Company Limited (the “**Company**”) and its subsidiaries (collectively referred to as the “**Group**”) for the year ending December 31, 2011 (the “**Profit Forecast**”) as set out in the prospectus issued by the Company dated December 14, 2011 (the “**Prospectus**”).

The Profit Forecast, for which the directors of the Company are solely responsible, has been prepared by them based on the audited consolidated results of the Group for the six months ended June 30, 2011, the consolidated results shown in the unaudited management accounts of the Group for the three months ended September 30, 2011, and a forecast of the consolidated results of the Group for the remaining three months ending December 31, 2011.

We have discussed with you the bases and assumptions upon which the Profit Forecast has been made. We have also considered the letter dated December 14, 2011 addressed to you and us from Deloitte Touche Tohmatsu, regarding the accounting policies and calculations upon which the Profit Forecast has been made.

On the basis of the information comprising the Profit Forecast and on the basis of the accounting policies and calculations adopted by you and reviewed by Deloitte Touche Tohmatsu, we are of the opinion that the Profit Forecast, for which you as the directors of the Company are solely responsible, has been made after due and careful enquiry.

Yours faithfully,

For and on behalf of
**Deutsche Bank AG,
Hong Kong Branch**

Jing Qin
*Managing
Director*

Tony Yau
Director

For and on behalf of
BOCI Asia Limited

Raymond Leung
*Executive
Director*

Arthur Cheng
*Executive
Director*

For and on behalf of
**BOCOM International
(Asia) Limited**

Griffin Tse
Director

For and on behalf of
**CCB International
Capital Limited**

Stanley Shih
*Executive
Director*

The following is the text of a letter, summary of values and valuation certificates, prepared for the purpose of incorporation in this prospectus received from BMI Appraisals Limited, an independent valuer, in connection with its valuations as at October 31, 2011 of the properties located in the People's Republic of China.

BMI APPRAISALS

BMI Appraisals Limited 中和邦盟評估有限公司

33rd Floor, Shui On Centre, 6-8 Harbour Road, Wanchai, Hong Kong

香港灣仔港灣道6-8號瑞安中心33樓

Tel電話：(852) 2802 2191 Fax傳真：(852) 2802 0863

Email電郵：info@bmintelligence.com Website網址：www.bmi-appraisals.com

December 14, 2011

The Directors

China Tianrui Group Cement Company Limited

Rooms 2201-03, 22/F

World-Wide House

19 Des Voeux Road Central

Hong Kong

Dear Sirs,

INSTRUCTIONS

We refer to the instructions from China Tianrui Group Cement Company Limited (the “Company”) for us to value the properties held or leased or occupied by the Company and / or its subsidiaries (together referred to as the “Group”) located in the People’s Republic of China (the “PRC”). We confirm that we have conducted inspections, made relevant enquiries and obtained such further information as we consider necessary for the purpose of providing you with our opinion of the market values of the properties as at October 31, 2011 (the “date of valuation”).

BASIS OF VALUATION

Our valuations of the concerned properties have been based on the Market Value, which is defined as “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”.

PROPERTY CATEGORIZATION

In the course of our valuations, the portfolio of properties of the Group is categorized into the following groups:

- Group I — Properties held and occupied by the Group in the PRC
- Group II — Properties held by the Group under development in the PRC
- Group III — Properties occupied by the Group for short-term mining operations in the PRC
- Group IV — Properties leased by the Group in the PRC

VALUATION METHODOLOGIES

For Property Nos. 1 to 4, 6 to 17 and 19 to 23 in Group I, we have adopted the Depreciated Replacement Cost Approach. Depreciated replacement cost is defined as “the aggregate amount of the value of the land for the existing use or a notional replacement site in the same locality and the new replacement cost of the buildings and other site works, from which appropriate deductions may then be made to allow for the age, condition, economic or functional obsolescence and environmental factors, etc.; all of these might result in the existing property being worth less to the undertaking in occupation than would a new replacement”. This basis has been used due to the lack of an established market upon which to base comparable transactions, which generally furnishes the most reliable indication of values for assets without a known used market. This opinion of value does not necessarily represent the amount that might be realized from the disposition of the subject asset in the market and is subject to adequate profitability of the business compared to the value of the total assets employed.

For Property Nos. 24 and 25 in Group II, we have assumed that the properties will be developed and completed in accordance with the latest development proposal provided to us. We have adopted the direct comparison approach by making reference to the comparables sales evidence as available in the relevant market and have also taken into account the accrued construction cost and professional fees relevant to the stage of construction as at the date of valuation and the remainder of the cost and fees expected to be incurred for completing the development.

We have attributed no commercial value to Property Nos. 5 and 18 in Group I and Nos. 26 to 41 in Groups III and IV 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 or that the titles of the properties are not vested in the Group.

TITLE INVESTIGATION

We have been provided with copies of title documents / tenancy agreements and have been advised by the Group that no further relevant documents have been produced. However, we have not examined the original documents to verify ownership or to ascertain the existence of any amendment

documents, which may not appear on the copies handed to us. In the course of our valuations, we have relied upon the advice and information given by the Group's PRC legal adviser — Commerce & Finance Law Offices (通商律師事務所) regarding the title of the properties located in the PRC. All documents have been used for reference only.

VALUATION ASSUMPTIONS

Our valuations have been made on the assumption that the properties are sold in the market in their existing state without the benefit of deferred terms contract, leaseback, joint venture, management agreement or any other similar arrangement which might serve to affect the values of the properties.

In addition, no account has been taken of any option or right of pre-emption concerning or effecting sale of the properties and no forced sale situation in any manner is assumed in our valuations.

VALUATION CONSIDERATIONS

We have inspected the exterior and wherever possible, the interior of the properties. During the course of our inspections, we did not note any serious defects. However, no structural surveys have been made nor have any tests been carried out on any of the services provided in the properties. We are, therefore, unable to report that the properties are free from rot, infestation or any other structural defects.

In the course of our valuations, we have relied to a considerable extent on the information given by the Group and have accepted advice given to us on such matters as planning approvals or statutory notices, easements, tenures, particulars of occupancy, site / floor areas, identification of the properties and other relevant information.

We have not carried out detailed on-site measurements to verify the correctness of the site / floor areas in respect of the properties but have assumed that the site / floor areas shown on the documents handed to us are correct. Dimensions, measurements and areas included in the valuation certificates are based on information contained in the documents provided to us by the Group and are therefore only approximations.

We have no reason to doubt the truth and accuracy of the information provided to us by the Group and we have relied on your confirmation that no material facts have been omitted from the information provided. We consider that we have been provided with sufficient information for us to reach an informed view.

No allowances have been made in our valuations for any charges, mortgages or amounts owing on the properties or for any expenses or taxation, which may be incurred in effecting a sale or purchase.

Unless otherwise stated, it is assumed that the properties are free from encumbrances, restrictions and outgoings of an onerous nature, which could affect their values.

Our valuations have been prepared in accordance with the HKIS Valuation Standards on Properties (First Edition 2005) published by the Hong Kong Institute of Surveyors.

Our valuations have been prepared under the generally accepted valuation procedures and are in compliance with the requirements contained in Chapter 5 and Practice Note 12 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

REMARKS

We hereby certify that we neither have any present nor any prospective interest in the Group or the appraised properties or the values reported.

Unless otherwise stated, all money amounts stated herein are in Renminbi (RMB) and no allowances have been made for any exchange transfers.

Our Summary of Values and the Valuation Certificates are attached herewith.

Yours faithfully,
For and on behalf of
BMI APPRAISALS LIMITED

Dr. Tony C. H. Cheng
*BSc., MUD, MBA(Finance), MSc.(Eng), PhD(Econ),
SIFM, FCIM, CPA UK, MHKIS, MCIArb,
MASCE, MIET, MIEEE, MASME, MIIE
Managing Director*

Joannau W. F. Chan
*BSc., MSc., MRICS, MHKIS, RPS(GP)
Senior Director*

Notes: Dr. Tony C.H. Cheng is a member of The Hong Kong Institute of Surveyors (General Practice) who has over 18 years' experience in valuations of properties in Hong Kong and the People's Republic of China.

Ms. Joannau W.F. Chan is a member of The Hong Kong Institute of Surveyors (General Practice) who has over 18 years' experience in valuations of properties in Hong Kong and over 12 years' experience in valuations of properties in the People's Republic of China.

SUMMARY OF VALUES

No. Property	Market Value in existing state as at October 31, 2011 RMB
Group I - Properties held and occupied by the Group in the PRC	
<p>1. A parcel of land, various buildings and structures located in Xiao County Economic Development Zone, Suzhou City, Anhui Province, The PRC</p> <p>位於中國安徽省 宿州市蕭縣 經濟開發區 之一塊土地、 若干房屋及構築物</p>	245,500,000
<p>2. A parcel of land, various buildings and structures located at No. 9 Gao Shan Street, Wensheng District, Liaoyang City, Liaoning Province, The PRC</p> <p>位於中國遼寧省 遼陽市文聖區 高山街9號 之一塊土地、 若干房屋及構築物</p>	385,200,000
<p>3. A parcel of land, various buildings and structures located in Lutun Town Industrial Zone, Bayuquan District, Yingkou City, Liaoning Province, The PRC</p> <p>位於中國遼寧省 營口市鮫魚圈區 蘆屯鎮工業區 之一塊土地、 若干房屋及構築物</p>	162,200,000

No.	Property	Market Value in existing state as at October 31, 2011 RMB
4.	<p>2 parcels of land, various buildings and structures located in Liangou Village, Liangwa Town, Lushan County, Pingdingshan City, Henan Province, The PRC</p> <p>位於中國河南省 平頂山市魯山縣 梁窪鎮連溝村 之兩塊土地、 若干房屋及構築物</p>	18,000,000
5.	<p>A parcel of land, various buildings and structures located in Xinhua Village, Zhangdian Township, Lushan County, Pingdingshan City, Henan Province, The PRC</p> <p>位於中國河南省 平頂山市魯山縣 張店鄉新華村 之一塊土地、 若干房屋及構築物</p>	No Commercial Value
6.	<p>A parcel of land, various buildings and structures located in Yahe Village, Huangludian Town, Nanzhao County, Nanyang City, Henan Province, The PRC</p> <p>位於中國河南省 南陽市南召縣 皇路店鎮鴨河村 之一塊土地、 若干房屋及構築物</p>	67,340,000

No. Property	Market Value in existing state as at October 31, 2011 RMB
7. 2 parcels of land, various buildings and structures located in Baitugang Town, Nanzhao County, Nanyang City, Henan Province, The PRC 位於中國河南省 南陽市南召縣 白土崗鎮 之兩塊土地、 若干房屋及構築物	224,000,000
8. A parcel of land, various buildings and structures located in Xuzhai Village, Mafan Town, Guangshan County, Xinyang City, Henan Province, The PRC 位於中國河南省 信陽市光山縣 馬畷鎮徐寨村 之一塊土地、若干 房屋及構築物	269,700,000
9. 4 parcels of land, various buildings and structures located in Zhouwan Village, Luo Chen Township, Guangshan County, Xinyang City, Henan Province, The PRC 位於中國河南省 信陽市光山縣 羅陳鄉周灣村 之四塊土地、 若干房屋及構築物	15,200,000

No. Property	Market Value in existing state as at October 31, 2011 RMB
10. 2 parcels of land, various buildings and structures located in Shabao Village, Changxingdao Town, Dalian City, Liaoning Province, The PRC 位於中國遼寧省 大連市長興島鎮 沙包村之兩塊土地、 若干房屋及構築物	696,100,000
11. A parcel of land, various buildings and structures located in Linru Town, Ruzhou City, Henan Province, The PRC 位於中國河南省 汝州市臨汝鎮 之一塊土地、 若干房屋及構築物	198,830,000
12. A parcel of land, various buildings and structures located in Song County, Luoyang City, Henan Province, The PRC 位於中國河南省 洛陽市嵩縣 之一塊土地、若干 房屋及構築物	4,800,000

No. Property	Market Value in existing state as at October 31, 2011 RMB
<p>13. A parcel of land, various buildings and structures located in Yuanzhuang Village, Liuhe Town, Ningling County, Shangqiu City, Henan Province, The PRC</p> <p>位於中國河南省 商丘市寧陵縣 柳河鎮袁莊村 之一塊土地、 若干房屋及構築物</p>	20,500,000
<p>14. A parcel of land, various buildings and structures located in Guanpo Village, Nanjiao Township, Chuanhui District, Zhoukou City, Henan Province, The PRC</p> <p>位於中國河南省 周口市川匯區 南郊鄉官坡村 之一塊土地、 若干房屋及構築物</p>	153,800,000
<p>15. 2 parcels of land, various buildings and structures located at the south of Rui Bei Ka Avenue and the west of Wei Wu Avenue, Jiangguanchi Town, Xuchang County, Xuchang City, Henan Province, The PRC</p> <p>位於中國河南省 許昌市許昌縣 將官池鎮 瑞貝卡大道以南、魏武大道以西 之兩塊土地、若干房屋及構築物</p>	118,400,000

No. Property	Market Value in existing state as at October 31, 2011 RMB
<p>16. A parcel of land, various buildings and structures located at the west of Ping Yuan Road and the north of Long Hai South Road, Liangyuan District, Shangqiu City, Henan Province, The PRC</p> <p>位於中國河南省 商丘市梁園區 平原路西側、隴海南路北側 之一塊土地、若干房屋及構築物</p>	70,900,000
<p>17. 2 parcels of land, various buildings and structures located at the north of Rong Gong Road, Wangzhai Township, Ruzhou City, Henan Province, The PRC</p> <p>位於中國河南省 汝州市王寨鄉 戎工路北側 之兩塊土地、 若干房屋及構築物</p>	245,800,000
<p>18. Various buildings and structures located within Ruzhou Power Plant, Wangzhai Township, Ruzhou City, Henan Province, The PRC</p> <p>位於中國河南省 汝州市王寨鄉 汝州市火電廠內之 若干房屋及構築物</p>	No Commercial Value

No.	Property	Market Value in existing state as at October 31, 2011 RMB
19.	<p>A parcel of land and various structures located at the east of 107th Guo Road, Ouhua Village, Hexing Township, Suiping County, Zhumadian City, Henan Province, The PRC</p> <p>位於中國河南省 駐馬店市遂平縣 和興鄉藕花村 107國道東側 之一塊土地及若干構築物</p>	1,740,000
20.	<p>2 parcels of land, various buildings and structures located in Tiexi Industrial Zone, Weihui City, Henan Province, The PRC</p> <p>位於中國河南省 衛輝市 鐵西工業區 之兩塊土地、若干房屋及構築物</p>	293,800,000
21.	<p>6 parcels of land, various buildings and structures located in Shaozhai Village and Sigou Village, Cuimiao Town, Xingyang City, Henan Province, The PRC</p> <p>位於中國河南省 滎陽市崔廟鎮 邵寨村及寺溝村 之六塊土地、若干房屋及構築物</p>	342,600,000

No. Property	Market Value in existing state as at October 31, 2011 RMB
<p>22. A parcel of land, various buildings and structures located in Liangbei Town, Yuzhou City, Henan Province, The PRC</p> <p>位於中國河南省 禹州市梁北鎮 之一塊土地、若干房屋及構築物</p>	278,600,000
<p>23. A parcel of land, various buildings and structures located in Baisha Town, Zhongmu County, Zhengzhou City, Henan Province, The PRC</p> <p>位於中國河南省 鄭州市中牟縣 白沙鎮 之一塊土地、若干房屋及構築物</p>	123,800,000
Sub-total:	<u>3,936,810,000</u>

Group II - Properties held by the Group under development in the PRC

<p>24. A parcel of land, various buildings and structures located in Gangxi Street Industrial Park, Dagang District, Tianjin, The PRC</p> <p>位於中國天津市 大港區 港西街工業園 之一塊土地、若干房屋及構築物</p>	187,900,000
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No. Property	Market Value in existing state as at October 31, 2011 RMB
25. A parcel of land, various buildings and structures located in Beidongzhuang Village and Chendong Village, Qianjing Township, Yuzhou City, Henan Province, The PRC 位於中國河南省 禹州市淺井鄉 北董莊村及陳垌村之 一塊土地、若干房屋及構築物	93,500,000
Sub-total:	281,400,000

Group III - Properties occupied by the Group for short-term mining operations in the PRC

26. A parcel of land located in Zhifang Village, Qianying Township, Baofeng County, Pingdingshan City, Henan Province, The PRC 位於中國河南省 平頂山市寶豐縣 前營鄉紙房村 之一塊土地	No Commercial Value
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No.	Property	Market Value in existing state as at October 31, 2011 RMB
27.	3 parcels of land located in Guanmiao Village, Dongmazhuang Village and Xiaoshangou Village, Linru Town, Ruzhou City, Henan Province, The PRC 位於中國河南省 汝州市臨汝鎮 關廟村、東馬莊村及小山溝村 之三塊土地	No Commercial Value
28.	A parcel of land located at the west of Zhaigongdian Village, Mangchuan Township, Ruzhou City, Henan Province, The PRC 位於中國河南省 汝州市蟒川鄉 齋公店村西 之一塊土地	No Commercial Value
29.	A parcel of land, various buildings and structures located at the north of Shihuiyao Village, Mangchuan Township, Ruzhou City, Henan Province, The PRC 位於中國河南省 汝州市蟒川鄉 石灰窯村北 之一塊土地及若干房屋及構築物	No Commercial Value

No.	Property	Market Value in existing state as at October 31, 2011 RMB
30.	A parcel of land located at the north of Shihuiyao Village, Mangchuan Township, Ruzhou City, Henan Province, The PRC 位於中國河南省 汝州市蟒川鄉 石灰窯村北之一塊土地	No Commercial Value
31.	A parcel of land located in Yunshanzhai Mining Area, Guangshan County, Xinyang City, Henan Province, The PRC 位於中國河南省 信陽市光山縣 雲山寨礦區 之一塊土地	No Commercial Value
32.	A parcel of land located in Qingshan Village, Baitugang Town, Nanzhao County, Nanyang City, Henan Province, The PRC 位於中國河南省 南陽市南召縣 白土崗鎮青山村 之一塊土地	No Commercial Value

No.	Property	Market Value in existing state as at October 31, 2011 RMB
33.	A parcel of land located in Baitu Town, Xiao County, Suzhou City, Anhui Province, The PRC 位於中國安徽省 宿州市蕭縣 白土鎮之一塊土地	No Commercial Value
34.	A parcel of land and 2 buildings located in Luzhuang Village, Cuimiao Town, Xingyang City, Henan Province, The PRC 位於中國河南省 滎陽市崔廟鎮 蘆莊村 之一塊土地及兩棟房屋	No Commercial Value
35.	A parcel of land located in Douyigou Mining Area, Taigong Town, Weihui City, Henan Province, The PRC 位於中國河南省 衛輝市太公鎮 豆義溝礦區 之一塊土地	No Commercial Value

No. Property	Market Value in existing state as at October 31, 2011 RMB
36. A parcel of land and 2 buildings located in Shabao Village, Changxingdao Lingang Industrial Zone, Dalian City, Liaoning Province, The PRC 位於中國遼寧省 大連市 長興島臨港工業區 沙包村 之一塊土地及兩棟房屋	No Commercial Value
37. A parcel of land and a building located at No. 9 Gao Shan Street, Wensheng District, Liaoyang City, Liaoning Province, The PRC 位於中國遼寧省 遼陽市文聖區 高山街9號 之一塊土地及一棟房屋	No Commercial Value
Sub-total:	Nil
Group IV — Properties leased by the Group in the PRC	
38. Level 9, Tianrui Building, No. 63 Guang Cheng Road, Ruzhou City, Henan Province, The PRC 中國河南省汝州市 廣成路63號 天瑞大廈9樓	No Commercial Value

No. Property	Market Value in existing state as at October 31, 2011 RMB
<p>39. A parcel of land, a building and various structures located at the north of Dong Huan Road, Dongweizhuang Village, Chengguan Township, Ye County, Pingdingshan City, Henan Province, The PRC</p> <p>位於中國河南省 平頂山市葉縣 城關鄉東衛莊村 東環路北之一塊土地、一幢房屋及若干構築物</p>	No Commercial Value
<p>40. Room No. 12, Level 10, Dalian Sanhe Hotel, No. 931 Xi Nan Road, Xihekou District, Dalian City, Liaoning Province, The PRC</p> <p>中國遼寧省大連市 西河口區 西南路931號 大連三合大廈 10樓12號房</p>	No Commercial Value
<p>41 A building located at the north of Rong Gong Road, Wangzhai Township, Ruzhou City, Henan Province, The PRC</p> <p>位於中國河南省 汝州市王寨鄉 戎工路北側 之一幢房屋</p>	No Commercial Value
Sub-total:	<u>Nil</u>
Grand-total:	<u><u>4,218,210,000</u></u>

VALUATION CERTIFICATE

Group I - Properties held and occupied by the Group in the PRC

No.	Property	Description and tenure	Particulars of occupancy	Market Value in existing state as at October 31, 2011 RMB
1.	A parcel of land, various buildings and structures located in Xiao County Economic Development Zone, Suzhou City, Anhui Province, The PRC 位於中國安徽省宿州市蕭縣經濟開發區之一塊土地、若干房屋及構築物	The property comprises a land parcel with a site area of approximately 208,629.4 sq.m. and 29 buildings and various structures completed in about 2010 erected thereon. The total gross floor area (“GFA”) of the property is approximately 17,790.47 sq.m. The land use rights of the property have been granted for a term expiring on June 19, 2049 for industrial use.	The property is occupied by the Group for cement production purpose.	245,500,000

Notes:

1. Pursuant to a State-owned Land Use Rights Grant Contract dated June 19, 2009, the land use rights of the property with a site area of approximately 208,629.4 sq.m. were contracted to be granted to Tianrui Group Xiaoxian Cement Company Limited (天瑞集團蕭縣水泥有限公司) (“Xiaoxian Cement”) at a land premium of RMB20,060,000 for a term of 40 years for industrial use.
2. Pursuant to a State-owned Land Use Rights Certificate, Xiao Guo Yong (2009) Di No. 70, the land use rights of the property with a site area of approximately 208,629.4 sq.m. have been granted to Xiaoxian Cement for a term expiring on June 19, 2049 for industrial use.
3. Pursuant to 28 Real Estate Title Certificates, Fang Di Quan Zheng Xiao Bai Tu Zi Di Nos. 110002 to 110029, the building ownership rights of 29 buildings of the property with a total GFA of approximately 17,790.47 sq.m. are legally owned by Xiaoxian Cement.
4. Pursuant to a Land Other Rights Certificate, Xiao Ta Xiang (2010) Zi Di No. 04, the land parcel of the property is subject to a mortgage in favour of Bank of China Limited Suzhou Branch (中國銀行股份有限公司宿州分行).
5. The opinion of the PRC legal adviser to the Group contains, inter alia, the following:
 - a. The land use rights of the property are legally vested in Xiaoxian Cement and Xiaoxian Cement has the rights to legally occupy and use the land parcel of the property in accordance with the State-owned Land Use Rights Certificate and the PRC laws;
 - b. Without written consents from the mortgagee, Xiaoxian Cement could not transfer, mortgage nor lease the land use rights of the property;

- c. The buildings of the property are legally owned by Xiaoxian Cement and Xiaoxian Cement has the rights to legally occupy and use these buildings in accordance with the Building Ownership Certificates and the PRC laws; and
 - d. Without written consents from the mortgagee, Xiaoxian Cement could not transfer, mortgage nor lease the building ownership rights of the property.
6. Xiaoxian Cement is a wholly-owned subsidiary of the Company.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Market Value in existing state as at October 31, 2011 RMB
2.	A parcel of land, various buildings and structures located at No. 9 Gao Shan Street, Wensheng District, Liaoyang City, Liaoning Province, The PRC 位於中國遼寧省遼陽市文聖區高山街9號之一塊土地、若干房屋及構築物	The property comprises a land parcel with a site area of approximately 351,941.9 sq.m. and 22 buildings and various structures completed in various stages between 2007 and 2009 erected thereon (the “completed property”). The total gross floor area (“GFA”) of the buildings of the completed property is approximately 18,012.99 sq.m. In addition to the completed property, the property also comprises 5 buildings and various structures which are under construction (the “CIP”). The planned total GFA of the buildings of the CIP will be approximately 3,386.68 sq.m. upon completion. The estimated total construction cost is approximately RMB4,000,000, of which approximately RMB3,700,000 had been paid up to the date of valuation. The construction works of the CIP are scheduled to be completed in about 2011. The land use rights of the property have been granted for a term of 50 years expiring on October 29, 2057 for industrial use.	The property is occupied by the Group for cement production purpose.	385,200,000

Notes:

- Pursuant to a State-owned Land Use Rights Grant Contract, Liao Shi Guo Tu Chu Zi (2007) Di No.77 dated October 25, 2007, the land use rights of the property with a site area of approximately 351,941.9 sq.m. were contracted to be granted to Liaoyang Tianrui Cement Company Limited (遼陽天瑞水泥有限公司) (“Liaoyang Cement”) at a land premium of RMB106,000,000 for a term of 50 years for industrial use.
- Pursuant to a State-owned Land Use Rights Certificate, Liao Shi Guo Yong (2007) Di No.1005785, the land use rights of the property with a site area of approximately 351,941.9 sq.m. have been granted to Liaoyang Cement for a term expiring on October 29, 2057 for industrial use.
- Pursuant to 16 Building Ownership Certificates, Liao Shi Fang Quan Zheng Liao Shi Zi Di Nos. 00340034 to 00340039, 00340041 to 00340043, 00340045, 00345124 and 00345127 to 0034531, the building ownership rights of 16 buildings of the property with a total GFA of approximately 17,077.27 sq.m. are legally owned by Liaoyang Cement.
- Pursuant to a Construction Works Planning Permit, Jian Zi No. 211000200800006, 27 buildings are permitted to be developed by Liaoyang Cement.

5. Pursuant to a Construction Works Commencement Permit, No. 211002200806300101, the construction works were permitted to commence.
6. For the remaining 6 buildings of the completed property with a total GFA of approximately 935.72 sq.m., we have not been provided with any title certificates.
7. In the valuation of this property, we have attributed no commercial value to the buildings of the completed property stated in Note 6 as relevant title certificates of the buildings have not been obtained. However, for your reference purpose, we are of the opinion that the depreciated replacement cost of these buildings of the completed property (excluding the land) as at the date of valuation would be in the sum of approximately RMB700,000 assuming all relevant title certificates of these buildings have been obtained and these buildings could be freely transferred in the market.
8. The opinion of the PRC legal adviser to the Group contains, inter alia, the following:
 - a. The land use rights of the land parcel of the property are legally vested in Liaoyang Cement and Liaoyang Cement has the rights to legally occupy, use, transfer, lease, mortgage or dispose of the land parcel of the property in accordance with the State-owned Land Use Rights Certificate and the PRC laws;
 - b. According to a Confirmation Letter issued by Liaoyang City Urban Construction Composite Development Requisition & Relocation Office (遼陽市城市建設綜合開發動遷安置辦公室) dated March 21, 2011, The buildings of the completed property stated in Note 6 are temporary buildings and it is not required to obtain relevant Building Ownership Certificates;
 - c. The buildings of the property with relevant Building Ownership Certificates are legally owned by Liaoyang Cement and Liaoyang Cement has the rights to legally occupy, use, transfer, mortgage and lease these buildings; and
 - d. Relevant permits of the CIP of the property have been obtained and there exist no legal impediments for Liaoyang Cement to obtain relevant Building Ownership Certificates of the buildings when relevant Completion Acceptance Registration Letter has been obtained.
9. Liaoyang Cement is a wholly-owned subsidiary of the Company.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Market Value in existing state as at October 31, 2011 RMB
3.	A parcel of land, various buildings and structures located in Lutun Town Industrial Zone, Bayuquan District, Yingkou City, Liaoning Province, The PRC 位於中國遼寧省營口市鮫魚圈區蘆屯鎮工業區之一塊土地、若干房屋及構築物	The property comprises a land parcel with a site area of approximately 146,527.8 sq.m. and 24 buildings and various structures completed in various stages between 2008 and 2010 erected thereon. The total gross floor area (“GFA”) of the property is approximately 19,057.63 sq.m. The land use rights of the property have been granted for a term of 50 years expiring on December 15, 2056 for industrial use.	The property is occupied by the Group for cement production purpose.	162,200,000

Notes:

1. Pursuant to a State-owned Land Use Rights Certificate, Ba Yu Quan Guo Yong (2007) Di No. 0138, the land use rights of the property with a site area of approximately 146,527.8 sq.m. have been granted to Yingkou Tianrui Cement Company Limited (營口天瑞水泥有限公司) (“Yingkou Cement”) for a term expiring on December 15, 2056 for industrial use.
2. Pursuant to 14 Building Ownership Certificates, the building ownership rights of 14 buildings of the property with a total GFA of approximately 15,170.32 sq.m. are legally owned by Yingkou Cement.
3. For the remaining 10 buildings of the property with a total GFA of approximately 3,887.31 sq.m., we have not been provided with any title certificates.
4. Pursuant to a Land Use Rights Collateral Contract entered into between China Construction Bank Limited Pingdingshan Branch (中國建設銀行股份有限公司平頂山分行) and Yingkou Cement dated December 14, 2007, the property is subject to a mortgage in favour of the former party as security for a loan at the amount of RMB1,993,000,000.
5. In the valuation of this property, we have attributed no commercial value to the buildings stated in Note 3 as relevant title certificates of the buildings have not been obtained. However, for your reference purpose, we are of the opinion that the depreciated replacement cost of the buildings (excluding the land) as at the date of valuation would be in the sum of approximately RMB9,700,000 assuming all relevant title certificates have been obtained and the buildings could be freely transferred in the market.
6. The opinion of the PRC legal adviser to the Group contains, inter alia, the following:
 - a. The land use rights of the property are legally vested in Yingkou Cement and Yingkou Cement has the rights to legally occupy and use the land parcel of the property in accordance with the land use rights certificate and the PRC laws;
 - b. Without written consents from the mortgagee, Yingkou Cement could not transfer, mortgage nor lease the land parcel of the property;

- c. The buildings of the property with relevant building ownership certificates are legally owned by Yingkou Cement and Yingkou Cement has the rights to legally occupy, use, transfer and lease these buildings after obtaining consents from the mortgagee; and
 - d. According to a Letter issued by Yingkou Economic & Technology Development Zone Public Utilities & Real Estate Bureau (營口經濟技術開發區公用事業與房產局) dated September 6, 2011, buildings with a total GFA of 3,887.31 sq.m. are ancillary buildings and it is not required to obtain relevant Building Ownership Certificates.
7. Yingkou Cement is a wholly-owned subsidiary of the Company.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Market Value in existing state as at October 31, 2011 RMB
4.	2 parcels of land, various buildings and structures located in Liangou Village, Liangwa Town, Lushan County, Pingdingshan City, Henan Province, The PRC 位於中國河南省平頂山市魯山縣梁窪鎮連溝村之兩塊土地、若干房屋及構築物	The property comprises 2 land parcels (“Land Parcel I” and “Land Parcel II”) with a total site area of approximately 150,421.95 sq.m. and 64 buildings and various structures completed in about 1998 erected thereon. The total gross floor area (“GFA”) of the buildings of the property is approximately 35,149.63 sq.m. The land use rights of Land Parcel I and Land Parcel II have been granted for terms with the earliest expiry date on December 9, 2028 for enterprise use.	The property is occupied by the Group for cement production purpose.	18,000,000

Notes:

- Pursuant to a State-owned Land Use Rights Certificate, Lu Guo Yong (2006) Zi Di No.220122, the land use rights of Land Parcel I and Land Parcel II with a total site area of approximately 150,421.95 sq.m. have been granted to Lushan Antai Cement Company Limited (魯山縣安泰水泥有限公司) (“Antai Cement”) for terms expiring on December 9, 2028 and August 9, 2039 respectively for enterprise use. Details of which are as follows:

Land Parcel	Site Area sq.m.	Expiry Date
I	39,660.00	December 9, 2028
II	110,761.95	August 9, 2039
Total:	150,421.95	

- Pursuant to 49 Building Ownership Certificates, the building ownership rights of 62 buildings of the property with a total GFA of approximately 35,075.63 sq.m. are legally owned by Antai Cement.
- For the remaining 2 buildings of the property with a total GFA of approximately 74 sq.m., we have not been provided with any title certificates.
- Pursuant to an Other Rights Certificate, Lu Fang Ta Zi Di No. 00000481, the property is subject to a mortgage in favour of China Construction Bank Limited Pingdingshan Branch (中國建設銀行股份有限公司平頂山分行).
- In the valuation of this property, we have attributed no commercial value to the buildings of the property stated in Note 3 as relevant title certificates of the buildings have not been obtained. However, for your reference purpose, we are of the opinion that the depreciated replacement cost of the buildings of the property (excluding the land) as at the date of valuation would be in the sum of approximately RMB20,000 assuming all relevant title certificates of the buildings have been obtained and the buildings could be freely transferred in the market.

6. The opinion of the PRC legal adviser to the Group contains, inter alia, the following:
 - a. The land use rights of the property are legally vested in Antai Cement and Antai Cement has the rights to legally occupy and use the land parcels of the property in accordance with the land use rights certificate and the PRC laws;
 - b. Without written consents from the mortgagee, Antai Cement could not transfer nor lease the land use rights of the property;
 - c. According to a Confirmation Letter issued by Lushan County Land & Resources Bureau (魯山縣國土資源局) dated March 1, 2011, the land use of the land parcels of the property should be industrial;
 - d. The buildings of the property with building ownership certificates are legally owned by Antai Cement and Antai Cement has the rights to legally occupy, use, transfer and lease these buildings after obtaining consents from the mortgagee; and
 - e. According to a Confirmation Letter issued by Lushan County Real Estate Administration Bureau dated March 21, 2011, 2 buildings of the property with a total GFA of 74 sq.m. are hazardous buildings and it is not required to obtain relevant Building Ownership Certificates. The absence of relevant Building Ownership Certificates will not affect the production and operation.
7. Antai Cement is a wholly-owned subsidiary of the Company.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Market Value in existing state as at October 31, 2011 RMB
5.	A parcel of land, various buildings and structures located in Xinhua Village, Zhangdian Township, Lushan County, Pingdingshan City, Henan Province, The PRC 位於中國河南省平頂山市魯山縣張店鄉新華村之一塊土地、若干房屋及構築物	The property comprises a land parcel with a site area of approximately 62,193.29 sq.m. and 33 buildings and various structures completed in various stages between 1958 and 2003 erected thereon. The total gross floor area ("GFA") of the buildings of the property is approximately 9,459.88 sq.m. The land use rights of property have been obtained for a term commencing on September 24, 1987.	The property is occupied by the Group for temporary staff quarters and canteen purposes.	No Commercial Value

Notes:

1. Pursuant to a State-owned Land Use Rights Certificate, Lu Yang Guo Zi (89) 0073, the land use rights of the property with a site area of approximately 62,193.29 sq.m. have been obtained by Lushan County Power Plant (魯山縣電廠) for a term commencing on September 24, 1987.
2. Pursuant to 33 Building Ownership Certificates, Lu Shan Xian Fang Quan Zheng Zi Guan Fang Zi Di Nos. 00011856 to 00011874 and 00011912 to 00011925, the building ownership rights of 33 buildings of the property with a total GFA of approximately 9,459.88 sq.m. are legally owned by Lushan Antai Cement Company Limited (魯山縣安泰水泥有限公司) ("Antai Cement").
3. Pursuant to an Other Rights Certificate, Lu Fang Ta Zi Di No. 00000481, the property is subject to a mortgage in favour of China Construction Bank Limited Pingdingshan Branch (中國建設銀行股份有限公司平頂山分行).
4. In the valuation of this property, we have attributed no commercial value to the property as the land use rights of the property are not vested in the Group and the property cannot be freely transferred, leased, mortgaged or disposed of in the market.
5. The opinion of the PRC legal adviser to the Group contains, inter alia, the following:
 - a. As advised by the Group, nature of the land use rights of the land parcel of the property is allocated, and the Group has not obtained relevant land use rights certificates nor permits from relevant authorities to use the land parcel of the property;
 - b. There exists no legal basis for Antai Cement to use the land parcel of the property and the land parcel of the property might be resumed by relevant authorities; and
 - c. The buildings of the property might be ordered to be demolished.
6. Antai Cement is a wholly-owned subsidiary of the Company.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Market Value in existing state as at October 31, 2011 RMB
6.	A parcel of land, various buildings and structures located in Yahe Village, Huangludian Town Nanzhao County, Nanyang City, Henan Province, The PRC 位於中國河南省南陽市南召縣皇路店鎮鴨河村之一塊土地、若干房屋及構築物	The property comprises a land parcel with a site area of approximately 109,179.212 sq.m. and 15 buildings and various structures completed in various stages between 2008 and 2010 erected thereon. The total gross floor area (“GFA”) of the property is approximately 16,917.91 sq.m. The land use rights of the property have been granted for a term of 50 years expiring on June 25, 2058 for industrial use.	The property is occupied by the Group for cement grinding purpose.	67,340,000

Notes:

1. Pursuant to a State-owned Land Use Rights Grant Contract, Zhao Di Tu Chu (2008) No. 08, the land use rights of the property with a site area of approximately 109,179 sq.m. were contracted to be granted to Tianrui Group Nanzhao Cement Company Limited (天瑞集團南召水泥有限公司) (“Nanzhao Cement”) for a term of 50 years commencing on July 25, 2008 for industrial use at a land premium of RMB9,200,000.
2. Pursuant to a State-owned Land Use Rights Certificate, Zhao Guo Yong (2008) Di No. 00342, the land use rights of the property with a site area of approximately 109,179.212 sq.m. have been granted to Nanzhao Cement for a term expiring on June 25, 2058 for industrial use.
3. Pursuant to 7 Building Ownership Certificates, Zhao Fang Quan Zheng Huang Lu Dian Zhen Zi Di Nos. 5-828 and 5-828-01 to 5-828-06, the building ownership rights of 15 buildings of the property with a total GFA of approximately 16,917.91 sq.m. are legally owned by Nanzhao Cement.
4. The opinion of the PRC legal adviser to the Group contains, inter alia, the following:
 - a. The land use rights of the land parcel of the property are legally vested in Nanzhao Cement and Nanzhao Cement has the rights to legally occupy and use the land parcel of the property in accordance with the land use rights certificate and the PRC laws; and
 - b. The buildings of the property are legally owned by Nanzhao Cement and Nanzhao Cement has the rights to legally occupy, use, transfer and lease these buildings.
5. Nanzhao Cement is a wholly-owned subsidiary of the Company.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Market Value in existing state as at October 31, 2011 RMB
7.	2 parcels of land, various buildings and structures located in Baitugang Town, Nanzhao County, Nanyang City, Henan Province, The PRC 位於中國河南省南陽市南召縣白土崗鎮之兩塊土地、若干房屋及構築物	The property comprises 2 land parcels (“Land Parcel I” and “Land Parcel II”) with a total site area of approximately 250,715.06 sq.m. and 27 buildings and various structures completed in 2010 erected thereon. The total gross floor area (“GFA”) of the buildings of the property is approximately 46,041.48 sq.m. The land use rights of the property have been granted for terms with the earliest expiry date on July 13, 2059 for industrial use.	The property is occupied by the Group for clinker production purpose.	224,000,000

Notes:

1. Pursuant to a State-owned Land Use Rights Grant Contract, Yu (Nan Zhao) Chu Rang (2009 Nian) Di No. 0013 dated July 13, 2009, the land use rights of Land Parcel I with a site area of approximately 208,654 sq.m. were contracted to be granted to Tianrui Group Nanzhao Cement Company Limited (天瑞集團南召水泥有限公司) (“Nanzhao Cement”) for a term of 50 years commencing on July 30, 2009 for industrial use at a land premium of RMB17,530,000.
2. Pursuant to 3 Requisition Compensation Agreements entered between Nanzhao County Baitugang Town People’s Government (南召縣白土崗鎮人民政府) and Nanzhao Cement, the land use rights of Land Parcel II with a site area of approximately 54,882 sq.m. have been obtained by Nanzhao Cement at a total consideration of RMB1,040,766.
3. Pursuant to 2 State-owned Land Use Rights Certificates, Zhao Guo Yong (2009) Di No. 00194 and Zhao Guo Yong (2011) Di No. 00294, the land use rights of the property with a total site area of approximately 250,715.06 sq.m. have been granted to Nanzhao Cement for terms expiring on July 13, 2059 and September 28, 2061 respectively for industrial use.
4. Pursuant to 27 Building Ownership Certificates, the building ownership rights of 27 buildings of the property with a total GFA of approximately 46,041.48 sq.m. are legally owned by Nanzhao Cement.
5. Pursuant to a Land Other Rights Certificate, Zhao Ta Xiang (2009) Zi Di No. 010, the property is subject to a mortgage in favour of Guangdong Development Bank Limited Zhengzhou Dong Ming Road Branch (廣東發展銀行股份有限公司鄭州東明路支行).
6. The opinion of the PRC legal adviser to the Group contains, inter alia, the following:
 - a. The land use rights of the property are legally vested in Nanzhao Cement and Nanzhao Cement has the rights to legally occupy and use the land parcels of the property in accordance with the land use rights certificates and the PRC laws;
 - b. Without written consents from the mortgagee, Nanzhao Cement could not transfer nor lease the land use rights of Land Parcel I of the property;

- c. The buildings of the property with building ownership certificates are legally owned by Nanzhao Cement and Nanzhao Cement has the rights to legally occupy and use these buildings; and
 - d. Without written consents from the mortgagee, Nanzhao Cement could not transfer nor lease the buildings of the property with relevant Building Ownership Certificates.
7. Nanzhao Cement is a wholly-owned subsidiary of the Company.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Market Value in existing state as at October 31, 2011 RMB
8.	A parcel of land, various buildings and structures located in Xuzhai Village, Mafan Town, Guangshan County, Xinyang City, Henan Province, The PRC 位於中國河南省信陽市光山縣馬畷鎮徐寨村之一塊土地、若干房屋及構築物	The property comprises a land parcel with a site area of approximately 191,910.7 sq.m. and 29 buildings and various structures completed in various stages between 2008 and 2009 erected thereon. The total gross floor area (“GFA”) of the buildings of the property is approximately 15,948.18 sq.m. The land use rights of the property have been granted for industrial use.	The property is occupied by the Group for cement production purpose.	269,700,000

Notes:

1. Pursuant to a Land Requisition Agreement entered into between Guangshan County People’s Government (光山縣人民政府) (“Guangshan Government”) and Tianrui Group Cement Company Limited (天瑞集團水泥有限公司) (“Tianrui Cement”) dated September 11, 2007, the land use rights of the property with a site area of approximately 191,912.9 sq.m. were contracted to be obtained by Tianrui Cement at a consideration of RMB12,954,060.
2. Pursuant to a State-owned Land Use Rights Certificate, Guang Guo Yong (2011) Di No. 9595, the land use rights of the property with a site area of approximately 191,910.7 sq.m. have been granted to Tianrui Group Guangshan Cement Company Limited (天瑞集團光山水泥有限公司) (“Guangshan Cement”) for industrial use.
3. Pursuant to a Building Ownership Certificate, Guang Shan Xian Fang Quan Zheng Zi Di No. 0035842, the building ownership rights of 29 buildings of the property with a total GFA of approximately 15,948.18 sq.m. are legally owned by Guangshan Cement.
4. The opinion of the PRC legal adviser to the Group contains, inter alia, the following:
 - a. The land use rights of the property are legally vested in Guangshan Cement and Guangshan Cement has the rights to legally occupy, use, transfer, lease and mortgage the land use rights of the property in accordance with the land use rights certificate and the PRC laws; and
 - b. The buildings of the property are legally owned by Guangshan Cement and Guangshan Cement has the rights to legally occupy, use, transfer, lease and mortgage the buildings of the property in accordance with the building ownership certificate and the PRC laws.
5. Tianrui Cement and Guangshan Cement are both wholly-owned subsidiaries of the Company.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Market Value in existing state as at October 31, 2011 RMB
9.	4 parcels of land, various buildings and structures located in Zhouwan Village, Luochen Township, Guangshan County, Xinyang City, Henan Province, The PRC 位於中國河南省信陽市光山縣羅陳鄉周灣村之四塊土地、若干房屋及構築物	The property comprises 4 land parcels with a total site area of approximately 160,596 sq.m. and 8 buildings and various structures completed in about 1995 erected thereon. The total gross floor area (“GFA”) of the buildings of the property is approximately 6,693.88 sq.m. The land use rights of the property have been granted for a common term expiring on October 15, 2061 for industrial use.	The property is occupied by the Group for temporary office, dormitory and ancillary purposes.	15,200,000

Notes:

1. Pursuant to a Qiangshan Group Company Assets Disposal & Transfer Agreement dated July 3, 2007, the property together with relevant machinery and equipment, inventories and goodwill were contracted to be transferred to Tianrui Group Cement Company Limited (天瑞集團水泥有限公司) (“Tianrui Cement”) at a total consideration of RMB25,300,000.
2. Pursuant to 4 State-owned Land Use Rights Certificates, Guang Guo Yong (2011) Di No. 9803 to 9806, the land use rights of the property have been granted to Tianrui Group Guangshan Cement Company Limited (天瑞集團光山水泥有限公司) (“Guangshan Cement”) for a common term expiring on October 15, 2061 for industrial use.
3. Pursuant to 3 Building Ownership Certificates, Guang Shan Xian Fang Quan Zheng Zi Di Nos. 0035839 to 0035841, the building ownership rights of 8 buildings of the property with a total GFA of approximately 6,693.88 sq.m. are legally owned by Guangshan Cement.
4. The opinion of the PRC legal adviser to the Group contains, inter alia, the following:
 - a. The land use rights of the property are legally vested in Guangshan Cement and Guangshan Cement has the rights to legally occupy, use, transfer, lease and mortgage the land use rights of the property in accordance with the land use rights certificates and the PRC laws; and
 - b. The buildings of the property are legally owned by Guangshan Cement and Guangshan Cement has the rights to legally occupy, use, transfer, lease and mortgage the buildings of the property in accordance with the building ownership certificates and the PRC laws.
5. Tianrui Cement and Guangshan Cement are both wholly-owned subsidiaries of the Company.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Market Value in existing state as at October 31, 2011 RMB
10.	2 parcels of land, various buildings and structures located in Shabao Village, Changxingdao Town, Dalian City, Liaoning Province, The PRC 位於中國遼寧省大連市長興島鎮沙包村之兩塊土地、若干房屋及構築物	The property comprises 2 land parcels (“Land Parcel I” and “Land Parcel II”) with a total site area of approximately 466,477 sq.m. and 42 buildings and various structures completed in various stages between 2007 and 2011 erected thereon. The total gross floor area (“GFA”) of the buildings of the property is approximately 35,856.93 sq.m. The land use rights of the property have been granted for terms with the earliest expiry date on December 13, 2028 for industrial use.	The property is occupied by the Group for cement production purpose.	696,100,000

Notes:

- Pursuant to a State-owned Construction Land Use Rights Grant Contract, Contract No. 2102812011A6017 dated February 9, 2011, the land use rights of Land Parcel II of the property with a site area of approximately 69,479 sq.m. were contracted to be granted to Dalian Tianrui Cement Company Limited (大連天瑞水泥有限公司) (“Dalian Cement”) with the following salient conditions:

Land Premium:	RMB24,317,650
Term:	50 years commencing on February 9, 2011
Use:	Industrial
Plot Ratio:	≥ 0.7
Density:	≥ 30%
Height Restriction:	100 meter
Green Area:	≤ 15%
- Pursuant to 2 State-owned Land Use Rights Certificates, Wa Guo Yong (2005) Di No. 098 and Da Guo Yong (2011) Di No. 06049, the land use rights of the property with a total site area of approximately 466,477 sq.m. have been granted to Dalian Cement for terms expiring on December 13, 2028 and February 8, 2061 respectively for industrial use.
- Pursuant to 42 Building Ownership Certificates, the building ownership rights of 42 buildings of the property with a total GFA of approximately 35,856.93 sq.m. are legally owned by Dalian Cement.
- Pursuant to a Collateral Contract, No. 85902200800000897, entered into between Agricultural Bank of China Dalian Changxingdao Lingang Industrial Zone Branch (中國農業銀行大連長興島臨港工業區支行) and Dalian Cement dated April 9, 2008, the land use rights of Land Parcel I are subject to a mortgage in favour of the former as security for a loan at the amount of RMB265,000,000.
- Pursuant to a Collateral Contract, No. 15A127007001DY, entered into between China Construction Bank Limited Dalian Wafangdian Branch (中國建設銀行股份有限公司大連瓦房店分行) and Dalian Cement dated September 30, 2007, the land use rights of Land Parcel I are subject to a mortgage in favour of the former.

6. The opinion of the PRC legal adviser to the Group contains, inter alia, the following:
 - a. The land use rights of the property are legally vested in Dalian Cement and Dalian Cement has the rights to legally occupy and use the land parcels in accordance with the State-owned Land Use Rights Certificates and the PRC laws;
 - b. Without written consents from the mortgagees, Dalian Cement could not transfer nor lease the land use rights of Land Parcel I of the property;
 - c. The buildings of the property are legally owned by Dalian Cement and Dalian Cement has the rights to legally occupy and use the buildings of the property in accordance with the building ownership certificates and the PRC laws. After obtaining consents from relevant mortgagees, Dalian Cement has the rights to transfer, mortgage and lease the buildings of the property.
7. Dalian Cement is a wholly-owned subsidiary of the Company.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Market Value in existing state as at October 31, 2011 RMB
11.	A parcel of land, various buildings and structures located in Linru Town, Ruzhou City, Henan Province, The PRC 位於中國河南省汝州市臨汝鎮之一塊土地、若干房屋及構築物	The property comprises a land parcel with a site area of approximately 329,891.88 sq.m. and 161 buildings and various structures completed in various stages between 2000 and 2008 erected thereon. The total gross floor area (“GFA”) of the buildings of the property is approximately 144,595.15 sq.m. The land use rights of the property have been granted for a term expiring on December 2, 2049 for industrial use.	The property is occupied by the Group for cement production purpose.	198,830,000

Notes:

1. Pursuant to a State-owned Land Use Rights Certificate, Ru Guo Yong (2006) Zi Di No. 0091, the land use rights of the property with a site area of approximately 329,891.88 sq.m. have been granted to Tianrui Group Cement Company Limited (天瑞集團水泥有限公司) (“Tianrui Cement”) for a term expiring on December 2, 2049 for industrial use.
2. Pursuant to 100 Building Ownership Certificates, the building ownership rights of 146 buildings of the property with a total GFA of approximately 132,843.15 sq.m. are legally owned by Tianrui Cement.
3. For the remaining buildings of the property with a total GFA of approximately 11,752 sq.m., we have not been provided with any title certificates.
4. Pursuant to 2 Other Rights Certificates, Ru Ta Xiang (2008) Zi Di No. 001 and Ru Fang 23701 Ta Zi Di No. 1-92, the property is subject to mortgages in favour of China Construction Bank Limited Pingdingshan Branch (中國建設銀行股份有限公司平頂山分行) and International Financial Corporation.
5. In the valuation of this property, we have attributed no commercial value to the buildings stated in Note 3 as relevant title certificates of the buildings have not been obtained. However, for your reference purpose, we are of the opinion that the depreciated replacement cost of the buildings (excluding the land) as at the date of valuation would be in the sum of approximately RMB3,000,000 assuming all relevant title certificates have been obtained and the buildings could be freely transferred in the market.
6. The opinion of the PRC legal adviser to the Group contains, inter alia, the following:
 - a. The land use rights of the land parcel of the property are legally vested in Tianrui Cement and Tianrui Cement has the rights to legally occupy and use the land parcel of the property in accordance with the Land Use Rights Certificate and the PRC laws;
 - b. The buildings of the property with Building Ownership Certificates are legally owned by Tianrui Cement and Tianrui Cement has the rights to legally occupy and use these buildings in accordance with the Building Ownership Certificates and the PRC laws;
 - c. Without written consents from the mortgagees, Tianrui Cement could not transfer nor lease the land parcel of the property;

- d. Without written consents from the mortgagees, Tianrui Cement could not transfer nor lease the pledged buildings;
 - e. Without written consents from the mortgagees, the pledged buildings could not be expanded, demolished nor changed by other means unless the expansion, demolition or changes will not cause any negative effect; and
 - f. According to a Confirmation Letter issued by Ruzhou Real Estate Administration Department dated March 21, 2011, the buildings with a total GFA of 11,752 sq.m. are temporary buildings and it is not required to obtain relevant Building Ownership Certificates. The absence of relevant Building Ownership Certificates will not affect the operation of Tianrui Cement and Tianrui Cement will not be punished.
7. Tianrui Cement is a wholly-owned subsidiary of the Company.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Market Value in existing state as at October 31, 2011 RMB
12.	A parcel of land, various buildings and structures located in Song County, Luoyang City, Henan Province, The PRC 位於中國河南省洛陽市嵩縣之一塊土地、若干房屋及構築物	The property comprises a land parcel with a site area of approximately 5,162 sq.m. and 3 buildings and various structures completed in 2010 erected thereon. The total gross floor area (“GFA”) of the buildings of the property is approximately 153.37 sq.m. The land use rights of the property have been granted for a term expiring in August 2041 for industrial use.	The property is occupied by the Group for cement sales purpose.	4,800,000

Notes:

1. Pursuant to a State-owned Land Use Rights Certificate, Song Guo Yong (2011) Di No. 0029, the land use rights of the property with a site area of approximately 5,162 sq.m. have been granted to Tianrui Group Cement Company Limited Songxian Branch (天瑞集團水泥有限公司嵩縣分公司) (“Tianrui Songxian”) for a term expiring in August 2041 for industrial use.
2. For the buildings of the property with a total GFA of approximately 153.37 sq.m., we have not been provided with any title certificates.
3. In the valuation of the property, we have attributed no commercial value to the buildings of the property stated in Note 2 as relevant title certificates of the buildings have not been obtained. However, for your reference purpose, we are of the opinion that the depreciated replacement cost of the buildings (excluding the land) as at the date of valuation would be in the sum of approximately RMB100,000 assuming all relevant title certificates have been obtained and the buildings could be freely transferred in the market.
4. The opinion of the PRC legal adviser to the Group contains, inter alia, the following:
 - a. The land use rights of the property are legally vested in Tianrui Songxian and Tianrui Songxian has the rights to legally occupy, use, transfer, lease and mortgage the land use rights of the property in accordance with the land use rights certificate and the PRC laws; and
 - b. According to a Letter issued by Song County Real Estate Administration Bureau (嵩縣房地產管理局) dated September 28, 2011, the buildings of the property with a total GFA of 153.37 sq.m. are temporary buildings and it is not required to obtain Building Ownership Certificates.
5. Tianrui Songxian is a wholly-owned subsidiary of the Company.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Market Value in existing state as at October 31, 2011 RMB
13.	A parcel of land, various buildings and structures located in Yuanzhuang Village, Liuhe Town, Ningling County, Shangqiu City, Henan Province, The PRC 位於中國河南省 商丘市寧陵縣 柳河鎮袁莊村 之一塊土地、 若干房屋及構築物	The property comprises a land parcel with a site area of approximately 36,256.85 sq.m. and 25 buildings and various structures completed in about 2010 erected thereon. The total gross floor area (“GFA”) of the buildings of the property is approximately 8,060.98 sq.m. The land use rights of the property have been granted for a term expiring on October 29, 2059 for industrial use.	The property is occupied by the Group for cement grinding purpose.	20,500,000

Notes:

1. Pursuant to a State-owned Construction Land Use Rights Grant Contract, Ning Gua No. 2009-03 dated September 28, 2009, the land use rights of the property with a site area of approximately 36,256.85 sq.m. were contracted to be granted to Tianrui Group Ningling Cement Company Limited (天瑞集團寧陵水泥有限公司) (“Ningling Cement”) at a land premium of RMB3,046,600 for a term of 50 years commencing on November 30, 2009 for industrial use.
2. Pursuant to a State-owned Land Use Rights Certificate, Ning Guo Yong (2009) Di No. 2415-011, the land use rights of the property with a site area of approximately 36,256.85 sq.m. have been granted to Ningling Cement for a term expiring on October 29, 2059 for industrial use.
3. Pursuant to a Building Ownership Certificate, Ning Ling Xian Fang Quan Zheng 2011 Zi Di No. 1100000120, the building ownership rights of 25 buildings of the property with a total GFA of approximately 8,060.98 sq.m. are legally owned by Ningling Cement.
4. The opinion of the PRC legal adviser to the Group contains, inter alia, the following:
 - a. The land use rights of the property are legally vested in Ningling Cement and Ningling Cement has the rights to legally occupy, use, transfer and lease the land parcel of the property in accordance with the State-owned Land Use Rights Certificate and the PRC laws; and
 - b. The buildings of the property are legally owned by Ningling Cement and Ningling Cement has the rights to legally occupy and use these buildings in accordance with the Building Ownership Certificate and the PRC laws.
5. Ningling Cement is a wholly-owned subsidiary of the Company.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Market Value in existing state as at October 31, 2011 RMB
14.	A parcel of land, various buildings and structures located in Guanpo Village, Nanjiao Township, Chuanhui District, Zhoukou City, Henan Province, The PRC 位於中國河南省周口市川匯區南郊鄉官坡村之一塊土地、若干房屋及構築物	The property comprises a land parcel with a site area of approximately 170,949 sq.m. and 21 buildings and various structures completed in various stages between 2005 and 2010 erected thereon. The total gross floor area ("GFA") of the buildings of the property is approximately 14,326.6 sq.m. The land use rights of the property have been granted for a term of 50 years expiring on October 19, 2054 for industrial use.	The property is occupied by the Group for cement grinding purpose.	153,800,000

Notes:

- Pursuant to a State-owned Land Use Rights Grant Contract, No. (2004)-30 dated October 19, 2004, the land use rights of the property with a site area of approximately 170,949 sq.m. were contracted to be granted to Tianrui Group Zhoukou Cement Company Limited (天瑞集團周口水泥有限公司) ("Zhoukou Cement") at a land premium of RMB8,853,100 for a term expiring on December 13, 2028 for industrial use.
- Pursuant to a State-owned Land Use Rights Certificate, Zhou Kou Shi Guo Yong (2004) Zi Di No. 093, the land use rights of the property with a site area of approximately 170,949 sq.m. have been granted to Zhoukou Cement for a term expiring on October 19, 2054 for industrial use.
- Pursuant to 8 Building Ownership Certificates, Fang Quan Zheng Zhou Fang Zi Di Nos. 0035706 to 0035708 and Zhou Fang Quan Zheng Chuan Hui Qu Zi Di Nos. 2011010952 to 2011010956, the building ownership rights of 18 buildings of the property with a total GFA of approximately 13,536.2 sq.m. are legally owned by Zhoukou Cement.
- For the remaining 3 buildings of the property with a total GFA of approximately 790.4 sq.m., we have not been provided with any title certificates.
- Pursuant to a Collateral Contract entered into between China Construction Bank Limited Pingdingshan Branch (中國建設銀行股份有限公司平頂山分行) and Tianrui Zhoukou, the buildings stated in Note 3 are subject to a mortgage in favour of the former as security for a loan at the amount of RMB80,880,000.
- In the valuation of this property, we have attributed no commercial value to the buildings stated in Note 4 as relevant title certificates of the buildings have not been obtained. However, for your reference purpose, we are of the opinion that the depreciated replacement cost of the buildings (excluding the land) as at the date of valuation would be in the sum of approximately RMB400,000 assuming all relevant title certificates have been obtained and the buildings could be freely transferred in the market.

7. The opinion of the PRC legal adviser to the Group contains, inter alia, the following:
 - a. The land use rights of the property are legally vested in Zhoukou Cement and Zhoukou Cement has the rights to legally occupy and use the land parcel in accordance with the State-owned Land Use Rights Certificates and the PRC laws;
 - b. Without written consents from the mortgagee, Zhoukou Cement could not transfer nor lease the land parcel of the property;
 - c. The buildings with of the property with title certificates are legally owned by Zhoukou Cement and Zhoukou Cement has the rights to legally occupy and use these buildings in accordance with the Building Ownership Certificate and the PRC laws;
 - d. Without written consents from the mortgagee, Zhoukou Cement could not transfer nor lease the buildings of the property with title certificates; and
 - e. According to a Confirmation Letter issued by Zhoukou City Real Estate Title & Registry Administration Department (周口市房地產產權產籍監理處) dated March 20, 2011, the buildings stated in Note 4 are not required to obtain relevant Building Ownership Certificates. The absence of relevant Building Ownership Certificates will not affect the production and operation of Zhoukou Cement.
8. Zhoukou Cement is a wholly-owned subsidiary of the Company.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Market Value in existing state as at October 31, 2011 RMB
15.	2 parcels of land, various buildings and structures located at the south of Rui Bei Ka Avenue and the west of Wei Wu Avenue, Jiangguanchi Town, Xuchang County, Xuchang City, Henan Province, The PRC 位於中國河南省許昌市許昌縣將官池鎮瑞貝卡大道以南、魏武大道以西之兩塊土地、若干房屋及構築物	The property comprises 2 land parcels (“Land Parcel I” and “Land Parcel II”) with a total site area of approximately 79,630.74 sq.m. and 10 buildings and various structures completed in various stages between 2008 and 2010 erected thereon. The total gross floor area (“GFA”) of the buildings of the property is approximately 20,519.8 sq.m. The land use rights of the property have been granted for terms with the earliest expiry date on September 14, 2058 for industrial use.	The property is occupied by the Group for cement grinding purpose.	118,400,000

Notes:

- Pursuant to a State-owned Land Use Rights Grant Contract, Yu (Xuchang) Chu Rang (2008 Nian) Di No. 0004 dated August 20, 2008, the land use rights of Land Parcel I with a site area of approximately 60,700.21 sq.m. were contracted to be granted to Tianrui Group Xuchang Cement Company Limited (天瑞集團許昌水泥有限公司) (“Xuchang Cement”) at a land premium of RMB14,600,000 for a term of 50 years for industrial use.
- Pursuant to a State-owned Land Use Rights Certificate, Guo Yong (2008) Zi Di No. 0005804 dated October 2, 2008, the land use rights of Land Parcel I of the property with a site area of approximately 60,700.21 sq.m. have been granted to Xuchang Cement for a term expiring on September 14, 2058 for industrial use.
- Pursuant to a State-owned Land Use Rights Certificate, Xu Chang Xian Guo Yong (2011) Zi Di No. 2011107, the land use rights of Land Parcel II of the property with a site area of approximately 18,930.53 sq.m. have been granted to Xuchang Cement for a term expiring on September 21, 2061 for industrial use.
- Pursuant to 10 Building Ownership Certificates, Xu Xian Fang Quan Zheng Xu Chang Xian Zi Di Nos. A0081963 to A0081972, the building ownership rights of 10 buildings of the property with a total GFA of approximately 20,519.8 sq.m. are legally owned by Xuchang Cement.

5. The opinion of the PRC legal adviser to the Group contains, inter alia, the following:
 - a. The land use rights of the property are legally vested in Xuchang Cement and Xuchang Cement has the rights to legally occupy and use the land parcels in accordance with the State-owned Land Use Rights Certificates and the PRC laws;
 - b. The property is subject to a mortgage in favour of Xuchang Bank Limited (許昌銀行股份有限公司) for a term of 1 year commencing on May 3, 2011;
 - c. Without written consents from the mortgagee, Xuchang Cement could not transfer nor lease Land Parcel I;
 - d. The buildings of the property are legally owned by Xuchang Cement and Xuchang Cement has the rights to legally occupy, use, transfer and lease these buildings in accordance with the Building Ownership Certificates and the PRC laws; and
 - e. Without written consents from the mortgagee, Xuchang Cement could not transfer nor lease the buildings of the property.
6. Xuchang Cement is a wholly-owned subsidiary of the Company.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Market Value in existing state as at October 31, 2011 RMB
16.	A parcel of land, various buildings and structures located at the west of Ping Yuan Road and the north of Long Hai South Road, Liangyuan District, Shangqiu City, Henan Province, The PRC	<p>The property comprises a land parcel with a site area of approximately 161,549 sq.m. and 27 buildings and various structures completed in various stages between 2005 and 2010 erected thereon.</p> <p>The total gross floor area (“GFA”) of the buildings of the property is approximately 15,567.04 sq.m.</p> <p>The land use rights of the property have been granted for a term expiring on September 7, 2054 for industrial use.</p>	The property is occupied by the Group for cement grinding purpose.	70,900,000
	位於中國河南省 商丘市梁園區 平原路西側、 隴海南路北側 之一塊土地、 若干房屋及構築物			

Notes:

- Pursuant to a State-owned Land Use Rights Certificate, Shang Guo Yong (2004) Zi Di No. 9766, the land use rights of the property with a site area of approximately 161,549 sq.m. have been granted to Shangqiu Tianrui Cement Company Limited (商丘天瑞水泥有限公司) (“Shangqiu Cement”) for a term expiring on September 7, 2054 for industrial use.
- Pursuant to 2 Building Ownership Certificates, Shang Qiu Shi Fang Quan Zheng 2007 Zi Di No. 0020526 and Shang Qiu Shi Fang Quan Zheng 2011 Zi Di No. 0074832, the building ownership rights of 17 buildings of the property with a total GFA of approximately 14,281.63 sq.m. are legally owned by Shangqiu Cement.
- For the remaining 10 buildings of the property with a total GFA of approximately 1,285.41 sq.m., we have not been provided with any title certificates.
- Pursuant to an Other Rights Certificate, Shang Qiu Shi Fang Ta Zheng 2010 Zi Di No. 027753, the property is subject to a mortgage in favour of CCB Trust Company Limited (建信信託有限責任公司).
- Pursuant to a Collateral Contract, 2010 Nian Xu Yin Xin Xu Zhi Liu Zi Di No. 22, entered into between China Construction Bank Limited Pingdingshan Branch (中國建設銀行股份有限公司平頂山分行) and Shangqiu Cement, the buildings of the property stated in Note 2 are subject to a mortgage in favour of the former.
- In the valuation of this property, we have attributed no commercial value to the buildings stated in Note 3 as relevant title certificates of the buildings have not been obtained. However, for your reference purpose, we are of the opinion that the depreciated replacement cost of the buildings (excluding the land) as at the date of valuation would be in the sum of approximately RMB800,000 assuming all relevant title certificates have been obtained and the buildings could be freely transferred in the market.

7. The opinion of the PRC legal adviser to the Group contains, inter alia, the following:
 - a. The land use rights of the property are legally vested in Shangqiu Cement and Shangqiu Cement has the rights to legally occupy and use the land parcel of the property in accordance with the State-owned Land Use Rights Certificate and the PRC laws;
 - b. Without written consents from the mortgagees, Shangqiu Cement could not transfer nor lease the land parcel of the property;
 - c. The buildings of the property with Building Ownership Certificates are legally owned by Shangqiu Cement and Shangqiu Cement has the rights to legally occupy and use these buildings in accordance with the Building Ownership Certificates and the PRC laws;
 - d. Without written consents from the mortgagee, Shangqiu Cement could not transfer nor lease the buildings of the property with Building Ownership Certificates; and
 - e. According to a Confirmation Letter issued by Shangqiu City Real Estate Transaction Administration Department (商丘市房地產交易管理處) dated March 12, 2011, the buildings with a total GFA of 1,285.41 sq.m. are not required to obtain relevant Building Ownership Certificates and the absence of Building Ownership Certificates would not affect the operation of Shangqiu Cement.

8. Shangqiu Cement is a wholly-owned subsidiary of the Company.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Market Value in existing state as at October 31, 2011 RMB
17.	2 parcels of land, various buildings and structures located at the north of Rong Gong Road, Wangzhai Township, Ruzhou City, Henan Province, The PRC 位於中國河南省汝州市王寨鄉戎工路北側之兩塊土地、若干房屋及構築物	The property comprises 2 land parcels with a total site area of approximately 323,301.08 sq.m. and 58 buildings and various structures completed in various stages between 2003 and 2010 erected thereon. The total gross floor area (“GFA”) of the buildings of the property is approximately 92,867.34 sq.m. The land use rights of the property have been granted for a common term expiring in September 2052 for industrial use.	The property is occupied by the Group for cement production purpose.	245,800,000

Notes:

1. Pursuant to 2 State-owned Land Use Rights Certificates, Ru Guo Yong (2006) Di Nos. 0126 and 0127 both dated December 2, 2006, the land use rights of the property with a total site area of approximately 323,301.08 sq.m. have been granted to Tianrui Group Ruzhou Cement Company Limited (天瑞集團汝州水泥有限公司) (“Ruzhou Cement”) for a common term expiring in September 2052 for industrial use.
2. Pursuant to 56 Building Ownership Certificates, the building ownership rights of 58 buildings of the property with a total GFA of approximately 92,867.34 sq.m. are legally owned by Ruzhou Cement.
3. Pursuant to a Building Other Rights Certificate, Ru Fang 70701 Ta Zi Di No. 1 - 407, the property is subject to a mortgage in favor of China Construction Bank Limited Pingdingshan Branch (中國建設銀行股份有限公司平頂山分行).
4. The opinion of the PRC legal adviser to the Group contains, inter alia, the following:
 - a. The land use rights of the property are legally vested in Ruzhou Cement and Ruzhou Cement has the rights to legally occupy and use the land parcels in accordance with the State-owned Land Use Rights Certificates and the PRC laws;
 - b. Without written consents from the mortgagee, Ruzhou Cement could not transfer nor lease the land parcels of the property;
 - c. The buildings of the property are legally owned by Ruzhou Cement and Ruzhou Cement has the rights to legally occupy and use these buildings in accordance with the Building Ownership Certificates and the PRC laws; and
 - d. Without written consents from the mortgagee, Ruzhou Cement could not transfer nor lease the buildings of the property.
5. Ruzhou Cement is a wholly-owned subsidiary of the Company.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Market Value in existing state as at October 31, 2011 RMB
18.	Various buildings and structures located within Ruzhou Power Plant, Wangzhai Township, Ruzhou City, Henan Province, The PRC	<p>The property comprises 6 buildings and various ancillary structures completed in various stages between 2004 and 2008.</p> <p>The total gross floor area (“GFA”) of the buildings of the property is approximately 3,258.88 sq.m.</p>	The property is occupied by the Group for industrial purpose.	No Commercial Value
	<p>位於中國河南省 汝州市王寨鄉 汝洲市火電廠內之 若干房屋及構築物</p>			

Notes:

1. Pursuant to an Equipment & Plant Purchase Contract and an Assets Valuation Report dated July 1, 2008 and August 12, 2008 respectively, the property together with relevant machinery and equipment were contracted to be transferred to Tianrui Group Ruzhou Cement Company Limited (天瑞集團汝州水泥有限公司) (“Ruzhou Cement”) at a total consideration of RMB30,524,600.
2. Pursuant to 3 Building Ownership Certificates, Ru Fang Quan Zheng Ru Zhou Shi Zi Di Nos. 2011000792 to 2011000794, the building ownership rights of 3 buildings of the property with a total GFA of approximately 2,888.88 sq.m. are legally owned by Ruzhou Cement.
3. For the remaining 3 buildings of the property with a total GFA of approximately 370 sq.m., we have not been provided with any title certificates.
4. In the valuation of this property, we have attributed no commercial value to the property as the land use rights of the land parcel on which the property is erected are not vested in the Group and the property could not be freely transferred.
5. The opinion of the PRC legal adviser to the Group contains, inter alia, the following:
 - a. The buildings of the property with title certificates are legally owned by Ruzhou Cement and Ruzhou Cement has the rights to occupy and use these buildings in accordance with the Building Ownership Certificates and the PRC laws;
 - b. The buildings of the property with title certificates are subject to mortgage;
 - c. Without written consents from the mortgagee, Ruzhou Cement could not transfer, lease nor mortgage the buildings of the property with title certificates;
 - d. The buildings of the property with title certificates could not be transferred without the approval from the grantee of the relevant land parcel; and

- e. According to a Confirmation Letter issued by Ruzhou City Real Estate Administration Department (汝州市房產管理處) dated September 27, 2011, the remaining 3 buildings of the property with a total GFA of approximately 370 sq.m. are temporary buildings, and the absence of Building Ownership Certificates would not affect the operation of Ruzhou Cement and Ruzhou Cement will not be subject to penalty.
- 6. Ruzhou Cement is a wholly-owned subsidiary of the Company.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Market Value in existing state as at October 31, 2011 RMB
19.	A parcel of land and various structures located at the east of 107 th Guo Road, Ouhua Village, Hexing Township, Suiping County, Zhumadian City, Henan Province, The PRC 位於中國河南省駐馬店市遂平縣和興鄉藕花村107國道東側之一塊土地及若干構築物	The property comprises a land parcel with a site area of approximately 5,600 sq.m. and various structures completed in 2010 erected thereon. The land use rights of the property have been granted for industrial use.	The property is occupied by the Group for cement sales purpose.	1,740,000

Notes:

- Pursuant to a State-owned Land Use Rights Grant Contract dated October 25, 2010, the land use rights of the property with a site area of approximately 5,600 sq.m. were contracted to be granted to Tianrui Group Ruzhou Cement Company Limited (天瑞集團汝州水泥有限公司) ("Ruzhou Cement") at a land premium of RMB546,000 for a term of 50 years commencing on December 25, 2010 for industrial use.
- Pursuant to a State-owned Land Use Rights Certificate, Sui Guo Yong (2010) Di No. 213, the land use rights of the property with site area of approximately 5,600 sq.m. have been granted to Ruzhou Cement for industrial use.
- The opinion of the PRC legal adviser to the Group contains, inter alia, the following:

The land use rights of the property are legally vested in Ruzhou Cement and Ruzhou Cement has the rights to legally occupy, use, transfer and lease the land parcel of the property in accordance with the State-owned Land Use Rights Certificate and the PRC laws.
- Ruzhou Cement is a wholly-owned subsidiary of the Company.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Market Value in existing state as at October 31, 2011 RMB
20.	2 parcels of land, various buildings and structures located in Tiexi Industrial Zone, Weihui City, Henan Province, The PRC 位於中國河南省衛輝市鐵西工業區之兩塊土地、若干房屋及構築物	The property comprises 2 land parcels with a total site area of approximately 336,552 sq.m. and 23 buildings and various structures completed in various stages between 2005 and 2010 erected thereon. The total gross floor area (“GFA”) of the buildings of the property is approximately 17,030.08 sq.m. The land use rights of the property have been granted for a common term expiring on April 17, 2058 for industrial use.	The property is occupied by the Group for cement production purpose.	293,800,000

Notes:

1. Pursuant to 2 State-owned Land Use Rights Certificates, Wei Guo Yong (2008) Tu Di Nos. 40183-01 and 40183-02, the land use rights of the property with a total site area of approximately 336,552 sq.m. have been granted to Weihui City Tianrui Cement Company Limited (衛輝市天瑞水泥有限公司) (“Weihui Cement”) for a common term expiring on April 17, 2058 for industrial use.
2. Pursuant to 20 Building Ownership Certificates, Fang Quan Zheng Qi Ta Zi Di Nos. 06500095 to 06500098 and Fang Quan Zheng Zi Di Nos. 11500389 to 11500404, the building ownership rights of 20 buildings of the property with a total GFA of approximately 16,420.41 sq.m. are legally owned by Weihui Cement.
3. For the remaining 3 buildings of the property with a total GFA of approximately 609.67 sq.m., we have not been provided with any title certificates.
4. In the valuation of this property, we have attributed no commercial value to the buildings stated in Note 3 as relevant title certificates of the buildings have not been obtained. However, for your reference purpose, we are of the opinion that the depreciated replacement cost of the buildings (excluding the land) as at the date of valuation would be in the sum of approximately RMB400,000 assuming all relevant title certificates have been obtained and the buildings could be freely transferred in the market.
5. The opinion of the PRC legal adviser to the Group contains, inter alia, the following:
 - a. The property is subject to a mortgage;
 - b. The land use rights of the property are legally vested in Weihui Cement and Weihui Cement has the rights to legally occupy, use, transfer and lease the land parcels of the property in accordance with the State-owned Land Use Rights Certificates and the PRC laws;
 - c. The buildings of the property with title documents are legally owned by Weihui Cement and Weihui Cement has the rights to legally occupy, use, transfer and lease these buildings in accordance with the Building Ownership Certificates and the PRC laws;
 - d. Without written consents from the mortgagee, Weihui Cement could not transfer, lease nor mortgage the land use rights and the buildings of the property; and
 - e. For the buildings without relevant Building Ownership Certificates, the relevant government authorities have the rights to order to demolish these buildings.
6. Weihui Cement is a wholly-owned subsidiary of the Company.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Market Value in existing state as at October 31, 2011 RMB
21.	6 parcels of land, various buildings and structures located in Shaozhai Village and Sigou Village, Cuimiao Town, Xingyang City, Henan Province, The PRC 位於中國河南省 滎陽市崔廟鎮 邵寨村及寺溝村 之六塊土地、 若干房屋及構築物	The property comprises 6 land parcels (“Land Parcel I”, “Land Parcel II”, “Land Parcel III”, “Land Parcel IV”, “Land Parcel V” and “Land Parcel VI”) with a total site area of approximately 376,900.5 sq.m. and 16 buildings and various structures completed in various stages between 2009 and 2010 erected thereon. The total gross floor area (“GFA”) of the buildings of the property is approximately 20,478.74 sq.m. The land use rights of Land Parcel I, Land Parcel II, Land Parcel III, Land Parcel IV and Land Parcel V have been granted for a common term expiring on December 14, 2058 for industrial use.	The property is occupied by the Group for cement production purpose.	342,600,000

Notes:

- Pursuant to 5 State-owned Construction Land Use Rights Grant Contracts, Yu (Xing Yang) Chu Rang (2008 Nian) Di Nos. 0012 to 0016, the land use rights of Land Parcel I, Land Parcel II, Land Parcel III, Land Parcel IV and Land Parcel V with a total site area of approximately 127,790.2 sq.m. were contracted to be granted to Tianrui Group Xingyang Cement Company Limited (天瑞集團滎陽水泥有限公司) (“Xingyang Cement”) (now known as Tianrui Group Zhengzhou Cement Company Limited (天瑞集團鄭州水泥有限公司) (“Zhengzhou Cement (Xingyang)”) at a total land premium of RMB15,490,000 for industrial use.
- Pursuant to 5 State-owned Land Use Rights Certificates, Xing Guo Yong (2008) Di Nos. 0093 to 0097, the land use rights of Land Parcel I, Land Parcel II, Land Parcel III, Land Parcel IV and Land Parcel V with a total site area of approximately 127,790.2 sq.m. have been granted to Xingyang Cement for a common term expiring on December 14, 2058 for industrial use.
- For Land Parcel VI of the property with a site area of approximately 249,110.3 sq.m., we have not been provided with any title certificates.
- Pursuant to 13 Building Ownership Certificates, the building ownership rights of 13 buildings of the property with a total GFA of approximately 20,020.74 sq.m. are legally owned by Zhengzhou Cement (Xingyang).
- For the remaining 3 buildings of the property with a total GFA of approximately 458 sq.m., we have not been provided with any title certificates.
- Pursuant to a Construction Works Planning Permit, Jian Zi Di No. 410182200800602108114, portions of the property with a total GFA of approximately 65,159.63 sq.m. were permitted to be developed by Xingyang Cement.
- Pursuant to a Construction Works Commencement Permit, No. 410121200812280101, the construction work of portions of the property with a total GFA of approximately 65,159.6 sq.m. was permitted to commence.
- Pursuant to an Other Land Rights Certificate, Xing Ta Xiang (2009) Di No. 032, entered into between Bank of China Limited Xingyang Branch (中國銀行股份有限公司滎陽支行) and Xingyang Cement, Land Parcel I, Land Parcel II, Land Parcel III, Land Parcel IV and Land Parcel V are subject to a mortgage in favour of the former as a security of a loan at the amount of RMB27,474,900.

9. In the valuation of this property, we have attributed no commercial value to Land Parcel VI with a site area of 249,110.3 sq.m. stated in Note 3 as relevant title certificates of the land parcel have not been obtained.
10. As advised by the Group, various structures of the property are erected upon Land Parcel VI of which relevant title certificates have not been obtained. Thus, we have attributed no commercial value to these structures.
11. In the valuation of this property, we have also attributed no commercial value to the remaining 3 buildings of the property with a total GFA of approximately 458 sq.m. stated in Note 5 as relevant title certificates of these buildings have not been obtained. However, for your reference purpose, we are of the opinion that the depreciated replacement cost of these buildings (excluding the land) as at the date of valuation would be in the sum of approximately RMB1,300,000 assuming all relevant title certificates have been obtained and the buildings could be freely transferred in the market.
12. The opinion of the PRC legal adviser to the Group contains, inter alia, the following:
 - a. The land use rights of Land Parcels I to V are legally vested in Zhengzhou Cement (Xinyang) and Zhengzhou Cement (Xinyang) has the rights to legally occupy and use the land parcels in accordance with the State-owned Land Use Rights Certificates and the PRC laws;
 - b. Without written consents from the mortgagee, Zhengzhou Cement (Xinyang) could not transfer nor lease the Land Parcels I to V;
 - c. Zhengzhou Cement (Xinyang) should apply for changing name of the grantee stated in relevant State-owned Land Use Rights Certificates;
 - d. The buildings of the property with relevant building ownership certificates are legally owned by Zhengzhou Cement (Xinyang) and Zhengzhou Cement (Xinyang) has the rights to legally occupy and use the buildings of the property in accordance with the building ownership certificates and the PRC laws. Without written consents from relevant mortgagee, Zhengzhou Cement (Xinyang) could not transfer, mortgage nor lease the buildings of the property with relevant building ownership certificates;
 - e. According to a Confirmation Letter issued by Xinyang City Land & Resources Bureau (滎陽市國土資源局) dated March 2, 2011, the land parcel with a site area of 249,110.3 sq.m. is construction land and is in compliance with the planning of the land use and relevant laws and regulations and is under the process of obtaining title certificates, the absence of title certificates will not affect the operation of Zhengzhou Cement (Xinyang); and
 - f. According to a Confirmation Letter issued by Xinyang City House Indemnification & Real Estate Center (滎陽市住房保障和房地產中心) dated October 21, 2011, the remaining 3 buildings of the property stated in Note 5 are not required to obtain Building Ownership Certificates, and the absence of Building Ownership Certificates would not affect the operation of Zhengzhou Cement (Xinyang) and Zhengzhou Cement (Xinyang) will not be subject to penalty.
13. Zhengzhou Cement (Xinyang) is a wholly-owned subsidiary of the Company.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Market Value in existing state as at October 31, 2011 RMB
22.	A parcel of land, various buildings and structures located in Liangbei Town, Yuzhou City, Henan Province, The PRC 位於中國河南省禹州市梁北鎮之一塊土地、若干房屋及構築物	The property comprises a land parcel with a site area of approximately 323,800 sq.m. and 41 buildings and various structures completed in various stages between 2007 and 2009 erected thereon. The total gross floor area (“GFA”) of the buildings of the property is approximately 66,733.59 sq.m. The land use rights of the property have been granted for a term expiring in September 2061 for industrial use.	The property is occupied by the Group for cement production purpose.	278,600,000

Notes:

1. Pursuant to a State-owned Land Use Rights Certificate, Yu Guo Yong (2011) Di No. 12-0535, the land use rights of the property with a site area of approximately 323,800 sq.m. have been granted to Yuzhou City Zhongjin Cement Company Limited (禹州市中錦水泥有限公司) (“Yuzhou Cement”) for a term expiring in September 2061 for industrial use.
2. Pursuant to 21 Building Ownership Certificates, the building ownership rights of 41 buildings of the property with a total GFA of approximately 66,733.59 sq.m. are legally owned by Yuzhou Cement.
3. The opinion of the PRC legal adviser to the Group contains, inter alia, the following:
 - a. The land use rights of the property are legally vested in Yuzhou Cement and Yuzhou Cement has the rights to legally occupy, use, transfer, lease and mortgage the land use rights of the property in accordance with the land use rights certificate and the PRC laws; and
 - b. The buildings of the property are legally owned by Yuzhou Cement and Yuzhou Cement has the rights to legally occupy, use, transfer, lease and mortgage these buildings in accordance with the Building Ownership Certificates and the PRC laws.
4. Yuzhou Cement is a wholly-owned subsidiary of the Company.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Market Value in existing state as at October 31, 2011 RMB
23.	A parcel of land, various buildings and structures located in Baisha Town, Zhongmu County, Zhengzhou City, Henan Province, The PRC 位於中國河南省鄭州市中牟縣白沙鎮之一塊土地、若干房屋及構築物	The property comprises a land parcel with a site area of approximately 118,816.3 sq.m. and 19 buildings and various structures completed in various stages between 2006 and 2010 erected thereon. The total gross floor area ("GFA") of the buildings of the property is approximately 19,794.24 sq.m. The land use rights of the property have been granted for a term expiring in March 2054 for industrial use.	The property is occupied by the Group for cement production purpose.	123,800,000

Notes:

1. Pursuant to a State-owned Land Use Rights Certificate, Mu Guo Yong (2004) Di No. 369, the land use rights of the property with a site area of approximately 118,816.3 sq.m. have been granted to Zhengzhou Tianrui Cement Company Limited (鄭州天瑞水泥有限公司) ("Zhengzhou Tianrui") for a term expiring in March 2054 for industrial use.
2. Pursuant to 29 Building Ownership Certificates, Mu Fang Quan Zheng Zi Di Nos. 20080185 to 20080210, 20112197 to 20112198 and 20116128, the building ownership rights of 16 buildings of the property with a total GFA of approximately 19,736.5 sq.m. are legally owned by Zhengzhou Tianrui.
3. For the remaining 3 buildings of the property with a total GFA of approximately 57.74 sq.m., we have not been provided with any title certificates.
4. In the valuation of this property, we have attributed no commercial value to the buildings stated in Note 3 as relevant title certificates of the buildings have not been obtained. However, for your reference purpose, we are of the opinion that the depreciated replacement cost of the buildings (excluding the land) as at the date of valuation would be in the sum of approximately RMB100,000 assuming all relevant title certificates of the buildings have been obtained and the buildings could be freely transferred in the market.
5. The opinion of the PRC legal adviser to the Group contains, inter alia, the following:
 - a. The land use rights of the land parcel of the property are legally vested in Zhengzhou Tianrui and Zhengzhou Tianrui has the rights to legally occupy and use the land parcel in accordance with the State-owned Land Use Rights Certificate and the PRC laws;
 - b. The land parcel of the property is subject to mortgages in favour of China Construction Bank Pingdingshan Branch (中國建設銀行平頂山分行) and CCB Trust Company Limited (建信信託有限責任公司);
 - c. Without written consents from the mortgagees, Zhengzhou Tianrui could not transfer nor lease the land parcel of the property;
 - d. The buildings of the property with Building Ownership Certificates are legally owned by Zhengzhou Tianrui and Zhengzhou Tianrui has the rights to legally occupy and use these buildings in accordance with the Building Ownership Certificates and the PRC laws;

- e. The buildings of the property with Building Ownership Certificates are subject to a mortgage in favour of CCB Trust Company Limited and Zhengzhou Tianrui could not transfer nor lease these buildings without written consents from the mortgagee; and
 - f. For the buildings without relevant Building Ownership Certificates, the relevant government authorities have the rights to order to demolish these buildings.
6. Zhengzhou Tianrui is a wholly-owned subsidiary of the Company.

VALUATION CERTIFICATE

Group II - Properties held by the Group under development in the PRC

No.	Property	Description and tenure	Particulars of occupancy	Market Value in existing state as at October 31, 2011 RMB
24.	A parcel of land, various buildings and structures located in Gangxi Street Industrial Park, Dagang District, Tianjin, The PRC 位於中國天津市大港區港西街工業園之一塊土地、若干房屋及構築物	The property comprises a land parcel with a site area of approximately 134,901 sq.m. The property also comprises a cement plant with various buildings and structures which is under construction (the "CIP"). The planned GFA of the buildings of the CIP will be approximately 29,149.47 sq.m. upon completion. The estimated total construction cost is approximately RMB165,900,000, of which approximately RMB145,300,000 had been paid up to the date of valuation. The construction works of the CIP are scheduled to be completed in about 2011. The land use rights of the property have been granted for a term expiring on March 14, 2061 for industrial use.	The property is under development.	187,900,000

Notes:

- Pursuant to a Tianjin City State-owned Construction Land Use Rights Grant Contract entered into between Tianjin City Binhai New Area Planning, Land & Resources Administration Bureau (天津市濱海新區規劃和國土資源管理局) and Tianjin Tianrui Cement Company Limited (天津天瑞水泥有限公司) ("Tianjin Cement") dated March 7, 2011, the land use rights of the property with a site area of approximately 134,901 sq.m. were contracted to be granted to Tianjin Cement at a land premium of RMB42,700,000 for a term of 50 years for industrial use. The salient terms and conditions are summarized as follows:

Land Use Term:	50 years commencing on the handover date of the land parcel
Plot Ratio:	> 0.7
Maximum Building Height:	24 meters
Building Density:	≥30%
Greenery Ratio:	20%
Commencement Date of Construction Work:	before September 1, 2011
Completion Date of Construction Work:	before March 1, 2014

- Pursuant to a Tianjin City Real Estate Title Certificate, Fang Di Zheng Jin Zi Di No. 109051100362, the land use rights of the property with a site area of approximately 134,901 sq.m. have been granted to Tianjin Cement for a term expiring on March 14, 2061 for industrial use.
- Pursuant to a Construction Works Planning Permit, No. 2011 Da Gang Jian Zheng 0031, the buildings with a total GFA of approximately 29,149.47 sq.m. are permitted to be developed by Tianjin Cement.

4. The opinion of the PRC legal adviser to the Group contains, inter alia, the following:
 - a. The land use rights of the land parcel of the property are legally vested in Tianjin Cement and Tianjin Cement has the rights to legally occupy, use, transfer and lease the land parcel of the property in accordance with the Land Use Rights Certificate and the PRC laws;
 - b. As confirmed by the Company, the land parcel of the property is not subject to mortgage or other encumbrances; and
 - c. The construction permits of the CIP of the property have been obtained, there exist no legal impediments for Tianjin Cement to obtain relevant Building Ownership Certificates when the relevant Construction Completion Acceptance Registration Certificate (竣工驗收備案證明) has been obtained.
5. Tianjin Cement is a wholly-owned subsidiary of the Company.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Market Value in existing state as at October 31, 2011 RMB
25.	A parcel of land, various buildings and structures located in Beidongzhuang Village and Chendong Village, Qianjing Township, Yuzhou City, Henan Province, The PRC 位於中國河南省禹州市淺井鄉北董莊村及陳垌村之一塊土地、若干房屋及構築物	The property comprises a land parcel with a site area of approximately 199,999.95 sq.m. The property also comprises a cement plant with various buildings and structures which is under construction (the "CIP"). The planned GFA of the buildings of the CIP will be approximately 66,100 sq.m. upon completion. The estimated total construction cost is approximately RMB57,700,000, of which approximately RMB51,000,000 had been paid up to the date of valuation. The construction works of the CIP are scheduled to be completed in about July 2012. The land use rights of the property have been granted for a term expiring in 2059 for industrial use.	The property is under development.	93,500,000

Notes:

1. Pursuant to a State-owned Construction Land Use Rights Grant Contract, Yu (Yuzhou) Chu Rang (2009) Di No. 0055, the land use rights of the property with a site area of approximately 200,000 sq.m. were contracted to be granted to Yuzhou Zhongjin Cement Company Limited (禹州市中錦水泥有限公司) ("Yuzhou Cement") at a land premium of RMB35,000,000 for industrial use with the following salient conditions.

Plot Ratio: ≥ 0.7
 Building Density: $\geq 30\%$
 Greenery Ratio: $\leq 20\%$
 Other: Construction has to commence before February 3, 2010 and complete before June 30, 2012.
2. Pursuant to a State-owned Land Use Rights Certificate, Xu Guo Yong (2009) Di No. 02-0213, the land use rights of the property with a site area of approximately 199,999.95 sq.m. have been granted to Yuzhou Cement for a term expiring in 2059 for industrial use.
3. Pursuant to 3 Construction Works Commencement Permits, Nos. 411081200909290101, 411081200909290201 and 411081200909290301, the construction works of the CIP of the property were permitted to commence.
4. The opinion of the PRC legal adviser to the Group contains, inter alia, the following:
 - a. The land use rights of the property are legally vested in Yuzhou Cement and Yuzhou Cement has the rights to legally occupy, use, transfer and lease the land parcel in accordance with the State-owned Land Use Rights Certificate and the PRC laws;
 - b. As confirmed by Yuzhou Cement, the land parcel of the property is not subject to mortgages or other encumbrances; and

- c. The construction permits of the CIP of the property have been obtained, there exist no legal impediments for Yuzhou Cement to obtain relevant Building Ownership Certificates when the relevant Construction Completion Acceptance Registration Certificate (竣工驗收備案證明) has been obtained.
5. Yuzhou Cement is a wholly-owned subsidiary of the Company.

VALUATION CERTIFICATE

Group III - Properties occupied by the Group for short-term mining operations in the PRC

No.	Property	Description and tenure	Particulars of occupancy	Market Value in existing state as at October 31, 2011 RMB
26.	A parcel of land located in Zhifang Village, Qianying Township, Baofeng County, Pingdingshan City, Henan Province, The PRC 位於中國河南省 平頂山市寶豐縣 前營鄉紙房村 之一塊土地	The property comprises a land parcel with a site area of approximately 5,232,700 sq.m.	The property is occupied by the Group for short-term mining use.	No Commercial Value

Notes:

- Pursuant to a Confirmation Letter issued by Baofeng County Land & Resources Bureau (寶豐縣國土資源局) dated September 22, 2010, Tianrui Group Cement Company Limited (天瑞集團水泥有限公司) ("Tianrui Cement") has the rights to use the property with a site area of approximately 5,232,700 sq.m. for a temporary land use term commencing on September 26, 2010 and expiring on September 26, 2012.
- In the valuation of this property, we have attributed no commercial value to the property as the property is temporarily occupied by Tianrui Cement for short-term mining use and the land use rights of the property is not vested in Tianrui Cement.
- The opinion of the PRC legal adviser to the Group contains, inter alia, the following:

Tianrui Cement has the rights to legally use the property within the relevant term of temporary land use rights.
- Tianrui Cement is a wholly-owned subsidiary of the Company.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Market Value in existing state as at October 31, 2011 RMB
27.	3 parcels of land located in Guanmiao Village, Dongmazhuang Village and Xiaoshangou Village, Linru Town, Ruzhou City, Henan Province, The PRC	The property comprises 3 land parcels with a total site area of approximately 206,200 sq.m.	The property is occupied by the Group for short-term mining use.	No Commercial Value
	位於中國河南省汝州市臨汝鎮關廟村、東馬莊村及小山溝村之三塊土地			

Notes:

- Pursuant to a Confirmation Letter issued by Ruzhou City Land Administration Bureau (汝州市土地管理局) dated March 21, 2011, Tianrui Group Cement Company Limited (天瑞集團水泥有限公司) ("Tianrui Cement") has the rights to use the property with a total site area of approximately 206,200 sq.m. for a temporary land use term commencing on August 6, 2010 and expiring on August 5, 2012.
- In the valuation of this property, we have attributed no commercial value to the property as the property is temporarily occupied by Tianrui Cement for short-term mining use and the land use rights of the property is not vested in Tianrui Cement.
- The opinion of the PRC legal adviser to the Group contains, inter alia, the following:

Tianrui Cement has the rights to legally use the property within the relevant term of temporary land use rights.
- Tianrui Cement is a wholly-owned subsidiary of the Company.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Market Value in existing state as at October 31, 2011 RMB
28.	A parcel of land located at the west of Zhaigongdian Village, Mangchuan Township, Ruzhou City, Henan Province, The PRC 位於中國河南省 汝州市蟒川鄉 齋公店村西 之一塊土地	The property comprises a land parcel with a site area of approximately 33,200 sq.m.	The property is occupied by the Group for short-term mining use.	No Commercial Value

Notes:

- Pursuant to a Confirmation Letter issued by Ruzhou City Land Administration Bureau (汝州市土地管理局) dated December 20, 2010, Tianrui Group Ruzhou Cement Company Limited (天瑞集團汝州水泥有限公司) ("Ruzhou Cement") has the rights to use the property with a site area of approximately 33,200 sq.m. for a temporary land use term commencing on December 27, 2010 and expiring on December 27, 2012.
- In the valuation of this property, we have attributed no commercial value to the property as the property is temporarily occupied by Ruzhou Cement for short-term mining use and the land use rights of the property is not vested in Ruzhou Cement.
- The opinion of the PRC legal adviser to the Group contains, inter alia, the following:

Ruzhou Cement has the rights to legally use the property within the relevant term of the temporary land use rights.
- Ruzhou Cement is a wholly-owned subsidiary of the Company.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Market Value in existing state as at October 31, 2011 RMB
29.	A parcel of land, various buildings and structures located at the north of Shihuiyao Village, Mangchuan Township, Ruzhou City, Henan Province, The PRC 位於中國河南省汝州市蟒川鄉石灰窯村北之一塊土地及若干房屋及構築物	The property comprises a land parcel with a site area of approximately 1,001,300 sq.m. and 3 buildings completed in various stages between 2003 and 2004 erected thereon. The total gross floor area (“GFA”) of the buildings of the property is approximately 595 sq.m.	The property is occupied by the Group for short-term mining use.	No Commercial Value

Notes:

1. Pursuant to a Confirmation Letter issued by Ruzhou City Land Administration Bureau (汝州市土地管理局) dated September 17, 2010, Tianrui Group Ruzhou Cement Company Limited (天瑞集團汝州水泥有限公司) (“Ruzhou Cement”) has the rights to use the land parcel of the property with a site area of approximately 1,001,300 sq.m. for a temporary land use term commencing on September 21, 2010 and expiring on September 21, 2012.
2. For the buildings of the property with a total GFA of approximately 595 sq.m., we have not been provided with any title certificates.
3. In the valuation of this property, we have attributed no commercial value to the property as the property is temporarily occupied by Ruzhou Cement for short-term mining use and the land use rights of the property is not vested in Ruzhou Cement.
4. The opinion of the PRC legal adviser to the Group contains, inter alia, the following:
 - a. Ruzhou Cement has the rights to legally use the land parcel of the property within the relevant term of the temporary land use rights; and
 - b. Pursuant to a Confirmation Letter issued by Ruzhou City Real Estate Administration Department (汝州市房地產管理處) dated March 21, 2011, the buildings of the property with a total GFA of approximately 595 sq.m. are temporary buildings and it is not required to obtain relevant Building Ownership Certificates and the absence of relevant Building Ownership Certificates would not affect the operation of Ruzhou Cement and Ruzhou Cement will not be subject to penalty.
5. Ruzhou Cement is a wholly-owned subsidiary of the Company.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Market Value in existing state as at October 31, 2011 RMB
30.	A parcel of land located at the north of Shihuiyao Village, Mangchuan Township, Ruzhou City, Henan Province, The PRC 位於中國河南省汝州市蟒川鄉石灰窯村北之一塊土地	The property comprises a land parcel with a site area of approximately 180,100 sq.m.	The property is occupied by the Group for short-term mining use.	No Commercial Value

Notes:

- Pursuant to a Confirmation Letter issued by Ruzhou City Land Administration Bureau (汝州市土地管理局) dated March 12, 2010, Tianrui Group Ruzhou Cement Company Limited (天瑞集團汝州水泥有限公司) ("Ruzhou Cement") has the rights to use the property with a site area of approximately 180,100 sq.m. for a temporary land use term commencing on March 17, 2010 and expiring on March 17, 2012.
- In the valuation of this property, we have attributed no commercial value to the property as the property is temporarily occupied by Ruzhou Cement for short-term mining use and the land use rights of the property is not vested in Ruzhou Cement.
- The opinion of the PRC legal adviser to the Group contains, inter alia, the following:

Ruzhou Cement has the rights to legally use the property within the relevant term of the temporary land use rights.
- Ruzhou Cement is a wholly-owned subsidiary of the Company.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Market Value in existing state as at October 31, 2011 RMB
31.	A parcel of land located in Yunshanzhai Mining Area, Guangshan County, Xinyang City, Henan Province, The PRC 位於中國河南省 信陽市光山縣 雲山寨礦區 之一塊土地	The property comprises a land parcel with a site area of approximately 307,334.87 sq.m.	The property is occupied by the Group for short-term mining use.	No Commercial Value

Notes:

- Pursuant to a Confirmation Letter issued by Guangshan County Land & Resources Bureau (光山縣國土資源局) dated March 29, 2011, Tianrui Group Cement Company Limited (天瑞集團水泥有限公司) ("Tianrui Cement") has the rights to use the property with a site area of approximately 307,334.87 sq.m. for a temporary land use term commencing on December 9, 2010 and expiring on December 8, 2012.
- In the valuation of this property, we have attributed no commercial value to the property as the property is temporarily occupied by Tianrui Cement for short-term mining use and the land use rights of the property is not vested in Tianrui Cement.
- The opinion of the PRC legal adviser to the Group contains, inter alia, the following:

Tianrui Cement has the rights to legally use the property within the relevant term of the temporary land use rights.
- Tianrui Cement is a wholly-owned subsidiary of the Company.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Market Value in existing state as at October 31, 2011 RMB
32.	A parcel of land located in Qingshan Village, Baitugang Town, Nanzhao County, Nanyang City, Henan Province, The PRC	The property comprises a land parcel with a site area of approximately 685,200 sq.m.	The property is occupied by the Group for short-term mining use.	No Commercial Value

位於中國河南省
南陽市南召縣
白土崗鎮青山村
之一塊土地

Notes:

1. Pursuant to a Confirmation Letter issued by Nanzhao County Land & Resources Bureau (南召縣國土資源局) dated March 19, 2011, the property with a site area of approximately 685,200 sq.m. is occupied by Tianrui Group Nanzhao Cement Company Limited (天瑞集團南召水泥有限公司) ("Nanzhao Cement") for open-pit mining purpose.
2. In the valuation of this property, we have attributed no commercial value to the property as the property is temporarily occupied by Nanzhao Cement for short-term mining use and the land use rights of the property is not vested in Nanzhao Cement.
3. The opinion of the PRC legal adviser to the Group contains, inter alia, the following:

Nanzhao Cement has the rights to legally use the property.
4. Nanzhao Cement is a wholly-owned subsidiary of the Company.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Market Value in existing state as at October 31, 2011 RMB
33.	A parcel of land located in Baitu Town, Xiao County, Suzhou City, Anhui Province, The PRC 位於中國安徽省宿州市蕭縣白土鎮之一塊土地	The property comprises a land parcel with a site area of approximately 192,829 sq.m.	The property is occupied by the Group for short-term mining use.	No Commercial Value

Notes:

- Pursuant to a Confirmation Letter issued by Xiao County Land & Resources Bureau (蕭縣國土資源局) dated March 22, 2011, Tianrui Group Xiaoxian Cement Company Limited (天瑞集團蕭縣水泥有限公司) (“Xiaoxian Cement”) has the rights to use the property with a site area of approximately 192,829 sq.m. for a temporary land use term commencing in February 2011 and expiring in February 2013.
- In the valuation of this property, we have attributed no commercial value to the property as the property is temporarily occupied by Xiaoxian Cement for short-term mining use and the land use rights of the property is not vested in Xiaoxian Cement.
- The opinion of the PRC legal adviser to the Group contains, inter alia, the following:

Pursuant to the aforesaid Confirmation Letter, Xiaoxian Cement has the rights to legally occupy and use the property within the relevant term of the temporary land use rights.
- Xiaoxian Cement is a wholly-owned subsidiary of the Company.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Market Value in existing state as at October 31, 2011 RMB
34.	A parcel of land and 2 buildings located in Luzhuang Village, Cuimiao Town, Xingyang City, Henan Province, The PRC	The property comprises a land parcel with a site area of approximately 91,069.33 sq.m. and 2 buildings completed in 2010 erected thereon. The total gross floor area (“GFA”) of the buildings of the property is approximately 1,835.16 sq.m.	The property is occupied by the Group for short-term mining use.	No Commercial Value

位於中國河南省
 滎陽市崔廟鎮
 蘆莊村
 之一塊土地及
 兩棟房屋

Notes:

1. Pursuant to a Confirmation Letter issued by Xingyang City Land & Resources Bureau (滎陽市國土資源局) dated March 22, 2011, Tianrui Group Zhengzhou Cement Company Limited (天瑞集團鄭州水泥有限公司) (“Zhengzhou Cement”) has the rights to use the land parcel of the property with a site area of approximately 91,069.33 sq.m. for a temporary land use term commencing on March 22, 2011 and expiring on March 21, 2013.
2. For the buildings of the property with a total GFA of approximately 1,835.16 sq.m., we have not been provided with any title certificates.
3. In the valuation of this property, we have attributed no commercial value to the property as the property is temporarily occupied by Zhengzhou Cement for short-term mining use and the land use rights of the property is not vested in Zhengzhou Cement.
4. The opinion of the PRC legal adviser to the Group contains, inter alia, the following:
 - a. Zhengzhou Cement has the rights to legally use the land parcel of the property within the relevant term of the temporary land use rights; and
 - b. According to a Confirmation Letter issued by Xingyang City House Indemnification & Real Estate Center (滎陽市住房保障和房地產中心) dated June 30, 2011, the buildings of the property with a total GFA of approximately 1,835.16 sq.m. are not required to obtain relevant Building Ownership Certificates and the absence of relevant Building Ownership Certificates would not affect the operation of Zhengzhou Cement and Zhengzhou Cement will not be subject to any penalty.
5. Zhengzhou Cement is a wholly-owned subsidiary of the Company.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Market Value in existing state as at October 31, 2011 RMB
35.	A parcel of land located in Douyigou Mining Area, Taigong Town, Weihui City, Henan Province, The PRC 位於中國河南省 衛輝市太公鎮 豆義溝礦區 之一塊土地	The property comprises a land parcel with a site area of approximately 1,275,000 sq.m.	The property is occupied by the Group for short-term mining use.	No Commercial Value

Notes:

1. Pursuant to a Confirmation Letter issued by Weihui City Land & Resources Bureau (衛輝市國土資源局) dated March 17, 2011, Weihui Tianrui Cement Company Limited (衛輝市天瑞水泥有限公司) ("Weihui Cement") has the rights to use the property with a site area of approximately 1,275,000 sq.m. for a temporary land use term commencing on August 22, 2010 and expiring on August 22, 2012.
2. In the valuation of this property, we have attributed no commercial value to the property as the property is temporarily occupied by Weihui Cement for short-term mining use and the land use rights of the property is not vested in Weihui Cement.
3. The opinion of the PRC legal adviser to the Group contains, inter alia, the following:

Weihui Cement has the rights to legally use the property within the relevant term of the temporary land use rights.
4. Weihui Cement is a wholly-owned subsidiary of the Company.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Market Value in existing state as at October 31, 2011 RMB
36.	A parcel of land and 2 buildings located in Shabao Village, Changxingdao Lingang Industrial Zone, Dalian City, Liaoning Province, The PRC 位於中國遼寧省 大連市 長興島臨港工業區 沙包村 之一塊土地及 兩棟房屋	The property comprises a land parcel with a site area of approximately 1,098,879 sq.m. and 2 buildings completed in 2007 erected thereon. The total gross floor area (“GFA”) of the buildings of the property is approximately 145 sq.m.	The property is occupied by the Group for short-term mining use.	No Commercial Value

Notes:

1. Pursuant to a Confirmation Letter issued by Dalian City Land & Resources & Building Bureau Changxing Island Land & Resources Branch (大連市國土資源和房屋局長興島國土資源分局) dated March 25, 2011, Dalian Tianrui Cement Company Limited (大連天瑞水泥有限公司) (“Dalian Cement”) has the rights to use the land parcel of the property with a site area of approximately 1,098,879 sq.m. for a temporary land use term commencing on March 25, 2011 and expiring on March 24, 2013.
2. For the buildings of the property with a total GFA of approximately 145 sq.m., we have not been provided with any title certificates.
3. In the valuation of this property, we have attributed no commercial value to the property as the property is temporarily occupied by Dalian Cement for short-term mining use and the land use rights of the property is not vested in Dalian Cement.
4. The opinion of the PRC legal adviser to the Group contains, inter alia, the following:
 - a. Dalian Cement has the rights to legally use the land parcel of the property within the relevant term of the temporary land use rights; and
 - b. According to a Letter issued by Dalian City Land & Resources & Building Bureau Changxing Island Land & Resources Branch (大連市國土資源和房屋局長興島國土資源分局) dated September 30, 2011, the buildings of the property with a total GFA of approximately 145 sq.m. are temporary buildings and it is not required to obtain Building Ownership Certificates.
5. Dalian Cement is a wholly-owned subsidiary of the Company.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Market Value in existing state as at October 31, 2011 RMB
37.	A parcel of land and a building located at No. 9 Gao Shan Street, Wensheng District, Liaoyang City, Liaoning Province, The PRC 位於中國遼寧省 遼陽市文聖區 高山街9號 之一塊土地及 一棟房屋	The property comprises a land parcel with a site area of approximately 266,668 sq.m. and a building completed in about 2010 erected thereon. The gross fool area (“GFA”) of the building of the property is approximately 64.16 sq.m.	The property is occupied by the Group for short-term mining use.	No Commercial Value

Notes:

1. Pursuant to a Confirmation Letter issued by Liaoyang City Land & Resources Bureau (遼陽市國土資源局) dated March 18, 2011, Liaoyang Tianrui Cement Company Limited (遼陽天瑞水泥有限公司) (“Liaoyang Cement”) has the rights to use the land parcel of the property with a site area of approximately 266,668 sq.m. for a temporary land use term commencing on March 31, 2010 and expiring on March 31, 2012.
2. For the building of the property with a GFA of approximately 64.16 sq.m., we have not been provided with any title certificates.
3. In the valuation of this property, we have attributed no commercial value to the property as the property is temporarily occupied by Liaoyang Cement for short-term mining use and the land use rights of the property is not vested in Liaoyang Cement.
4. The opinion of the PRC legal adviser to the Group contains, inter alia, the following:
 - a. Liaoyang Cement has the rights to legally use the land parcel of the property within the relevant term of the temporary land use rights; and
 - b. According to a Confirmation Letter issued by Liaoyang City Urban Construction Composite Development Requisition & Relocation Office (遼陽市城市建設綜合開發動遷安置辦公室) dated March 21, 2011, the building of the property is a temporary building and it is not required to obtain relevant Building Ownership Certificate.
5. Liaoyang Cement is a wholly-owned subsidiary of the Company.

VALUATION CERTIFICATE

Group IV - Properties leased by the Group in the PRC

No.	Property	Description and tenure	Particulars of occupancy	Market Value in existing state as at October 31, 2011 RMB
38.	Level 9, Tianrui Building, No. 63 Guang Cheng Road, Ruzhou City, Henan Province, The PRC 中國河南省汝州市 廣成路63號 天瑞大廈9樓	The property comprises the whole of Level 9 of an 11-storey office building completed in about 2006. The gross floor area (“GFA”) of the property is approximately 1,849.82 sq.m. Pursuant to a tenancy agreement entered into between Tianrui Group Company Limited (天瑞集團有限公司) (“Tianrui Group”), a connected party, and Tianrui Group Cement Company Limited (天瑞集團水泥有限公司) (“Tianrui Cement”), the property is leased to the latter for a term of 1 year commencing on January 1, 2011 and expiring on December 31, 2011 at an annual rent of RMB1,800,000 inclusive of water, electricity and car parking charges.	The property is occupied by the Group for office purpose.	No Commercial Value

Notes:

1. The opinion of the PRC legal adviser to the Group contains, inter alia, the following:
 - a. The title of the property is legally vested in Tianrui Group and Tianrui Group has the rights to lease the property to Tianrui Cement;
 - b. The tenancy agreement is legally valid and binding on the contracting parties;
 - c. As confirmed by the Company, the tenancy agreement has not been registered; and
 - d. The non-registration of the tenancy agreement will not affect its validity and Tianrui Cement has the rights to legally use the property within the term of the tenancy. However, Tianrui Cement might be subject to a penalty.
2. Tianrui Cement is a wholly-owned subsidiary of the Company.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Market Value in existing state as at October 31, 2011 RMB
39.	<p>A parcel of land, a building and various structures located at the north of Dong Huan Road, Dongweizhuang Village, Chengguan Township, Ye County, Pingdingshan City, Henan Province, The PRC</p> <p>位於中國河南省平頂山市葉縣城關鄉東衛莊村東環路北之一塊土地、一幢房屋及若干構築物</p>	<p>The property comprises a land parcel with a site area of approximately 5,200 sq.m. and a building and various ancillary structures completed in 1999 erected thereon.</p> <p>The gross floor area (“GFA”) of the building of the property is approximately 123.53 sq.m.</p> <p>Pursuant to a Tenancy Agreement entered into between Tianrui Group Ruzhou Cement Company Limited (天瑞集團汝州水泥有限公司) (“Ruzhou Cement”) and an independent third party, the property is leased to Ruzhou Cement for a term commencing on September 20, 2009 and expiring on September 20, 2014 at an annual rent of RMB25,000.</p>	<p>The property is occupied by the Group for cement sales purpose.</p>	No Commercial Value

Notes:

1. The opinion of the PRC legal adviser to the Group contains, inter alia, the following:
 - a. The title certificates of the land parcel of the property have not been provided, thus the lessor’s rights to lease the property to Ruzhou Cement cannot be ascertained; and
 - b. The tenancy of the property might not be protected by the PRC laws.
2. Ruzhou Cement is a wholly-owned subsidiary of the Company.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Market Value in existing state as at October 31, 2011 RMB
40.	Room No. 12, Level 10, Dalian Sanhe Hotel, No. 931 Xi Nan Road, Xihekou District, Dalian City, Liaoning Province, The PRC 中國遼寧省大連市 西河口區 西南路931號 大連三合大廈 10樓12號房	The property comprises a unit on Level 10 of a 30-storey hotel building completed in about 2001. The gross floor area (“GFA”) of the property is approximately 95 sq.m. Pursuant to a tenancy contract entered into between Dalian Tianrui Cement Company Limited (大連天瑞水泥有限公司) (“Dalian Cement”) and an independent third party, the property was leased to Dalian Cement for a term commencing on December 10, 2010 and expiring on December 9, 2011 at a total rent of RMB41,610 exclusive of water, electricity and gas charges, for office use. Pursuant to a tenancy contract, the tenancy has been renewed for a term commencing on December 10, 2011 and expiring on December 9, 2012 at a total rent of RMB41,610 exclusive of water, electricity and gas charges, for office use.	The property is occupied by the Group for office purpose.	No Commercial Value

Notes:

1. The opinion of the PRC legal adviser to the Group contains, inter alia, the following:
 - a. The title certificates of the property have not been provided, thus the lessor’s rights to lease the property to Dalian Cement cannot be ascertained; and
 - b. The tenancy of the property might not be protected by the PRC laws.
2. Dalian Cement is a wholly-owned subsidiary of the Company.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Market Value in existing state as at October 31, 2011 RMB
41.	A building located at the north of Rong Gong Road, Wangzhai Township, Ruzhou City, Henan Province, The PRC 位於中國河南省汝州市王寨鄉戎工路北側之一幢房屋	The property comprises a 4-storey building with 104 rooms completed in about 1987. The total gross floor area (“GFA”) of the units of the property is approximately 2,534.4 sq.m. Pursuant to a Building Tenancy Agreement entered into between Tianrui Group Ruzhou Cement Company Limited (天瑞集團汝洲水泥有限公司) (“Ruzhou Cement”) and Tianrui Group Foundry Company Limited (天瑞集團鑄造有限公司) (“Tianrui Foundry”), a connected party, dated August 20, 2009, the property is leased to Ruzhou Cement for a term of 5 years commencing on the date of this agreement at a monthly rent of RMB10 per room.	The property is occupied by the Group for dormitory purpose.	No Commercial Value

Notes:

1. The opinion of the PRC legal adviser to the Group contains, inter alia, the following:
 - a. The title of the property is legally vested in Tianrui Foundry and Tianrui Foundry has the rights to lease the property to Ruzhou Cement;
 - b. The Building Tenancy Agreement is legally valid and binding on the contrasting parties;
 - c. Relevant registration certificates of the tenancy agreement of the property have not been provided; and
 - d. The non-registration of the tenancy agreement will not affect its validity and Ruzhou Cement has the rights to legally use the property within the term of the tenancy. However, Ruzhou Cement might be subject to a penalty.
2. Ruzhou Cement is a wholly-owned subsidiary of the Company.

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Set out below is a summary of certain provisions of the Memorandum and Articles of Association of the Company and of certain aspects of Cayman company law.

The Company was incorporated in the Cayman Islands as an exempted company with limited liability on 7 February, 2011 under the Companies Law, Cap 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands (the “Companies Law”). The Memorandum of Association (the “Memorandum”) and the Articles of Association (the “Articles”) comprise its constitution.

1. MEMORANDUM OF ASSOCIATION

- (a) The Memorandum states, inter alia, that the liability of members of the Company is limited to the amount, if any, for the time being unpaid on the Shares respectively held by them and that the objects for which the Company is established are unrestricted (including acting as an investment company), and that the Company shall have and be capable of exercising all the functions of a natural person of full capacity irrespective of any question of corporate benefit, as provided in section 27(2) of the Companies Law and in view of the fact that the Company is an exempted company that the Company will not trade in the Cayman Islands with any person, firm or corporation except in furtherance of the business of the Company carried on outside the Cayman Islands.
- (b) The Company may by special resolution alter its Memorandum with respect to any objects, powers or other matters specified therein.

2. ARTICLES OF ASSOCIATION

The Articles were conditionally adopted on December 12, 2011. The following is a summary of certain provisions of the Articles:

(a) Directors

(i) *Power to allot and issue shares and warrants*

Subject to the provisions of the Companies Law and the Memorandum and Articles and to any special rights conferred on the holders of any shares or class of shares, any share may be issued with or have attached thereto such rights, or such restrictions, whether with regard to dividend, voting, return of capital, or otherwise, as the Company may by ordinary resolution determine (or, in the absence of any such determination or so far as the same may not make specific provision, as the board may determine). Subject to the Companies Law, the rules of any Designated Stock Exchange (as defined in the Articles) and the Memorandum and Articles, any share may be issued on terms that, at the option of the Company or the holder thereof, they are liable to be redeemed.

The board may issue warrants conferring the right upon the holders thereof to subscribe for any class of shares or securities in the capital of the Company on such terms as it may from time to time determine.

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Subject to the provisions of the Companies Law and the Articles and, where applicable, the rules of any Designated Stock Exchange (as defined in the Articles) and without prejudice to any special rights or restrictions for the time being attached to any shares or any class of shares, all unissued shares in the Company shall be at the disposal of the board, which may offer, allot, grant options over or otherwise dispose of them to such persons, at such times, for such consideration and on such terms and conditions as it in its absolute discretion thinks fit, but so that no shares shall be issued at a discount.

Neither the Company nor the board shall be obliged, when making or granting any allotment of, offer of, option over or disposal of shares, to make, or make available, any such allotment, offer, option or shares to members or others with registered addresses in any particular territory or territories being a territory or territories where, in the absence of a registration statement or other special formalities, this would or might, in the opinion of the board, be unlawful or impracticable. Members affected as a result of the foregoing sentence shall not be, or be deemed to be, a separate class of members for any purpose whatsoever.

(ii) Power to dispose of the assets of the Company or any subsidiary

There are no specific provisions in the Articles relating to the disposal of the assets of the Company or any of its subsidiaries. The Directors may, however, exercise all powers and do all acts and things which may be exercised or done or approved by the Company and which are not required by the Articles or the Companies Law to be exercised or done by the Company in general meeting.

(iii) Compensation or payments for loss of office

Pursuant to the Articles, payments to any Director or past Director of any sum by way of compensation for loss of office or as consideration for or in connection with his retirement from office (not being a payment to which the Director is contractually entitled) must be approved by the Company in general meeting.

(iv) Loans and provision of security for loans to Directors

There are provisions in the Articles prohibiting the making of loans to Directors.

(v) Disclosure of interests in contracts with the Company or any of its subsidiaries.

A Director may hold any other office or place of profit with the Company (except that of the auditor of the Company) in conjunction with his office of Director for such period and, subject to the Articles, upon such terms as the board may determine, and may be paid such extra remuneration therefor (whether by way of salary, commission, participation in profits or otherwise) in addition to any remuneration provided for by or pursuant to any other Articles. A Director may be or become a director or other officer of, or otherwise interested in, any company promoted by the Company or any

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other company in which the Company may be interested, and shall not be liable to account to the Company or the members for any remuneration, profits or other benefits received by him as a director, officer or member of, or from his interest in, such other company. Subject as otherwise provided by the Articles, the board may also cause the voting power conferred by the shares in any other company held or owned by the Company to be exercised in such manner in all respects as it thinks fit, including the exercise thereof in favour of any resolution appointing the Directors or any of them to be directors or officers of such other company, or voting or providing for the payment of remuneration to the directors or officers of such other company.

Subject to the Companies Law and the Articles, no Director or proposed or intended Director shall be disqualified by his office from contracting with the Company, either with regard to his tenure of any office or place of profit or as vendor, purchaser or in any other manner whatsoever, nor shall any such contract or any other contract or arrangement in which any Director is in any way interested be liable to be avoided, nor shall any Director so contracting or being so interested be liable to account to the Company or the members for any remuneration, profit or other benefits realised by any such contract or arrangement by reason of such Director holding that office or the fiduciary relationship thereby established. A Director who to his knowledge is in any way, whether directly or indirectly, interested in a contract or arrangement or proposed contract or arrangement with the Company shall declare the nature of his interest at the meeting of the board at which the question of entering into the contract or arrangement is first taken into consideration, if he knows his interest then exists, or in any other case, at the first meeting of the board after he knows that he is or has become so interested.

A Director shall not vote (nor be counted in the quorum) on any resolution of the board approving any contract or arrangement or other proposal in which he or any of his associates is materially interested, but this prohibition shall not apply to any of the following matters, namely:

- (aa) any contract or arrangement for giving to such Director or his associate(s) any security or indemnity in respect of money lent by him or any of his associates or obligations incurred or undertaken by him or any of his associates at the request of or for the benefit of the Company or any of its subsidiaries;
- (bb) any contract or arrangement for the giving of any security or indemnity to a third party in respect of a debt or obligation of the Company or any of its subsidiaries for which the Director or his associate(s) has himself/themselves assumed responsibility in whole or in part whether alone or jointly under a guarantee or indemnity or by the giving of security;
- (cc) any contract or arrangement concerning an offer of shares or debentures or other securities of or by the Company or any other company which the Company may promote or be interested in for subscription or purchase, where the Director or his associate(s) is/are or is/are to be interested as a participant in the underwriting or sub-underwriting of the offer;
- (dd) any contract or arrangement in which the Director or his associate(s) is/are interested in the same manner as other holders of shares or debentures or other securities of the Company by virtue only of his/their interest in shares or debentures or other securities of the Company; or

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(ee) any proposal or arrangement concerning the adoption, modification or operation of a share option scheme, a pension fund or retirement, death, or disability benefits scheme or other arrangement which relates both to Directors, his associates and employees of the Company or of any of its subsidiaries and does not provide in respect of any Director, or his associate(s), as such any privilege or advantage not accorded generally to the class of persons to which such scheme or fund relates.

(vi) *Remuneration*

The ordinary remuneration of the Directors shall from time to time be determined by the Company in general meeting, such sum (unless otherwise directed by the resolution by which it is voted) to be divided amongst the Directors in such proportions and in such manner as the board may agree or, failing agreement, equally, except that any Director holding office for part only of the period in respect of which the remuneration is payable shall only rank in such division in proportion to the time during such period for which he held office. The Directors shall also be entitled to be prepaid or repaid all travelling, hotel and incidental expenses reasonably expected to be incurred or incurred by them in attending any board meetings, committee meetings or general meetings or separate meetings of any class of shares or of debentures of the Company or otherwise in connection with the discharge of their duties as Directors.

Any Director who, by request, goes or resides abroad for any purpose of the Company or who performs services which in the opinion of the board go beyond the ordinary duties of a Director may be paid such extra remuneration (whether by way of salary, commission, participation in profits or otherwise) as the board may determine and such extra remuneration shall be in addition to or in substitution for any ordinary remuneration as a Director. An executive Director appointed to be a managing director, joint managing director, deputy managing director or other executive officer shall receive such remuneration (whether by way of salary, commission or participation in profits or otherwise or by all or any of those modes) and such other benefits (including pension and/or gratuity and/or other benefits on retirement) and allowances as the board may from time to time decide. Such remuneration may be either in addition to or in lieu of his remuneration as a Director.

The board may establish or concur or join with other companies (being subsidiary companies of the Company or companies with which it is associated in business) in establishing and making contributions out of the Company's monies to any schemes or funds for providing pensions, sickness or compassionate allowances, life assurance or other benefits for employees (which expression as used in this and the following paragraph shall include any Director or ex-Director who may hold or have held any executive office or any office of profit with the Company or any of its subsidiaries) and ex-employees of the Company and their dependents or any class or classes of such persons.

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The board may pay, enter into agreements to pay or make grants of revocable or irrevocable, and either subject or not subject to any terms or conditions, pensions or other benefits to employees and ex-employees and their dependents, or to any of such persons, including pensions or benefits additional to those, if any, to which such employees or ex-employees or their dependents are or may become entitled under any such scheme or fund as is mentioned in the previous paragraph. Any such pension or benefit may, as the board considers desirable, be granted to an employee either before and in anticipation of, or upon or at any time after, his actual retirement.

(vii) Retirement, appointment and removal

At each annual general meeting, one third of the Directors for the time being (or if their number is not a multiple of three, then the number nearest to but not less than one third) will retire from office by rotation provided that every Director shall be subject to retirement at an annual general meeting at least once every three years. The Directors to retire in every year will be those who have been longest in office since their last re-election or appointment but as between persons who became or were last re-elected Directors on the same day those to retire will (unless they otherwise agree among themselves) be determined by lot. There are no provisions relating to retirement of Directors upon reaching any age limit.

The Directors shall have the power from time to time and at any time to appoint any person as a Director either to fill a casual vacancy on the board or as an addition to the existing board. Any Director appointed to fill a casual vacancy shall hold office until the first general meeting of members after his appointment and be subject to re-election at such meeting and any Director appointed as an addition to the existing board shall hold office only until the next following annual general meeting of the Company and shall then be eligible for re-election. Neither a Director nor an alternate Director is required to hold any shares in the Company by way of qualification.

A Director may be removed by an ordinary resolution of the Company before the expiration of his period of office (but without prejudice to any claim which such Director may have for damages for any breach of any contract between him and the Company) and may by ordinary resolution appoint another in his place. Unless otherwise determined by the Company in general meeting, the number of Directors shall not be less than two. There is no maximum number of Directors.

The office of director shall be vacated:

- (aa) if he resigns his office by notice in writing delivered to the Company at the registered office of the Company for the time being or tendered at a meeting of the Board;
- (bb) becomes of unsound mind or dies;
- (cc) if, without special leave, he is absent from meetings of the board (unless an alternate director appointed by him attends) for six (6) consecutive months, and the board resolves that his office is vacated;

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- (dd) if he becomes bankrupt or has a receiving order made against him or suspends payment or compounds with his creditors;
- (ee) if he is prohibited from being a director by law;
- (ff) if he ceases to be a director by virtue of any provision of law or is removed from office pursuant to the Articles.

The board may from time to time appoint one or more of its body to be managing director, joint managing director, or deputy managing director or to hold any other employment or executive office with the Company for such period and upon such terms as the board may determine and the board may revoke or terminate any of such appointments. The board may delegate any of its powers, authorities and discretions to committees consisting of such Director or Directors and other persons as the board thinks fit, and it may from time to time revoke such delegation or revoke the appointment of and discharge any such committees either wholly or in part, and either as to persons or purposes, but every committee so formed shall, in the exercise of the powers, authorities and discretions so delegated, conform to any regulations that may from time to time be imposed upon it by the board.

(viii) Borrowing powers

The board may exercise all the powers of the Company to raise or borrow money, to mortgage or charge all or any part of the undertaking, property and assets (present and future) and uncalled capital of the Company and, subject to the Companies Law, to issue debentures, bonds and other securities of the Company, whether outright or as collateral security for any debt, liability or obligation of the Company or of any third party.

Note: These provisions, in common with the Articles in general, can be varied with the sanction of a special resolution of the Company.

(ix) Proceedings of the Board

The board may meet for the despatch of business, adjourn and otherwise regulate their meetings as they think fit. Questions arising at any meeting shall be determined by a majority of votes. In the case of an equality of votes, the chairman of the meeting shall have an additional or casting vote.

(x) Register of Directors and Officers

The Companies Law and the Articles provide that the Company is required to maintain at its registered office a register of directors and officers which is not available for inspection by the public. A copy of such register must be filed with the Registrar of Companies in the Cayman Islands and any change must be notified to the Registrar within thirty (30) days of any change in such directors or officers.

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(b) Alterations to constitutional documents

The Articles may be rescinded, altered or amended by the Company in general meeting by special resolution. The Articles state that a special resolution shall be required to alter the provisions of the Memorandum, to amend the Articles or to change the name of the Company.

(c) Alteration of capital

The Company may from time to time by ordinary resolution in accordance with the relevant provisions of the Companies Law:

- (i) increase its capital by such sum, to be divided into shares of such amounts as the resolution shall prescribe;
- (ii) consolidate and divide all or any of its capital into shares of larger amount than its existing shares;
- (iii) divide its shares into several classes and without prejudice to any special rights previously conferred on the holders of existing shares attach thereto respectively any preferential, deferred, qualified or special rights, privileges, conditions or restrictions as the Company in general meeting or as the directors may determine;
- (iv) sub-divide its shares or any of them into shares of smaller amount than is fixed by the Memorandum, subject nevertheless to the provisions of the Companies Law, and so that the resolution whereby any share is sub-divided may determine that, as between the holders of the shares resulting from such sub-division, one or more of the shares may have any such preferred or other special rights, over, or may have such deferred rights or be subject to any such restrictions as compared with the others as the Company has power to attach to unissued or new shares; or
- (v) cancel any shares which, at the date of passing of the resolution, have not been taken, or agreed to be taken, by any person, and diminish the amount of its capital by the amount of the shares so cancelled.

The Company may subject to the provisions of the Companies Law reduce its share capital or any capital redemption reserve or other undistributable reserve in any way by special resolution.

(d) Variation of rights of existing shares or classes of shares

Subject to the Companies Law, all or any of the special rights attached to the shares or any class of shares may (unless otherwise provided for by the terms of issue of that class) be varied, modified or abrogated either with the consent in writing of the holders of not less than three-fourths in nominal value of the issued shares of that class or with the sanction of a special resolution passed at a separate

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general meeting of the holders of the shares of that class. To every such separate general meeting the provisions of the Articles relating to general meetings will *mutatis mutandis* apply, but so that the necessary quorum (other than at an adjourned meeting) shall be two persons holding or representing by proxy not less than one-third in nominal value of the issued shares of that class and at any adjourned meeting two holders present in person or by proxy whatever the number of shares held by them shall be a quorum. Every holder of shares of the class shall be entitled to one vote for every such share held by him.

The special rights conferred upon the holders of any shares or class of shares shall not, unless otherwise expressly provided in the rights attaching to the terms of issue of such shares, be deemed to be varied by the creation or issue of further shares ranking *pari passu* therewith.

(e) Special resolution-majority required

Pursuant to the Articles, a special resolution of the Company must be passed by a majority of not less than three-fourths of the votes cast by such members as, being entitled so to do, vote in person or, in the case of such members as are corporations, by their duly authorized representatives or, where proxies are allowed, by proxy at a general meeting of which notice of not less than twenty-one (21) clear days and not less than ten (10) clear business days specifying the intention to propose the resolution as a special resolution, has been duly given. Provided that if permitted by the Designated Stock Exchange (as defined in the Articles), except in the case of an annual general meeting, if it is so agreed by a majority in number of the members having a right to attend and vote at such meeting, being a majority together holding not less than ninety-five per cent. (95%) in nominal value of the shares giving that right and, in the case of an annual general meeting, if so agreed by all Members entitled to attend and vote thereat, a resolution may be proposed and passed as a special resolution at a meeting of which notice of less than twenty-one (21) clear days and less than ten (10) clear business days has been given.

A copy of any special resolution must be forwarded to the Registrar of Companies in the Cayman Islands within fifteen (15) days of being passed.

An ordinary resolution is defined in the Articles to mean a resolution passed by a simple majority of the votes of such members of the Company as, being entitled to do so, vote in person or, in the case of corporations, by their duly authorized representatives or, where proxies are allowed, by proxy at a general meeting held in accordance with the Articles.

(f) Voting rights

Subject to any special rights or restrictions as to voting for the time being attached to any shares by or in accordance with the Articles, at any general meeting on a poll every member present in person or by proxy or, in the case of a member being a corporation, by its duly authorized representative shall have one vote for every fully paid share of which he is the holder but so that no amount paid up or credited as paid up on a share in advance of calls or installments is treated for the foregoing purposes as paid up on the share. A member entitled to more than one vote need not use all his votes or cast all the votes he uses in the same way.

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At any general meeting a resolution put to the vote of the meeting is to be decided by way of a poll save that the chairman of the meeting may in good faith, allow a resolution which relates purely to a procedural or administrative matter to be voted on by a show of hands in which case every Member present in person (or being a corporation, is present by a duly authorized representative), or by proxy(ies) shall have one vote provided that where more than one proxy is appointed by a Member which is a clearing house (or its nominee(s)), each such proxy shall have one vote on a show of hands.

If a recognized clearing house (or its nominee(s)) is a member of the Company it may authorise such person or persons as it thinks fit to act as its representative(s) at any meeting of the Company or at any meeting of any class of members of the Company provided that, if more than one person is so authorized, the authorisation shall specify the number and class of shares in respect of which each such person is so authorized. A person authorized pursuant to this provision shall be deemed to have been duly authorized without further evidence of the facts and be entitled to exercise the same powers on behalf of the recognized clearing house (or its nominee(s)) as if such person was the registered holder of the shares of the Company held by that clearing house (or its nominee(s)) including, where a show of hands is allowed, the right to vote individually on a show of hands.

Where the Company has any knowledge that any shareholder is, under the rules of the Designated Stock Exchange (as defined in the Articles), required to abstain from voting on any particular resolution of the Company or restricted to voting only for or only against any particular resolution of the Company, any votes cast by or on behalf of such shareholder in contravention of such requirement or restriction shall not be counted.

(g) Requirements for annual general meetings

An annual general meeting of the Company must be held in each year, other than the year of adoption of the Articles (within a period of not more than fifteen (15) months after the holding of the last preceding annual general meeting or a period of eighteen (18) months from the date of adoption of the Articles, unless a longer period would not infringe the rules of any Designated Stock Exchange (as defined in the Articles)) at such time and place as may be determined by the board.

(h) Accounts and audit

The board shall cause true accounts to be kept of the sums of money received and expended by the Company, and the matters in respect of which such receipt and expenditure take place, and of the property, assets, credits and liabilities of the Company and of all other matters required by the Companies Law or necessary to give a true and fair view of the Company's affairs and to explain its transactions.

The accounting records shall be kept at the registered office or at such other place or places as the board decides and shall always be open to inspection by any Director. No member (other than a Director) shall have any right to inspect any accounting record or book or document of the Company except as conferred by law or authorized by the board or the Company in general meeting.

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A copy of every balance sheet and profit and loss account (including every document required by law to be annexed thereto) which is to be laid before the Company at its general meeting, together with a printed copy of the Directors' report and a copy of the auditors' report, shall not less than twenty-one (21) days before the date of the meeting and at the same time as the notice of annual general meeting be sent to every person entitled to receive notices of general meetings of the Company under the provisions the Articles; however, subject to compliance with all applicable laws, including the rules of the Designated Stock Exchange (as defined in the Articles), the Company may send to such persons summarised financial statements derived from the Company's annual accounts and the directors' report instead provided that any such person may by notice in writing served on the Company, demand that the Company sends to him, in addition to summarised financial statements, a complete printed copy of the Company's annual financial statement and the directors' report thereon.

Auditors shall be appointed and the terms and tenure of such appointment and their duties at all times regulated in accordance with the provisions of the Articles. The remuneration of the auditors shall be fixed by the Company in general meeting or in such manner as the members may determine.

The financial statements of the Company shall be audited by the auditor in accordance with generally accepted auditing standards. The auditor shall make a written report thereon in accordance with generally accepted auditing standards and the report of the auditor shall be submitted to the members in general meeting. The generally accepted auditing standards referred to herein may be those of a country or jurisdiction other than the Cayman Islands. If so, the financial statements and the report of the auditor should disclose this fact and name such country or jurisdiction.

(i) Notices of meetings and business to be conducted thereat

An annual general meeting shall be called by notice of not less than twenty-one (21) clear days and not less than twenty (20) clear business days and any extraordinary general meeting at which it is proposed to pass a special resolution shall (save as set out in sub-paragraph (e) above) be called by notice of at least twenty-one (21) clear days and not less than ten (10) clear business days. All other extraordinary general meetings shall be called by notice of at least fourteen (14) clear days and not less than ten (10) clear business days. The notice must specify the time and place of the meeting and, in the case of special business, the general nature of that business. In addition notice of every general meeting shall be given to all members of the Company other than such as, under the provisions of the Articles or the terms of issue of the shares they hold, are not entitled to receive such notices from the Company, and also to the auditors for the time being of the Company.

Notwithstanding that a meeting of the Company is called by shorter notice than that mentioned above if permitted by the rules of the Designated Stock Exchange, it shall be deemed to have been duly called if it is so agreed:

- (i) in the case of a meeting called as an annual general meeting, by all members of the Company entitled to attend and vote thereat; and

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- (ii) in the case of any other meeting, by a majority in number of the members having a right to attend and vote at the meeting, being a majority together holding not less than ninety-five per cent (95%) in nominal value of the issued shares giving that right.

All business shall be deemed special that is transacted at an extraordinary general meeting and also all business shall be deemed special that is transacted at an annual general meeting with the exception of the following, which shall be deemed ordinary business:

- (aa) the declaration and sanctioning of dividends;
- (bb) the consideration and adoption of the accounts and balance sheet and the reports of the directors and the auditors;
- (cc) the election of directors in place of those retiring;
- (dd) the appointment of auditors and other officers;
- (ee) the fixing of the remuneration of the directors and of the auditors;
- (ff) the granting of any mandate or authority to the directors to offer, allot, grant options over or otherwise dispose of the unissued shares of the Company representing not more than twenty per cent (20%) in nominal value of its existing issued share capital; and
- (gg) the granting of any mandate or authority to the directors to repurchase securities of the Company.

(j) Transfer of shares

All transfers of shares may be effected by an instrument of transfer in the usual or common form or in a form prescribed by the Designated Stock Exchange (as defined in the Articles) or in such other form as the board may approve and which may be under hand or, if the transferor or transferee is a clearing house or its nominee(s), by hand or by machine imprinted signature or by such other manner of execution as the board may approve from time to time. The instrument of transfer shall be executed by or on behalf of the transferor and the transferee provided that the board may dispense with the execution of the instrument of transfer by the transferee in any case in which it thinks fit, in its discretion, to do so and the transferor shall be deemed to remain the holder of the share until the name of the transferee is entered in the register of members in respect thereof. The board may also resolve either generally or in any particular case, upon request by either the transferor or the transferee, to accept mechanically executed transfers.

The board in so far as permitted by any applicable law may, in its absolute discretion, at any time and from time to time transfer any share upon the principal register to any branch register or any share on any branch register to the principal register or any other branch register.

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Unless the board otherwise agrees, no shares on the principal register shall be transferred to any branch register nor may shares on any branch register be transferred to the principal register or any other branch register. All transfers and other documents of title shall be lodged for registration and registered, in the case of shares on a branch register, at the relevant registration office and, in the case of shares on the principal register, at the registered office in the Cayman Islands or such other place at which the principal register is kept in accordance with the Companies Law.

The board may, in its absolute discretion, and without assigning any reason, refuse to register a transfer of any share (not being a fully paid up share) to a person of whom it does not approve or any share issued under any share incentive scheme for employees upon which a restriction on transfer imposed thereby still subsists, and it may also refuse to register any transfer of any share to more than four joint holders or any transfer of any share (not being a fully paid up share) on which the Company has a lien.

The board may decline to recognise any instrument of transfer unless a fee of such maximum sum as any Designated Stock Exchange (as defined in the Articles) may determine to be payable or such lesser sum as the Directors may from time to time require is paid to the Company in respect thereof, the instrument of transfer, if applicable, is properly stamped, is in respect of only one class of share and is lodged at the relevant registration office or registered office or such other place at which the principal register is kept accompanied by the relevant share certificate(s) and such other evidence as the board may reasonably require to show the right of the transferor to make the transfer (and if the instrument of transfer is executed by some other person on his behalf, the authority of that person so to do).

The registration of transfers may be suspended and the register closed on giving notice by advertisement in a relevant newspaper and, where applicable, any other newspapers in accordance with the requirements of any Designated Stock Exchange (as defined in the Articles), at such times and for such periods as the board may determine and either generally or in respect of any class of shares. The register of members shall not be closed for periods exceeding in the whole thirty (30) days in any year.

(k) Power for the Company to purchase its own shares

The Company is empowered by the Companies Law and the Articles to purchase its own Shares subject to certain restrictions and the Board may only exercise this power on behalf of the Company subject to any applicable requirements imposed from time to time by any Designated Stock Exchange (as defined in the Articles).

(l) Power for any subsidiary of the Company to own shares in the Company and financial assistance to purchase shares of the Company

There are no provisions in the Articles relating to ownership of shares in the Company by a subsidiary.

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Subject to compliance with the rules and regulations of the Designated Stock Exchange (as defined in the Articles) and any other relevant regulatory authority, the Company may give financial assistance for the purpose of or in connection with a purchase made or to be made by any person of any shares in the Company.

(m) Dividends and other methods of distribution

Subject to the Companies Law, the Company in general meeting may declare dividends in any currency to be paid to the members but no dividend shall be declared in excess of the amount recommended by the board.

The Articles provide dividends may be declared and paid out of the profits of the Company, realised or unrealised, or from any reserve set aside from profits which the directors determine is no longer needed. With the sanction of an ordinary resolution dividends may also be declared and paid out of share premium account or any other fund or account which can be authorized for this purpose in accordance with the Companies Law.

Except in so far as the rights attaching to, or the terms of issue of, any share may otherwise provide, (i) all dividends shall be declared and paid according to the amounts paid up on the shares in respect whereof the dividend is paid but no amount paid up on a share in advance of calls shall for this purpose be treated as paid up on the share and (ii) all dividends shall be apportioned and paid pro rata according to the amount paid up on the shares during any portion or portions of the period in respect of which the dividend is paid. The Directors may deduct from any dividend or other monies payable to any member or in respect of any shares all sums of money (if any) presently payable by him to the Company on account of calls or otherwise.

Whenever the board or the Company in general meeting has resolved that a dividend be paid or declared on the share capital of the Company, the board may further resolve either (a) that such dividend be satisfied wholly or in part in the form of an allotment of shares credited as fully paid up, provided that the shareholders entitled thereto will be entitled to elect to receive such dividend (or part thereof) in cash in lieu of such allotment, or (b) that shareholders entitled to such dividend will be entitled to elect to receive an allotment of shares credited as fully paid up in lieu of the whole or such part of the dividend as the board may think fit. The Company may also upon the recommendation of the board by an ordinary resolution resolve in respect of any one particular dividend of the Company that it may be satisfied wholly in the form of an allotment of shares credited as fully paid up without offering any right to shareholders to elect to receive such dividend in cash in lieu of such allotment.

Any dividend, interest or other sum payable in cash to the holder of shares may be paid by check or warrant sent through the post addressed to the holder at his registered address, or in the case of joint holders, addressed to the holder whose name stands first in the register of the Company in respect of the shares at his address as appearing in the register or addressed to such person and at such addresses as the holder or joint holders may in writing direct. Every such check or warrant shall, unless the

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holder or joint holders otherwise direct, be made payable to the order of the holder or, in the case of joint holders, to the order of the holder whose name stands first on the register in respect of such shares, and shall be sent at his or their risk and payment of the check or warrant by the bank on which it is drawn shall constitute a good discharge to the Company. Any one of two or more joint holders may give effectual receipts for any dividends or other moneys payable or property distributable in respect of the shares held by such joint holders.

Whenever the board or the Company in general meeting has resolved that a dividend be paid or declared the board may further resolve that such dividend be satisfied wholly or in part by the distribution of specific assets of any kind.

All dividends or bonuses unclaimed for one year after having been declared may be invested or otherwise made use of by the board for the benefit of the Company until claimed and the Company shall not be constituted a trustee in respect thereof. All dividends or bonuses unclaimed for six years after having been declared may be forfeited by the board and shall revert to the Company.

No dividend or other monies payable by the Company on or in respect of any share shall bear interest against the Company.

(n) Proxies

Any member of the Company entitled to attend and vote at a meeting of the Company is entitled to appoint another person as his proxy to attend and vote instead of him. A member who is the holder of two or more shares may appoint more than one proxy to represent him and vote on his behalf at a general meeting of the Company or at a class meeting. A proxy need not be a member of the Company and shall be entitled to exercise the same powers on behalf of a member who is an individual and for whom he acts as proxy as such member could exercise. In addition, a proxy shall be entitled to exercise the same powers on behalf of a member which is a corporation and for which he acts as proxy as such member could exercise if it were an individual member. Votes may be given either personally (or, in the case of a member being a corporation, by its duly authorized representative) or by proxy.

(o) Call on shares and forfeiture of shares

Subject to the Articles and to the terms of allotment, the board may from time to time make such calls upon the members in respect of any monies unpaid on the shares held by them respectively (whether on account of the nominal value of the shares or by way of premium). A call may be made payable either in one lump sum or by installments. If the sum payable in respect of any call or instalment is not paid on or before the day appointed for payment thereof, the person or persons from whom the sum is due shall pay interest on the same at such rate not exceeding twenty per cent. (20%) per annum as the board may agree to accept from the day appointed for the payment thereof to the time of actual payment, but the board may waive payment of such interest wholly or in part. The board may,

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if it thinks fit, receive from any member willing to advance the same, either in money or money's worth, all or any part of the monies uncalled and unpaid or installments payable upon any shares held by him, and upon all or any of the monies so advanced the Company may pay interest at such rate (if any) as the board may decide.

If a member fails to pay any call on the day appointed for payment thereof, the board may serve not less than fourteen (14) clear days' notice on him requiring payment of so much of the call as is unpaid, together with any interest which may have accrued and which may still accrue up to the date of actual payment and stating that, in the event of 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, notwithstanding, remain liable to pay to the Company all monies which, at the date of forfeiture, were payable by him to the Company in respect of the shares, together with (if the board shall in its discretion so require) interest thereon from the date of forfeiture until the date of actual payment at such rate not exceeding twenty per cent. (20%) per annum as the board determines.

(p) Inspection of register of members

Pursuant to the Articles the register and branch register of members shall be open to inspection for at least two (2) hours on every business day by members without charge, or by any other person upon a maximum payment of HK\$2.50 or such lesser sum specified by the board, at the registered office or such other place at which the register is kept in accordance with the Companies Law or, upon a maximum payment of HK\$1.00 or such lesser sum specified by the board, at the Registration Office (as defined in the Articles), unless the register is closed in accordance with the Articles.

(q) Quorum for meetings and separate class meetings

No business shall be transacted at any general meeting unless a quorum is present when the meeting proceeds to business, but the absence of a quorum shall not preclude the appointment of a chairman.

Save as otherwise provided by the Articles the quorum for a general meeting shall be two members present in person (or, in the case of a member being a corporation, by its duly authorized representative) or by proxy and entitled to vote. In respect of a separate class meeting (other than an adjourned meeting) convened to sanction the modification of class rights the necessary quorum shall be two persons holding or representing by proxy not less than one-third in nominal value of the issued shares of that class.

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A corporation being a member shall be deemed for the purpose of the Articles to be present in person if represented by its duly authorized representative being the person appointed by resolution of the directors or other governing body of such corporation to act as its representative at the relevant general meeting of the Company or at any relevant general meeting of any class of members of the Company.

(r) Rights of the minorities in relation to fraud or oppression

There are no provisions in the Articles relating to rights of minority shareholders in relation to fraud or oppression. However, certain remedies are available to shareholders of the Company under Cayman law, as summarised in paragraph 3(f) of this Appendix.

(s) Procedures on liquidation

A resolution that the Company be wound up by the court or be wound up voluntarily shall be a special resolution.

Subject to any special rights, privileges or restrictions as to the distribution of available surplus assets on liquidation for the time being attached to any class or classes of shares (i) if the Company shall be wound up and the assets available for distribution amongst the members of the Company shall be more than sufficient to repay the whole of the capital paid up at the commencement of the winding up, the excess shall be distributed *pari passu* amongst such members in proportion to the amount paid up on the shares held by them respectively and (ii) if the Company shall be wound up and the assets available for distribution amongst the members as such shall be insufficient to repay the whole of the paid-up capital, such assets shall be distributed so that, as nearly as may be, the losses shall be borne by the members in proportion to the capital paid up, or which ought to have been paid up, at the commencement of the winding up on the shares held by them respectively.

If the Company shall be wound up (whether the liquidation is voluntary or by the court) the liquidator may, with the authority of a special resolution and any other sanction required by the Companies Law divide among the members in specie or kind the whole or any part of the assets of the Company whether the assets shall consist of property of one kind or shall consist of properties of different kinds and the liquidator may, for such purpose, set such value as he deems fair upon any one or more class or classes of property to be divided as aforesaid and may determine how such division shall be carried out as between the members or different classes of members. The liquidator may, with the like authority, vest any part of the assets in trustees upon such trusts for the benefit of members as the liquidator, with the like authority, shall think fit, but so that no contributory shall be compelled to accept any shares or other property in respect of which there is a liability.

(t) Untraceable members

Pursuant to the Articles, the Company may sell any of the shares of a member who is untraceable if (i) all checks or warrants in respect of dividends of the shares in question (being not less than three in total number) for any sum payable in cash to the holder of such shares have remained uncashed for a period of 12 years; (ii) upon the expiry of the 12 year period, the Company has not during that time

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received any indication of the existence of the member; and (iii) the Company has caused an advertisement to be published in accordance with the rules of the Designated Stock Exchange (as defined in the Articles) giving notice of its intention to sell such shares and a period of three (3) months, or such shorter period as may be permitted by the Designated Stock Exchange (as defined in the Articles), has elapsed since the date of such advertisement and the Designated Stock Exchange (as defined in the Articles) has been notified of such intention. The net proceeds of any such sale shall belong to the Company and upon receipt by the Company of such net proceeds, it shall become indebted to the former member of the Company for an amount equal to such net proceeds.

(u) Subscription rights reserve

The Articles provide that to the extent that it is not prohibited by and is in compliance with the Companies Law, if warrants to subscribe for shares have been issued by the Company and the Company does any act or engages in any transaction which would result in the subscription price of such warrants being reduced below the par value of a share, a subscription rights reserve shall be established and applied in paying up the difference between the subscription price and the par value of a share on any exercise of the warrants.

3. CAYMAN ISLANDS COMPANY LAW

The Company is incorporated in the Cayman Islands subject to the Companies Law and, therefore, operates subject to Cayman law. Set out below is a summary of certain provisions of Cayman company law, although this does not purport to contain all applicable qualifications and exceptions or to be a complete review of all matters of Cayman company law and taxation, which may differ from equivalent provisions in jurisdictions with which interested parties may be more familiar:

(a) Operations

As an exempted company, the Company's operations must be conducted mainly outside the Cayman Islands. The Company is required to file an annual return each year with the Registrar of Companies of the Cayman Islands and pay a fee which is based on the amount of its authorized share capital.

(b) Share capital

The Companies Law provides that where a company issues shares at a premium, whether for cash or otherwise, a sum equal to the aggregate amount of the value of the premiums on those shares shall be transferred to an account, to be called the "share premium account". At the option of a company, these provisions may not apply to premiums on shares of that company allotted pursuant to any arrangement in consideration of the acquisition or cancellation of shares in any other company and issued at a premium. The Companies Law provides that the share premium account may be applied by the company subject to the provisions, if any, of its memorandum and articles of association in (a) paying distributions or dividends to members; (b) paying up unissued shares of the company to be

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issued to members as fully paid bonus shares; (c) the redemption and repurchase of shares (subject to the provisions of section 37 of the Companies Law); (d) writing-off the preliminary expenses of the company; and (e) writing-off the expenses of, or the commission paid or discount allowed on, any issue of shares or debentures of the company.

No distribution or dividend may be paid to members out of the share premium account unless immediately following the date on which the distribution or dividend is proposed to be paid, the company will be able to pay its debts as they fall due in the ordinary course business.

The Companies Law provides that, subject to confirmation by the Grand Court of the Cayman Islands (the “Court”), a company limited by shares or a company limited by guarantee and having a share capital may, if so authorized by its articles of association, by special resolution reduce its share capital in any way.

The Articles includes certain protections for holders of special classes of shares, requiring their consent to be obtained before their rights may be varied. The consent of the specified proportions of the holders of the issued shares of that class or the sanction of a resolution passed at a separate meeting of the holders of those shares is required.

(c) Financial assistance to purchase shares of a company or its holding company

Subject to all applicable laws, the Company may give financial assistance to Directors and employees of the Company, its subsidiaries, its holding company or any subsidiary of such holding company in order that they may buy Shares in the Company or shares in any subsidiary or holding company. Further, subject to all applicable laws, the Company may give financial assistance to a trustee for the acquisition of Shares in the Company or shares in any such subsidiary or holding company to be held for the benefit of employees of the Company, its subsidiaries, any holding company of the Company or any subsidiary of any such holding company (including salaried Directors).

There is no statutory restriction in the Cayman Islands on the provision of financial assistance by a company to another person for the purchase of, or subscription for, its own or its holding company’s shares. Accordingly, a company may provide financial assistance if the directors of the company consider, in discharging their duties of care and acting in good faith, for a proper purpose and in the interests of the company, that such assistance can properly be given. Such assistance should be on an arm’s-length basis.

(d) Purchase of shares and warrants by a company and its subsidiaries

Subject to the provisions of the Companies Law, a company limited by shares or a company limited by guarantee and having a share capital may, if so authorized by its articles of association, issue shares which are to be redeemed or are liable to be redeemed at the option of the company or a shareholder and the Companies Law expressly provides that it shall be lawful for the rights attaching to any shares to be varied, subject to the provisions of the company’s articles of association, so as to provide that such shares are to be or are liable to be so redeemed. In addition, such a company may,

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if authorized to do so by its articles of association, purchase its own shares, including any redeemable shares. However, if the articles of association do not authorise the manner and terms of purchase, a company cannot purchase any of its own shares unless the manner and terms of purchase have first been authorized by an ordinary resolution of the company. At no time may a company redeem or purchase its shares unless they are fully paid. A company may not redeem or purchase any of its shares if, as a result of the redemption or purchase, there would no longer be any issued shares of the company other than shares held as treasury shares. A payment out of capital by a company for the redemption or purchase of its own shares is not lawful unless immediately following the date on which the payment is proposed to be made, the company shall be able to pay its debts as they fall due in the ordinary course of business.

Shares purchased by a company shall be treated as cancelled unless, subject to the memorandum and articles of association of the company, the directors of the company resolve to hold such shares in the name of the company as treasury shares prior to the purchase. Where shares of a company are held as treasury shares, the company shall be entered in the register of members as holding those shares, however, notwithstanding the foregoing, the company shall not be treated as a member for any purpose and shall not exercise any right in respect of the treasury shares, and any purported exercise of such a right shall be void, and a treasury share shall not be voted, directly or indirectly, at any meeting of the company and shall not be counted in determining the total number of issued shares at any given time, whether for the purposes of the company's articles of association or the Companies Law. Further, no dividend may be declared or paid, and no other distribution (whether in cash or otherwise) of the company's assets (including any distribution of assets to members on a winding up) may be made to the company, in respect of a treasury share.

A company is not prohibited from purchasing and may purchase its own warrants subject to and in accordance with the terms and conditions of the relevant warrant instrument or certificate. There is no requirement under Cayman Islands law that a company's memorandum or articles of association contain a specific provision enabling such purchases and the directors of a company may rely upon the general power contained in its memorandum of association to buy and sell and deal in personal property of all kinds.

Under Cayman Islands law, a subsidiary may hold shares in its holding company and, in certain circumstances, may acquire such shares.

(e) Dividends and distributions

With the exception of section 34 of the Companies Law, there is no statutory provisions relating to the payment of dividends. Based upon English case law, which is regarded as persuasive in the Cayman Islands, dividends may be paid only out of profits. In addition, section 34 of the Companies Law permits, subject to a solvency test and the provisions, if any, of the company's memorandum and articles of association, the payment of dividends and distributions out of the share premium account (see paragraph 2(m) above for further details).

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(f) Protection of minorities

The Cayman Islands courts ordinarily would be expected to follow English case law precedents which permit a minority shareholder to commence a representative action against or derivative actions in the name of the company to challenge (a) an act which is ultra vires the company or illegal, (b) an act which constitutes a fraud against the minority and the wrongdoers are themselves in control of the company, and (c) an irregularity in the passing of a resolution which requires a qualified (or special) majority.

In the case of a company (not being a bank) having a share capital divided into shares, the Court may, on the application of members holding not less than one fifth of the shares of the company in issue, appoint an inspector to examine into the affairs of the company and to report thereon in such manner as the Court shall direct.

Any shareholder of a company may petition the Court which may make a winding up order if the Court is of the opinion that it is just and equitable that the company should be wound up or, as an alternative to a winding up order, (a) an order regulating the conduct of the company's affairs in the future, (b) an order requiring the company to refrain from doing or continuing an act complained of by the shareholder petitioner or to do an act which the shareholder petitioner has complained it has omitted to do, (c) an order authorising civil proceedings to be brought in the name and on behalf of the company by the shareholder petitioner on such terms as the Court may direct, or (d) an order providing for the purchase of the shares of any shareholders of the company by other shareholders or by the company itself and, in the case of a purchase by the company itself, a reduction of the company's capital accordingly.

Generally claims against a company by its shareholders must be based on the general laws of contract or tort applicable in the Cayman Islands or their individual rights as shareholders as established by the company's memorandum and articles of association.

(g) Management

The Companies Law contains no specific restrictions on the power of directors to dispose of assets of a company. However, as a matter of general law, every officer of a company, which includes a director, managing director and secretary, in exercising his powers and discharging his duties must do so honestly and in good faith with a view to the best interests of the company and exercise the care, diligence and skill that a reasonably prudent person would exercise in comparable circumstances.

(h) Accounting and auditing requirements

A company shall cause proper books of account to be kept with respect to (i) all sums of money received and expended by the company and the matters in respect of which the receipt and expenditure takes place; (ii) all sales and purchases of goods by the company; and (iii) the assets and liabilities of the company.

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Proper books of account shall not be deemed to be kept if there are not kept such books as are necessary to give a true and fair view of the state of the company's affairs and to explain its transactions.

(i) Exchange control

There are no exchange control regulations or currency restrictions in the Cayman Islands.

(j) Taxation

Pursuant to section 6 of the Tax Concessions Law (1999 Revision) of the Cayman Islands, the Company has obtained an undertaking from the Governor-in-Cabinet:

- (1) that no law which is enacted in the Cayman Islands imposing any tax to be levied on profits, income, gains or appreciation shall apply to the Company or its operations; and
- (2) that the aforesaid tax or any tax in the nature of estate duty or inheritance tax shall not be payable on or in respect of the shares, debentures or other obligations of the Company.

The undertaking for the Company is for a period of twenty years from 22 February, 2011.

The Cayman Islands currently levy no taxes on individuals or corporations based upon profits, income, gains or appreciations and there is no taxation in the nature of inheritance tax or estate duty. There are no other taxes likely to be material to the Company levied by the Government of the Cayman Islands save certain stamp duties which may be applicable, from time to time, on certain instruments executed in or brought within the jurisdiction of the Cayman Islands. The Cayman Islands are not party to any double tax treaties.

(k) Stamp duty on transfers

No stamp duty is payable in the Cayman Islands on transfers of shares of Cayman Islands companies except those which hold interests in land in the Cayman Islands.

(l) Loans to directors

There is no express provision in the Companies Law prohibiting the making of loans by a company to any of its directors.

(m) Inspection of corporate records

Members of the Company will have no general right under the Companies Law to inspect or obtain copies of the register of members or corporate records of the Company. They will, however, have such rights as may be set out in the Company's Articles.

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An exempted company may maintain its principal register of members and any branch registers at such locations, whether within or without the Cayman Islands, as the directors may, from time to time, think fit. A branch register shall be kept in the same manner in which a principal register is by the Companies Law required or permitted to be kept. The company shall cause to be kept at the place where the company's principal register is kept a duplicate of any branch register duly entered up from time to time. There is no requirement under the Companies Law for an exempted company to make any returns of members to the Registrar of Companies of the Cayman Islands. The names and addresses of the members are, accordingly, not a matter of public record and are not available for public inspection.

(n) Winding up

A company may be wound up compulsorily by order of the Court voluntarily; or, under supervision of the Court. The Court has authority to order winding up in a number of specified circumstances including where it is, in the opinion of the Court, just and equitable to do so.

A company may be wound up voluntarily when the members so resolve in general meeting by special resolution, or, in the case of a limited duration company, when the period fixed for the duration of the company by its memorandum or articles expires, or the event occurs on the occurrence of which the memorandum or articles provides that the company is to be dissolved, or, the company does not commence business for a year from its incorporation (or suspends its business for a year), or, the company is unable to pay its debts. In the case of a voluntary winding up, such company is obliged to cease to carry on its business from the time of passing the resolution for voluntary winding up or upon the expiry of the period or the occurrence of the event referred to above.

For the purpose of conducting the proceedings in winding up a company and assisting the Court, there may be appointed one or more than one person to be called an official liquidator or official liquidators; and the Court may appoint to such office such qualified person or persons, either provisionally or otherwise, as it thinks fit, and if more persons than one are appointed to such office, the Court shall declare whether any act hereby required or authorized to be done by the official liquidator is to be done by all or any one or more of such persons. The Court may also determine whether any and what security is to be given by an official liquidator on his appointment; if no official liquidator is appointed, or during any vacancy in such office, all the property of the company shall be in the custody of the Court. A person shall be qualified to accept an appointment as an official liquidator if he is duly qualified in terms of the Insolvency Practitioners Regulations. A foreign practitioner may be appointed to act jointly with a qualified insolvency practitioner.

In the case of a members' voluntary winding up of a company, the company in general meeting must appoint one or more liquidators for the purpose of winding up the affairs of the company and distributing its assets. A declaration of solvency must be signed by all the directors of a company being voluntarily wound up within twenty-eight (28) days of the commencement of the liquidation, failing which, its liquidator must apply to Court for an order that the liquidation continue under the supervision of the Court.

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Upon the appointment of a liquidator, the responsibility for the company's affairs rests entirely in his hands and no future executive action may be carried out without his approval. A liquidator's duties are to collect the assets of the company (including the amount (if any) due from the contributories), settle the list of creditors and, subject to the rights of preferred and secured creditors and to any subordination agreements or rights of set-off or netting of claims, discharge the company's liability to them (*pari passu* if insufficient assets exist to discharge the liabilities in full) and to settle the list of contributories (shareholders) and divide the surplus assets (if any) amongst them in accordance with the rights attaching to the shares.

As soon as the affairs of the company are fully wound up, the liquidator must make up an account of the winding up, showing how the winding up has been conducted and the property of the company has been disposed of, and thereupon call a general meeting of the company for the purposes of laying before it the account and giving an explanation thereof. At least twenty-one (21) days before the final meeting, the liquidator shall send a notice specifying the time, place and object of the meeting to each contributory in any manner authorized by the company's articles of association and published in the Gazette in the Cayman Islands.

(o) Reconstructions

There are statutory provisions which facilitate reconstructions and amalgamations approved by a majority in number representing seventy-five per cent. (75%) in value of shareholders or class of shareholders or creditors, as the case may be, as are present at a meeting called for such purpose and thereafter sanctioned by the Court. Whilst a dissenting shareholder would have the right to express to the Court his view that the transaction for which approval is sought would not provide the shareholders with a fair value for their shares, the Court is unlikely to disapprove the transaction on that ground alone in the absence of evidence of fraud or bad faith on behalf of management.

(p) Compulsory acquisition

Where an offer is made by a company for the shares of another company and, within four (4) months of the offer, the holders of not less than ninety per cent. (90%) of the shares which are the subject of the offer accept, the offeror may at any time within two (2) months after the expiration of the said four (4) months, by notice in the prescribed manner require the dissenting shareholders to transfer their shares on the terms of the offer. A dissenting shareholder may apply to the Court within one (1) month of the notice objecting to the transfer. The burden is on the dissenting shareholder to show that the Court should exercise its discretion, which it will be unlikely to do unless there is evidence of fraud or bad faith or collusion as between the offeror and the holders of the shares who have accepted the offer as a means of unfairly forcing out minority shareholders.

(q) Indemnification

Cayman Islands law does not limit the extent to which a company's articles of association may provide for indemnification of officers and directors, except to the extent any such provision may be held by the court to be contrary to public policy (e.g. for purporting to provide indemnification against the consequences of committing a crime).

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4. GENERAL

Conyers Dill & Pearman, the Company's special legal counsel on Cayman Islands law, have sent to the Company a letter of advice summarising certain aspects of Cayman Islands company law. This letter, together with a copy of the Companies Law, is available for inspection as referred to in the paragraph headed "Documents available for inspection" in Appendix VII. Any person wishing to have a detailed summary of Cayman Islands company law or advice on the differences between it and the laws of any jurisdiction with which he is more familiar is recommended to seek independent legal advice.

A. FURTHER INFORMATION ABOUT OUR GROUP**1. Incorporation**

Our Company was incorporated in the Cayman Islands under the Companies Law as an exempted company with limited liability on February 7, 2011. Our Company is registered as a non-Hong Kong company under Part XI of the Companies Ordinance on August 29, 2011 and our Company's principal place of business in Hong Kong is at Rooms 2201-2203, 22/F, World-Wide House, 19 Des Voeux Road Central, Hong Kong. Li & Partners has been appointed as the authorized representative of our Company for the acceptance of services of process and notices in Hong Kong.

As our Company was incorporated in the Cayman Islands, it operates subject to the relevant laws of the Cayman Islands and its constitution which comprises a memorandum of association and an articles of association. A summary of the relevant aspects of the Cayman Islands company law and certain provisions of the Articles of Association is set out in Appendix V to this prospectus.

2. Changes in share capital of our Company

Our Company was incorporated with an authorized share capital of HK\$380,000 divided into 38,000,000 shares of HK\$0.01 each. The following sets out the changes in the share capital of our Company since the date of its incorporation:

- (a) On February 7, 2011, 1 nil paid Share was allotted and issued to our Company's initial subscriber, which was subsequently transferred to Yu Kuo on the same day. The one nil paid Share held by Yu Kuo was fully paid at par on March 15, 2011.
- (b) In connection with the Reorganization, on February 21, 2011, our Company allotted and issued, credited as fully paid, 473 Shares to Yu Kuo in consideration for our acquisition of the entire issued share capital of Zhong Yuan Cement from Yu Kuo.
- (c) In connection with the Reorganization, on April 8, 2011, Tianrui (HK) acquired 20% equity interest in Tianrui Cement from Titan Cement, and in consideration therefor, our Company issued 200,000 Shares, credited as fully paid, to Titan Cement.
- (d) In connection with the Reorganization, on April 8, 2011, Tianrui (HK) acquired 10.03% equity interest in Tianrui Cement from JPMorgan PCA, and in consideration therefor, our Company issued 100,300 Shares, credited as fully paid, to JPMorgan PCA.
- (e) In connection with the Reorganization, on April 8, 2011, Tianrui (HK) acquired 3.6% equity interest in Tianrui Cement from IFC, and in consideration therefor, our Company issued 36,000 Shares, credited as fully paid, to IFC.
- (f) In connection with the Reorganization, on April 8, 2011, Tianrui (HK) acquired 18.87% equity interest in Tianrui Cement from Wan Qi, and in consideration therefor, our Company issued 188,700 Shares, credited as fully paid, to Wan Qi.

- (g) In connection with the Reorganization, on April 8, 2011, our Company issued 474,526 Shares, as nil paid, to Yu Kuo. On May 31, 2011, Yu Kuo applied approximately US\$87.43 million to pay up the 474,526 nil paid Shares.
- (h) For the purpose of its tax restructuring, on April 8, 2011, Titan Cement transferred 200,000 Shares to its sole shareholder, Titan Investments (Luxembourg). On the same date, Titan Investments (Luxembourg) transferred the aforesaid 200,000 Shares to its sole shareholder, Titan Investments (Cayman).
- (i) On May 13, 2011, IFC transferred 36,000 Shares (representing 3.6% of the then issued share capital of our Company) to Wan Qi at a consideration of approximately US\$18 million.

Immediately following completion of the Global Offering and the Capitalization Issue and without taking into account of any Shares which may be allotted and issued pursuant to the exercise of the Over-allotment Option and the options that may be granted under the Share Option Scheme, the authorized share capital of our Company will be HK\$100,000,000 divided into 10,000,000,000 Shares, of which 2,400,900,000 Shares will be issued fully paid or credited as fully paid, and 7,599,100,000 Shares will remain unissued. Other than pursuant to the general mandate to issue Shares referred to in the paragraph headed “4. Written resolutions of our Shareholders passed on December 12, 2011” under the section headed “A. Further information about our Group” in this Appendix, our Directors do not have any present intention to issue any of the authorized but unissued share capital of our Company and, without prior approval of the Shareholders in general meeting, no issue of Shares will be made which would effectively alter the control of our Company.

Saved as disclosed in this Appendix, there has been no alternation in the share capital of our Company since the date of our incorporation.

3. Change in share capital of our subsidiaries

The alterations in the share capital (or registered capital, as the case might be) of our subsidiaries which have taken place within two years preceding the date of this prospectus are set out as follows:

Tianrui Cement

On December 28, 2010, Titan Cement transferred 18.87% equity interest in Tianrui Cement to Wan Qi at a consideration of US dollar equivalent of RMB620 million, which was determined based on an arm’s length basis and with reference to the net asset value of Tianrui Cement in 2009. Upon completion of this equity transfer on December 30, 2010, Tianrui Cement was 47.5% owned by Tianrui Group, 20% owned by Titan Cement, 3.6% owned by IFC, 10.03% owned by JPMorgan PCA and 18.87% owned by Wan Qi.

Zhengzhou Tianrui

On October 8, 2009, Weihui Cement transferred its 70.91% equity interest in Zhengzhou Tianrui to Tianrui Cement at a consideration of RMB39 million, upon completion of which, Zhengzhou Tianrui became a wholly-owned subsidiary of Tianrui Cement.

Yingkou Cement

On August 26, 2009, the registered capital of Yingkou Cement was increased to RMB111.3 million. In connection with this increase, Tianrui Cement contributed RMB71.8 million.

Guangshan Cement

On August 14, 2009, the registered capital of Guangshan Cement was increased to RMB280 million. In connection with this capital increase, Tianrui Cement contributed RMB30 million.

Save as described above and in the section headed “History, Reorganization and Corporate Structure” in this prospectus, there has been no other alteration in the share capital of the subsidiaries of our Company within the two years preceding the date of this prospectus.

4. Written resolutions of our Shareholders passed on December 12, 2011

Pursuant to the written resolutions passed by all our Shareholders on December 12, 2011, the following resolutions, among other resolutions, were duly passed:

- (a) our Company conditionally approved and adopted the Memorandum of Association and the Articles of Association;
- (b) the authorized share capital of our Company was increased from HK\$380,000 to HK\$100,000,000 by the creation of additional 9,962,000,000 Shares;
- (c) conditional on (i) the Listing Committee of the Hong Kong Stock Exchange granting the listing of, and permission to deal in, the Shares in issue and to be issued as mentioned in this prospectus (including any additional Shares which may be issued pursuant to the Over-allotment Option or the exercise of any options which may be granted under the Share Option Scheme); (ii) the entering into of the agreement on the Offer Price between the Joint Global Coordinators (for and on behalf of the Underwriters) and our Company on the Price Determination Date; and (iii) the obligations of the Underwriters under the Underwriting Agreements becoming unconditional and not being terminated in accordance with the terms therein or otherwise, in each case on or before such dates as may be specified in the Underwriting Agreements:
 - (i) following the increase in the authorized share capital of our Company in paragraph (b) above and conditional on the share premium account of our Company having sufficient balance, or otherwise being credited as a result of the Global Offering, the Directors were authorized to capitalize HK\$19,990,000 standing to the credit of the share premium account of our Company and applying such sum in paying up in full at par 1,999,000,000 Shares (the “Capitalization Share”) for such allotment and issue to the persons whose names appear on the register of members of our Company at 8:00 a.m. (Hong Kong time) on the Listing Date in proportion (or as nearly as possible without involving fractions) to their respective shareholdings in our Company, and the Shares to be allotted and issued shall rank *pari passu* in all respects with the existing

issued Shares; and our Directors were authorized to register the names of such Shareholders on the Company's principal register of members in the Cayman Islands at or around 8:05a.m. (Hong Kong Time) on the Listing Date as holders of the relevant number of Capitalization Shares allotted and issued to such persons;

- (ii) the Global Offering and the Over-allotment Option were approved and our Directors were authorized to allot and issue new Shares under the Global Offering and such number of Shares as may be allotted and issued upon the exercise of the Over-allotment Option;
- (iii) the rules of the Share Option Scheme were approved and adopted, and our Directors were authorized, at their absolute discretion, to (i) administer the Share Option Scheme, (ii) modify/amend the Share Option Scheme from time to time as requested by the Hong Kong Stock Exchange, (iii) grant options to subscribe for Shares under the Share Option Scheme, (iv) allot, issue and deal with the Shares issued pursuant to the Share Option Scheme, (v) make application at the appropriate time or times to the Hong Kong Stock Exchange for the listing of, and permission to deal in, any Shares or any part thereof that may hereafter from time to time be issued and allotted pursuant to the exercise of the options granted under the Share Option Scheme, (vi) take all such steps as they consider necessary or desirable to implement the Share Option Scheme and (vii) vote on any matter connected therewith notwithstanding that they or any of them may be interested in the same;
- (d) a general unconditional mandate was given to our Directors to exercise all the powers of our Company allot, issue and deal with (including the power to make an offer or agreement, or grant securities which would or might require Shares to be allotted and issued), otherwise than pursuant to a rights issue or pursuant to any scrip dividend schemes or similar arrangements providing for the allotment and issue of Shares in lieu of the whole or part of a dividend on Shares in accordance with the Articles of Association or under the exercise of the options that may be granted under the Share Option Scheme or other similar arrangement or pursuant to a specific authority granted by our Shareholders in a general meeting, Shares with a total nominal value not exceeding 20% of the aggregate nominal value of the share capital of our Company in issue and to be issued immediately following completion of the Global Offering and the Capitalization Issue but without taking into account any Shares which may be allotted and issued upon the exercise of the Over-allotment Option and any Shares which may be allotted and issued pursuant to the exercise of the options which may be granted under the Share Option Scheme, such mandate to remain in effect until (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 any applicable laws or the Articles of Association to be held, or (iii) until revoked, varied or renewed by an ordinary resolution of our Shareholders in general meeting of our Company, whichever occurs first;

- (e) a general unconditional mandate was given to our Directors to exercise all powers of our Company to repurchase on the Hong Kong Stock Exchange or on any other stock exchange on which the securities of our Company may be listed and which is recognized by the SFC and the Hong Kong Stock Exchange for this purpose, in accordance with all applicable laws and the requirements of the Listing Rules or equivalent rules or regulations of such other stock exchange, such number of Shares with an aggregate nominal value not exceeding 10% of the aggregate nominal value of the share capital of our Company in issue and to be issued immediately following completion of the Global Offering and the Capitalisation Issue but without taking into account any Shares which may be allotted and issued upon the exercise of the Over-allotment Option and any Shares which may be allotted and issued pursuant to the exercise of the options which may be granted under the Share Option Scheme, such mandate to remain in effect until (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 any applicable laws or the Articles of Association to be held, or (iii) until revoked, varied or renewed by an ordinary resolution of our Shareholders in general meeting of our Company, whichever occurs first; and
- (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, issued or dealt with by our Directors pursuant to such general mandate of an amount representing the aggregate nominal value of the share capital of our Company repurchased by our Company pursuant to the mandate to repurchase Shares referred to in paragraph (e) above.

5. Repurchase of our Shares

This section includes information relating to the repurchases of securities, including information required by the Hong Kong Stock Exchange to be included in this prospectus concerning such repurchase.

(a) Provisions of the Listing Rules

The Listing Rules permit companies whose primary listing is on the Hong Kong Stock Exchange to repurchase their securities on the Hong Kong Stock Exchange subject to certain restrictions, the most important of which are summarized below:

(i) Shareholders' approval

All proposed repurchases of Shares must be approved in advance by an ordinary resolution of the Shareholders in a general meeting, either by way of general mandate or by specific approval of a particular transaction.

Pursuant to the written resolutions passed on December 12, 2011 by all our Shareholders, a general unconditional mandate (the "Repurchase Mandate") was granted to the Directors to exercise all powers of our Company to repurchase on the Hong Kong Stock Exchange, or on any other stock exchange on which the securities of our Company may be listed and which is recognized by the SFC

and the Hong Kong Stock Exchange for this purpose, in accordance with all applicable laws and the requirements of the Listing Rules or equivalent rules or regulations of such other stock exchange, such number of Shares with an aggregate nominal value not exceeding 10% of the aggregate nominal amount of the share capital of our Company in issue or to be issued immediately following completion of the Global Offering and the Capitalization Issue (without taking into account of any Shares which may be allotted and issued upon the exercise of the Over-allotment Option and options that may be granted under the Share Option Scheme), at any time until the conclusion of the next annual general meeting of our Company, the expiration of the period within which the next annual general meeting of our Company is required by any applicable laws or the Articles to be held or when such mandate is revoked, varied or renewed by an ordinary resolution of then Shareholders in general meeting, whichever is the earliest.

(ii) Source of funds

Any repurchases of Shares by us must be paid out of funds legally available for the purpose in accordance with the Articles, the Listing Rules, the Companies Law and the applicable laws of the Cayman Islands. We are not permitted to repurchase our Shares on the Hong Kong Stock Exchange for a consideration other than cash or for settlement otherwise than in accordance with the trading rules of the Hong Kong Stock Exchange from time to time.

(b) Reasons for repurchases

Our Directors believe that it is in the best interests of our Company and our Shareholders for our Directors to have general authority from our Shareholders to enable our Company to repurchase Shares in the market. Such repurchases may, depending on the market conditions and funding arrangements at the time, lead to an enhancement of the net asset value of the Company and/or earnings per Share and will only be made where our Directors believe that such repurchases will benefit our Company and our Shareholders.

(c) Funding of repurchases

In repurchasing Shares, our Company may only apply funds legally available for such purpose in accordance with the Articles and the applicable laws of the Cayman Islands. Any repurchase of Shares will be made out of the profits of our Company or out of a fresh issue of Shares made for the purpose of the purchase or, if authorized by the Articles and subject to the Cayman Companies Law, out of capital and, in the case of any premium payable on the purchase, out of the profits of our Company or from sums standing to the credit of the share premium account of our Company, or if authorized by the Articles and subject to the Cayman Companies Law, out of capital.

On the basis of our Company's current financial position as disclosed in this prospectus and taking into account its current working capital position, our Directors consider that, if the Repurchase Mandate is exercised in full, it might have a material adverse effect on the working capital and/or the gearing position of our Group as compared with the disclosed in this prospectus. However, our

Directors do not propose to exercise the Repurchase Mandate to such an extent as would, in the circumstances, have a material adverse effect on the working capital requirements of our Company or its gearing levels which, in the opinion of our Directors, as from time to time appropriate for our Company.

(d) General

None of our Directors nor, to the best of their knowledge, having made all reasonable enquiries, any of their respective associates, has any present intention to sell any Shares to our Company or its subsidiaries.

The Directors have undertaken to the Hong Kong Stock Exchange that, so far as the same may be applicable, they will exercise the Repurchase Mandate in accordance with the Listing Rules and the applicable laws and regulations of the Cayman Islands.

If, as a result of any repurchase of Shares, a shareholder's proportionate interest in the voting rights is increased, such increase will be treated as acquisition for the purposes of the Takeovers Code. Accordingly, a shareholder or a group of shareholders acting in concert could obtain or consolidate control of our Company and become obliged to make a mandatory offer in accordance with Rule 26 of the Takeovers Code. Save as aforesaid, our Directors are not aware of any consequences which would arise under the Takeovers Code as a consequence of any repurchases pursuant to the Repurchase Mandate.

No connected person has notified our Company that he/she or it has a present intention to sell Shares to our Company, or has undertaken not to do so, if the Repurchase Mandate is exercised.

6. The Reorganization

The companies comprising the Group underwent the Reorganization in preparation for the listing of the Shares on the Hong Kong Stock Exchange. For information with regard to our Reorganization, please refer to the section headed "History, Reorganization and Corporate Structure" in this prospectus for details.

7. Particulars of our PRC subsidiaries

Our Company has the following subsidiaries established in the PRC, the basic information of which as at the Latest Practicable Date is set out as follows:

(a) Tianrui Cement

Date of Incorporation:	September 28, 2000
Term:	From March 15, 2007 to March 14, 2027
Nature:	limited liability company (wholly foreign owned)
Registered capital:	US\$184,052,471
Attributable interest:	100%

Scope of business: extraction of raw materials from mines; manufacturing, sale and export of cement, clinker, flyash powder, slag powder, concrete and other cement products

(b) Ruzhou Cement

Date of Incorporation: December 3, 2002
Term: From December 3, 2002 to October 29, 2016
Nature: limited liability company
Registered capital: RMB180 million
Attributable interest: 100%
Scope of business: production and sale of cement and clinker

(c) Zhoukou Cement

Date of Incorporation: September 10, 2003
Term: From September 10, 2003 to September 8, 2014
Nature: limited liability company
Registered capital: RMB81 million
Attributable interest: 100%
Scope of business: production and sale of cement and related products

(d) Weihui Cement

Date of Incorporation: June 30, 2003
Term: From June 30, 2003 to June 29, 2017
Nature: limited liability company
Registered capital: RMB240 million
Attributable interest: 100%
Scope of business: production and sale of cement, cement related products; processing and sale of cement packaging products, sandstone and monolith; mining and the sale of limestone

(e) Shangqiu Cement

Date of Incorporation: June 9, 2004
Term: From June 9, 2004 to June 8, 2034
Nature: limited liability company
Registered capital: RMB63 million
Attributable interest: 100%
Scope of business: production, processing and sale of cement, clinker and concrete

(f) Zhengzhou Tianrui

Date of Incorporation: June 17, 2004
Term: From June 17, 2004 to June 16, 2014
Nature: limited liability company
Registered capital: RMB55 million

Attributable interest: 100%
Scope of business: production and sale of cement, concrete, construction materials, cement packaging products

(g) Yuzhou Cement

Date of Incorporation: August 4, 2004
Term: From August 4, 2004 to April 21, 2025
Nature: limited liability company
Registered capital: RMB250 million
Attributable interest: 100%
Scope of business: the production and sale of cement

(h) Yuzhou Mining

Date of Incorporation: April 23, 2007
Term: From April 23, 2007 to April 22, 2037
Nature: limited liability company
Registered capital: RMB1 million
Attributable interest: 100%
Scope of business: mining of limestone and construction stone, and sale of construction materials

(i) Dalian Cement

Date of Incorporation: December 8, 2004
Term: From December 8, 2004 to December 7, 2014
Nature: limited liability company
Registered capital: RMB350 million
Attributable interest: 100%
Scope of business: production, sale and export of cement, clinker, concrete and other cement products

(j) Yingkou Cement

Date of Incorporation: July 4, 2006
Term: From July 4, 2006 to July 4, 2026
Nature: limited liability company
Registered capital: RMB111.3 million
Attributable interest: 100%
Scope of business: production and sale of cement, slag powder and cement products and import of goods

(k) Antai Cement

Date of Incorporation: September 16, 1998
Term: From September 16, 1998 to May 1, 2018
Nature: limited liability company

Registered capital: RMB21.357 million
Attributable interest: 100%
Scope of business: production of cement

(l) Nanzhao Cement

Date of Incorporation: January 23, 2007
Term: From January 23, 2007 to January 22, 2015
Nature: limited liability company
Registered capital: RMB200 million
Attributable interest: 100%
Scope of business: production and sale of cement and other related products

(m) Xuchang Cement

Date of Incorporation: August 16, 2007
Term: From August 16, 2007 to August 31, 2018
Nature: limited liability company
Registered capital: RMB80 million
Attributable interest: 100%
Scope of business: production and sale of cement, concrete and cement products

(n) Guangshan Cement

Date of Incorporation: December 14, 2007
Term: From December 14, 2007 to December 13, 2057
Nature: limited liability company
Registered capital: RMB280 million
Attributable interest: 100%
Scope of business: production and sale of cement, clinker, concrete and other cement products

(o) Zhengzhou Cement (Xingyang)

Date of Incorporation: April 23, 2008
Term: From April 23, 2008 to April 23, 2018
Nature: limited liability company
Registered capital: RMB520 million
Attributable interest: 100%
Scope of business: production and sale of cement and other related products; sale of cement packaging products; mining, processing and sale of limestone for cement use

(p) Xiaoxian Cement

Date of Incorporation: October 6, 2008
Term: From October 6, 2008 to March 14, 2027
Nature: limited liability company

Registered capital:	RMB241.958 million
Attributable interest:	100%
Scope of business:	production, processing and sale of cement, clinker and concrete

(q) Ningling Cement

Date of Incorporation:	July 9, 2009
Term:	From July 9, 2009 to July 8, 2039
Nature:	limited liability company
Registered capital:	RMB20 million
Attributable interest:	100%
Scope of business:	production, processing and sale of cement and concrete

(r) Liaoyang Cement

Date of Incorporation:	April 25, 2007
Term:	From April 25, 2007 to April 25, 2027
Nature:	limited liability company
Registered capital:	RMB231.68 million
Attributable interest:	100%
Scope of business:	production of cement, clinker and cement products

(s) Tianjin Cement

Date of Incorporation:	November 5, 2009
Term:	From November 5, 2009 to November 4, 2039
Nature:	limited liability company
Registered capital:	RMB100 million
Attributable interest:	60%
Scope of business:	production and sale of cement, concrete and other cement products

B. FURTHER INFORMATION ABOUT OUR BUSINESS**1. Summary of the Material Contracts**

The following contracts (not being contracts entered into in the ordinary course of business) have been entered into by our Group within the two years preceding the date of this prospectus and are or may be material:

- (a) an equity transfer agreement dated June 13, 2010 between Zhoukou Power and Tianrui Cement, pursuant to which Zhoukou Power transferred 3.7% equity interest in Zhoukou Cement to Tianrui Cement at a consideration of RMB3 million;
- (b) an equity transfer agreement dated July 26, 2010 between Wang Aimin and Tianrui Cement, pursuant to which Wang Aimin transferred 10% equity interest in Tianjin Cement to Tianrui Cement at a consideration of RMB10 million;

- (c) an equity transfer agreement dated July 26, 2010 between Li Ji'ang and Tianrui Cement, pursuant to which Li Ji'ang transferred 10% equity interest in Tianjin Cement to Tianrui Cement at a consideration of RMB10 million;
- (d) a share transfer agreement dated February 21, 2011 between our Company and Yu Kuo pursuant to which (i) Yu Kuo agreed to transfer the entire issued share capital in Zhong Yuan Cement to our Company; and (ii) as a consideration, our Company agreed to allot and issue 473 Shares to Yu Kuo;
- (e) the Framework Agreement dated April 2, 2011 among our Controlling Shareholders, our Company, JPMorgan PCA, Wan Qi, IFC, Titan Cement, Tianrui Group, Tianrui Cement, Zhong Yuan Cement and Tianrui (HK), which provides for major steps, timetable and other matters relating to the Reorganization and Global Offering, and parties' respective rights and obligations in relation to the Reorganization and Global Offering;
- (f) a share subscription agreement dated April 2, 2011 among our Company, our Controlling Shareholders, JPMorgan PCA, Wan Qi, IFC and Titan Cement, pursuant to which, our Company agreed to allot and issue certain Shares to Yu Kuo Titan Cement, IFC, JPMorgan PCA and Wan Qi, details of which are set out in the section headed "History, Reorganization and Corporate Structure";
- (g) the Shareholders Agreement dated April 2, 2011 among our Company, our Controlling Shareholders, JPMorgan PCA, Wan Qi, IFC and Titan Cement, which provides for certain matters relating to the management and operation of the Group, and other rights and obligations of parties in relation to the Group;
- (h) an equity transfer agreement dated April 2, 2011 between Tianrui (HK) and Tianrui Group pursuant to which Tianrui Group agreed to transfer 47.5% equity interest in Tianrui Cement to Tianrui (HK) at a consideration of US\$87,433,333;
- (i) an equity transfer agreement dated April 2, 2011 between Tianrui (HK) and Titan Cement pursuant to which (i) Titan Cement agreed to transfer 20% equity interest in Tianrui Cement to Tianrui (HK); and (ii) as a consideration, our Company agreed to allot and issue 200,000 Shares to Titan Cement;
- (j) an equity transfer agreement dated April 2, 2011 between Tianrui (HK) and IFC pursuant to which (i) IFC agreed to transfer 3.6% equity interest in Tianrui Cement to Tianrui (HK); and (ii) as a consideration, our Company agreed to allot and issue 36,000 Shares to IFC;
- (k) an equity transfer agreement dated April 2, 2011 between Tianrui (HK) and JPMorgan PCA pursuant to which (i) JPMorgan PCA agreed to transfer 10.03% equity interest in Tianrui Cement to Tianrui (HK); and (ii) as a consideration, our Company agreed to allot and issue 100,300 Shares to JPMorgan PCA;
- (l) an equity transfer agreement dated April 2, 2011 between Tianrui (HK) and Wan Qi pursuant to which (i) Wan Qi agreed to transferred 18.87% equity interest in Tianrui Cement to Tianrui (HK); and (ii) as a consideration, our Company agreed to allot and issue 188,700 Shares to Wan Qi;

- (m) a shareholder loan agreement dated April 9, 2011 between our Company and Tianrui (HK), pursuant to which our Company advanced US\$87,433,333, as a shareholder loan, to Tianrui (HK) for the purpose of financing Tianrui (HK)'s acquisition of 47.5% equity interest in Tianrui Cement;
- (n) an amendment agreement to Framework Agreement dated June 23, 2011 among our Company, our Controlling Shareholders, Tianrui Group, Tianrui Cement, Zhong Yuan Cement, Tianrui (HK), Titan Investments (Cayman), JPMorgan PCA and Wan Qi, pursuant to which the parties agreed to amend certain provisions of the Framework Agreement;
- (o) a share pledge agreement dated October 27, 2011 among Tianrui Cement, IFC and CCB Pingdingshan, pursuant to which Tianrui Cement agreed to pledge 70.91% equity interest in Zhengzhou Tianrui to CCB Pingdingshan;
- (p) an amendment agreement to Framework Agreement dated November 28, 2011 among our Company, our Controlling Shareholders, Tianrui Group, Tianrui Cement, Zhong Yuan Cement, Tianrui (HK), Titan Investments (Cayman), JPMorgan PCA and Wan Qi, pursuant to which the parties agreed to amend certain provisions of the Framework Agreement;
- (q) a trademark licence agreement dated November 28, 2011 between Yu Kuo and our Company, pursuant to which Yu Kuo granted to our Company a non-exclusive license to use certain trademarks in Hong Kong or elsewhere, details of which are set out in the section headed "Connected Transactions" in this prospectus;
- (r) the deed of non-competition undertaking dated December 9, 2011 among our Controlling Shareholders and our Company, details of which are disclosed in the section headed "Relationship with the Li Family" in this prospectus;
- (s) a deed of indemnity dated December 9, 2011 between our Controlling Shareholders and our Company, pursuant to which our Controlling Shareholders agreed to give certain indemnities in favour of our Company for itself and as trustee for its subsidiaries;
- (t) an amendment agreement to Framework Agreement dated December 12, 2011 among our Company, our Controlling Shareholders, Tianrui Group, Tianrui Cement, Zhong Yuan Cement, Tianrui (HK), Titan Investments (Cayman), JPMorgan PCA and Wan Qi, pursuant to which the parties agreed to amend certain provisions of the Framework Agreement;
- (u) a lock-up agreement dated December 12, 2011 among the Company, Deutsche Bank AG, Hong Kong Branch and JPMorgan PCA, pursuant to which JPMorgan PCA agreed, subject to the terms and conditions thereof, not to, at any time after the date of the agreement up to and including the date falling 180 days after the Listing Date, directly or indirectly dispose of any of its interests in the Company acquired or beneficially owned by it prior to the Listing Date;
- (v) a lock-up agreement dated December 12, 2011 among the Company, Deutsche Bank AG, Hong Kong Branch and Titan Investments (Cayman), pursuant to which Titan Investments




(Cayman) has agreed, subject to the terms and conditions thereof, not to, at any time after the date of the agreement up to and including the date falling 180 days after the Listing Date, directly or indirectly dispose of any of its interests in the Company acquired or beneficially owned by it prior to the Listing Date;

- (w) a lock-up agreement dated December 12, 2011 among the Company, Deutsche Bank AG, Hong Kong Branch and Wan Qi, pursuant to which Wan Qi agreed, subject to the terms and conditions thereof, not to, at any time after the date of the agreement up to and including the date falling 180 days after the Listing Date, directly or indirectly dispose of any of its interests in the Company acquired or beneficially owned by it prior to the Listing Date;
- (x) the Supplemental Shareholders Agreement dated December 12, 2011 among our Company, our Controlling Shareholders, JPMorgan PCA, Wan Qi and Titan Investments (Cayman), pursuant to which the parties agreed to amend certain provisions of the Shareholders Agreement; and
- (y) the Hong Kong Underwriting Agreement.



2. Intellectual Properties Rights of our Group

(a) Trademarks

As of the Latest Practicable Date, our Group had registered the following trademarks:

Trademark	Place of Registration	Class	Registration Number	Registration Date	Expiry Date
 天瑞 Tian Rui	PRC	19	1795284	June 28, 2002	June 27, 2012
 天瑞 Tian Rui	PRC	19	1811134	July 21, 2002	July 20, 2012
 天瑞 Tian Rui	PRC	19	3520434	June 28, 2005	June 27, 2015

As of the Latest Practicable Date, our Group have license to use the following trademarks:

<u>Trademark</u>	<u>Place of Registration</u>	<u>Classes</u>	<u>Registration Number</u>	<u>Registration Date</u>	<u>Expiry Date</u>
TIANRUI	Hong Kong	7, 19, 43	301648864	June 25, 2010	June 24, 2020
天瑞	Hong Kong	7, 19, 43	301648873	June 25, 2010	June 24, 2020
A 					
B  (in a series of 2)	Hong Kong	7, 19, 43	301648855	June 25, 2010	June 24, 2020

(b) Patents

As of the Latest Practicable Date, our Group had registered the following patents:

<u>Patent Description</u>	<u>Place of Registration</u>	<u>Patent Number</u>	<u>Application Date</u>	<u>Expiry Date</u>
High-temperature kiln pouring part anchoring piece (高溫窯爐燒注料錨固件)	PRC	ZL200820220716.2	October 30, 2008	October 29, 2018
Cement precalciner kiln tertiary air duct gate (水泥預分解窯三次風風道閘板)	PRC	ZL200820230755.0	December 2, 2008	December 1, 2018
Multi-spot discharge device at bottom of super-large floor type powder material silo (超大型落地粉料庫庫底多點卸料裝置)	PRC	ZL200820220929.5	November 4, 2008	November 3, 2018

(c) Domain name

As of the Latest Practicable Date, our Group had registered the following domain name:

<u>Domain Name</u>	<u>Registered Owner</u>	<u>Expiry Date</u>
www.trcement.com	Tianrui Cement	March 8, 2012

C. DISCLOSURE OF INTERESTS

1. Interests and short position of the Directors and chief executive of our Company in the shares, underlying shares or debentures of our Company and its associated corporations

Immediately following completion of the Capitalization Issue and the Global Offering (assuming neither the Over-allotment Option nor the options which may be granted under the Share Option Scheme are exercised), based on the information available on the Latest Practicable Date, the interests and short positions of the Directors and the chief executive of our Company in the shares, underlying shares or debentures of our Company and its associated corporations (within the meaning of part XV of the SFO) which will have to be notified to our Company and the Hong Kong Stock Exchange pursuant to divisions 7 and 8 of part XV of the SFO (including interests and short positions which he will be taken or deemed to have under such provisions of the SFO) or which will be required, pursuant to section 352 of the SFO, to be recorded in the register referred to therein or which will be required to be notified to our Company and the Hong Kong Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies as set out in appendix 10 to the Listing Rules, will be as follows:

Name of Director	Capacity/Nature of interest	Number of Shares	Approximate percentage of shareholding interest (%)
Chairman Li ⁽¹⁾	Interest of controlled corporation/ Long position	950,000,000	39.57%
Mr. Tang ⁽²⁾	Interest of controlled corporation/ Long position	449,400,000	18.72%

Note:

- (1) Chairman Li is deemed to be interested in the Shares held by Yu Kuo by virtue of Yu Kuo being controlled by Chairman Li through Holy Eagle (the wholly-owned company of Chairman Li).
- (2) Mr. Tang is deemed to be interested in the Shares held by Wan Qi by virtue of Wan Qi being controlled by Mr. Tang.

Save as disclosed above, based on the information available on the Latest Practicable Date, immediately following completion of the Capitalization Issue and the Global Offering (assuming neither the Over-allotment Option nor the options which may be granted under the Share Option Scheme are exercised), none of the Directors or chief executive of our Company has any interest or short position in the shares, underlying shares or debentures of our Company or any of its associate corporations which will have to be notified to our Company and the Hong Kong Stock Exchange pursuant to divisions 7 and 8 of part XV of the SFO (including interests and short positions which he will be taken or deemed to have under such provisions of the SFO), or which will be required, pursuant to section 352 of the SFO, to be recorded in the register referred to therein or which will be required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers as set out in appendix 10 to the Listing Rules relating to securities transactions by Directors to be notified to our Company and the Hong Kong Stock Exchange once our Shares are listed.

2. Interests and short positions of substantial shareholders in the shares or underlying shares of our Company

Information on person(s), not being Directors or chief executive of our Company, who (based on the information available on the Latest Practicable Date) will have, immediately following the Capitalization Issue and the Global Offering (assuming neither the Over-allotment Option nor the options which may be granted under the Share Option Scheme are exercised), the interests and short positions in the shares or underlying shares of our Company which will fall to be disclosed to our Company under the provisions of divisions 2 and 3 of part XV of the SFO is set out below:

Name	Capacity/Nature of interest	Number of Shares	Approximate percentage of shareholding interest (%)
Yu Kuo	Beneficial owner/ Long position (note 1)	950,000,000	39.57%
Holy Eagle	Interest of controlled corporation/ Long position (note 1)	950,000,000	39.57%
Yu Qi	Interest of controlled corporation/ Long position (note 1)	950,000,000	39.57%
Chairman Li	Interest of controlled corporation/ Long position (note 1)	950,000,000	39.57%
Li Xuanyu	Interest of controlled corporation/ Long position (note 1)	950,000,000	39.57%
Wan Qi	Beneficial owner/ Long position (note 2)	449,400,000	18.72%
Mr. Tang	Interest of controlled corporation/ Long position (note 2)	449,400,000	18.72%
Titan Investments (Cayman)	Beneficial owner/ Long position (note 3)	400,000,000	16.66%
KKR Asian Fund L.P.	Interest in controlled corporation/ Long position (note 3)	400,000,000	16.66%
KKR Associates Asia L.P.	Interest in controlled corporation/ Long position (note 3)	400,000,000	16.66%
KKR SP Limited	Interest in controlled corporation/ Long position (note 3)	400,000,000	16.66%
KKR Asia Limited	Interest in controlled corporation/ Long position (note 3)	400,000,000	16.66%

Name	Capacity/Nature of interest	Number of Shares	Approximate percentage of shareholding interest (%)
KKR Fund Holdings L.P.	Interest in controlled corporation/ Long position (note 3)	400,000,000	16.66%
KKR Fund Holdings GP Limited	Interest in controlled corporation/ Long position (note 3)	400,000,000	16.66%
KKR Group Holdings L.P.	Interest in controlled corporation/ Long position (note 3)	400,000,000	16.66%
KKR Group Limited	Interest in controlled corporation/ Long position (note 3)	400,000,000	16.66%
KKR & Co. L.P.	Interest in controlled corporation/ Long position (note 3)	400,000,000	16.66%
KKR Management LLC	Interest in controlled corporation/ Long position (note 3)	400,000,000	16.66%
Mr. Henry R. Kravis and Mr. George R. Roberts	Interest in controlled corporation/ Long position (note 3)	400,000,000	16.66%
JPMorgan PCA	Beneficial owner/ Long position (note 4)	200,600,000	8.36%
JPMorgan Private Capital Asia Fund I, L.P.	Interest of controlled corporation/ Long position (note 4)	200,600,000	8.36%
JPMorgan Private Capital Asia General Partner, L.P.	Interest of controlled corporation/ Long position (note 4)	200,600,000	8.36%
JPMorgan Private Capital Asia GP Limited	Interest of controlled corporation/ Long position (note 4)	200,600,000	8.36%
JPMorgan Private Capital Asia Corp	Interest of controlled corporation/ Long position (note 4)	200,600,000	8.36%
JPMorgan Chase & Co.	Interest of controlled corporation/ Long position (note 4)	200,600,000	8.36%

Note:

- (1) The entire issued share capital of Yu Kuo is legally and beneficially owned by Holy Eagle and Yu Qi. Chairman Li is deemed to be interested in the Shares held by Yu Kuo by virtue of Yu Kuo being controlled by Chairman Li through Holy Eagle (the wholly-owned company of Chairman Li). Mr. Li Xuanyu is deemed to be interested in the Shares held by Yu Kuo by virtue of Yu Kuo being controlled by Mr. Li Xuanyu through Yu Qi (the wholly-owned company of Chairman Li).
- (2) The entire issued share capital of Wan Qi is legally and beneficially owned by Mr. Tang. Mr. Tang is deemed to be interested in the Shares held by Wan Qi by virtue of Wan Qi being controlled by Mr. Tang.

- (3) Each of KKR Asian Fund L.P. (as the controlling shareholder of Titan Investments (Cayman)), KKR Associates Asia L.P. (as the general partner of KKR Asian Fund L.P.), KKR SP Limited (as the voting partner of KKR Associates Asia L.P.), KKR Asia Limited (as the general partner of KKR Associates Asia L.P.), KKR Fund Holdings L.P. (as the sole shareholder of KKR Asia Limited), KKR Fund Holdings GP Limited (as a general partner of KKR Fund Holdings L.P.), KKR Group Holdings L.P. (as a general partner of KKR Fund Holdings L.P. and the sole shareholder of KKR Fund Holdings GP Limited), KKR Group Limited (as the general partner of KKR Group Holdings L.P.), KKR & Co. L.P. (as the sole shareholder of KKR Group Limited), KKR Management LLC (as the general partner of KKR & Co. L.P.), and Mr. Henry R. Kravis and Mr. George R. Roberts (as designated members of KKR Management LLC) shall be deemed to be interested in 400,000,000 Shares as of the Listing Date. Mr. Henry R. Kravis and Mr. George R. Roberts disclaim beneficial ownership of the Shares held by Titan Investments (Cayman).
- (4) Each of JPMorgan Private Capital Asia Fund I, L.P. (as the controlling shareholder of JPMorgan PCA), JPMorgan Private Capital Asia General Partner, L.P. (as the general partner of JPMorgan Private Capital Asia Fund I, L.P.), JPMorgan Private Capital Asia GP Limited (as the general partner of JPMorgan Private Capital Asia General Partner, L.P.), JPMorgan Private Capital Asia Corp (as the sole shareholder of JPMorgan Private Capital Asia GP Limited) and JPMorgan Chase & Co. (as the holding company of JPMorgan Private Capital Asia Corp.) shall be deemed to be interested in 200,600,000 Shares as of the Listing Date held by JPMorgan PCA pursuant to Section(s) 316(2) and/or 316(3) under Part XV of the SFO.

Save as set out above, based on the information available on the Latest Practicable Date, the Directors are not aware of any person (not being a Director or chief executive of our Company) who will, immediately following the completion of the Capitalization Issue and the Global Offering (assuming neither the Over-allotment Option nor the options which may be granted under the Share Option Scheme are exercised), be interested, directly or indirectly, in any interest or short position in the shares or underlying shares of our Company which would fall to be disclosed to our Company under the provisions of divisions 2 and 3 of part XV of the SFO.

3. Interests of the substantial shareholders of any member of our Group (other than our Company)

Save as set out above, based on the information available on the Latest Practicable Date, the Directors are not aware of any person (not being a Director or chief executive of our Company) who will, immediately following the completion of the Capitalization Issue and the Global Offering (assuming neither the Over-allotment Option nor the options which may be granted under the Share Option Scheme are exercised), be interested, directly or indirectly, in 10% or more of the nominal amount of any class of share capital carrying rights to vote in all circumstances at general meetings of any member of our Group (other than our Company) or any options in respect of such capital.

4. Particulars of service contracts

(a) Executive Directors

Each of the executive Directors has entered into a service contract with our Company for an initial term of three years with effect from their respective dates of appointment unless terminated by not less than three months' notice in writing served by either the executive Director or our Company.

Under their respective service contracts, each executive Director is entitled to a fixed basic salary. In certain other circumstances, the agreement can also be terminated by our Company, including but not limited to certain breaches of the Directors' obligations under the agreement or

certain misconducts. The appointments of the executive Directors are also subject to the provisions of retirement and rotation of directors under the Articles. The executive Directors are officially stationed in the PRC, but may be required to work in Hong Kong or in other places, as may be determined by the Board from time to time.

The service contracts further provide that during the term of the service contract and within one year upon the termination of service, each executive Director cannot engage in any business which is competing or is likely to compete, either directly or indirectly, with the business of our Group.

(b) *Non-executive Directors and independent non-executive Directors*

Save and except for the term for the appointments of Mr. Poon Chiu Kwok and Mr. Ma Chun Fung Horace being 1 year with effect from their respective dates of appointment, each of the non-executive Directors and independent non-executive Directors has signed an appointment letter with our Company for a term of three years with effect from their respective dates of appointment.

Under their respective appointment letters, each of the non-executive Directors will receive no remunerations while each of the independent non-executive Directors is entitled to a fixed director's fee. The appointments are subject to the provisions of retirement and rotation of directors under the Articles.

(c) *Others*

- (i) Save as disclosed above, none of the Directors has entered into any service contract with any member of our Group (excluding contracts expiring or determinable by the employer within one year without payment of compensation other than statutory compensation).
- (ii) For the three years ended December 31, 2008, 2009 and 2010, the aggregate of the remunerations (including fees, salaries, contributions to pension schemes, housing allowances and other allowances and discretionary bonuses) paid and benefits granted to our Directors was RMB65,000, RMB73,000 and RMB470,000 respectively. Details of the Directors' remunerations are also set out in note 11 to the Accountants' Report set out in Appendix I to this prospectus.
- (iii) Under the arrangements currently in force, the aggregate of the remunerations and benefits in kind payable to the Directors for the year ending December 31, 2011 is estimated to be approximately HK\$186,700.
- (iv) None of the directors or any past directors of any member of our Group has been paid any sum of money for the three years ended December 31, 2010 (i) as an inducement to join or upon joining our Company or (ii) for loss of office as a director of any member of our Group or of any other office in connection with the management of the affairs of any member of our Group.
- (v) There has been no arrangement under which a Director has waived or agreed to waive any remunerations or benefits in kind for the three years ended December 31, 2010.

5. Agency fees or commissions received

None of the Directors, the promoter (if any) of our Company or the persons named in the paragraph headed “8. Consents of experts” under the section headed “4. Other Information” in this Appendix had received any discounts, brokerages or other special terms, agency fees or commissions from our Group in connection with the issue or sale of any capital of any member of our Group within the two years immediately preceding the date of this prospectus.

The Underwriters will receive such commission(s), fee(s) and/or expense(s) as mentioned in the section headed “Underwriting” in this prospectus.

6. Disclaimers

- (a) Save as in the section headed “History, Reorganization and Corporate Structure” in this prospectus, none of the Directors or any of the persons whose names are listed in the paragraph headed “8. Consents of experts” under the section headed “D. Other information” in this Appendix are directly or indirectly interested in the promotion of our Company or in any assets which have been, within the two years immediately preceding the date of this prospectus, acquired or disposed of by or leased to any member of our Group, or are proposed to be acquired or disposed of by or leased to any member of our Group.
- (b) Save as set out above, none of the Directors nor any of the persons whose names are listed in the paragraph headed “8. Consents of experts” under the section headed “D. Other information” in this Appendix are materially interested in any contract or arrangement subsisting at the date of this prospectus which is significant in relation to the business of our Group.
- (c) Save as set out in the sections headed “Underwriting” and “Structure of the Global Offering” in this prospectus, none of the persons whose names are listed in the paragraph headed “8. Consents of experts” under the section headed “D. Other information” in this Appendix have any shareholding in any member of our Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for shares in any member of our Group or is an officer or a servant or partner of or in the employment of an officer or a servant of our Group.
- (d) We have no outstanding convertible securities.
- (e) None of the equity and debt securities of our Company is listed or dealt with in any other stock exchange nor is any listing or permission to deal being or proposed to be sought from any other stock exchange.
- (f) Save as disclosed in this prospectus and so far as is known to the Directors, none of the Directors, their respective associates or Shareholders who are interested in more than 5% of the issued share capital of the Company has any interests in the five largest customers or the five largest suppliers of the Group.

D. OTHER INFORMATION**1. Share Option Scheme**

The following is a summary of the principal terms of the Share Option Scheme (the “Scheme”) conditionally approved by a written resolution of our Shareholders passed on December 12, 2011 and adopted by a resolution of the Board on December 12, 2011 (the “Adoption Date”). The terms of the Scheme are in accordance with the provisions of Chapter 17 of the Listing Rules.

For the purpose of this section, unless the context otherwise requires:

“Date of Grant” means date of grant of the Option in accordance with the Scheme;

“Grantee” means any Eligible Person (as defined below) who accepts an offer of grant of any Option in accordance with the terms of the Scheme of (where the context so permits) a person who is entitled, in accordance with the laws of succession, to any Option in consequence of the death of the original Grantee;

“Option” means a right to subscribe for Shares granted pursuant to the Scheme;

“Option Period” means the period of time where the Grantee may exercise the Option, which period shall not be more than 10 years from the Date of Grant;

“Shares” means shares of HK\$0.01 each in the share capital of our Company (or of such other nominal amount as shall result from a sub-division, consolidation, reclassification or reconstruction of the share capital of our Company from time to time).

(1) Who may join

The Directors may at their absolute discretion grant Options to all Directors (whether executive or non-executive and whether independent or not), any employee (whether full-time or part-time), any consultant or adviser of or to our Company or our Group (whether on an employment or contractual or honorary basis and whether paid or unpaid), who, in the absolute opinion of the Board, have contributed to our Company or our Group and each of the persons mentioned above is referred to as an “Eligible Person”.

(2) Purpose of the Scheme

The purpose of the Scheme is to provide person(s) and parties working for the interests of our Group with an opportunity to obtain an equity interest in our Company, thus linking their interests with the interests of our Group and thereby providing them with an incentive to work better for the interests of our Group.

(3) Conditions

The Scheme shall take effect subject to and is conditional upon:

- (i) the passing of the necessary resolution to approve and adopt the Scheme by the Shareholders in a general meeting or by written resolutions;
- (ii) the Listing Committee granting approval of the listing of, and permission to deal in, any Shares which may be issued pursuant to the exercise of Options granted under the Scheme;
- (iii) the obligations of the Underwriters under the Underwriting Agreements being unconditional (including, where applicable, waiver of relevant conditions) and not being terminated in accordance with the terms therein; and
- (iv) the commencement of dealings in the Shares on the Stock Exchange.

(4) Duration and administration

The Scheme shall continue in force for the period commencing from the Adoption Date and expiring at the close of business on the tenth anniversary of the Adoption Date (the “Scheme Period”), after which period no further Options shall be granted but the provisions of the Scheme shall remain in full force and effect in all other respects in respect of the Options remaining outstanding and exercisable on the expiry of the Scheme Period.

The Scheme shall be subject to the administration of the Board whose decision (save as otherwise provided in the Scheme) shall be final and binding on all parties.

(5) Grant of Options

An offer of the grant of an Option shall be made to an Eligible Person in writing in such form as the Board may from time to time determine specifying, inter alia, the maximum number of Shares in respect of which such offer is made and requiring the Eligible Person to undertake to hold the Option on the terms of which it is to be granted and to be bound by the provisions of the Scheme and shall remain open for acceptance by the Eligible Person to whom the offer is made for a period of 21 days (or such other period as the Board may determine) from the date upon which the offer is issued provided that no such offer shall be open for acceptance after the expiry of the Scheme Period or after the Scheme has been terminated in accordance with the terms of the Scheme.

On and subject to the terms of the Scheme, the Board shall be entitled at any time during the Scheme Period to offer to grant an Option to any Eligible Person as the Board may at its absolute discretion select, and subject to such conditions and restrictions as the Board may think fit.

An offer shall be deemed to have been accepted when the duplicate letter comprising acceptance of the Option, duly signed by the Eligible Person, together with the remittance of HK\$1 in favor of our Company, irrespective of the number of Shares in respect of which the Option is accepted, as consideration for the grant is received by our Company.

The Date of Grant shall be the date on which the offer relating to such Option is duly approved by the Board in accordance with the Scheme.

(6) Price sensitive information

No offer of Options shall be made after a price sensitive development has occurred or a price sensitive matter has been the subject of a decision, until such price sensitive information has been published by our Company. In particular, during the period commencing one month immediately preceding the earlier of (i) the date of the Board meeting for the approval of our Company's annual, interim or quarterly results, and (ii) the deadline of our Company to publish its annual, interim or quarterly results announcement under our Company's listing agreement, and ending on the date of the results announcement, no Options may be granted. The period during which no Option may be granted will cover any period of delay in the publication of a results announcement.

(7) Grant of Options to connected persons

Any grant of Options to a connected person of our Company under the Scheme must be approved by the independent non-executive Directors (excluding any independent non-executive Director who is the Grantee of the Option).

Where any Options granted to a substantial shareholder (as defined in the Listing Rules) of our Company or an independent non-executive Director or any of their respective associates would result in the number and value of Shares issued and to be issued upon exercise of all Options already granted and to be granted (including the Options exercised, cancelled and outstanding but excluding the Options which have lapsed) to such person in the 12-month period up to and including the date of such grant (i) exceeding in aggregate over 0.1% of the Shares in issue; and (ii) exceeding an aggregate value of HK\$5 million (based on the closing price of the Shares on the Stock Exchange on the Date of Grant), such further grant of Options must be approved by the Shareholders by taking of a poll in a general meeting. Our Company must send a circular to the Shareholders. All connected persons of our Company must abstain from voting at the general meeting (except that any connected person may vote against the relevant resolution at the general meeting provided that his intention to do so has been stated in the circular). The circular must contain: (i) details of the number and terms (including the Subscription Price (as defined below)) of the Options to be granted to each Eligible Person, which must be fixed before the general meeting concerned; (ii) a recommendation from the independent non-executive Directors (excluding any independent non-executive Director who is the Grantee of the Options) to the independent Shareholders as to voting; and (iii) the information required under the relevant provisions of Chapter 17 of the Listing Rules.

(8) Subscription price

The subscription price in respect of any particular Option shall be such price as the Board may at its absolute discretion determine at the time of the grant of the relevant Option (and shall be stated in the letter containing the offer of the grant of the Option (the "Subscription Price")), but in any case the Subscription Price must be at least the highest of (i) the closing price of the Shares as stated in the Stock Exchange's daily quotations sheet on the Date of Grant, which must be a business day; (ii) the average closing price of the Shares as stated in the Stock Exchange's daily quotations sheets for

the 5 business days immediately preceding the Date of Grant; and (iii) the nominal value of a Share. For the purpose of calculating the Subscription Price where our Company has been listed for less than 5 business days, the Offer Price shall be used as the closing price of any business day falling within the period before Listing.

(9) Rights are personal to Grantee

An Option shall be personal to the Grantee and shall not be transferable or assignable and no Grantee shall in any way sell, transfer, charge, mortgage, encumber or create any interest (legal or beneficial) in favor or any third party over or in relation to any Option or attempt to do so.

(10) Exercise of Options

Subject to any condition or restriction in connection with the exercise of the Option which may be imposed by the Board when granting the Option and other provisions of the Scheme, the Option may be exercised by the Grantee (or his or her legal personal representative) at any time during the Option Period, provided that paragraph (11) or (12) below has been satisfied.

(11) Rights on ceasing employment or appointment

In the event the Grantee ceases to be an Eligible Person by reason of resignation, retirement or expiration or termination of employment contract for any reason other than on the Grantee's death, or for any one or more reasons as set out in paragraph (19) below, the Option (to the extent not already exercised) granted to such Grantee shall lapse on the date of cessation and will not be exercisable, unless the Board, in its sole and absolute discretion, determines to extend the exercise period in which event the Grantee may exercise the Option in accordance with the terms of the Scheme within such period of extension. For the avoidance of doubt, such extended period, if any, shall in any event end at the earlier of the expiry of 1 month after the Grantee has ceased to be an Eligible Person and the expiry of the Option Period.

(12) Rights on death

In the event that the Grantee ceases to be an Eligible Person by reason of death and none of the events which would be grounds for termination of his or her employment or appointment under paragraph (19)(vii) or (19)(viii) arises (as the case may be), the legal personal representative(s) of the Grantee shall be entitled within a period of 12 months from the date of death (or such longer period as the Board may determine) to exercise the Option in full (to the extent not already exercised) up to the entitlement of such Grantee as of the date of death.

(13) Rights on takeover or share repurchase

In the event of a general or partial offer by way of takeover or share repurchase, other than by way of scheme of arrangement as set out in paragraph (14) below, being made to all holders of Shares or all such holders other than the offeror and/or any person controlled by the offeror and/or any person acting in association or in concert with the offeror (within the meaning Hong Kong Takeovers Code),

and if such offer becomes or is declared unconditional on the expiry date of the relevant Option, the Grantee (or his or her legal personal representatives) may exercise the Option (to the extent not already exercised) at any time within 1 month after the offer becomes or is declared unconditional.

(14) Rights on scheme of arrangement

In the event of a scheme of arrangement by way of agreement being made to all Shareholders and having been approved by the necessary number of Shareholders at general meeting, the Grantee (or his or her legal personal representatives) may thereafter, but before such time as shall be notified by us, by giving a notice in writing to our Company, to exercise the Option (to the extent not already exercised) as specified in such notice.

(15) Rights on a compromise or amalgamation

In the event of a compromise or amalgamation, other than a scheme of arrangement contemplated under the Scheme, between our Company and its members or creditors being proposed in connection with any scheme for the reconstruction or amalgamation of our Company, our Company shall give notice thereof to all Grantees on the same day as it gives notice of the meeting to its members or creditors to consider such a scheme or arrangement and the Grantee (or his or her legal personal representatives) may, by giving a notice in writing to our Company, accompanied by the remittance for the Subscription Price in respect of the relevant Option (such notice must be received by our Company not later than 2 business days prior to the proposed meeting), exercise the Option (to the extent not already exercised) either to its full extent or to the extent specified in the relevant notice. Thereafter, our Company shall, as soon as possible and in any event no later than the business day immediately prior to the date of the proposed meeting, allot and issue such number of Shares to the Grantee, which falls to be issued on such exercise, credited as fully paid, and register the Grantee as holder thereof.

(16) Rights on winding-up

In the event that a notice is given by our Company to our Shareholders to convene a Shareholders' meeting to consider and, if thought fit, approve a resolution to voluntarily wind-up our Company, our Company shall forthwith give notice thereof to all Grantees and any Grantee (or his or her legal personal representatives) may, by giving an notice in writing to our Company, accompanied by the remittance for the Subscription Price in respect of the relevant Option (such notice must be received by our Company not later than 2 business days prior to the proposed meeting), exercise the Option (to the extent not already exercised) either to its full extent or to the extent notified by us, and we shall as soon as possible and in any event no later than the business day immediately prior to the date of the proposed Shareholders' meeting, allot, issue and register in the name of the Grantee such number of Shares to the Grantee which falls to be issued on such exercise.

(17) Ranking of Shares

The Shares to be allotted and issued upon exercise of an Option will be subject to the Articles of Association in force at that time including with respect to voting and transfer rights and rights arising on a liquidation of our Company and will rank *pari passu* in all respects with the fully paid

Shares in issue as of the date of allotment and thereafter the holders thereof will be entitled to participate in all dividends or other distributions paid or made on or after the date of allotment other than any dividends or other distributions previously declared or recommended or resolved to be paid or made if the record date therefor shall be before the date of allotment.

(18) Performance target

The Grantee will not be required to achieve, meet or exceed any performance targets before that particular Grantee can exercise the Option(s) granted, except those otherwise imposed by the Board pursuant to paragraph (5) above and/or stated in the offer of grant of the Option.

(19) Lapse of Options

An Option shall lapse automatically (to the extent not already exercised) on the earliest of:-

- (i) the expiry of the Option Period;
- (ii) the expiry of any of the periods referred to in paragraphs (11), (12) and (15) above;
- (iii) subject to a court of competent jurisdiction not making an order prohibiting the offeror from acquiring the remaining Shares in the offer;
- (iv) subject to the scheme of arrangement becoming effective and the expiry of the period referred to in paragraph (14) above;
- (v) the date of commencement of the winding-up of our Company;
- (vi) the date when the proposed compromise or amalgamation becomes effective;
- (vii) the date on which a Grantee ceases to be an Eligible Person by reason of the termination of employment or engagement for any reason other than on the Grantee's death or for any one or more reasons as set out in sub-paragraph (viii) below. Intra-group transfer shall not be considered as termination of employment;
- (viii) the date on which the Grantee ceases to be an Eligible Person by reason of the termination of his employment or engagement on the grounds that he has been guilty of misconduct or in breach of the terms of employment or contracts, or appears either to be unable to pay or to have no reasonable prospect of being able to pay debts or has committed an act of bankruptcy or has made any arrangement or composition with his creditors generally, or has been convicted of any criminal offence involving his integrity or honesty or any other reasons determined by the Board on any other ground on which an employer would be entitled to terminate his employment pursuant to common law or any applicable laws, or under the Grantee's service contract with the Company or its relevant subsidiary. A

resolution of the Board or the board of directors of the relevant subsidiary of the Company to the effect that the employment or other relevant contract of the Grantee has or has not been terminated on one or more of the grounds specified in this clause shall be conclusive and binding on the Grantee;

- (ix) the date on which the Grantee has committed a breach of paragraph (9) above; or
- (x) the date on which the Board terminates the Option in accordance with the terms of the Scheme.

(20) *Maximum number of Shares available for subscription*

The maximum aggregate number of Shares which may be issued upon exercise of all outstanding Options granted and yet to be exercised under the Scheme and any other schemes of our Company must not exceed in aggregate 30% of the Shares of our Company in issue from time to time (the “Overall Scheme Limit”). No Option may be granted under any schemes of our Company (or its subsidiaries) if such grant will result in the Overall Scheme Limit being exceeded. The total number of Shares which may be issued upon exercise of all Options to be granted under the Scheme and any other schemes must not in aggregate exceed 3% of the Shares of our Company (or its subsidiaries) as of the Listing Date, being 72,027,000 Shares (the “Scheme Mandate Limit”) for this purpose. Any Option lapsed in accordance with the terms of the Scheme shall not be counted for the purpose of calculating the Scheme Mandate Limit.

Subject to the Overall Scheme Limit, our Company may seek approval from its Shareholders in general meeting for “refreshing” the “Scheme Mandate Limit”. However, the total number of Shares which may be issued upon exercise of all Options to be granted under all of the schemes of our Company under the limit as “refreshed” must not exceed 3% of the Shares in issue as of the date of approval by the Shareholders of the renewed limit (the “Refreshed Scheme Mandate Limit”); Options previously granted under any existing schemes (including those outstanding, cancelled or lapsed in accordance with the Scheme or exercised Options) shall not be counted for the purpose of calculating the Refreshed Scheme Mandate Limit. Our Company must send a circular to its Shareholders containing the information required under the relevant provisions of Chapter 17 of the Listing Rules.

Unless approved by Shareholders in general meeting at which the relevant Eligible Person and his or her associates abstain from voting in the manner prescribed by the relevant provisions of Chapter 17 of the Listing Rules, the total number of Shares issued and to be issued upon exercise of the Options granted to such Eligible Person (including exercised, cancelled and outstanding Options) in any 12-month period must not exceed 1% of the Shares in issue (the “Individual Limit”) at such time. With respect to any further grant of Options to an Eligible Person exceeding in aggregate the Individual Limit, our Company must send a circular to its Shareholders and the circular must disclose the identity of the Eligible Person, the number and terms of the Options to be granted (and Options previously granted to such Eligible Person), and the information required under the relevant provisions of Chapter 17 of the Listing Rules. The number and terms (including the Subscription Price) of Options to be granted to such Eligible Person must be fixed before the general meeting at which the same are approved, and the date of the Board meeting for proposing such further grant should be taken as the Date of Grant for the purpose of calculating the Subscription Price.

(21) Cancellation of Options

Any cancellation of Options granted but not exercised must be approved by the Board. New Option may be issued to a Grantee in place of his or her cancelled Options only if there are available unissued Options (excluding the cancelled Options) within the Scheme Mandate Limit or the Refreshed Scheme Mandate Limit or such enlarged limit that may be approved by the Shareholders in accordance with paragraph (20) above.

(22) Reorganization of capital structure

In the event of any alteration in the capital structure of our Company whilst any Option remains exercisable, whether by way of capitalization issue, rights issue, subdivision, consolidation, or reduction of the share capital of our Company or otherwise howsoever in accordance with the legal requirements and requirements of the Stock Exchange excluding any alteration in the capital structure of our Company as a result of an issue of Shares as consideration in respect of a transaction to which our Company is a party, such corresponding alterations (if any) shall be made to:

- (i) the number or nominal amount of Shares subject to the Option granted and unexercised; and/or
- (ii) the Subscription Price,

as an independent financial adviser or the auditors for the time being of our Company shall at the request of the Board certify in writing to the Directors, either generally or as regards any particular Grantee, to be in their opinions fair and reasonable and that any such alterations shall satisfy the requirements set out in the note to Rule 17.03(13) of the Listing Rules and shall give a Grantee the same proportion of the issued share capital of our Company as that to which the Grantee was previously entitled (as interpreted in accordance with the Supplementary Guidance attached to the letter from the Stock Exchange dated September 5, 2005 to all issuers relating to share option schemes and/or any future guidance or interpretation of the Listing Rules issued by the Stock Exchange from time to time), provided that no such alterations shall be made the effect of which would be to enable a Share to be issued at less than its nominal value. The capacity of the independent financial adviser or the auditors for the time being of our Company in this paragraph is that of experts and not of arbitrators and their certification shall, in the absence of manifest error, be final and binding on our Company and the Grantees. The costs of the independent financial adviser or the auditors for the time being of our Company shall be borne by our Company.

(23) Alteration of the Scheme

Except with the prior sanction of our Company in general meeting (with the Eligible Persons and their associates abstaining from voting), the Board may not amend:

- (i) any of the provisions of the Scheme relating to matters contained in Rule 17.03 of the Listing Rules to the advantage of the Eligible Persons or Grantees;

- (ii) any terms and conditions of the Scheme which are of a material nature or affect the power of the Board except where such alterations take effect automatically under the existing terms of the Scheme;
- (iii) any provisions on the authority of the Board or the administrators of the Scheme in relation to any alteration to the terms of the Scheme.

(24) Termination of the Scheme

Our Company, by resolution in general meeting, or the Board may at any time terminate the operation of the Scheme and in such event no further Options will be offered but in all other respects the provisions of the Scheme shall remain in full force and effect. Options complying with the provisions of Chapter 17 of the Listing Rules which are granted during the Scheme Period and which remain unexercised immediately prior to the termination of the operation of the Scheme shall, subject to the terms of the Scheme, continue to be valid and exercisable thereafter.

As of the Latest Practicable Date, no Option has been granted or agreed to be granted under the Scheme. An application has been made to the Listing Committee for the granting of the listing of, and permission to deal in, the 72,027,000 Shares which may fall to be issued pursuant to the exercise of the Options granted under the Scheme.

2. Tax and other indemnity and estate duty

(a) Tax indemnity and other indemnity

Each of the Controlling Shareholders, pursuant to the deed of indemnity dated December 9, 2011 referred to in the paragraph headed “1. Summary of the Material Contracts” under the section headed “B. Further information about our business” in this Appendix, has given indemnity in favour of the Group from and against, among other things, any tax liabilities which might be payable by any member of our Group in respect of any income, profits or gains earned, accrued or received or deemed to have been earned, accrued or received before the Listing Date, save:

- (i) to the extent that any provision or allowance or reserve has been made for such taxation in the audited accounts of our Group for the three years ended December 31, 2010 and the six months ended 30 June, 2011, as set out in Appendix I to this prospectus;
- (ii) to the extent that such taxation arises or is incurred as a result of any retrospective change in law or the interpretation or practice by the relevant tax authority or retrospective increase in tax rates coming into force on or after the Listing Date;
- (iii) for any liability which would not have arisen but for any act, transaction, omission of or transactions voluntarily effected by any member of our Group (other than pursuant to a legally binding commitment created before the Listing Date) on or after the Listing Date and otherwise than carried out in the ordinary course of business after the Listing Date;

- (iv) for which our Group is primarily liable as a result of transactions entered into in the ordinary course of business after June 30, 2011 up to and including the Relevant Date (as defined in the deed of indemnity) or consisting of the Group ceasing, or being deemed to cease, to be a Group member for the purposes of any matter of the taxation; and
- (v) to the extent of any provision or reserve made for taxation in the Accountants' Report set out in Appendix I to this prospectus which is finally established to be an over-provision or an excessive reserve.

(b) Estate duty

The Directors have been advised that no material liability for estate duty is likely to fall on any member of our Group in the Cayman Islands, Hong Kong, the British Virgin Islands and the PRC, being jurisdictions in which the companies comprising our Group are incorporated.

3. Litigation

As of the Latest Practicable Date, save as disclosed in the Prospectus, neither our Company or any of its subsidiaries is engaged in any litigation or arbitration of material importance and no litigation, arbitration or claim of material importance is known by the Directors to be pending or threatened by or against any member of our Group.

4. Application for listing of Shares

The Joint Sponsors have made an application for and on behalf of our Company to the Listing Committee for the listing of, and permission to deal in, all our Shares in issue, our Shares to be issued as mentioned in this prospectus and any Shares which may fall to be issued pursuant to the exercise of any Options granted under the Share Option Scheme.

5. Preliminary expenses

The preliminary expenses of our Company are estimated to be approximately HK\$20,000 and are payable by our Company.

6. Promoter

Our Company has no promoter for the purposes of the Listing Rules.

7. Qualifications of experts

The followings are the qualifications of the experts who have given opinion or advice which are contained in this prospectus:

Name	Qualifications
Deutsche Bank AG, Hong Kong Branch	a licensed corporation licensed to conduct type 1 (dealing in securities), type 4 (advising on securities), type 6 (advising on corporate finance), type 9 (asset management) of the regulated activities under the SFO and a licensed bank under the Banking Ordinance (Chapter 155 of the Laws of Hong Kong)
BOCI Asia Limited	a licensed corporation licensed to conduct type 1 (dealing in securities), and type 6 (advising on corporate finance) of the regulated activities under the SFO
BOCOM International (Asia) Limited	a licensed corporation licensed to conduct type 1 (dealing in securities), and type 6 (advising on corporate finance) of the regulated activities under the SFO
CCB International Capital Limited	a licensed corporation licensed to conduct type 1 (dealing in securities), and type 6 (advising on corporate finance) of the regulated activities under the SFO
Deloitte Touche Tohmatsu	Certified Public Accountants
Commerce & Finance Law Offices	PRC legal adviser
Conyers Dill & Pearman	Cayman Islands attorneys-at-law
BMI Appraisals Limited	Property valuer

8. Consents of experts

Each of the experts whose names are set out in paragraph 7 above has given and has not withdrawn its written consent to the issue of this prospectus with the inclusion of its report and/or letter and/or valuation certificate and/or the references to its name included herein in the form and context in which they are respectively included.

9. 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.

10. Miscellaneous

- (a) Save as disclosed in this prospectus, within the two years preceding the date of this prospectus:
- (i) no share or loan capital of our Company or any of its subsidiaries has been issued or agreed to be issued fully or partly paid either for cash or for a consideration other than cash;
 - (ii) no share or loan capital of our Company or any of its subsidiaries is under option or is agreed conditionally or unconditionally to be put under option;
 - (iii) no founders or management or deferred shares of our Company or any of its subsidiaries have been issued or agreed to be issued;
 - (iv) no commissions, discounts, brokerages or other special terms have been granted in connection with the issue or sale of any capital of our Company or any of its subsidiaries; and
 - (v) no commission has been paid or payable, except for the commission payable to the Underwriters, for subscription of, agreeing to subscribe or procuring subscription of any shares in our Company or any of its subsidiaries.
- (b) The Directors confirm that:
- (i) there has been no material adverse change in the financial or trading position or prospects of our Group since June 30, 2011 (being the date to which the latest audited financial statements of our Group were prepared); and
 - (ii) there has not been any interruption in the business of our Group which may have or have had a material adverse effect on the financial position of our Group in the 12 months preceding the date of this prospectus.
- (c) The register of members of our Company will be maintained in the Cayman Islands by Codan Trust Company (Cayman) Limited and a register of members of our Company will be maintained in Hong Kong by Computershare Hong Kong Investor Services Limited. Unless the Directors otherwise agree, all transfers and other documents of title of Shares must be lodged for registration with and registered by our Company's Share Registrar in Hong Kong and may not be lodged in the Cayman Islands.
- (d) No company within our Group is presently listed on any stock exchange or traded on any trading system.
- (e) All necessary arrangements have been made to enable our Shares to be admitted into CCASS for clearing and settlement.

11. Bilingual prospectus

The English language and Chinese language versions of this prospectus are being published separately, in reliance upon the exemption provided under section 4 of the Companies Ordinance (Exemption of Companies and Prospectuses for Compliance with Provisions) Notice (Chapter 32L of the Laws of Hong Kong).

APPENDIX VII DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES IN HONG KONG AND AVAILABLE FOR INSPECTION

A. DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES

The documents attached to the copy of this prospectus delivered to the Registrar of Companies in Hong Kong for registration were (i) copies of the WHITE, YELLOW and GREEN application forms, (ii) the written consents referred to under the paragraph headed “8. Consents of experts” under the section headed “D. Other information” in Appendix VI to this prospectus and (iii) copies of the material contracts referred to the section headed “1. Summary of the Material Contracts” in Appendix VI to this prospectus.

B. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection at the office of Li & Partners at 22nd Floor, World-Wide House, 19 Des Voeux Road Central, Hong Kong during normal business hours up to and including the date which is 14 days from the date of this prospectus:

- (a) the Memorandum and the Articles;
- (b) the Accountants’ Report prepared by Deloitte Touche Tohmatsu, the text of which is set out in Appendix I to this prospectus;
- (c) the audited financial statements of the subsidiaries of our Group for each of the three financial years ended December 31, 2008, 2009 and 2010 and the six months ended June 30, 2011;
- (d) the letters from Deloitte Touche Tohmatsu relating to the unaudited pro forma financial information of our Group, the text of which is set out in Appendix II to this prospectus;
- (e) the letters from Deloitte Touche Tohmatsu and the Joint Sponsors relating to the profit forecast of our Group, the texts of which are set out in Appendix III to this prospectus;
- (f) the letter, summary of valuation and valuation certificate relating to the property interests of the Group prepared by BMI Appraisals Limited, the texts of which are set out in Appendix IV to this prospectus;
- (g) the letter of advice prepared by Conyers Dill & Pearman referred to in the section headed “Summary of the constitution of our Company and Cayman Islands company law” in Appendix V to this prospectus;
- (h) the PRC legal opinion prepared by Commerce & Finance Law Offices, our PRC legal adviser in respect of our Group’s overall business operation in the PRC and properties located in the PRC;
- (i) the Cayman Companies Law;

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IN HONG KONG AND AVAILABLE FOR INSPECTION**

- (j) the material contracts referred to in the paragraph headed “1. Summary of the material contracts” under the section headed “B. Further information about our business” in Appendix VI to this prospectus;
- (k) the service contracts and appointment letters referred to in the paragraph headed “4. Particulars of service contracts” under the section headed “C. Disclosure of interests” in Appendix VI to this prospectus;
- (l) the written expert consents referred to in the paragraph headed “8. Consents of experts” under the section headed “D. Other information” in Appendix VI to this prospectus; and
- (m) the rules of the Share Option Scheme.



CHINA TIANRUI GROUP CEMENT COMPANY LIMITED

中國天瑞集團水泥有限公司

